I. Introduction

The emergence of a number of major corporate accounting scandals has drawn public attention to the need for corporate transparency and rigorous and effective director oversight, buttressed by independence in the audit process. The purpose in the public corporate sphere is to protect investors by improving the accuracy of corporate reporting and accounting procedures. While recent legislative enactments do not apply to non-public companies or to non-profit organizations like the University of Denver, they emphasize the need for enhanced standards for corporate accountability, many of which are relevant to institutions of higher education for the following reasons.

i. Constituents of colleges and universities, including trustees, may expect institutions to follow similar procedures as best practices;

ii. Colleges and universities that receive federal funding must adhere to new General Accounting Office (GAO) standards related to auditor independence;

iii. Future non-profit legislation may adopt similar standards of fiduciary conduct; and

iv. Bond rating agencies and directors and officers’ liability insurers may consider such matters in their underwriting and/or pricing efforts.

II. Policy

The University of Denver will adopt emerging best practices in Corporate Governance and Responsibility in the following areas: Auditor Independence; Trustees, Senior Management, and Other Employees; the Audit Committee; and Document Retention and Periodic Destruction. As best practices evolve, this policy will be reviewed and changed or expanded, as the University deems necessary.

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1 The University of Denver’s Corporate Governance and Responsibility Policy was adapted from the National Association of College and University Business Officers’ Advisory Report 2003-04.
A. Auditor Independence

1. The University’s independent auditors shall be prohibited from performing non-auditing services (e.g., bookkeeping; financial system design and implementation; appraisal or valuation services; actuarial services; internal audit outsourcing services; management or human resources; broker dealer, investment advisor, or investment banking services; legal services) unless extenuating circumstances exist and the Audit Committee approves the services in advance.

2. The Audit Committee shall pre-approve all audit and non-audit services performed by the independent auditor. Management is permitted to consult with the independent auditors during the course of the fiscal year on matters relating to accounting and reporting for actual or proposed transactions that may have an effect on interim or year-end financial statements and for tax advice, provided that such services are pre-approved by the chairperson of the Audit Committee and are subsequently ratified by the Audit Committee at its next regularly scheduled meeting.

3. The independent auditor will be engaged by and report to the Audit Committee. Accordingly, the independent auditor’s annual engagement letter will be addressed to and signed by the chairperson of the Audit Committee.

4. The Audit Committee will meet with the independent auditor prior to the audit to discuss the annual audit plan, including the scope of audit activities and staffing of the audit.

5. The Audit Committee will require the periodic rotation of the partner in charge of the independent audit within the auditing firm; and will review, from time to time, the appropriateness of soliciting bids from other auditing firms to serve as independent auditor. Management shall also report to the Audit Committee annually on its evaluation of the independent auditor’s performance, general reputation and other factors deemed relevant to the independent auditor’s reengagement by the Audit Committee.

B. Trustees, Senior Management, and Other Employees

1. The University shall require of its trustees, senior management and all other employees to adhere to a Code of Business Conduct that includes policy guidelines for ethical conduct; compliance with laws, regulations, grant and contractual obligations; the avoidance of real or perceived conflicts of interest and other policies relating to the principles which govern the University’s business dealings. The Audit Committee shall be responsible for reviewing the enforcement of the University’s policies.

2. The University shall provide and publicize a confidential complaint mechanism for employees, students, vendors and others to report concerns about accounting, internal control and auditing matters. The mechanism may include anonymous e-mail or
voicemail communications with the Office of Internal Audit. The director of the Office of Internal Audit shall review all reported complaints with the director of Risk Management to determine whether any matter must be communicated with one or more of the University’s insurance carriers. The Audit Committee shall be responsible for reviewing the nature and disposition of reported matters.

3. The Chancellor, Vice Chancellor for Financial Affairs and Controller shall certify the accuracy and completeness of the University’s annual financial statements. Additionally, the University shall require sub-certification from the “Budget Managers” (as defined in University Policy section 2.10.020) of decentralized units whose activities materially affect the University’s financial reporting and disclosures, its system of internal controls, or the accuracy of non-financial information reported to outside entities, including but not limited to accrediting agencies, media organizations, NCAA accreditation and compliance activities, etc. The sub-certifications shall provide assurance on the underlying financial transactions, non-financial activities and adherence to internal controls within the Budget Manager’s responsibility. Budget managers of academic units may not delegate such sub-certification or require that individuals they supervise provide further sub-certification. It is the responsibility of the dean and the budget manager of an academic unit to provide adequate supervision of the entire unit’s financial matters to allow for a confident representation in the sub-certification document.

4. Management shall assess internal controls in terms of safeguarding of assets, reliability of reporting, operational effectiveness and efficiency, and compliance with laws and regulations. The Audit Committee shall review management’s assessment in conjunction with periodic reports on internal controls and risk assessment by the Office of Internal Audit and periodic inquiries of management on the adequacy of internal controls. In connection with its assessment, management shall provide the Audit Committee with an organization chart of the University that reflects the identity and reporting lines of all relevant “auditable entities” of the University.

C. Audit Committee

The Audit Committee is responsible for appointing, compensating and overseeing the independent auditor, as well as pre-approving all services. The Audit Committee shall ensure that management has budgeted appropriate funding for the independent auditor’s services and other consultants’ services, as necessary.

1. The Audit Committee shall provide functional direction to and oversight of the University’s internal auditor and internal audit staff. The internal auditor shall have direct access to the Audit Committee should matters of immediate significance arise that require its attention. The Chancellor shall provide administrative oversight of the internal auditor and internal audit staff for matters including appointment, performance management, human resource administration, communications with the internal auditor and coordination of the internal audit department’s policies and procedures with those of the University.
2. Collectively, members of the Committee will possess a reasonable degree of financial literacy, managerial experience at the senior executive level and/or technical expertise. Members will be free from relationships and conflicts that, in the opinion of the Board, would interfere with the exercise of the member’s independent judgment.

3. The Audit Committee shall develop and submit to the Board for approval an Audit Committee Charter providing in greater detail for the powers, duties and responsibilities of the committee and shall periodically review and report to the Board whether changes should be considered in the Charter’s provisions.

D. Document Retention and Periodic Destruction

The University shall develop and maintain a document retention and periodic destruction policy that ensures that necessary documents and files (including electronic files and voicemail) are archived and that outdated documents and files (including electronic files and voicemail) are periodically disposed of. The policy shall cover back-up procedures, archiving of documents, and periodic tests of reliability of the system(s). The policy shall also address procedures to ensure that documents related to an official investigation (as determined by University Counsel) are not accidentally or otherwise destroyed.

III. Effective Date

This policy, as amended, shall become effective on January 17, 2014.