

Committee Minutes

FINANCE AND AUDIT COMMITTEE

340 Lavery Hall

June 5, 2017

Audit Closed Session

Board Members Present: Mr. Jim Chapman, Mr. Charles T. Hill, Mr. Wayne Robinson, Mr. Dennis Treacy, Mr. Horacio Valeiras

VPI & SU Staff: Mr. Brian Daniels, Ms. Carolyn Fulk, Ms. Kay Heidbreder, Ms. Sharon Kurek, Dr. Timothy Sands, Ms. Savita Sharma, Mr. M. Dwight Shelton Jr.

1. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
2. **Update on the IT: Network Security Audit:** The Committee received a report on the IT: Network Security audit at the April 3, 2017 meeting and requested an update on the implementation status to address the recommendations in the report. In response to the Committee's request, this report provided an update on the status of management action plan implementation for the IT: Network Security audit. The report was presented in closed session due to discussion of specific information technology security vulnerabilities.
3. **Discussion with the Director of Internal Audit:** The Committee met in closed session with the Director of Internal Audit to discuss audits of specific departments and units where individual employees were identified.

Audit Open Session

Board Members Present: Mr. Charles T. Hill, Mr. Alex Parrish – staff representative, Mr. Wayne Robinson, Mr. Dennis Treacy, Mr. Horacio Valeiras

VPI & SU Staff: Mr. Bill Abplanalp, Mr. Bob Broyden, Mr. John Cusimano, Mr. Brian Daniels, Dr. John Dooley, Mr. Tim Hodge, Ms. Elizabeth Hooper, Ms. Sharon Kurek, Ms. Nancy

Meacham, Dr. Scott Midkiff, Mr. Ken Miller, Mr. Ryan Orren, Mr. Mark Owczarski, Dr. Scot Ransbottom, Mr. Aaron Reece, Ms. Lisa Royal, Mr. Charlie Ruble, Ms. Savita Sharma, Dr. Kecia Williams Smith, Mr. M. Dwight Shelton Jr., Mr. Brad Sumpter, Mr. Steve Vantine, Ms. Tracy Vosburgh, Mr. Robert Sebek

Guest: Mr. Michael Reinholtz, Auditor of Public Accounts

1. Opening Remarks

2. Consent Agenda: The Committee considered for approval and acceptance the items listed on the Consent Agenda.

- a. Approval of Minutes of the April 3, 2017 Meeting
- b. Acceptance of University's Update of Responses to all Previously Issued Internal Audit Reports: As of December 31, 2016 the university had seven open audit recommendations. Sixteen audit comments have been issued during the third quarter of this fiscal year. As of March 31, 2017, the university addressed five comments, leaving 18 open recommendations in progress. Through May 5, 2017 Internal Audit has closed an additional five of the 18 outstanding recommendations for an adjusted total of 13 open recommendations.
- c. Acceptance of University Internal Audit's Status Report as of March 31, 2017: University Internal Audit has completed 53 percent of its audit plan in accordance with the fiscal year 2016-17 annual audit plan.
- d. Acceptance of the following Reports Issued by University Internal Audit:
 - i. Vice President for Finance: The compliance review received a rating of effective.

The Committee approved and accepted the items on the Consent Agenda.

3. Annual External Audit Scope Discussion with the Auditor of Public Accounts (APA): The Committee met with the Auditor of Public Accounts (APA) for a discussion of the scope of the audit of the 2017 financial statements and the APA's plans for conducting and completing the audit. APA confirmed that the audit schedule is developed such that the final report will be presented to the Board at the November Board meeting.

4. **Review and Discussion of the Fiscal Year 2017-18 Proposed Internal Audit Plan:** The Committee reviewed the proposed audits for the development of the fiscal year 2017-18 annual audit plan. University Internal Audit conducted the annual risk assessment after reviewing financial and operational data and seeking input from senior management. In addition, a university-wide information technology risk assessment and audit plan were created in accordance with industry standards. For fiscal year 2017-18, more than 30 audit projects are proposed, with 75 percent of available resources committed to the completion of planned projects. Audits not completed in the fiscal year scheduled will be carried forward to the next fiscal year.

5. **Review and Acceptance of the following Reports Issued by University Internal Audit:** The Committee also received two internal audit reports and one compliance review outside of the Consent Agenda.
 - a. **Emergency Preparedness:** The audit received a rating of improvements are recommended. An observation with university-wide impact was noted with respect to emergency preparedness for research. Low-priority recommendations of a less significant nature were noted where opportunities for improvement were identified with regard to emergency planning, emergency preparedness training, and secure configuration and maintenance of servers supporting the emergency notification systems.
 - b. **Geosciences:** The audit received a rating of improvements are recommended. Audit recommendations were issued where opportunities for further improvement were noted in the areas of oversight of lab safety training, monthly grant transaction review, and service center billing.
 - c. **Vice President for Outreach and International Affairs:** The compliance review received a rating of significant improvements are needed. Recommendations were issued to management where opportunities for further improvement were noted in the areas of fiscal responsibility, wage payroll, overtime compensation, leave reporting, expenditures, funds handling, emergency preparedness, and state vehicle management.

The Committee accepted all three reports.

Finance Closed Session

Board Members Present: Mr. Jim Chapman, Mr. Charles T. Hill, Mr. Wayne Robinson, Mr. Dennis Treacy, Mr. Horacio Valeiras

VPI & SU Staff: Mr. Brian Daniels, Ms. Carolyn Fulk, Ms. Kay Heidbreder, Ms. Sharon Kurek, Dr. Timothy Sands, Ms. Savita Sharma, Mr. M. Dwight Shelton Jr.

1. **Motion for Closed Session:** Motion to begin closed session.
- * 2. **Ratification of Personnel Changes Report:** The Committee met in closed session to review and take action on the quarterly personnel changes report.

The Committee recommended the personnel changes report to the full Board for approval.

- * 3. **2016-17 Promotion, Tenure, and Continued Appointment Program:** The Committee met in closed session to review and take action on the 2017-18 Promotion, Tenure, and Continued Appointment Program.

The Committee recommended the 2017-18 Promotion, Tenure, and Continued Appointment Program to the Full Board for approval.

Joint Open Session with Student Affairs and Athletics

Board Members Present: Mr. Jim Chapman, Mr. Gabe Cohen – undergraduate student representative, Mr. Charles T. Hill, Mr. Mehmood Kazmi, Mr. Chris Petersen, Mr. Wayne Robinson, Mr. Mehul Sanghani, Mr. Dennis Treacy, Mr. Horacio Valeiras

VPI & SU Staff: Mr. Bill Abplanalp, Mr. Whit Babcock, Mr. Omar Banks, Mr. Bob Broyden, Ms. D'Elia Chandler, Mr. John Cusimano, Mr. Brian Daniels, Dr. John Dooley, Dr. Lee Hawthorne, Mr. Tim Hodge, Ms. Elizabeth Hooper, Ms. Sharon Kurek, Dr. Theresa Mayer, Ms. Nancy Meacham, Dr. Steven McKnight, Dr. Scott Midkiff, Mr. Ken Miller, Mr. Seyi Olusina, Mr. Ryan Orren, Mr. Mark Owczarski, Dr. Patty Perillo, Dr. Scot Ransbottom, Mr. Aaron Reece, Ms. Lisa Royal, Mr. Charlie Ruble, Dr. Tim Sands, Ms. Savita Sharma, Mr. M. Dwight Shelton Jr., Dr. Frank Shushok, Jr., Mr. Brad Sumpter, Mr. Jon Clark Teglas, Mr. Steve Vantine, Ms. Tracy Vosburgh

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Opening Remarks**

3. **Update on Athletics:** The Committees received an update on Athletics. In response to a request from the Finance and Audit Committee at the April 2017 meeting, the Athletic Director provided a presentation on planned changes in Athletics.

Finance Open Session

Board Members Present: Mr. Jim Chapman, Mr. Charles T. Hill, Mr. Alex Parrish – staff representative, Mr. Wayne Robinson, Mr. Dennis Treacy, Mr. Horacio Valeiras

VPI & SU Staff: Mr. Bill Abplanalp, Mr. Bob Broyden, Mr. John Cusimano, Mr. Brian Daniels, Dr. John Dooley, Mr. Tim Hodge, Ms. Elizabeth Hooper, Ms. Sharon Kurek, Dr. Theresa Mayer, Dr. Steven McNight, Ms. Nancy Meacham, Dr. Scott Midkiff, Mr. Ken Miller, Mr. Ryan Orren, Mr. Mark Owczarski, Dr. Scot Ransbottom, Mr. Aaron Reece, Ms. Lisa Royal, Mr. Charlie Ruble, Dr. Tim Sands, Ms. Savita Sharma, Dr. Kecia Williams Smith, Mr. M. Dwight Shelton Jr., Mr. Brad Sumpter, Mr. Steve Vantine, Ms. Tracy Vosburgh, Mr. Robert Sebek

Guest: Mr. Michael Reinholtz, Auditor of Public Accounts

1. **Opening Remarks.**
2. **Consent Agenda:** The Committee considered for approval the items listed on the Consent Agenda.
 - a. Approval of Items Discussed in Closed Session
 - b. Approval of Minutes of the April 3, 2017 Meeting
 - * c. Approval of 2017-18 Pratt Fund Budgets: The Pratt Fund provides funding for programs in both the College of Engineering and Department of Animal Nutrition in the College of Agriculture and Life Sciences. For 2017-18, the College of Engineering proposes expenditures of \$978,692 and the Animal Nutrition proposes expenditures of \$949,802.
 - * d. Approval of 2017-18 Hotel Roanoke Conference Center Commission Budget: The Hotel Roanoke Conference Center Commission was established by resolutions adopted by Virginia Tech and the City of Roanoke, under Commonwealth of Virginia enabling legislation. The enabling legislation provided that the Commission shall annually prepare and submit to both the City of Roanoke and Virginia Tech a proposed operating budget showing its estimated revenues and expenses for the forthcoming fiscal year, and, if the estimated expenses exceed

the estimated revenues, the portion of the unfunded balance is to be borne by each participating party for the operation of the conference center. The funds for Virginia Tech total \$80,000 for the fiscal year 2017-18 and will come from the Fralin endowment which was established to assist with the project.

- * e. Approval of 2017-18 Virginia Tech-Wake Forest University School of Biomedical Engineering and Sciences Budget: The collaboration agreement, which outlines the relationship and responsibilities of Virginia Tech and Wake Forest University School of Biomedical Sciences, requires the governing boards of each university to approve the annual operating budget for the School of Biomedical Engineering and Sciences. The Virginia Tech financial commitment for fiscal year 2017-18 is \$ 5.2 million.
- * f. Approval of Resolution on Amendment to Staff Senate Constitution: The Virginia Tech Staff Senate Constitution was amended to clarify the circumstances of when a senator can be removed and to add a definition of an acceptable absence.

The Committee approved the items listed on the Consent Agenda and recommended the 2017-18 Pratt Fund Budgets, 2017-18 Hotel Roanoke Conference Center Commission Budget, the 2017-18 Virginia Tech-Wake Forest University School of Biomedical Engineering and Sciences Budget, and the resolution on the Amendment to the Staff Senate Constitution to the full Board for approval.

- * 3. **Review and Approval of the 2018-2024 Six-Year Plan:** The Committee reviewed for approval the 2018-2024 Six-Year Plan. The Board received a presentation on the Six-Year Plan during the Sunday Information session.

The Higher Education Opportunity Act of 2011 established goals and objectives for higher education in Virginia, and outlined an annual planning process that requires submission of six-year academic, financial, and enrollment plans for the future three biennia. The focus of the plan, submitted each odd-year, is the first biennium of the planning period, and even-year submissions may revise these plans as necessary.

The university received instructions for the development of the 2018-2024 Six-Year plan on April 28, 2017 and an initial submission to the state is due on July 1, 2017. After a review and response period, the university and state will finalize the plan in October 2017. If that process results in substantive changes to the plans, the university will present revised plans to the Board of Visitors at the November meeting, as necessary.

This report provided an overview of this process and key assumptions used in the development of the plans which include the Academic, Financial, and Enrollment plans.

Academic Plan Highlights include:

- Enrollment growth, particularly of Virginia undergraduate students in STEM-H degree programs, is the top academic priority in the plan.
- The university's "Destination Areas" direct the future of the academic and research program by investing in market-centered instruction and research clusters generated through campus-wide faculty input.
- Integration of the Virginia Tech-Carilion School of Medicine as the university's ninth college beginning in 2018-19.

Financial Plan Highlights include:

- Competitive faculty and staff compensation remains the top priority.
- Additional faculty to support growing undergraduate enrollment.
- Increases in health insurance and state-mandated employee benefit costs have been included.

An element of the nongeneral fund revenue plan is a placeholder for tuition and fee rates for 2018-19 and 2019-20. Currently, the plan includes placeholders for tuition and fee rate increases of 2.9 percent for 2018-19 for all student groups, reflecting the universities continued moderation of rate increases, and premised on the Commonwealth's investment of additional General Fund support. While the plan includes these placeholders for planning purposes, it does not commit to a rate at this time; the Board retains the authority for approving the final tuition and fee rates. Tuition and Fees are traditionally approved by the Board in the spring.

The Six-Year Plan submission begins a discussion with the commonwealth about the university's planned progress towards the goals of the Statewide Strategic Plan for Higher Education and how the university can partner with the state to advance shared outcomes. This process is also an important step in positioning the university to seek state support during the Executive Budget development process each fall.

The Committee recommended the 2018-2024 Six-Year Plan to the full Board for approval.

- * 4. **Approval of 2017-18 Faculty Compensation Plan:** The Committee reviewed for approval the 2017-18 Faculty Compensation Plan. The report defines the qualification criteria for teaching and research faculty and administrative and professional faculty,

provides guidance on the authorized salary average for full-time teaching and research faculty positions, and requires board approval.

For Fall 2015, Virginia Tech's Actual Salary Average was \$97,420. This placed Virginia Tech at the 31st percentile of its peer group, based on the most recent peer salary data available from the Integrated Postsecondary Education Data System (IPEDS). Based on SCHEV's forecast of salary escalation at peer institutions, the university estimates that the Actual Salary Average will rise to the 33rd percentile of peer institutions for Fall 2016.

Recognizing the critical nature of faculty compensation, the university's standing relative to the 60th percentile of the university's peer group average salary, the higher levels of competing offers being received by key faculty, and to minimize the high cost of turnover, the university proposes continuing the traditional annual merit-based faculty salary increase program in 2017-18. This plan authorizes management to plan and budget for the resource allocations necessary to support a merit-based faculty salary increase consistent with the commonwealth's approved two percent compensation plan for faculty for 2017-18. The university may also elect to create a supplemental pool to achieve certain targeted salary compensation or retention needs, such as national distinction.

The Committee recommended the 2017-18 Faculty Compensation plan to the full Board for approval.

- * 5. **Approval of Year-to-Date Financial Performance Report (July 1, 2016 – March 31, 2017):** The Committee reviewed the Year-to-Date Financial Performance Report for July 1, 2016 – March 31, 2017 for approval. For the third quarter, all programs of the university are on target and routine budget adjustments were made to reflect changes in General Fund revenues and expenditure budgets in academic and administrative areas. The tuition and fee budget increased by \$4.2 million due to stronger than projected spring retention. The General Fund budget was decreased by \$400,000 to reflect the General Assembly's withholding of nongeneral fund interest earnings; All Other Income budget was decreased by \$932,000 for the closure of the Roanoke Satellite Referral clinic (part of the Veterinary Medicine Hospitals) and increased by \$450,000 for higher than projected caseload at the Equine Medical Center. The Cooperative Extension and Agricultural Experiment Station (Agency 229) revenues increased \$130,000 from soil testing, food service certificates, and milk sales.

For year-to-date ending March 31, 2017, \$21.8 million has been expended for Educational and General capital projects, and \$30.8 million has been expended for Auxiliary Enterprises capital projects. Capital outlay expenditures for year-to-date ending March 31, 2017 totaled \$52.6 million.

The Committee recommended the Year-to-Date Financial Performance Report to the full Board for approval.

- * 6. **Approval of 2017-18 University Budgets:** The Committee reviewed for approval the 2017-18 University Budgets. The Board received a presentation on the university budgets at the Sunday Information session. The university budgets are comprised of the Auxiliary Systems Budgets and the Operating and Capital Budgets.
- a. **Auxiliary Systems Budgets:** In accordance with the resolutions authorizing and securing the Dormitory and Dining Hall System, Electric Service Utility System, University Services System, and Athletics Facilities System revenue bonds, the Board of Visitors is required to adopt an annual budget. All budgets are balanced and designed in accordance with bond covenants including maintenance and reserve requirements. Once approved by the Board of Visitors, the annual budget will be the basis for making payments from the revenue fund to meet the operating costs of the auxiliary systems. The 2017-18 budget for the auxiliary systems, including debt service are:
- i. Dormitory and Dining Hall System - \$120.2 million
 - ii. Electric Service System - \$36.1 million
 - iii. University Services System - \$48.5 million
 - iv. Athletics Facilities System Budget - \$69.3 million

The Committee recommended each of the four Auxiliary Systems Budgets for 2017-2018 to the full Board for their approval.

- b. **Operating and Capital Budgets:** The university anticipates an initial state authorization of \$1.4 billion during 2017-18 to carry out all of its programs, based on the forecast of direct appropriations to the university. However, the annual internal budget varies from this external expenditure authorization for several reasons, some of which increase the annual expenditure authority while others reduce the expenditure plans. For 2017-18, the recommended internal budget for all operations is \$1.5 billion. This is an increase of \$33.6 million, approximately 2.3 percent, over the adjusted 2016-17 budget. For 2017-18, the university's total General Fund allocation is estimated to be approximately \$261.6 million, a decrease of (\$0.2) million from the 2016-17 adjusted budget. The overall decrease includes a General Fund reduction of (\$8.6) million for the University Division's Educational and General program, \$2.4 support for Access and Affordability, \$0.1 million for Cooperative Extension and Agricultural Experiment Station facility operation, \$3.8 million support for faculty and staff salary increase programs, and \$2.1 million for prospective fringe benefit rate changes.

The university's Educational and General budget will be \$790.5 million in 2017-18. The total 2017-18 auxiliary revenue budget is \$333.3 million, a growth of \$8.3 million or 2.5 percent over the adjusted 2016-17 budget, with a significant portion of the increase attributable to growth in Residential and Dining Programs, Student Health Services, Recreational Sports, and Electric Service. The projected annual budget for Financial Assistance for Educational and General Programs is \$344.2 million, a growth of \$2.2 million or 0.6 percent over the adjusted 2016-17 budget. The most significant activity in this category is externally sponsored research

The overall change includes an increase of \$20.3 million attributable to the Educational and General program and \$8.3 million of projected growth in auxiliary enterprises. General Fund revenues will provide \$238.0 million in support for the instructional, research, and extension programs, \$21.3 million for student financial assistance, and \$2.3 million for the Unique Military Activities program.

The capital outlay program for 2017-18 is comprised of 16 Educational and General projects and 11 Auxiliary Enterprise projects for a total of 27 projects. The total capital outlay budget for fiscal year 2017-18 includes approximately \$576.4 million of authorizations with an estimated available balance of about \$392.9 million. Of the available balance, the university plans to spend about \$125.1 million in fiscal year 2017-18.

The Committee recommended the 2017-18 University Budget to the full Board for approval.

Joint Open Session with Buildings and Grounds

Board Members Present: Mr. Charles T. Hill, Mr. Mike Quillen, Mr. Wayne Robinson, Mr. Steve Sturgis, Mr. Dennis Treacy, Mr. Horacio Valeiras, Mr. Jeff Veatch

VPI & SU Staff: Deputy Chief Mac Babb, Mr. Whit Babcock, Mr. Bob Broyden, Mr. John Cusimano, Mr. Brian Daniels, Dr. John Dooley, Chief Kevin Foust, Dr. Mike Friedlander, Mr. Rick Hinson, Mr. Tim Hodge, Ms. Elizabeth Hooper, Dr. Chris Kiwus, Ms. Sharon Kurek, Ms. Nancy Meacham, Dr. Scott Midkiff, Mr. Ken Miller, Mr. Michael Mulhare, Ms. Laura Neff-Henderson, Mr. Van Noble, Mr. Mark Owczarski, Mr. Charles Phlegar, Dr. Scot Ransbottom, Mr. Aaron Reece, Ms. Lisa Royal, Mr. Charlie Ruble, Ms. Savita Sharma, Mr. M. Dwight Shelton Jr., Ms. Kayla Smith, Mr. Jason Soileau, Mr. Brad Sumpter, Mr. Dwyn Taylor, Mr. Jon Clark Teglas, Ms. Tracy Vosburgh, Dr. Sherwood Wilson

- * 1. **Approval of Resolution for Capital Project for Renovations to Undergraduate Science Laboratories:** The Committees reviewed for approval a capital project resolution for renovations to Undergraduate Science Laboratories. In June 2016, the Board of Visitors approved a \$600,000 planning authorization for renovations to repurpose deteriorated and inefficient faculty laboratory spaces to accommodate enrollment growth in engineering, life sciences, and other technology related majors that require introductory science laboratory courses.

Preliminary designs are nearly complete for renovations of spaces in Hahn Hall and Derring Hall to create seven new undergraduate laboratory instruction spaces, one science instruction classroom, and four multi-purpose science instruction spaces. These improvements will add 168 new stations to the sciences instruction laboratory inventory that will accommodate approximately 5,140 additional contact hours per academic year for high demand course sections in biology, chemistry, organic chemistry, and microbiology.

The project schedule calls for construction to begin in January 2018 and for the spaces to be available for scheduling fall 2018 course sections. To meet this schedule, the university is requesting authorization for the full project in June 2017 to ensure working drawings are complete by December 2017 and for construction to start in January 2018. These improvements are planned and sized in strategic coordination with the expected program of the new 105,000 gross square foot, state-funded, undergraduate science laboratory building expected to open in fall of 2020, pending construction funding from the state.

The total project costs inclusive of planning, construction, and equipment is \$10 million. This request is for a \$9.4 million supplement to complete working drawings design and construction of the renovation project. The university has prepared a funding plan of entirely nongeneral fund resources sufficient to fund the entire \$10 million of project costs.

The Committees recommended the Resolution for Capital Project for Renovations to Undergraduate Science Laboratories to the full Board for approval.

2. **Motion for Closed Session:** Motion to begin closed session.
3. **Motion to Reconvene in Open Session:** Motion to reconvene in open session.

Joint Closed Session with Buildings and Grounds

Board Members Present: Mr. Charles T. Hill, Mr. Mike Quillen, Mr. Wayne Robinson, Mr. Steve Sturgis, Mr. Dennis Treacy, Mr. Horacio Valeiras, Mr. Jeff Veatch

VPI & SU Staff: Mr. Whit Babcock, Mr. Bob Broyden, Mr. Brian Daniels, Chief Kevin Foust, Mr. Mark Gess, Ms. Kay Heidbreder, Dr. Chris Kiwus, Ms. Sharon Kurek, Mr. Michael Mulhare, Mr. Charles Phlegar, Ms. Savita Sharma, Mr. M. Dwight Shelton Jr., Ms. Kayla Smith, Mr. Jason Soileau, Ms. Tracy Vosburgh, Dr. Sherwood Wilson

1. **Briefing on Probable Litigation:** The Committees met in closed session to receive a briefing on probable litigation.

There being no further business, the meeting adjourned at 12:25 p.m.

***Requires full Board approval.**

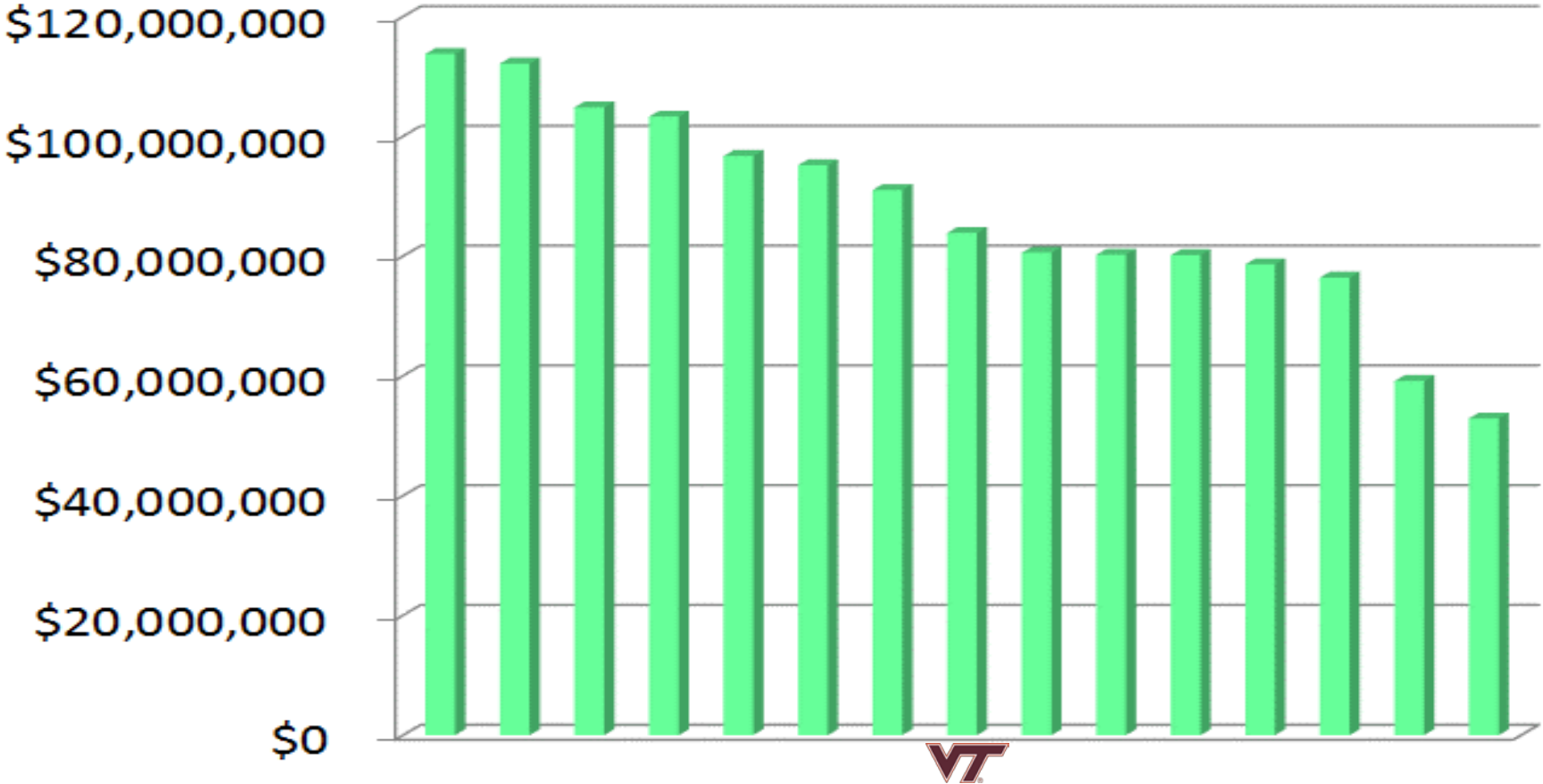


VIRGINIA TECH[®]
ATHLETICS

Intercollegiate Athletics report to the
Student Affairs & Athletic Committee of
the Board of Visitors

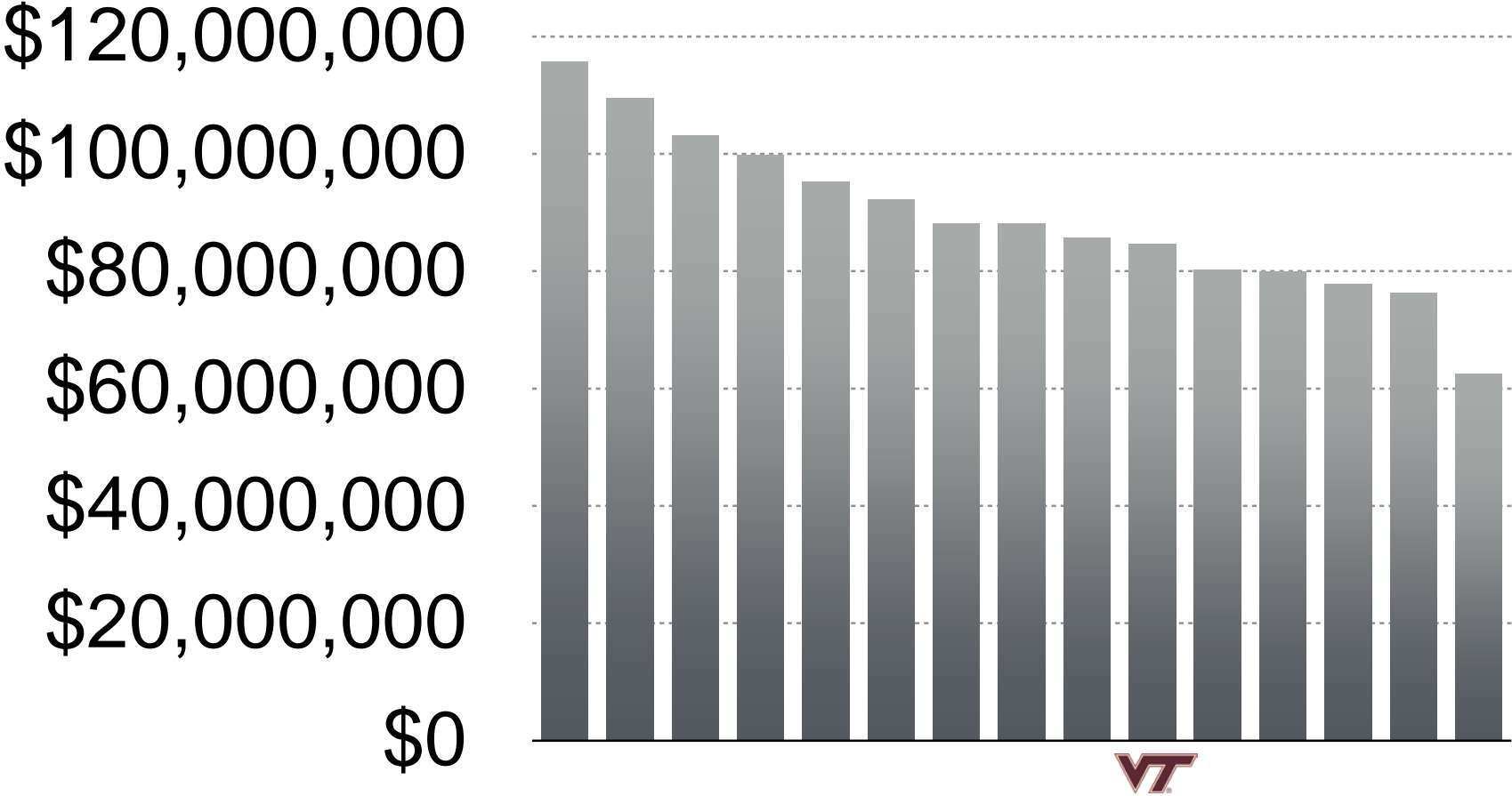
June 5, 2017

Total Operating Revenue 2015-16



Institution	Revenue
	\$113,754,314
	\$112,146,504
	\$104,823,057
	\$103,272,319
	\$96,722,423
	\$95,175,985
	\$91,026,351
Virginia Tech	\$83,853,128
	\$80,563,324
	\$80,225,029
	\$80,152,320
	\$78,605,477
	\$76,409,293
	\$59,135,811
	\$52,868,287

Total Operating Expenses 2015-16



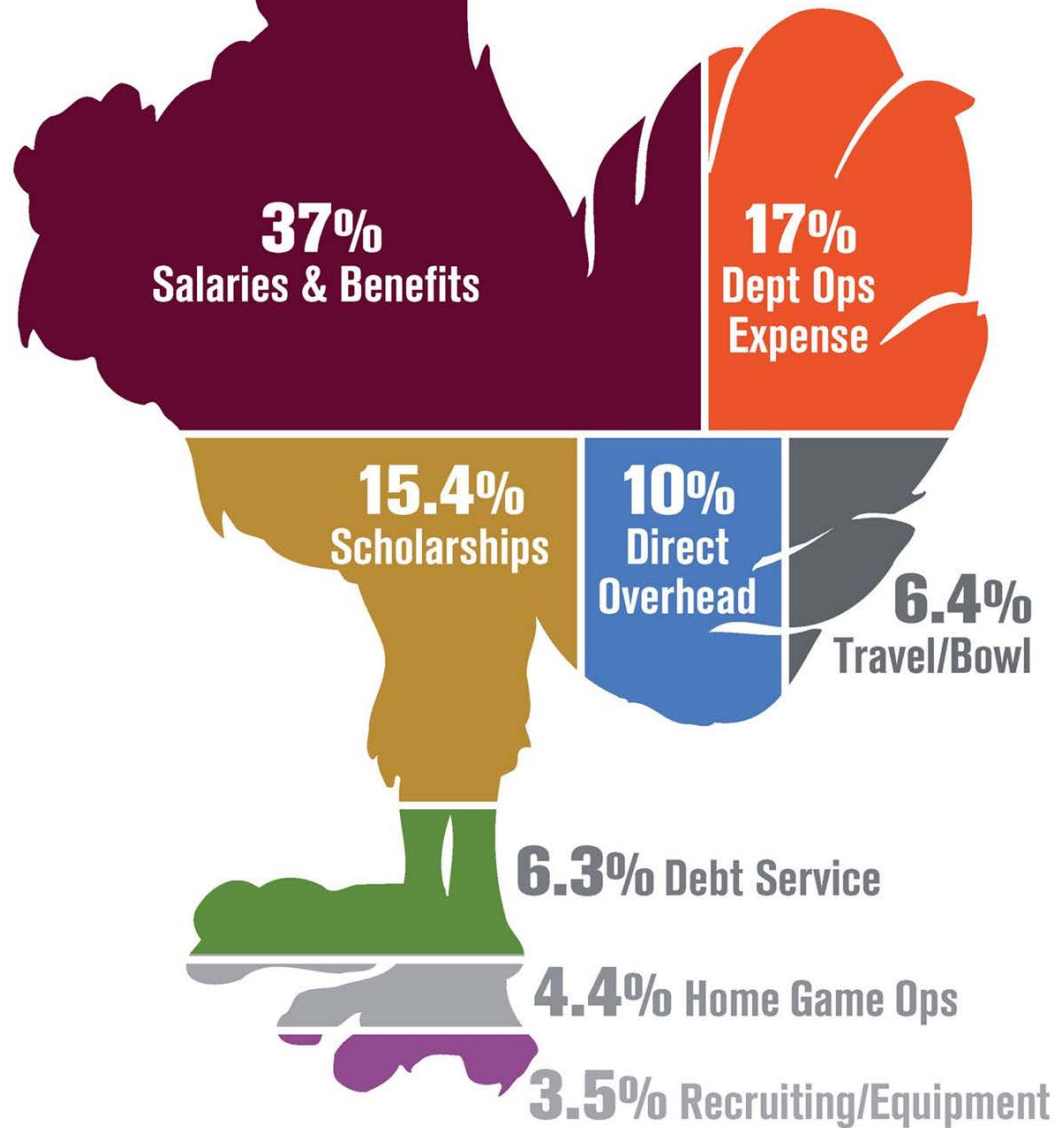
Institution	Expenses
	\$115,631,800
	\$109,393,330
	\$103,059,980
	\$99,801,739
	\$95,175,985
	\$92,187,581
	\$88,182,001
	\$88,058,414
	\$85,615,976
Virginia Tech	\$84,617,028
	\$80,152,321
	\$79,905,724
	\$77,730,675
	\$76,301,805
	\$62,498,769

	School	Conf	Total Revenue
1	Texas A&M	SEC	\$192,608,876
2	Texas	Big 12	\$183,521,028
3	Ohio State	Big Ten	\$167,166,065
4	Michigan	Big Ten	\$152,477,026
5	Alabama	SEC	\$148,911,674
6	Florida	SEC	\$147,105,242
7	LSU	SEC	\$138,642,237
8	Oklahoma	Big 12	\$134,269,349
9	Tennessee	SEC	\$126,584,033
10	Penn State	Big Ten	\$125,720,619
11	Auburn	SEC	\$124,657,247
12	Wisconsin	Big Ten	\$123,895,543
13	Florida State	ACC	\$120,822,522
14	Kentucky	SEC	\$116,494,690
15	Georgia	SEC	\$116,151,279
16	Arkansas	SEC	\$114,172,847
17	South Carolina	SEC	\$113,172,545
18	Minnesota	Big Ten	\$111,162,265
19	Michigan State	Big Ten	\$108,687,274
20	Iowa	Big Ten	\$105,969,545
21	Oregon	Pac-12	\$105,701,523
22	Louisville	ACC	\$104,325,207
23	Washington	Pac-12	\$103,540,117
24	Nebraska	Big Ten	\$102,157,399
25	UCLA	Pac-12	\$96,912,767
26	Oklahoma State	Big 12	\$95,931,739
27	Maryland	Big Ten	\$92,686,128
28	Kansas	Big 12	\$91,860,673
29	Virginia	ACC	\$91,256,772
30	Missouri	SEC	\$91,217,778
31	West Virginia	Big 12	\$90,523,565
32	North Carolina	ACC	\$89,128,256
33	Indiana	Big Ten	\$88,362,421

	School	Conf	Total Revenue
34	Mississippi	SEC	\$87,602,519
35	Arizona	Pac-12	\$87,135,331
36	Illinois	Big Ten	\$85,998,659
37	California	Pac-12	\$85,539,904
38	Arizona State	Pac-12	\$84,440,040
39	Clemson	ACC	\$83,534,371
40	Virginia Tech	ACC	\$80,230,095
41	Texas Tech	Big 12	\$79,979,481
42	Georgia Tech	ACC	\$77,202,758
43	North Carolina State	ACC	\$76,834,603
44	Purdue	Big Ten	\$75,637,694
45	Mississippi State	SEC	\$75,400,407
46	Kansas State	Big 12	\$75,323,278
47	Iowa State	Big 12	\$75,283,516
48	Connecticut	AAC	\$72,155,789
49	Rutgers	Big Ten	\$70,558,935
50	Colorado	Pac-12	\$67,852,236
51	Oregon State	Pac-12	\$64,876,006
52	Utah	Pac-12	\$62,441,552
53	Washington State	Pac-12	\$54,112,604
54	Cincinnati	AAC	\$52,536,185
55	Central Florida	AAC	\$51,455,603
56	Air Force	Mt. West	\$50,191,669
57	San Diego State	Mt. West	\$49,011,745
58	East Carolina	AAC	\$48,918,305
59	South Florida	AAC	\$45,479,012
60	Nevada-Las Vegas	Mt. West	\$45,015,536
61	James Madison	CAA	\$44,825,701
62	Houston	AAC	\$44,815,210
63	Old Dominion	C-USA	\$43,994,715
64	Boise State	Mt. West	\$43,858,018
65	Memphis	AAC	\$43,430,404

Athletics Expense Budget

\$84.6 Million (for 2015-16)

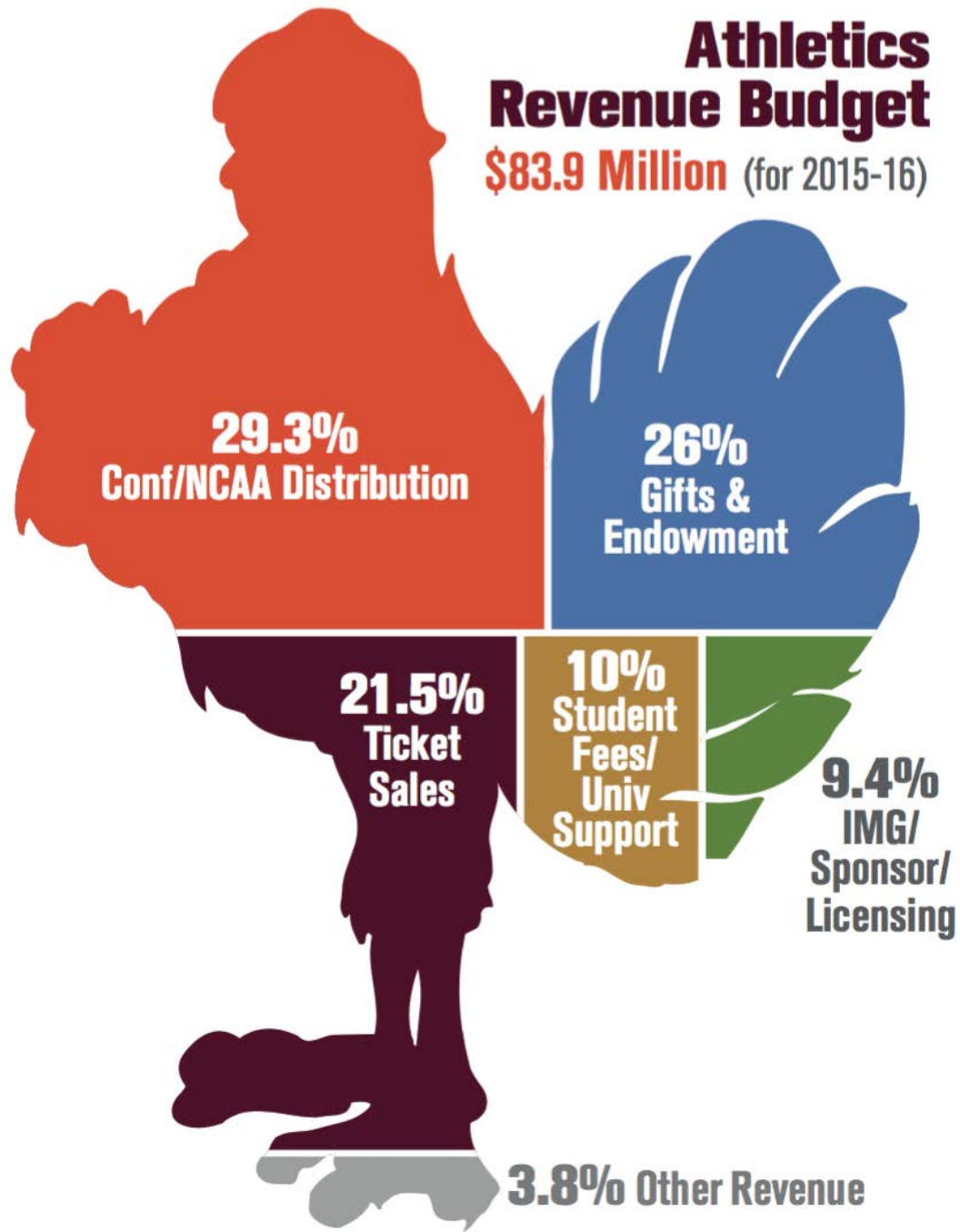


Operating Expenses	Total
Athletic student aid	\$13,005,095
Guarantees	\$1,470,140
Coaching salaries, benefits, and bonuses paid by the University and related entities	\$18,152,365
Coaching salaries, benefits and bonuses paid by a third party	\$210,000
Support staff/administrative compensation, benefits, and bonuses paid by the University and related entities	\$12,999,862
Severance payments	\$1,819,448
Recruiting	\$1,457,158
Team travel	\$4,147,370
Sports equipment, uniforms and supplies	\$1,479,589
Game expenses	\$3,749,133
Fund raising, marketing and promotions	\$1,109,555
Spirit groups	\$395,919
Athletic facility leases, and rental fees	\$267,725
Athletic facility debt service	\$5,298,419
Direct overhead and administrative expenses	\$8,411,733
Indirect cost paid to the institution by athletics	\$4,575,434
Medical expenses and insurance	\$1,202,124
Memberships and dues	\$47,338
Student-athlete meals (non-travel)	\$1,289,854
Other operating expenses	\$2,245,773
Bowl expenses	\$1,282,955
Total operating expenses	\$84,616,989

Total operating revenues	\$83,853,128
Total operating expenses	\$84,616,989
Excess (deficiency) of revenues over (under) expenses	(\$763,901)

Athletics Revenue Budget

\$83.9 Million (for 2015-16)



Operating Revenues	Total
Ticket sales	\$18,053,062
Student fees	\$8,642,256
Direct Institutional Support	\$2,351
Guarantees	\$756,173
Contributions	\$19,192,391
In-kind	\$155,868
Compensation and benefits provided by a third party	\$210,000
Media rights	\$20,524,892
NCAA distributions	\$3,352,205
Conference distributions (non-media or bowl)	\$5,057,609
Program, novelty, parking, and concession sales	\$1,526,362
Royalties, licensing, advertisement and sponsorships	\$2,279,608
Athletics restricted endowment and investment income	\$2,380,531
Bowl revenues	\$1,200,435
Other operating revenue	\$527,010
Total operating revenues	\$83,853,128



VIRGINIA TECH[®]
ATHLETICS

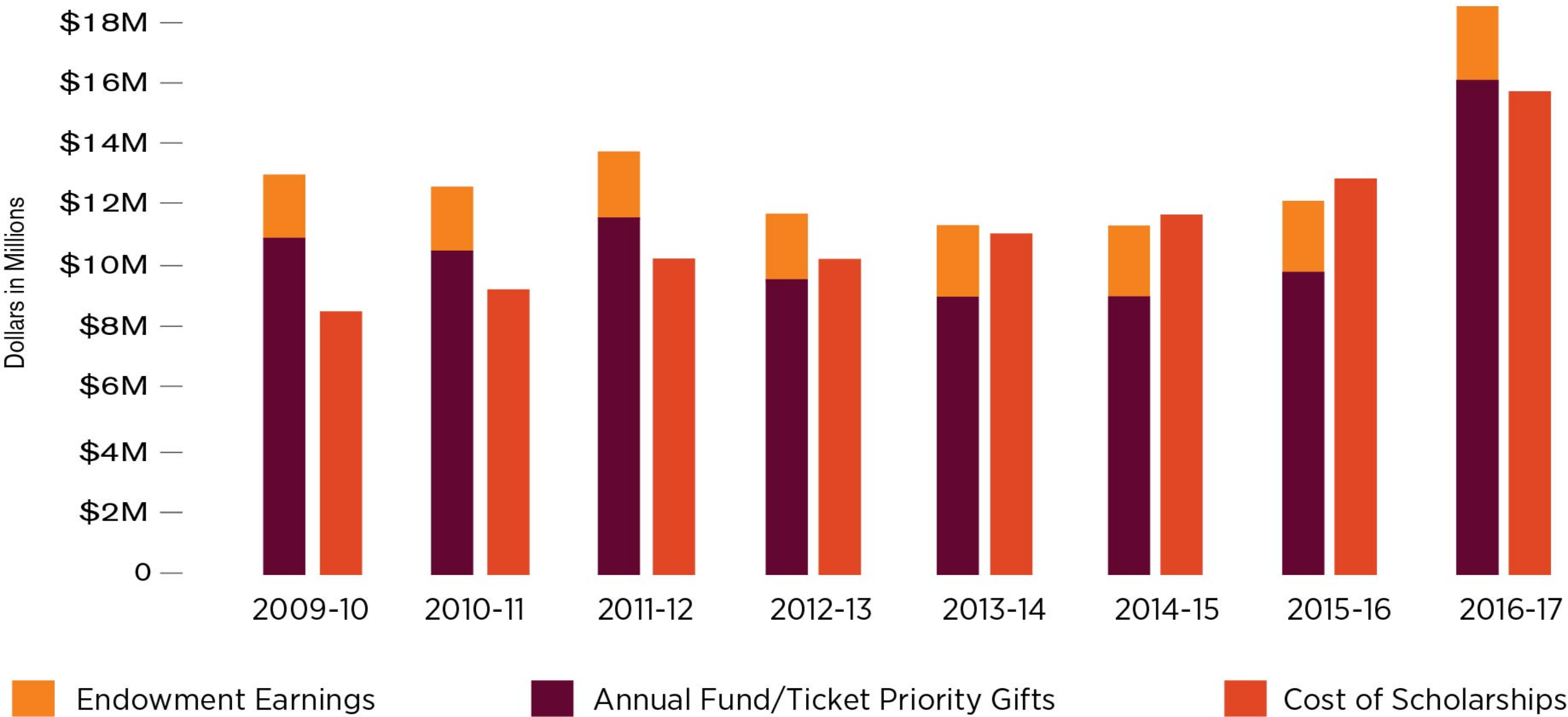


VIRGINIA TECH

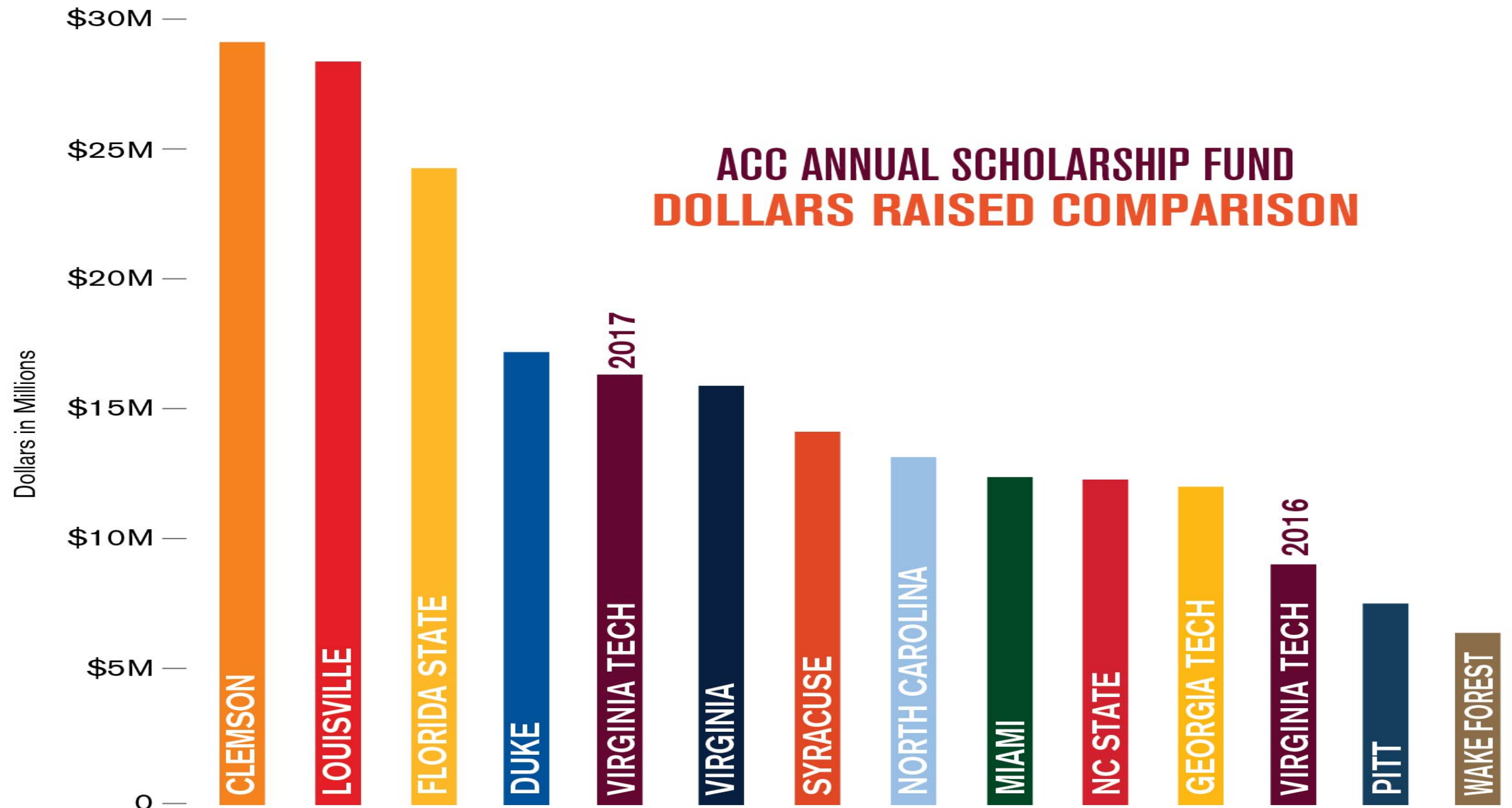
DRIVE FOR 25

www.drivefor25.com

VIRGINIA TECH ATHLETIC SCHOLARSHIP COSTS

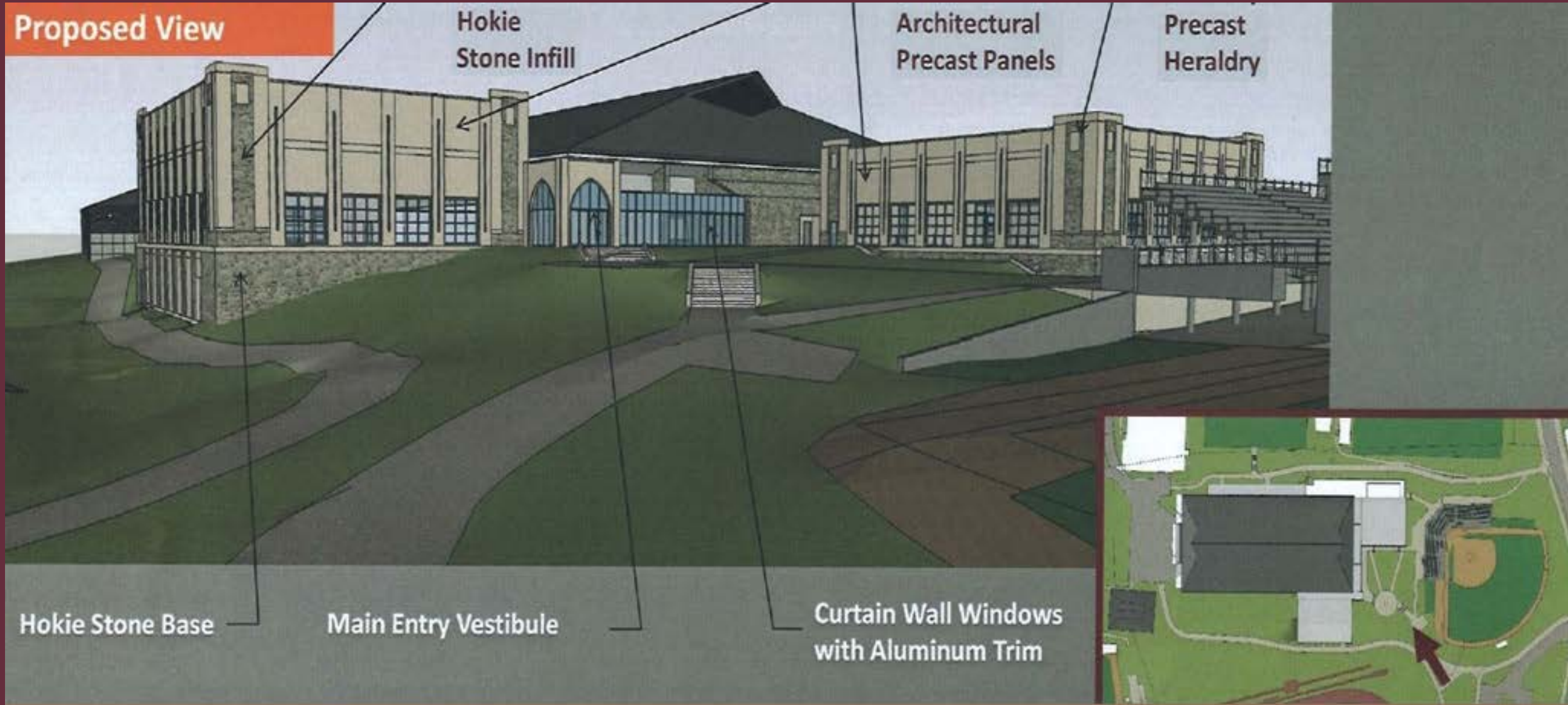


ACC ANNUAL SCHOLARSHIP FUND DOLLARS RAISED COMPARISON



Figures for Notre Dame and Boston College not available

Proposed View



Hokie Stone Infill

Architectural Precast Panels

Precast Heraldry

Hokie Stone Base

Main Entry Vestibule

Curtain Wall Windows with Aluminum Trim

FUTURE PROJECTS
UNDER CONSIDERATION

Rector Fieldhouse
RENOVATION

PROJECT DETAILS:

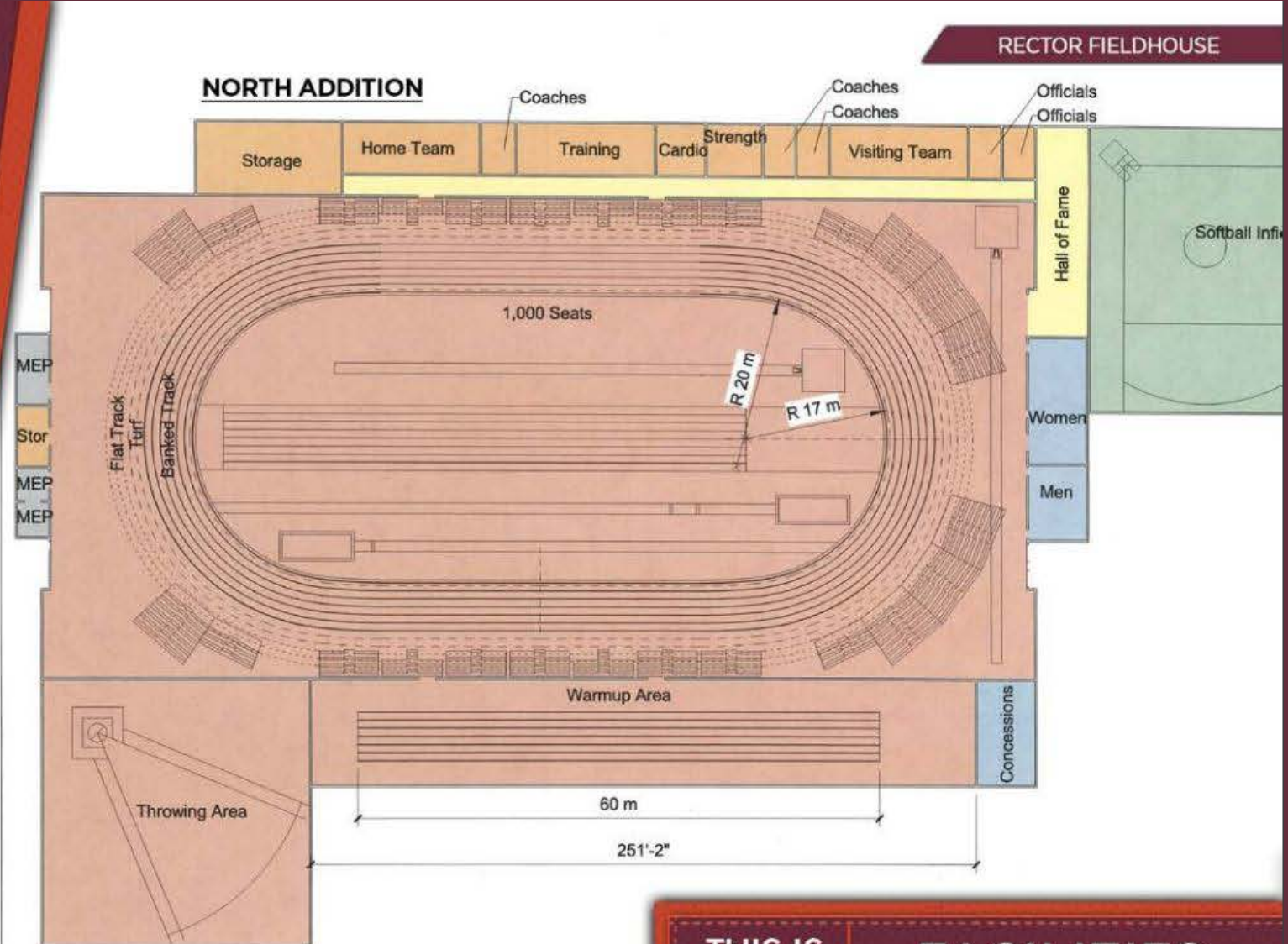
The final phase of the Rector Fieldhouse renovation includes an addition to the north side of the current structure. As shown in the diagram (orange area), the new addition will house a cardio room, strength room, training area and storage. The addition will also provide brand new locker rooms that will replace the trailers currently used as in-game locker rooms for both Soccer & Lacrosse. The increase in space will be beneficial when hosting ACC Indoor Track Championships and other large-scale indoor meets.

COST:

Included in total cost of Rector renovation

TARGETED COMPLETION:

Fall 2017





VIRGINIA TECH
ATHLETICS



VIRGINIA TECH
BASEBALL



VIRGINIA TECH
ATHLETICS

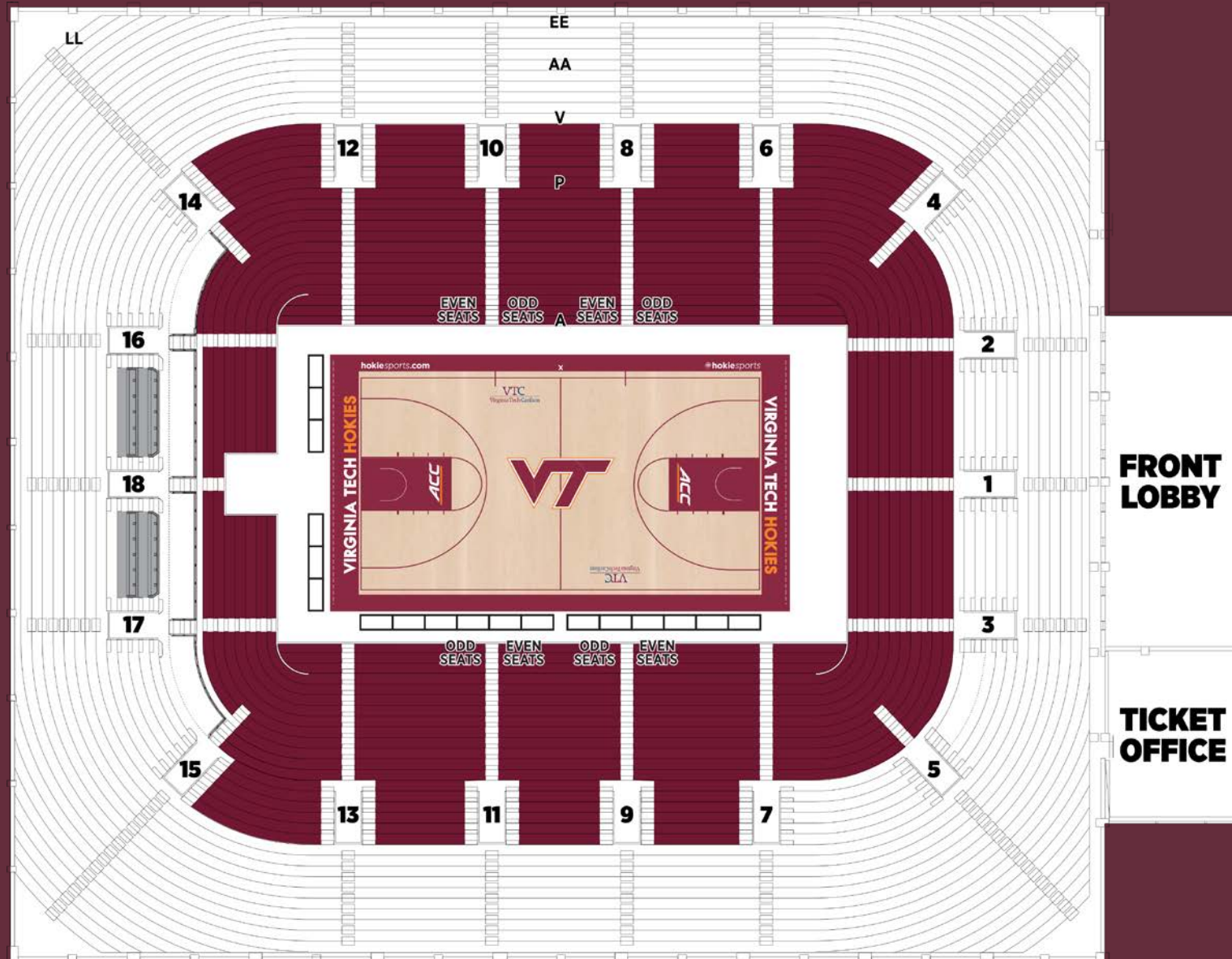


VIRGINIA TECH
BASEBALL



VIRGINIA TECH[®]
ATHLETICS



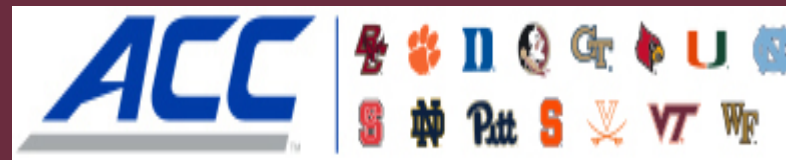






VIRGINIA TECH®
ATHLETICS

Coming in 2019
The ACC Channel



Existing Bowman Room



Athletic Nutrition Center, Interior Conceptual Rendering

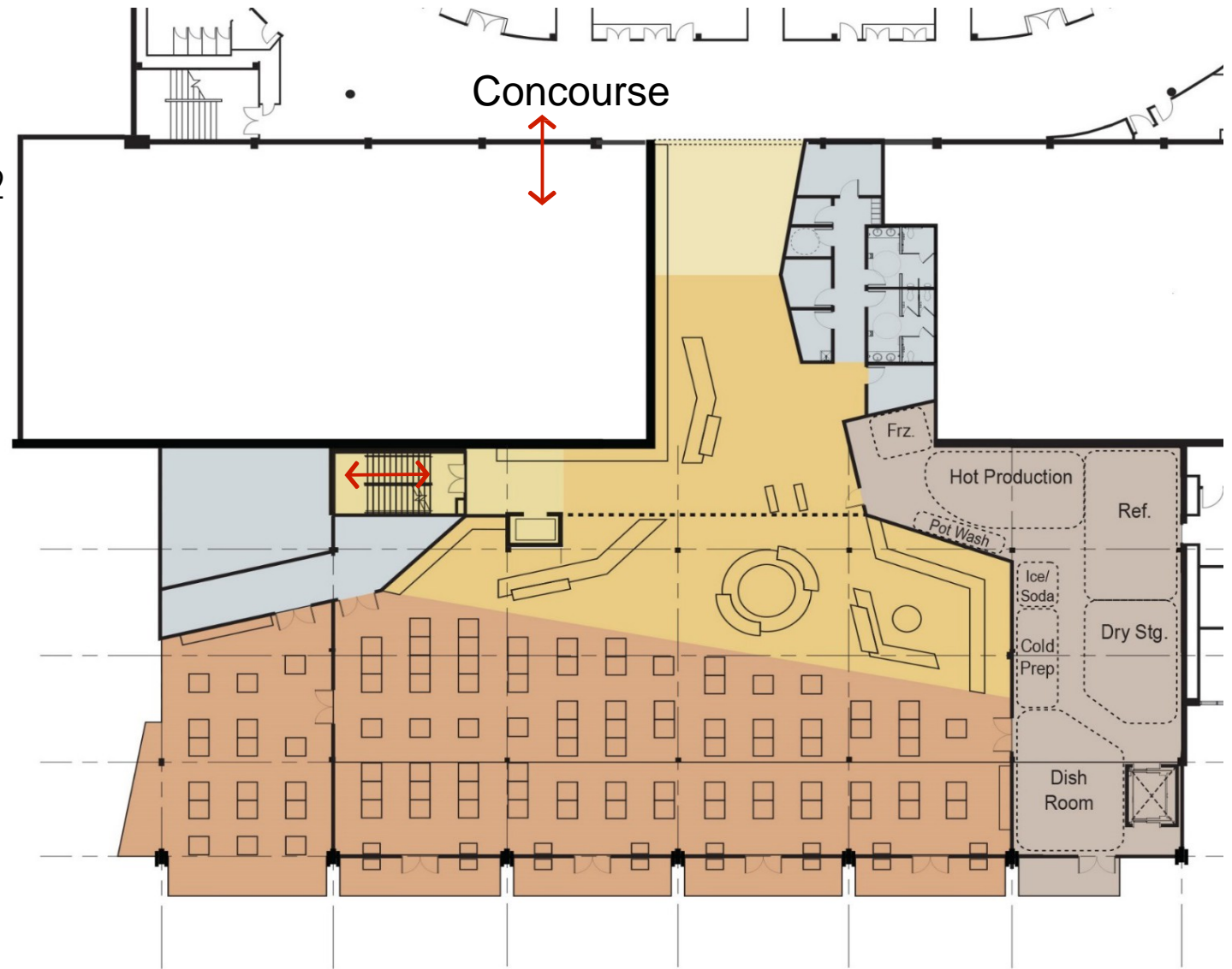


Athletic Nutrition Center, Conceptual Rendering



Athletic Nutrition Center Fourth Floor

- 250+ Seats
- Restrooms to be provided per 2012 International Building Code (IBC) fixture count minimums



- ↔ Means of Egress
- Dining
- Kitchen
- Servery
- Circulation
- Support



PROPOSED CONCEPT





VIRGINIA TECH[®]
ATHLETICS

Future Vision
& Capital Campaign
(Verbal Update)



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Closing Remarks

Q & A

Update of Responses to Open Internal Audit Comments

FINANCE AND AUDIT COMMITTEE

March 31, 2017

As part of the internal audit process, university management participates in the opening and closing conferences and receives copies of all Internal Audit final reports. The audited units are responsible for implementing action plans by the agreed upon implementation dates, and management is responsible for ongoing oversight and monitoring of progress to ensure solutions are implemented without unnecessary delays. Management supports units as necessary when assistance is needed to complete an action plan. As units progress toward completion of an action plan, Internal Audit performs a follow-up visit within two weeks after the target implementation date. Internal Audit is responsible for conducting independent follow up testing to verify mitigation of the risks identified in the recommendation and formally close the recommendation. As part of management's oversight and monitoring responsibility, this report is provided to update the Finance and Audit Committee on the status of outstanding recommendations. Management reviews and assesses recommendations with university-wide implications and shares the recommendations with responsible administrative departments for process improvements, additions or clarification of university policy, and inclusion in training programs and campus communications. Management continues to emphasize the prompt completion of action plans.

The report includes outstanding recommendations from Compliance Reviews and Audit Reports. Consistent with the report presented at the April Board meeting, the report of open recommendations includes three attachments:

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open high or medium priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 100 percent on-schedule rate for fiscal year 2017 reflects closing 22 of 22 recommendations by the original target date.

The report presented at the April 3, 2017 meeting covered Internal Audit reports reviewed and accepted through December 31, 2016 and included 7 open medium and high priority recommendations. Activity for the quarter ended March 31, 2017 resulted in the following:

Open recommendations as of December 31, 2016	7
Add: Medium & High priority recommendations accepted April 3, 2017	16
Subtract: recommendations addressed since December 31, 2016	5
Remaining open recommendations as of March 31, 2017	<u>18</u>

While this report is prepared as of the end of the quarter, management continues to receive updates from Internal Audit regarding auditee progress on action plans. Through May 5, 2017 Internal Audit has closed five of the 18 outstanding medium and high priority recommendations for an adjusted total of 13 open recommendations. The remaining open recommendations are progressing as expected and are on track to meet their respective target due dates. Management continues to work conjointly with all units and provides assistance as needed to ensure action plans are completed timely.

ATTACHMENT A

Open Recommendations by Priority Level

FINANCE AND AUDIT COMMITTEE

March 31, 2017

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
07-Oct-16	Construction Management	16-1273	1				1		1
19-Oct-16	IT Project Management	16-1288	1					1	1
20-Oct-16	Departmental Scholarships	16-1283	2				1	1	2
09-Jan-17	Mining and Minerals Engineering	17-1298	2					2	2
19-Jan-17	Travel and Employee Reimbursements	17-1297	1					1	1
19-Jan-17	College of Architecture and Urban Studies	17-1300	3	2			1		1
01-Feb-17	University Scholarships and Financial Aid	17-1303	1					1	1
02-Feb-17	Physics	17-1306	1					1	1
14-Feb-17	IT: Surplus Property	17-1308	2					2	2
17-Feb-17	IT: Network Security	17-1299	5				1	4	5
28-Feb-17	Dining Services	17-1314	1				1		1
Totals:			20	2	0	0	5	13	18

ATTACHMENT B

Internal Audit Open Recommendations

FINANCE AND AUDIT COMMITTEE

March 31, 2017

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
07-Oct-16	1	16-1273	Construction Management	Cost Projections	High		01-Apr-17		1	
09-Jan-17	2	17-1298	Mining and Minerals Engineering	Research Center Oversight	Medium		15-Apr-17		1	
09-Jan-17	3	17-1298	Mining and Minerals Engineering	Health and Safety	Medium		15-Apr-17		1	
14-Feb-17	4	17-1308	IT: Surplus Property	Data Sanitization Records	Medium		15-Apr-17		1	
19-Jan-17	5	17-1297	Travel and Employee Reimbursements	Accurate Reimbursement of Travel Per Diem	Medium		30-Apr-17		1	
19-Jan-17	6	17-1300	College of Architecture and Urban Studies	Fiscal Responsibility	High		30-Jun-17		1	
02-Feb-17	7	17-1306	Physics	Royalty Agreements	Medium		30-Jun-17		1	
17-Feb-17	8	17-1299	IT: Network Security	Full Compliance with Network Security Standards	Medium		30-Jun-17		1	
17-Feb-17	9	17-1299	IT: Network Security	Full Compliance with Network Security Standards	Medium		30-Jun-17		1	
17-Feb-17	10	17-1299	IT: Network Security	Full Compliance with Network Security Standards	Medium		30-Jun-17		1	
17-Feb-17	11	17-1299	IT: Network Security	Full Compliance with Network Security Standards	Medium		30-Jun-17		1	
20-Oct-16	12	16-1283	Departmental Scholarships	Monitoring of Timely Scholarship Awarding	High		01-Jul-17		2	
20-Oct-16	13	16-1283	Departmental Scholarships	Awarding Based on Fund Criteria	Medium		01-Jul-17		2	
14-Feb-17	14	17-1308	IT: Surplus Property	Exception to Data Sanitization Process	Medium		01-Jul-17		2	
28-Feb-17	15	17-1314	Dining Services	Management of Wage Employees	High		01-Aug-17		2	
17-Feb-17	16	17-1299	IT: Network Security	Full Compliance with Network Security Standards	High		31-Aug-17		2	
19-Oct-16	17	16-1288	IT Project Management	Visibility, Clarity, Implementation and Measurement of the Standard for IT Project Management	Medium		31-Dec-17		2	

ATTACHMENT B

Internal Audit Open Recommendations

FINANCE AND AUDIT COMMITTEE

March 31, 2017

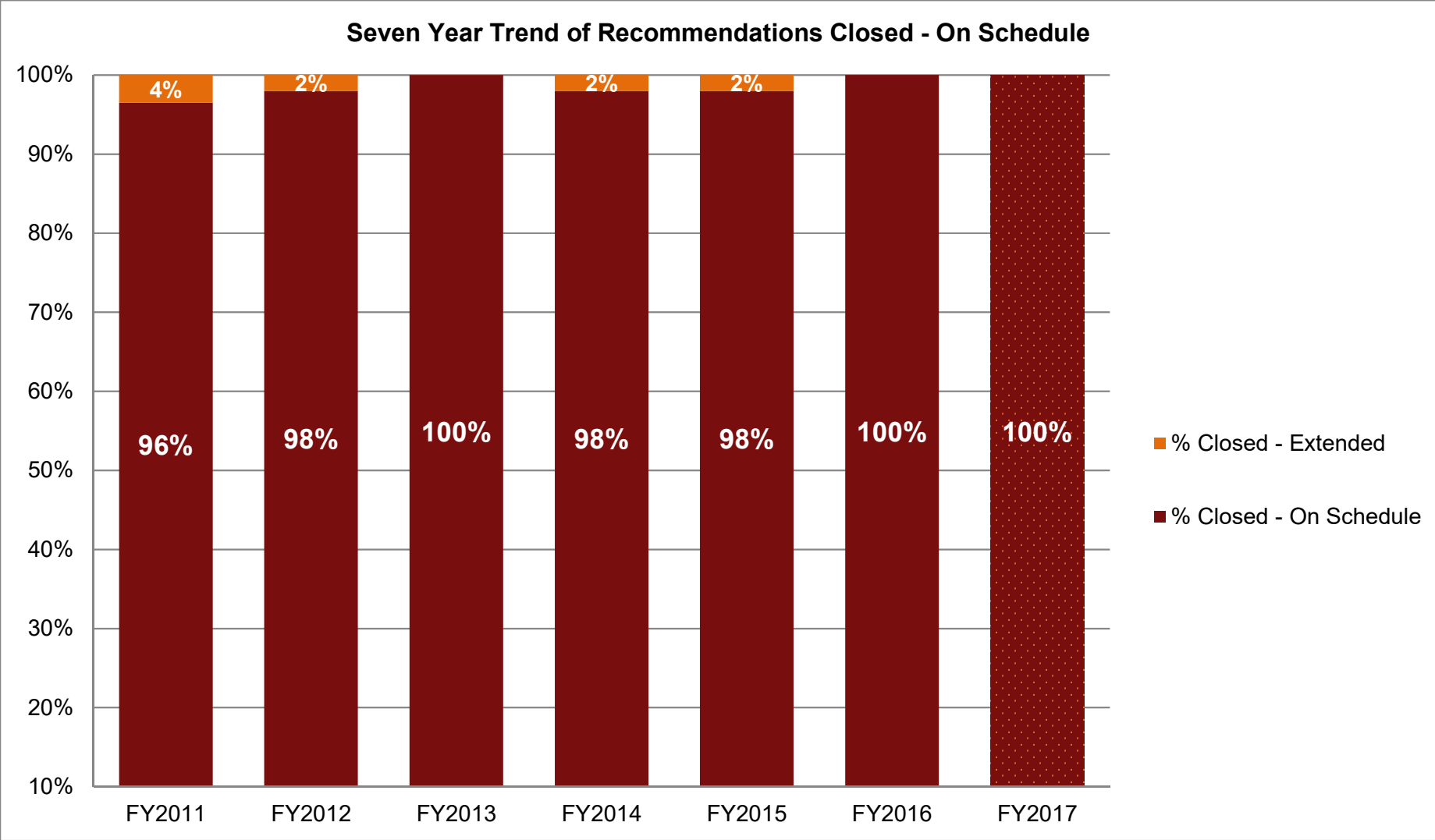
Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
01-Feb-17	18	17-1303	University Scholarships and Financial Aid	Awarding Not Based on Criteria	Medium		01-Mar-18		2	

- (1) As of March 31, 2017, management confirmed during follow up discussions with Internal Audit that actions are occurring and the target date will be met. The Internal Audit department will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.
- (2) Target date is beyond current calendar quarter. Management has follow-up discussions with the auditor to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

ATTACHMENT C

Management Performance and Trends Regarding Internal Audit Recommendations

FINANCE AND AUDIT COMMITTEE



University Internal Audit Status Report

FINANCE AND AUDIT COMMITTEE

May 19, 2017

Audit Plan Update

Audits were performed in accordance with the fiscal year 2016-17 annual audit plan at a level consistent with the resources of University Internal Audit. Two risk-based audits and two compliance reviews have been completed since the April board meeting.

In addition to the four projects removed from the audit plan at the April board meeting, the risk-based audit of Global Activities has been deferred until next fiscal year due to personnel turnover.

The following nine audit projects are underway: Athletics NCAA – Recruiting, Compliance Program Assessment, Controller’s Office – Fixed Assets, High Performance Computing, IT: General Controls Review, IT: Printer and Networked Device Security, Research - Lab Safety, University Policy Review, and the Virginia Tech Carilion Research Institute. Additionally, seven advisory service projects, requested by management in the areas of Blackbaud, Club Sports, Steger Center for International Scholarship, Sunapsis System Implementation, Title IX Program Policies and Procedures, Virginia Tech Carilion School of Medicine, and Youth Protection Activities, are underway.

So far in fiscal year 2016-17, University Internal Audit has completed 53 percent of its audit plan as depicted in Exhibit 1.

Exhibit 1 FY 2016-17 Completion of Audit Plan

Audits	
Total # of Audits Planned	35
Total # of Supplemental Audits	3
Total # of Carry Forwards	3
Total # of Planned Audits Canceled and/or Deferred	5
Total Audits in Plan as Amended	36
Total Audits Completed	19
Audits - Percentage Complete	53%
Audits - Percentage Complete or Underway	97%
Note: Includes Compliance Reviews and Advisory Services	

Review and Acceptance of Reports Issued by University Internal Audit

FINANCE AND AUDIT COMMITTEE

May 19, 2017

Background

This report provides a summary of ratings issued this period for informational purposes along with the full rating system definitions. University Internal Audit continues to make progress on the annual audit plan.

Ratings Issued This Period

Vice President for Finance	Effective
----------------------------	-----------

Summary of Audit Ratings

University Internal Audit's rating system has four tiers from which to assess the controls designed by management to reduce exposures to risk in the area being audited. The auditor can use professional judgment in constructing the exact wording of the assessment in order to capture varying degrees of deficiency or significance.

Definitions of each assessment option

Effective – The audit identified opportunities for improvement in the internal control structure, but business risks are adequately controlled in most cases.

Improvements are Recommended – The audit identified occasional or isolated business risks that were not adequately or consistently controlled.

Significant or Immediate Improvements are Needed – The audit identified several control weaknesses that have caused, or are likely to cause, material errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management should undertake immediate corrective actions to mitigate the associated business risk and possible damages to the organization.

Unreliable – The audit identified numerous significant business risks for which management has not designed or consistently applied controls prior to the audit. Persistent and pervasive control weaknesses have caused or could cause significant errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management must undertake immediate corrective actions to bring the situation under control and avoid (additional) damages to the organization.

RECOMMENDATION:

That the internal audit report reviewed above be accepted by the Finance and Audit Committee.

June 5, 2017

Review and Discussion of the Fiscal Year 2017-18 Proposed Internal Audit Plan

FINANCE AND AUDIT COMMITTEE

June 5, 2017

University Internal Audit presents the proposed fiscal year 2017-18 audit plan to the Finance and Audit Committee for review and comment ahead of the final review, which will occur at the September meeting. An annual risk assessment was conducted to identify the entities that should receive audit attention in fiscal year 2017-18 and a core audit plan was developed.

For fiscal year 2017-18, more than 30 audit projects are proposed, with 75 percent of University Internal Audit's available resources committed to the completion of planned projects. A description of proposed projects has been provided within the audit plan. University Internal Audit's goal will be to complete 85 percent of the audit plan. The proposed audit plan may be modified based on the external audit environment or changes in regulations, management, or resources.

Virginia Tech

University Internal Audit

Fiscal Year 2017-18 Proposed Audit Plan

June 5, 2017

OVERVIEW

University Internal Audit conducts risk-based assurance engagements, compliance reviews, management advisory services, and investigations. The risk-based assurance engagement is an objective examination of evidence to provide an independent assessment of governance, risk management, and the control systems within the university. The objective of the compliance review is to ensure all senior management areas (even low risk) receive periodic reviews from University Internal Audit every five years to perform tests of compliance with major university business policies at a minimum. The nature and scope of management advisory service activities, developed through agreement with the client, add value and improve the university's governance, risk management, and control processes without the internal auditor assuming management responsibility.

RISK ASSESSMENT PROCESS

University Internal Audit leadership conducted an annual risk assessment to identify the entities that should receive audit attention in fiscal year 2017-18. University departments and administrative operations were grouped into approximately 175 auditable entities or responsibility centers based on common missions and the existing organizational structure.

For each auditable entity, University Internal Audit reviewed financial data, including expenditures, revenues, cash receipts, federal contracts and grants, and the total number of employees. The relative business risk was assessed on a judgmental basis for the following qualitative and quantitative factors.

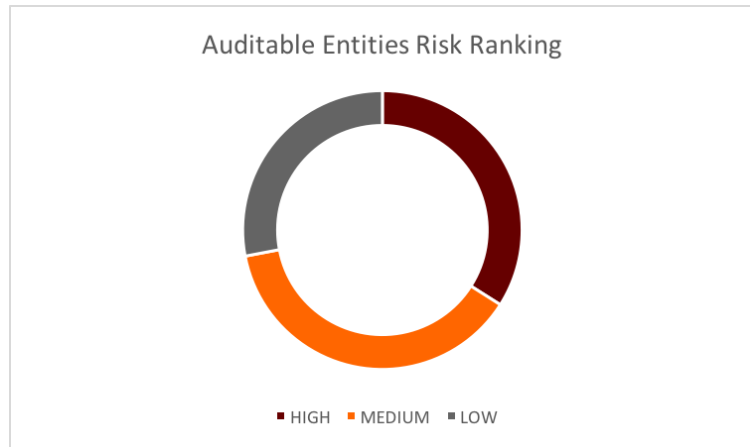
Factors
Quality and Stability of Control Environment
Business Exposure (Materiality and Liquidity of Operational Resources)
Public and Political Sensitivity
Compliance Requirements
Information Technology and Management Reporting

Elements considered within these factors included:

- Management's awareness of internal controls;
- Stability and expertise of management;
- Interval since the last audit review;
- Complexity of operations and technology applications;
- Materiality or financial impact to the university;
- Potential impact to reputation;
- Impact of noncompliance with internal and external policy, procedure, regulatory, and statutory requirements; and

- Reliance on information and management reporting for operating decisions, monitoring performance, providing services, and allocating resources.

The chart depicts the results of the risk assessment classifications. The risk assessment results were consistent with previous risk assessments conducted by University Internal Audit.



INFORMATION TECHNOLOGY RISK ASSESSMENT

University Internal Audit has also created a university-wide information technology (IT) risk-based audit plan mapped to the ISO 27002 standard, a best practice for developing and maintaining enterprise-wide IT security also references by university policies. University Internal Audit consulted with key IT personnel to ensure that audit coverage is maximized and properly targeted. The assessment of IT and business operations at the university identified four high-level risk domains intended to encapsulate the vast majority of the systems and computing environments within the university as follows:

- Student Systems;
- Finance and Administrative Systems;
- Human Resources Systems; and
- Research Systems.

The IT audit approach includes a variety of topical audits to gain a better understanding of the university-wide environment instead of narrowly focusing on the performance of individual departments. This approach also allows University Internal Audit to maintain current knowledge of the IT security and operating conditions in a dynamic industry through the constant evaluation and reassessment of planned audit engagements.

CORE AUDIT PLAN

University Internal Audit has identified certain critical areas for inclusion in the core audit plan to ensure that adequate coverage is provided over a reasonable time. To obtain additional insight and validate the plan, one-on-one discussions were conducted with senior leadership to identify reputation factors, regulatory changes, organization shifts, new initiatives, and deployment of new systems or technology tools.

The critical areas for core audit plan inclusion are:

- Academic Units
- Auxiliary Enterprises and Athletics
- Campus Safety and Security
- Enrollment Services
- Facilities and Operations
- Financial Management
- Human Resources
- Information Technology
- Off-Campus Locations
- Research
- Student Services

The core audit plan includes several multi-year audits that will allow for annual reviews of selected components of the entities with high external compliance risk and complex operations. These entities are University Scholarships and Financial Aid, Research, Human Resources, and Intercollegiate Athletics.

FISCAL YEAR 2017-18 AUDIT PLAN

The audit plan focuses on delivering value to Virginia Tech with an emphasis on the following risk areas: strategic, operational, financial, compliance, and IT. If new topics emerge during the audit plan period that require more immediate attention, reconfiguration of the plan can be undertaken to accommodate these changes. University Internal Audit's goal is to complete 85 percent of the audit plan. As each audit is undertaken, risks will be re-evaluated to ensure proper audit coverage with consideration of confidentiality, integrity, and availability. Annual expenditures and revenues referenced below reflect fiscal year 2015-16 data unless otherwise noted.

Risk-Based Assurance

Planned Engagement	Overview	Risk Area
Biochemistry	Biochemistry is the branch of the life sciences devoted to the identification and analysis of the structure, function, and mechanisms of action of the molecules of life. The B.S. program is one of the largest undergraduate programs in the U.S., and is accredited by the American Society of Biochemistry and Molecular Biology. Total expenditures were approximately \$8 million, including approximately \$4 million in research. Biochemistry has not previously received a dedicated review.	Operational – Academic
Biocomplexity Institute of Virginia Tech	The Biocomplexity Institute of Virginia Tech (formerly the Virginia Bioinformatics Institute) broadly integrates research disciplines, ranging from molecular science to policy analysis, to address pressing challenges to human health, habitat, and well-being. The complexity and scale of research at the Biocomplexity Institute of Virginia Tech demands coordination between experts in many different fields including mathematics, biology, physics, computer science, statistics, psychology, and more. Total expenditures exceeded \$27 million, while research expenditures were approximately \$13 million. The last targeted review was in 2010.	Operational – Research
Biological Systems Engineering	Biological Systems Engineering (BSE) is the engineering discipline that applies concepts of biology, chemistry, and physics along with engineering and design principles to solve problems in biological systems. The mission of BSE is to develop and	Operational – Academic

Planned Engagement	Overview	Risk Area
	disseminate engineering knowledge and practices that protect natural resources and improve sustainable production, processing, and utilization of biological materials. Total expenditures were approximately \$9 million, including research in excess of \$4 million. BSE has not previously received a dedicated review.	
Biomedical Engineering and Mechanics	In August of 2014, the Virginia Tech College of Engineering announced the merger of Engineering Science and Mechanics with Biomedical Engineering into a new department to be known as Biomedical Engineering and Mechanics (BEAM). BEAM is a unique multidisciplinary interface between fundamental mechanics, biomedical science, and real-world applications to enhance the quality of life. Total expenditures were approximately \$17 million (representing approximately 65 percent growth over a 7 year period) and research expenditures totaled more than \$6 million. The newly formed unit nor either of the two component units have previously received a dedicated review.	Operational – Academic
Chemistry	Courses in the Department of Chemistry provide the chemical foundation for all Virginia Tech science and engineering students and broaden their understanding about the structure and properties of matter. The undergraduate and graduate degree programs aim to prepare society's future chemists and scientists. The department continues to pursue multi-disciplinary research within and beyond the university, find innovative ways to instruct students, forge partnerships with industry and government, and establish a reputation as one of the world's highest ranking chemistry departments. Total expenditures were approximately \$16.9 million, including approximately \$8 million in research. The department last received a targeted review in 2009.	Operational – Academic
Controller's Office – Risk Management	The Insurance and Risk Management Office handles all insurance matters, including claims, for the university. In addition, the office provides risk analysis for various university activities and management of the Student Medical Insurance program, covering both undergraduate and graduate students.	Operational – Administrative
Endowed Professorship Utilization	Endowed chairs, professorships, and fellowships are established by a donor who provides an endowment to support the salary and/or operating funds of the professor. Funding levels determine whether the endowed position is a chair, professorship, or fellowship. Each college has formal procedures for the nomination and appointment to endowed chairs, professorships, and fellowships, which include review by a college honorifics committee or promotion and tenure committee. There are approximately 180 active endowed professorships across the university.	Financial
Fire Safety Compliance	The university is subject to mandatory compliance with the Virginia Statewide Fire Prevention Code and has policies relating to misuse of fire equipment, arson, disregard of fire alarm signals, and tampering with fire alarm and smoke detection equipment. The Virginia State Fire Marshal's Office conducts fire prevention inspections of state-owned facilities (including colleges and universities), inspection of construction projects in state facilities, and investigation of complaints. A targeted topical review of this particular nature has not been conducted previously.	Compliance & Operational – Safety

Planned Engagement	Overview	Risk Area
Global Activities	The university's emphasis on efforts to further develop its global presence presents distinct opportunities and challenges. Global operations can pose significant risks related to immigration compliance, economic and tax implications, fraud and loss of funds, life safety, transportation and evacuation, and reputational concerns, among others. Previously issued presidential memoranda and university policies require completion of requisite forms and reports as well as notification of the appropriate offices in advance of global activities, particularly when students are involved.	Compliance & Strategic
Human Resources: Benefits *	Human Resources administers the commonwealth benefits program and provides benefit management and guidance for approximately 7,500 faculty and staff. The benefits program is an integral part of the university's employee compensation package and includes health insurance, leave, legal resources, retirement plans through the Virginia Retirement System, tuition assistance, and workers compensation. This function was last reviewed in 2011.	Financial
Hume Center	The mission of the Ted and Karyn Hume Center for National Security and Technology (Hume Center) is to cultivate the next generation of national security leaders by developing and executing curricular, extracurricular, and research opportunities to engage students. Jointly operating in the National Capital Region and the Blacksburg campuses, Hume Center research activities principally focus on cybersecurity, resilience, and autonomy challenges faced by the national security and homeland security communities. While not officially established in its current format until 2010, organizational oversight of the Hume Center has transitioned several times since inception. Research expenditures totaled approximately \$6.6 million. Elements of the Hume Center's activity have been previously reviewed; however, there has not yet been a focused audit.	Operational – Research
International Research, Education, and Development	The Office of International Research, Education, and Development (OIRE) supports the university's international mission by leading projects that raise the standard of living in developing countries. As part of the university's Outreach and International Affairs division, OIRE provides access to the full range of expertise available at Virginia Tech and through project partners around the world. Total expenditures were approximately \$7.6 million, including research expenditures of \$6.5 million. OIRE was included in a broader review of International Affairs in 2013.	Operational – Research
Recreational Sports	Recreational Sports is a department within the Division of Student Affairs that works to enhance the quality of life for the university community by encouraging healthy lifestyles, social interactions, and leadership skills in a fun, active, competitive, and educational environment. Recreational Sports provides opportunities for students, faculty, and staff to engage in physical activities to create healthy lifestyle habits and provides opportunities for youth in the community to start living an active life. Other programs include intramural sports, sport clubs, and aquatics. Total expenditures were approximately \$7 million and revenue was approximately \$10.4 million. This activity was last reviewed in 2011.	Operational – Student Services

Planned Engagement	Overview	Risk Area
Research: Animal Care and Use *	All personnel who are involved in the use of animals for either teaching or research at Virginia Tech have a responsibility for appropriate animal care and use. Further, each individual is accountable by law to conform to the basic regulations and policies governing animal use at the university. All teaching uses as well as any research involving vertebrate animal species (excluding human subjects), regardless of funding source, are under the purview of the Virginia Tech Institutional Animal Care and Use Committee (IACUC), a federally mandated committee. This activity was last reviewed in 2011.	Operational – Research
School of Public and International Affairs	The School of Public and International Affairs (SPIA), operating within the College of Architecture and Urban Studies, offers degree programs in the Center for Public Administration and Policy, Government and International Affairs, and Urban Affairs and Planning. Research initiatives are carried out by the Metropolitan Institute in the National Capital Region, and the Institute for Policy and Governance at the Blacksburg campus. Total expenditures were approximately \$9.2 million while revenue was just over \$2.2 million. SPIA has not previously received a dedicated review.	Operational – Academic
Services for Students with Disabilities	Services for Students with Disabilities (SSD) exists to assist the Division of Student Affairs and the university with advancing their missions and with protecting students' civil rights under the Americans with Disabilities Act. SSD establishes clear guidelines and procedures, creates collaborative partnerships, and provides progressive services to promote student learning, personal growth, and development of life skills. SSD endeavors to create a campus climate in which students with disabilities experience full access and inclusion in curricular and co-curricular opportunities in the academic community. SSD has not previously received a dedicated review.	Operational – Student Services & Academic
Telecommunications Operations	As a sub-unit of the Division of Information Technology and reporting to the Executive Director of Network Infrastructure and Services, the auxiliary component of Communications Network Services (CNS) exists to provide leading edge telecommunications services in support of the instructional, research, and outreach missions of Virginia Tech. CNS delivers voice, data, and video services to all segments of the university community. As an auxiliary, this unit operates in a self-funded manner, and revenues and expenditures were \$20.3 and \$20.2 million respectively. This activity was last reviewed in 2009.	Operational – Administrative
University Registrar	The Office of the University Registrar (Registrar) provides many services, including academic records maintenance for more than 33,000 current students across 250 undergraduate and graduate degree programs. Other areas of responsibility include data stewardship; data integrity; ensuring compliance with all agency, state, and federal regulations; and development of semester course offerings. The last dedicated review of this office was in 2012.	Compliance & Operational – Administrative
University Scholarships and Financial Aid	The Office of University Scholarships and Financial Aid (USFA) supports the university's student access, enrollment, and retention goals by providing the financial means to encourage economic, social, cultural, and academic diversity in the student body. USFA provided or monitored approximately \$446 million in student	Compliance & Financial

Planned Engagement	Overview	Risk Area
	financial assistance in fiscal year 2015-16. A complete audit of the various activities within USFA is performed over a four-year period.	
Virginia Cooperative Extension – Central District	Virginia Cooperative Extension (VCE) is an educational outreach program of Virginia's land-grant universities: Virginia Tech and Virginia State University. VCE – Central District is made up of approximately 25 county and city offices and had \$3.1 million in expenditures and \$1 million in revenue which was almost entirely in the form of cash receipts. A review focused specifically on the Central District has not been conducted before; however, other districts have been reviewed previously.	Operational – Academic

* Entity receives an annual audit on different components of their operation.

Information Technology Assurance

Planned Engagement	Overview	Risk Area
IT: Windows Server Security	Servers are used widely to perform a variety of tasks, from network attached file storage or collaborative database hosting to processing email or print requests. As such, servers often present significant risks when not properly secured. A large percentage of the university's servers operate on the Windows platform. Focus will be on Windows Server security across the university, in various administrative, academic, and research departments. Windows Server security was last audited in 2014.	Information Technology
IT: Employee Access Lifecycle	From first-hire date to separation, university employees receive credentials that provide access to a number of information systems, networks, and other critical IT resources. System and network administrators, data stewards, and other central support staff must manage those credentials throughout the term of employment, which may include changes in the assignment of job duties, transfers between departments, and ultimately, separation from university employment. This audit will evaluate the assignment, modification, and removal of user credentials for university IT resources. Employee access has been reviewed in audits for specific IT resources; however, this will be the first broadly-focused audit of the employee access life cycle.	Information Technology
IT: Mobile Device Security	The use of mobile devices is now ubiquitous across the university's various business units. Smart phones and tablets are frequently used to access university data and systems including web-based applications and university email, which can include sensitive data in the form of attachments. Security configurations and requirements vary greatly across the industry. This audit will focus on the policies and procedures surrounding mobile device security from both the department and central administrative perspectives. Mobile device security was last audited in 2013.	Information Technology
IT: Third-Party Access to University Data	In addition to mandatory submission of data to third parties, the university has procured entire systems and services through outsourcing agreements to host and process institutional data. Examples include an outsourced e-commerce system for procuring goods or services and systems intended to meet requirements for meeting federal immigration requirements. In addition to these high-visibility centrally purchased systems, there may be departmental systems outside of the university environment that may have highly sensitive data, yet have not been approved by central administration due to long-term	Information Technology

Planned Engagement	Overview	Risk Area
	existence or relatively low financial impact. This audit is intended to identify and review the security of university data in outsourced systems as well as other third-party vendor access to data. The outsourced environment was last audited in 2013.	

University Policy Compliance Reviews

University Internal Audit will continue its program of limited scope reviews of senior management areas. These surveys review major aspects of a department's administrative processes using internal control questionnaires and limited testing that provides broad audit coverage ensuring compliance with university policies on campus.

Planned Engagement	Overview	Risk Area
College of Engineering	The College of Engineering (COE) offers 14 undergraduate majors, 7 minors, and 17 graduate degree programs. COE had \$204.3 million in expenditures and \$91.1 million in sponsored research. The last compliance audit of this area was in 2013.	Operational – Administrative
College of Liberal Arts and Human Sciences	The College of Liberal Arts and Human Sciences (CLAHS) offers 29 undergraduate majors, 53 minors, and 32 graduate degree programs. CLAHS had \$75.1 million in expenditures and \$6.8 million in sponsored research. The last compliance audit of this area was in 2013.	Operational – Administrative
Department of Athletics	The Department of Athletics (Athletics), with 22 varsity sports at the NCAA Division I level, monitors more than 550 student-athletes each academic year. Athletics had operating revenues of approximately \$83.8 million and total operating expenses of approximately \$84.6 million. University Internal Audit conducts a complete audit of Athletics over a five-year period. This audit will be a limited compliance review of university policies and procedures. The last review of this nature was completed in 2013.	Operational – Administrative
Vice President for Advancement	The Vice President for Advancement is responsible for securing resources that will enhance the academic quality of the institution, promoting public understanding of and support for Virginia Tech, enhancing the perception and knowledge of various publics of the university's programs and accomplishments, and creating a positive public impression of the university and its faculty, students, and programs. Offices include University Relations, University Development, and Alumni Relations. The last compliance audit of this area was in 2011 (University Development and University Relations) and 2015 (Alumni Relations).	Operational – Administrative
Vice President for Research and Innovation	The Office of the Vice President for Research and Innovation is responsible for supporting and promoting Virginia Tech faculty members, staff, and student research, scholarship, and creative activity and supporting the university community and its missions by fostering quality research and scholarship. Offices include Office of Research Compliance, Animal Care, Sponsored Programs, Fralin Life Sciences, Virginia Tech Carilion Research Institute, Virginia Tech Transportation Institute, and the Biocomplexity Institute of Virginia Tech. The last compliance audit of this area was in 2012.	Operational – Administrative
Virginia–Maryland College of Veterinary Medicine	The Virginia–Maryland College of Veterinary Medicine consists of three academic programs and four departments. The college is a leading biomedical teaching and research center and the in-state	Operational – Administrative

Planned Engagement	Overview	Risk Area
	veterinary college for residents of Virginia and Maryland. Locations include the main campus in Blacksburg; the Marion duPont Scott Equine Medical Center in Leesburg; and the Gudelsky Veterinary Center in College Park, Maryland. The college had \$55.6 million in expenditures and \$23.1 million in sponsored research. The last compliance audit of this area was in 2013.	

Management Advisory Services

Planned Engagement	Overview	Risk Area
Facilities and Administrative Charge Utilization	Facilities and Administrative (F&A) charges, commonly referred to as indirect costs or overhead, are a complex component of sponsored programs. Indirect charges are simply costs that cannot practically, or in a cost-effective manner, be directly tied to a single project. Often used illustrations of F&A costs are electricity, water, sewer, general equipment/building depreciation, and administrative support. Additionally, administrative support costs, which include salaries and benefits for departmental, college, and university personnel involved in the central administration of the institution, are included. The Controller's Office negotiates F&A and fringe benefit rates with the university's cognizant federal agency. Approved rates must be accepted by other agencies, unless specific program regulations restrict the recovery of indirect costs. Understanding these costs is imperative when calculating research metrics in support of national rankings, sponsor relations, and regulatory compliance.	Operational – Research
Fair Labor Standards Act Practices	The Fair Labor Standards Act (FLSA) is a federal law that establishes minimum wage, distinguishes between covered (non-exempt) and excluded (exempt) employees, overtime threshold (40 hours in a week), overtime pay, record keeping requirements, and youth employment standards for employees in the private sector and in federal, state, and local governments. The university has established university policy 4320, Guidelines for the Fair Labor Standards Act, to help ensure compliance.	Compliance
Government Relations	The Office of Government Relations is the primary liaison between the university community and elected officials and government entities at the state and federal levels. It monitors legislative issues and works with other colleges and universities in support of higher education. The office is responsible for advising the President on government policy and proposed legislation and in developing institutional positions. This review is intended to benchmark with peers to compare processes and the utilization of performance metrics in an effort to maximize operational effectiveness.	Strategic
School of Plant and Environmental Sciences	The School of Plant and Environmental Sciences will be a national and international leader for improving human well-being and quality of life through learning, discovery, and engagement in plant and environmental sciences. The school will integrate three existing departments that share certain mission elements: Crop and Soil Environmental Sciences; Horticulture; and Plant Pathology, Physiology, and Weed Science. These units already share cross-cutting interdisciplinary research, and will be further connected through undergraduate curricula and linked graduate programs, as well as through statewide research, extension, and	Operational – Academic

Planned Engagement	Overview	Risk Area
	outreach activities. The school will initially consist of 86 affiliated faculty, 64 staff, and over 100 graduate students, and will have over \$8 million in annual research expenditures. This review is intended to help ensure an optimal control structure for the operations of the new school as it continues to develop and emerge.	

Special Projects and Annual Audit Activities

Activity	Overview
Special Projects	Investigate fraud, waste, and abuse allegations.
Annual Audit Activities (Follow-up, Inventory)	Conduct follow-up audit procedures to ensure that management is implementing controls as described within their responses to audit report recommendations. Assist management with year-end inventory counts for financial statement verifications.
External Audit Coordination	Manage and serve as the liaison for all external audit services including contracted and regulatory-imposed audits.

AUDIT RESOURCES

The audit plan for fiscal year 2017-18 is based on professional staffing of 12 full-time equivalents (FTEs). Staffing will be augmented by the continuation of the student internship program in which two Virginia Tech students are employed. Approximately 75 percent of University Internal Audit's available resources are committed to the completion of planned audit projects, management advisory reviews, and investigations. The annual audit plan is designed to provide appropriate coverage utilizing a variety of audit methodologies including audits of individual units, functional and process audits, university-wide reviews, and information system projects. University Internal Audit conducts follow-up audit procedures throughout the year to ensure that management is implementing controls as described within their responses to audit report recommendations.

Audit resources are allocated as follows:

- 52 percent of the University Internal Audit's available resources are committed to the completion of planned audit projects and follow-up audit procedures.
- 13 percent to accommodate requests from management and consultations with university departments.
- 10 percent to conduct investigations into fraud, waste, and abuse allegations.
- 12 percent for employee professional development, internal quality improvement projects, and other internal administrative functions.
- 13 percent for compensated absences such as annual, sick, and holiday leave.

Review and Acceptance of Reports Issued by University Internal Audit

FINANCE AND AUDIT COMMITTEE

May 19, 2017

Background

This report provides a summary of ratings issued this period for presentation along with the full rating system definitions. University Internal Audit continues to make progress on the annual audit plan.

Ratings Issued This Period

Emergency Preparedness	Improvements are Recommended
Geosciences	Improvements are Recommended
Vice President for Outreach and International Affairs	Significant Improvements are Needed

Summary of Audit Ratings

University Internal Audit's rating system has four tiers from which to assess the controls designed by management to reduce exposures to risk in the area being audited. The auditor can use professional judgment in constructing the exact wording of the assessment in order to capture varying degrees of deficiency or significance.

Definitions of each assessment option

Effective – The audit identified opportunities for improvement in the internal control structure, but business risks are adequately controlled in most cases.

Improvements are Recommended – The audit identified occasional or isolated business risks that were not adequately or consistently controlled.

Significant or Immediate Improvements are Needed – The audit identified several control weaknesses that have caused, or are likely to cause, material errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management should undertake immediate corrective actions to mitigate the associated business risk and possible damages to the organization.

Unreliable – The audit identified numerous significant business risks for which management has not designed or consistently applied controls prior to the audit. Persistent and pervasive control weaknesses have caused or could cause significant errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior management must undertake immediate corrective actions to bring the situation under control and avoid (additional) damages to the organization.

RECOMMENDATION:

That the internal audit reports reviewed above be accepted by the Finance and Audit Committee.

June 5, 2017