

Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE
The Inn at Virginia Tech, Latham Ballroom
9:45 a.m.

November 15, 2020

Closed Session

Committee Members: Anna James, Sharon Brickhouse Martin, Chris Petersen, Jeff Veatch (via Zoom)

Other Board Members: Edward Baine, Carrie Chenery, Charles C.T. Hill, Horacio Valeiras (Rector)

VPI & SU Faculty and Staff: Charity Boyette, Cyril Clarke, Corey Earles, Kay Heidbreder, Sharon Kurek, Justin Noble, Kim O'Rourke, Dwayne Pinkney, Timothy Sands

Compliance, Audit, and Risk Closed Session

1. **Motion for Closed Session:** Motion to begin closed session.
2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
3. **Discussion with the Executive Director of Audit, Risk, and Compliance:** The Executive Director discussed audits of specific departments and units where individual employees were identified.

Open Session

Committee Members: Anna James, Sharon Brickhouse Martin, Chris Petersen, Jeff Veatch (via Zoom)

Other Board Members: Edward Baine, Carrie Chenery, Charles C.T. Hill, Horacio Valeiras (Rector)

Representatives to the Board: Eric Kaufman, Camellia Pastore, Tammie Smith, Sabrina Sturgeon

VPI & SU Faculty and Staff: Eric Brooks, Charity Boyette, Cyril Clarke, Al Cooper, Corey Earles, Kari Evans, Martha Glass, Kay Heidbreder, Sharon Kurek, Ken Miller, Justin Noble, Kim O'Rourke, Mark Owczarski, Dwayne Pinkney, Timothy Sands, Tracy Vosburgh, Melinda West

Guests: Meghan Finney (APA), Jimmy Quesenberry (APA)

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Welcome and Introductory Remarks:** Ms. Anna James provided opening remarks.
3. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
 - a. **Minutes for the August 24, 2020 Meeting:** The Committee reviewed and approved the minutes of the August 24, 2020 meeting.
 - b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of June 30, 2020, the university had eight open recommendations. Eight audit comments were issued during the fourth quarter of the fiscal year. As of September 30, 2020, the university had addressed five comments, leaving 11 open recommendations in progress.
 - c. **Audit Plan Status Report:** The Committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) had completed 7 percent of its audit plan and 23 percent was underway in accordance with the fiscal year 2020-21 annual audit plan.
 - d. **Internal Audit Reports:** The following internal audit report was issued OARC since the August 24, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

- i. Center for the Arts: The audit received a rating of improvements are recommended. One observation was noted with respect to completion of safety training.
 - e. **ERM and ICP Program Updates:** The Committee received an update on the Enterprise Risk Management (ERM) and Institutional Compliance (ICP) programs. A tabletop exercise concerning the university's plans for mitigating COVID-19 during the fall semester was conducted in conjunction with the Division of Student Affairs and the Division of Campus Planning, Infrastructure, and Facilities. Plans for updating the risk snapshots for the Top Ten enterprise risks were shared with the Committee. Updates on the completion of compliance risk assessments through the ICP were also shared.
- 4. **Auditor of Public Accounts Financial Statement Audit and Management Letter:** The Committee received a report from Ms. Meghan Finney, Senior Auditor, and Jimmy Quesenberry, Audit Manager, of the Auditor of Public Accounts, on the status of the university's financial statement audit and management letter for the fiscal year ended June 30, 2020.
- 5. **Internal Audit Reports:** The following internal audit report was issued by the Office of Audit, Risk, and Compliance (OARC) since the August 24, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - a. Athletics: The audit received a rating of improvements are recommended. Two observations were noted with respect to conflict of interest and commitment disclosures and reporting outside athletically related income.
- 6. **OARC Annual Report:** The Committee reviewed and accepted the Annual Report for OARC. Acceptance of this report documents the Committee's review of the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships as required by the Committee's Charter. In addition to conducting scheduled audits, policy compliance reviews, and advisory services, the department participated in annual audit activities, fraud investigations, and professional development activities. Twenty-two audit projects, or 88 percent of the audits on the fiscal year 2019-20 amended audit plan, have been completed. Three audit projects are underway and carried forward into fiscal year 2020-21.

In addition to operating the audit function, OARC continued facilitating the university's enterprise risk management and institutional compliance programs. The enterprise risk landscape was updated, including the creation of a 'top ten risks' model. Twenty-one presentations and discussions highlighting ERM risk areas took place across the five standing BOV committees since the program began. A university-wide compliance risk assessment process was deployed as part of the institutional compliance program with a 97.5% completion rate, as well as implementation of the new anonymous hotline.

7. **Review and Approval of Audit Charters:** The Committee reviewed the Compliance, Audit, and Risk Committee Charter and the Charter for the Office of Audit, Risk, and Compliance in accordance with professional standards. After conducting a thorough review, OARC recommended modifications to the department charter to clarify expectations on its responsibility for coordinating external audits and minor technical corrections. The Committee approved the proposed modifications to the Charter for the Office of Audit, Risk, and Compliance.
8. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

Compliance, Audit, and Risk (CAR) and Governance and Administration (G&A) Joint Open Session

Committee Members: Anna James (CAR), Sharon Brickhouse Martin (CAR), Chris Petersen (CAR, G&A), Mehul Sanghani (G&A Chair), Jeff Veatch (CAR, via Zoom)

Other Board Members: Edward Baine, Carrie Chenery, Charles C.T. Hill, Horacio Valeiras (Rector)

Representatives to the Board: Eric Kaufman, Camellia Pastore, Tammie Smith, Sabrina Sturgeon

VPI & SU Faculty and Staff: Eric Brooks, Charity Boyette, Lori Buchanan, Cyril Clarke, Al Cooper, Corey Earles, Kari Evans, Martha Glass, Kay Heidbreder, Sharon Kurek, Randy Marchany, Scott Midkiff, Ken Miller, Justin Noble, Kim O'Rourke, Mark Owczarski, Dwayne Pinkney, Timothy Sands, Tracy Vosburgh, Melinda West

1. **Briefing on Information Technology Security:** Vice President for Information Technology and Chief Information Officer Dr. Scott Midkiff and Information Technology Security Officer Mr. Randy Marchany briefed the joint committees on the university's information technology security posture.

There being no further business, the meeting adjourned at 11:40 a.m.

Motion to Reconvene in Open Session
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 15, 2020

WHEREAS, the Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University has convened a closed meeting on this date pursuant to an affirmative recorded vote and in accordance with the provisions of the Virginia Freedom of Information Act; and

WHEREAS, §2.2-3711 of the Code of Virginia requires a certification by the Compliance, Audit, and Risk Committee that such closed meeting was conducted in conformity with Virginia Law;

NOW, THEREFORE, BE IT RESOLVED, that the Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University hereby certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements by Virginia Law were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion convening the closed meeting were heard, discussed, or considered by the Compliance, Audit, and Risk Committee.

Welcome and Introductory Remarks
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 15, 2020

The Chair of the Compliance, Audit, and Risk Committee
will offer welcoming remarks
and ask for approval of the agenda.

Consent Agenda
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 15, 2020

The Committee will consider for approval and acceptance the items listed on the Consent Agenda.

- a. Approval of Minutes of the August 24, 2020 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
 - i. Center for the Arts
- e. ERM and ICP Program Updates

Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE
The Inn at Virginia Tech, Latham Ballroom
4:30 p.m.

August 24, 2020

Closed Session

Committee Members: Anna James, Letitia Long (Chair), Sharon Brickhouse Martin, Chris Petersen

Other Board Members: Edward Baine, Shelley Butler Barlow, Carrie Chenery, Greta Harris, Melissa Byrne Nelson, Horacio Valeiras (Rector), Preston White

VPI & SU Faculty and Staff: Charity Boyette, Cyril Clarke, Ryan Hamilton, Kay Heidbreder, Justin Noble, Kim O'Rourke, Dwayne Pinkney, Timothy Sands

Compliance, Audit, and Risk Closed Session

1. **Motion for Closed Session:** Motion to begin closed session.
2. **Internal Audit Reports:** The following confidential internal audit reports were issued by the Office of Audit, Risk, and Compliance (OARC) since the May 21, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - a. **Physical Security:** The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvements were noted in the area of facilities contractor key authorization. A low-priority recommendation of a less significant nature was noted regarding access to server rooms.
 - b. **IT: Windows Server Security:** The audit indicated that management has designed controls that are effective at reducing the departmental Windows server security's exposure to business risks, but the controls are not consistently applied. Improvements are recommended to achieve a fully

effective system of internal controls. An audit recommendation was issued to management where opportunities to provide additional guidance to the decentralized users on the application of security standards. Additionally, recommendations were issued directly to departments for identified noncompliance with university security standards. During the discussion, the Committee Chair noted a request for a briefing by the university's Information Technology Security Officer at a future meeting.

3. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
4. **Discussion with the Executive Director of Audit, Risk, and Compliance:** As the Executive Director of Audit, Risk, and Compliance was not in attendance, the Committee dispensed with this agenda item.

Open Session

Committee Members: Anna James, Letitia Long (Chair), Sharon Brickhouse Martin, Chris Petersen

Other Board Members: Edward Baine, Shelley Butler Barlow, Carrie Chenery, Greta Harris, Melissa Byrne Nelson, Horacio Valeiras (Rector), Preston White

Representatives to the Board: Eric Kaufman

VPI & SU Faculty and Staff: Charity Boyette, Al Cooper, Corey Earles, Ryan Hamilton, Kay Heidbreder, Justin Noble, Kim O'Rourke, Dwayne Pinkney, Timothy Sands

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.
3. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
 - a. **Minutes for the May 21, 2020 Meeting:** The Committee reviewed and approved the minutes of the May 21, 2020 meeting.

- b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of March 31, 2020, the university had nine open recommendations. Five audit comments were issued during the fourth quarter of the fiscal year. As of June 30, 2020, the university has addressed six comments, leaving eight open recommendations in progress.
- c. **Audit Plan Status Report:** The Committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) had completed 88 percent of its audit plan in accordance with the fiscal year 2019-20 annual audit plan.
- d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the May 21, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - i. **Center for International Research, Education, and Development:** Due to extenuating circumstances related to COVID-19, the engagement focused on the effectiveness and appropriateness of policies, procedures, and processes. The limited testing prevented OARC from expressing an overall opinion. However, no issues were noted warranting management's attention.
 - ii. **Facilities: Site and Infrastructure Development:** The audit received a rating of effective. A low-priority recommendation of a less significant nature was noted in relation to post-construction stormwater management facility inspection follow-up.
 - iii. **Research: Human Research Protection Program:** The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvement were noted in the protocol monitoring selection process. In addition, a low-priority recommendation of a less significant nature was noted regarding Protocol Management System reporting.
 - iv. **Undergraduate Admissions:** The audit received a rating of effective. A low-priority recommendation of a less significant nature was noted regarding the recording of admission fees and expenses.

- v. Virginia Tech Transportation Institute: The audit received a rating of improvements are recommended. Audit recommendations were issued to management were opportunities for further improvement were noted regarding enhancement of database access control and authentication, software support, audit log review, and data restoration testing.
 - e. **Status Update on the Audit of the University's Financial Statements:** This report provided the current status of the audit of the university's financial statements for fiscal year 2019-20.
4. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

There being no further business, the meeting adjourned at 5:14 p.m.

Update of Responses to Open Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2020

As part of the internal audit process, university management participates in the opening and closing conferences and receives copies of all final audit 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, the Office of Audit, Risk, and Compliance (OARC) performs a follow-up visit within two weeks after the target implementation date. OARC 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 Compliance, Audit, and Risk 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 August 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 medium and high 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 2021 reflects closing 5 of 5 recommendations by the original target date.

The report presented at the August 24, 2020 meeting covered audit reports reviewed and accepted through June 30, 2020 and included eight open medium and high priority recommendations. Activity for the quarter ending September 30, 2020 resulted in the following:

Open recommendations as of June 30, 2020	8
Add: medium and high priority recommendations accepted August 24, 2020	8
Subtract: recommendations addressed since June 30, 2020	5
Remaining open recommendations as of September 30, 2020	<u>11</u>

While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through October 28, 2020, OARC has closed one of the eleven outstanding medium and high priority 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.

Open Recommendations by Priority Level
COMPLIANCE, AUDIT, AND RISK COMMITTEE
September 30, 2020

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
29-Jul-19	College of Liberal Arts & Human Sciences	18-1387	3	2			1		1
06-Mar-20	IT: Log Management	20-1478	1					1	1
08-May-20	Parking & Transportation	20-1480	2	1			1		1
11-May-20	College of Science	20-1491	3				1	2	3
29-Jun-20	Research: Human Research Protection Program	20-1483	1					1	1
30-Jun-20	Virginia Tech Transportation Institute	20-1488	1					1	1
07-Aug-20	IT Windows Security Server	20-1479	5	2				3	3
Totals:			16	5	0	0	3	8	11

ATTACHMENT B

Internal Audit Open Recommendations

FINANCE AND AUDIT COMMITTEE

September 30, 2020

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-Aug-20	1	20-1479	IT Windows Security Server (Appendix G)	Unsupported Operating System	Medium		01-Oct-20		1	Recommendation completed, however closed after 9/30/2020 report date.
30-Jun-20	2	20-1488	Virginia Tech Transportation Institute	Database Controls	Medium		15-Dec-20		1	
11-May-20	3	20-1491	College of Science	Leave Reporting	Medium		15-Dec-20		1	
07-Aug-20	4	20-1479	IT Windows Security Server	Windows Server Control Environment	Medium		15-Dec-20		1	
25-Aug-19	5	18-1387	College of Liberal Arts & Human Sciences	Information Technology	High		31-Dec-20		1	
07-Aug-20	6	20-1479	IT Windows Security Server (Appendix F)	Unsupported Operating System	Medium		01-Mar-21		2	
08-May-20	7	20-1480	Parking & Transportation	Funds Handling	High		31-Mar-21		2	
11-May-20	8	20-1491	College of Science	Fiscal Responsibility	High		31-Mar-21		2	
06-Mar-20	9	20-1478	IT: Log Management	Log Management	Medium		01-Apr-21		2	
11-May-20	10	20-1491	College of Science	Information Technology	Medium		01-Dec-21		2	
29-Jun-20	11	20-1483	Research: Human Research Protection Program	Post Approval Monitoring	Medium		30-Sep-22		2	

Follow Up Status

- 1 As of October 28, 2020, management confirmed during follow up discussions with the Office of Audit, Risk, and Compliance (OARC) that actions are occurring and the target date will be met. OARC 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.

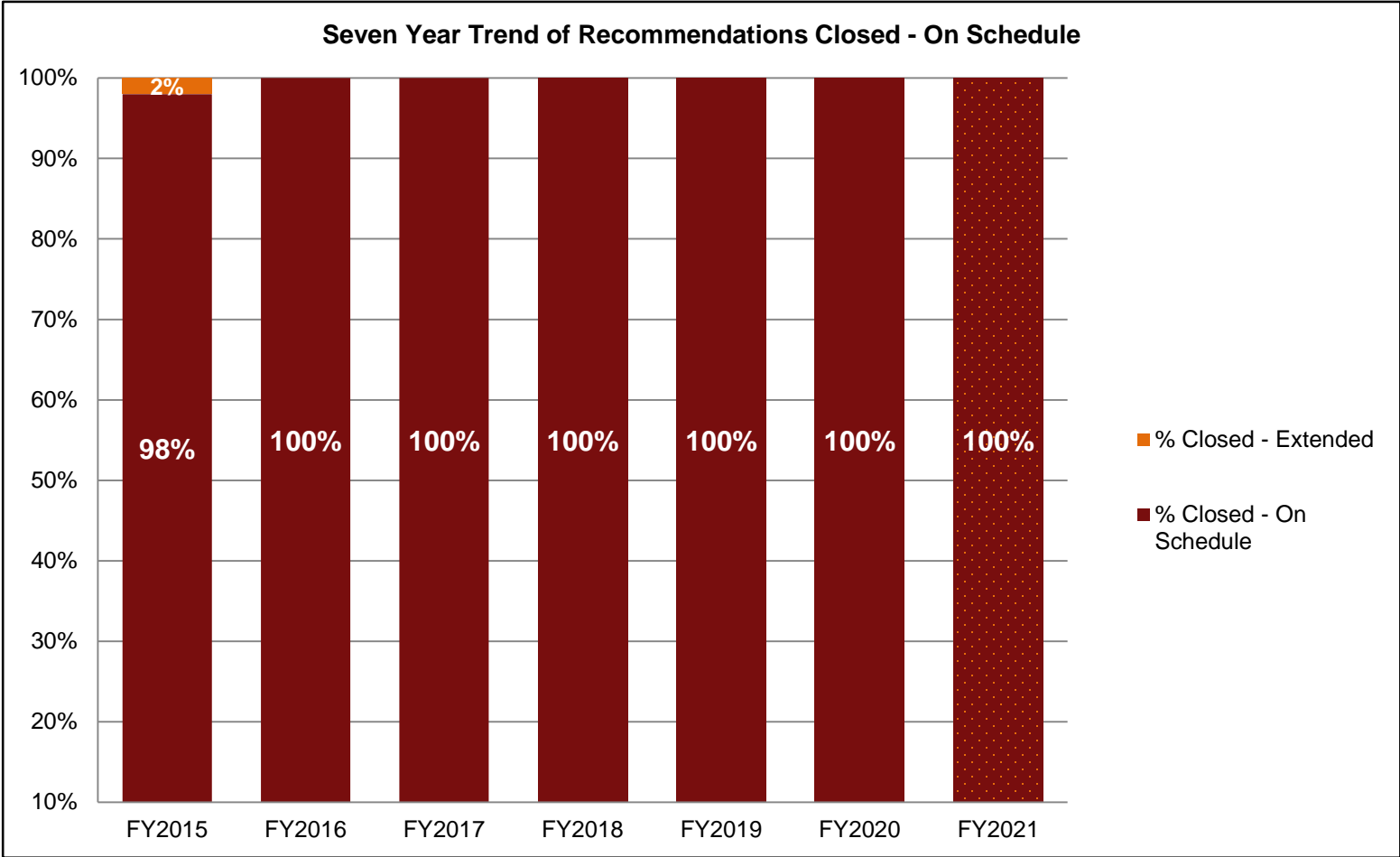
For Open Detail Report: "current calendar quarter" is used to refer to the current working quarter instead of the quarter being reported on.

Presentation Date: November 15, 2020

Management Performance and Trends Regarding Office of Audit, Risk, and Compliance Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2020



Audit Plan Status Report
COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 15, 2020

Audit Plan Update

Audits were performed in accordance with the fiscal year 2020-21 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Two risk-based audits have been completed since the August board meeting, both of which were carried forward from the fiscal year 2019-20 annual audit plan.

The following seven audit projects are underway: IT: Linux Server Security; Principal Investigator Research Management; Scholarships; Student Engagement and Campus Life; and a policy compliance review of the Pamplin College of Business. Additionally, advisory service projects related to the Honors College and Construction Project Management are ongoing.

In fiscal year 2020-21, OARC completed seven percent of its audit plan as depicted in Exhibit 1.

Exhibit 1
FY 2019-20 Completion of Audit Plan

Audits	
Total # of Audits Planned	27
Total # of Supplemental Audits	0
Total # of Carry Forwards	3
Total # of Planned Audits Canceled and/or Deferred	0
Total Audits in Plan as Amended	30
Total Audits Completed	2
Audits - Percentage Complete	7%
Audits - Percentage Complete or Underway	30%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 15, 2020

Background

This report provides a summary of audit ratings issued this period and the full rating system definitions. The following reviews have been completed during this reporting period. The Office of Audit, Risk, and Compliance has made a concerted effort to ensure progress on the annual audit plan.

Consent Agenda Reports	Rating
Center for the Arts	Improvements are Recommended
Reports for Discussion	Rating
Athletics	Improvements are Recommended

Summary of Audit Ratings

The Office of Audit, Risk, and Compliance'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 listed above be accepted by the Compliance, Audit, and Risk Committee.

November 15, 2020

November 15, 2020

ERM & ICP ***Program Updates***

Sharon M. Kurek, CPA, CFE, MBA
Executive Director of Audit, Risk, and Compliance

ERM SUMMARY

Updates since June

- *Collaborated with the Vice President for Student Affairs and the Assistant Vice President for Emergency Management to conduct a tabletop exercise focused on COVID-related planning for the Fall 2020 semester*

Going Forward

- *Focus on “Top Ten ERM Risks”*
- *Update risk snapshots with risk owners*
- *Periodic tabletop exercises*
- *Risk owners brief BOV through associated committees*

ICP SUMMARY

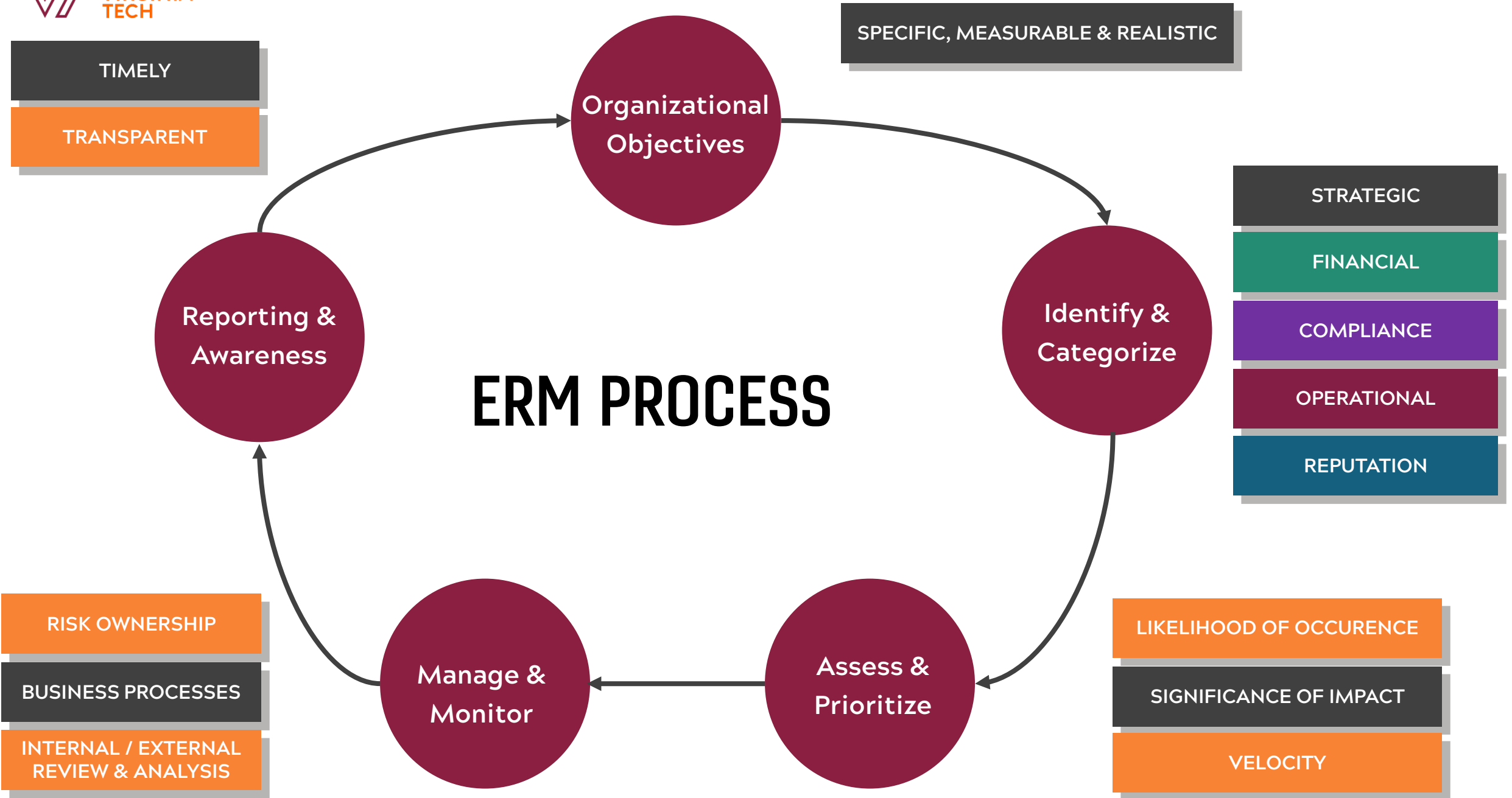
Updates since June

- *98% of distributed university-wide compliance owners completed the compliance risk-assessment process and analysis of risk assessment results underway*
- *The Compliance Advisory Committee (CAC) held quarterly meetings July 14 and October 29 to review initial risk assessment data and discuss next steps in evaluating critical compliance risk areas*
- *In conjunction with University Relations, developed communications campaign to highlight the importance of compliance and ethics in conjunction with the 15th annual national Corporate Compliance & Ethics Week (November 1-7, 2020)*

In Progress and Going Forward

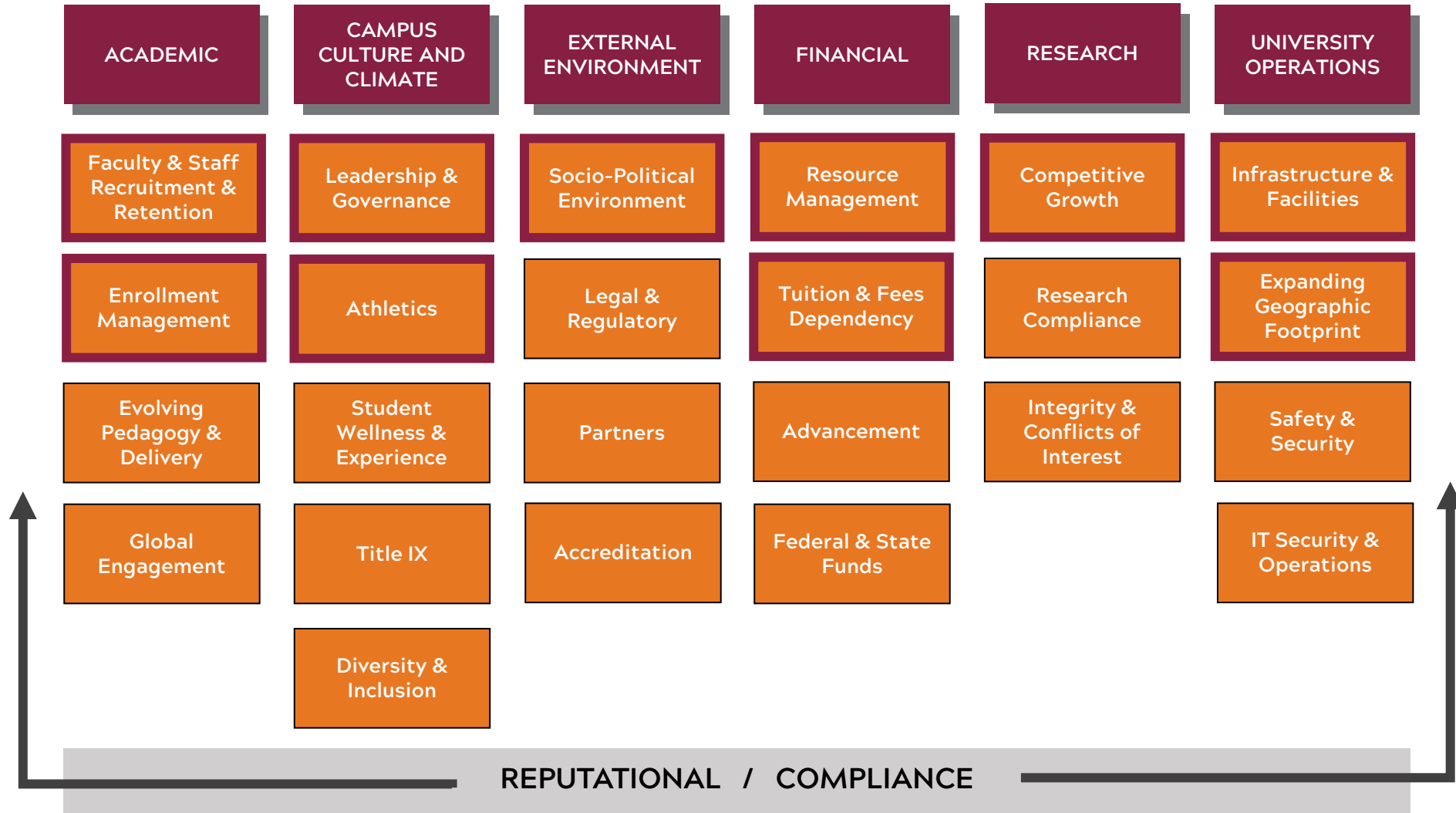
- *CAC meetings will continue quarterly as members focus on oversight of the ICP*
- *OARC and CAC will continue to explore outreach opportunities*

ERM and ICP Reference Materials



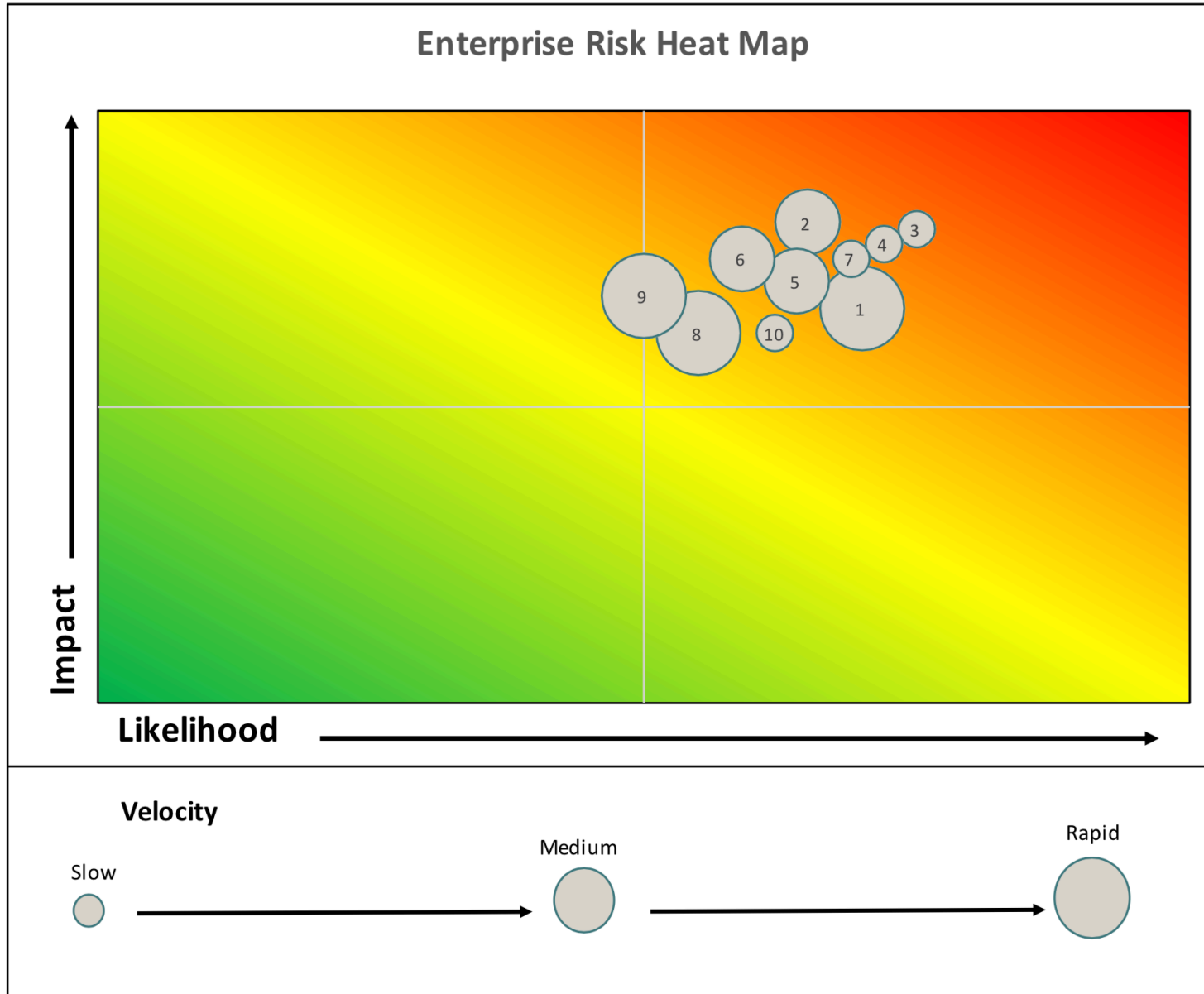
Enterprise Risk Landscape

March 2020



Top Ten ERM Risks

March 2020



Graph Legend

Number	Risk
1	Socio-Political Environment
2	Leadership & Governance
3	Resource Management
4	Infrastructure & Facilities
5	Tuition & Fees Dependency
6	Faculty & Staff Recruitment & Retention
7	Research: Competitive Growth
8	Enrollment Management
9	Athletics
10	Expanding Geographic Footprint

ERM Top 10 Risks – Owners & BOV Alignment

Risk Area	Risk Statement	
	Owner(s)	BOV Committee(s)
1 - Socio-Political Environment	Guide the university’s response to external and global factors impacting its mission	
	Sands; Yianilos	Compliance, Audit, and Risk
2 - Leadership & Governance	Plan, communicate, and implement informed decisions to meet stated goals and priorities within our resource capacity	
	Sands	Board Level
3 - Resource Management	Allocate university personnel, finances, and space in alignment with strategic goals and priorities	
	Pinkney; Miller; Clarke	Finance and Resource Management
4 - Infrastructure & Facilities	Expand, improve, and maintain processes, technology, equipment, physical infrastructure, and facilities	
	Pinkney; Kiwus; Midkiff	Governance and Administration + Buildings and Grounds
5 - Tuition & Fees Dependency	Diversify revenue streams to ensure ongoing resource availability and support educational access and affordability	
	Pinkney; Miller; Clarke	Finance and Resource Management

ERM Top 10 Risks – Owners & BOV Alignment

Risk Area	Risk Statement	
	Owner(s)	BOV Committee(s)
6 - Faculty & Staff Recruitment & Retention	Recruit, develop, and retain high-performing and diverse talent in support of strategic goals and priorities	
	Garey; Clarke; Finney	Academic, Research, and Student Affairs + Governance and Administration
7 - Research: Competitive Growth	Grow and diversify the research portfolio by prioritizing strengths and focusing on emerging areas	
	Taylor; Clarke	Academic, Research, and Student Affairs
8 - Enrollment Management	Develop student recruitment, retention, academic support, and financial aid strategies to achieve growth and diversity goals	
	Clarke; Havens Gerardo	Academic, Research, and Student Affairs
9 - Athletics	Navigate the highly visible and complex environment of intercollegiate athletics	
	Babcock	Governance and Administration
10 - Expanding Geographic Footprint	Address complexities and leverage opportunities arising from institutional growth in multiple locations	
	Clarke; Pinkney	Board Level

8 Elements of an Effective Compliance Program

**High-level personnel
exercising oversight**

**Written policies and
procedures**

**Training and
Education**

**Lines of
Communication**

**Well publicized
disciplinary
guidelines**

**Internal compliance
monitoring**

**Response to detected
offenses**

**Perform periodic
compliance risk
assessments**

**Auditor of Public Accounts Financial Statement Audit and Management Letter
COMPLIANCE, AUDIT, AND RISK COMMITTEE**

November 15, 2020

The Committee will receive an update on the status of
the Auditor of Public Accounts financial statement audit
and Management Letter
for the fiscal year ended June 30, 2020.



Enabling
Informed
Decisions



OFFICE OF AUDIT, RISK,
AND COMPLIANCE
VIRGINIA TECH™

Annual Report

For the Fiscal Year Ended June 30, 2020

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Mission Statement

The Office of Audit, Risk, and Compliance (OARC) performs independent internal audits, plans and oversees the university risk management process, and oversees the institutional compliance program. OARC's mission is to **enhance and protect organizational value** by providing risk-based and objective **assurance, advice, and insight** as follows:

Assurance
Advice
Insight

1. **Audit:** Provide **independent, objective** assurance and advisory activity designed to **add value** and **improve university operations**. Audits help the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. **Enterprise Risk Management:** Provide **oversight** of the enterprise risk management program by **creating and maintaining the framework** to effectively identify, assess, and manage risk.
3. **Compliance:** Provide **oversight** of the institutional compliance program and the distributed processes that **support compliance** across the university.



Protected & Connected

OARC **protects** the university by independently and objectively identifying business risks and **connects** with key leaders and stakeholders to evaluate risk-mitigation strategies.

State of Control Environment

The university's internal audit function within OARC continues to be a significant element of the university's overall control structure and a positive influence on the control environment. During fiscal year 2020, OARC examined and tested the operations and systems of internal control within a number of university departments to assist management and the Board of Visitors in the discharge of their fiduciary responsibilities.

As a result of the audit, advisory, and investigative work performed during fiscal year 2020, **no deficiencies representing material control weaknesses were identified**; however, a number of areas requiring improvement were noted. The scope of audit work was not limited in any way by management or others, nor were there any instances where OARC considered its independence or objectivity to have been impaired. Management and others were found to be conscientious, cognizant, and accepting of their responsibility for internal control, as well as open, cooperative, and supportive of audit efforts.

Management has generally accepted audit issues and responded by developing action plans to address the concerns noted. These statements are made with the understanding that no system of internal control provides absolute assurance that controls are functioning effectively. These statements are also not meant to imply that fraud and other irregularities do not exist or, if they do exist, are certain to be detected. Decisions as to the level of risk that is tolerable and should be accepted by the university are the responsibility of management. That said, based on the audit, advisory, and investigative work performed, OARC did not identify any areas where management decided to accept a level of risk that we believed to be unacceptable.

OARC did not identify any areas where management decided to accept a level of risk that we believed to be unacceptable.



FY 2019-20 Highlights

Internal Audit

- 88% of audit plan completed
- 22 completed engagements
- 23 fraud, waste, or abuse cases initiated
- 4.5 out of 5 on client satisfaction surveys
- 100% on-time completion of high and medium action plans
- 62 management action plans were verified complete
- New Director of Internal Audit hired

88%

audit plan
completion

Enterprise Risk Management (ERM)

- Update of university's enterprise risk landscape and heat map
- Establishment of "top ten" focus areas
- ERM principles framed COVID response planning and discussion
- Facilitation of cross-functional tabletop exercise
- Expansion of ERM engagement to all Board of Visitor committees

Whole-of-
leadership
engagement

Institutional Compliance Program (ICP)

- 75+ distributed university-wide risk owners completed 160+ compliance risk assessments
- Development begun of a university-wide awareness ethics and compliance awareness campaign
- Launch of anonymous compliance concern reporting hotline

98%

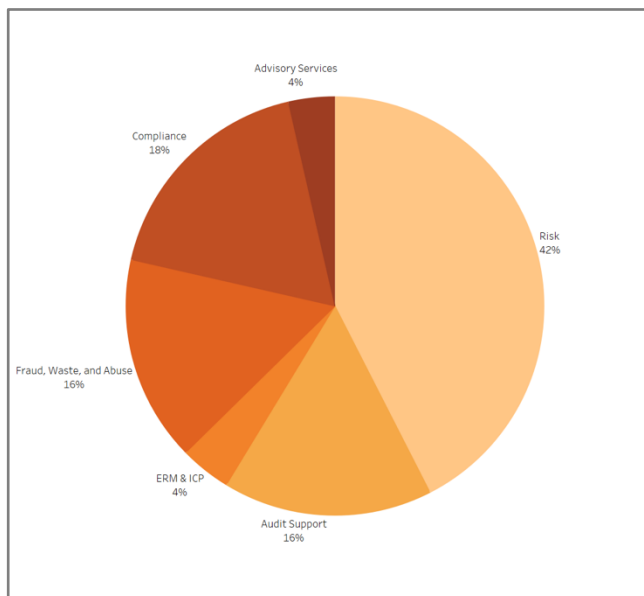
risk
assessments
completed

Internal Audit

Internal Audit continued its role as the assurance and advisory arm within the university. Value-added engagements through traditional audits, a limited number of advisory activities, and providing insight through formal and informal means were hallmarks throughout the year. As depicted below, fiscal year 2020 began with 31 proposed engagements. A combination of changing risks, including the effects of COVID-19, lead to the cancelation or deferment of nine audits. Coupled with three carry forward engagements, we ended the year with 25 planned audits, of which we completed 22 as of the fiscal year. This results in an 88% completion rate for fiscal year 2020. Appendix A shows the status of each audit in the fiscal year 2019-20 audit plan.

Audits	
Total # of Audits Planned	31
Total # of Supplemental Audits	0
Total # of Carry Forwards	3
Total # of Planned Audits Deferred and/or Canceled	9
Total Audits in Plan as Amended	25
Total Audits Completed	22
Audits – Percentage Complete	88%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Effort



Of the 25,900 hours logged by OARC last year, 74% was charged directly to executing our core mission. The remaining 26% were spent on office administration, computer support, training, and compensated absences.

This chart depicts how 19,200 of core-mission hours were spent.

- 64% on Risk, Advisory, and Compliance engagements
- 16% of fraud, waste, and abuse investigations
- 4% on ERM and compliance
- 16% on audit support (annual audit planning, supervision)

Follow Up Activities and Management Corrective Actions

OARC conducts follow-up on management’s implementation of agreed upon improvements for previously issued audit recommendations. Each audit recommendation – and its associated management corrective action – is

62
management
corrective
actions were
closed

given a rating of high, medium, or low priority by the auditors. This judgment is made in a local context, and items identified as high do not necessarily convey material deficiencies or risks beyond the operating environment in which they were found. A primary objective of this classification is to drive a greater sense of urgency in completing the corrective action and completion of audit follow-up. The Compliance, Audit, and Risk (CAR) Committee receives the higher priority recommendations and associated management corrective actions. However, OARC and management closely monitor all outstanding recommendations to ensure they are adequately addressed by the responsible parties.

Of the 84 management corrective actions generated during fiscal year 2019-20 engagements, OARC categorized three as high priority (4%). High-priority management corrective actions would include those that are systemic or have a broad impact; have contributed to a significant investigation finding; are reportable conditions under professional literature; create health or safety concerns; involve senior officials; create exposures to fines, penalties, or refunds; or are otherwise judged as significant control issues. Open management corrective action plans at fiscal year-end have been outstanding an average of 235 days. Audits for fiscal year 2019-20 resulted in recommendations with ratings of high, medium, or low management corrective actions as follows:

Beginning # of management corrective actions	34
Management corrective actions added	84
Management corrective actions closed	62
Current # of open management corrective actions	56

Results of Surveys for Evaluating OARC Services

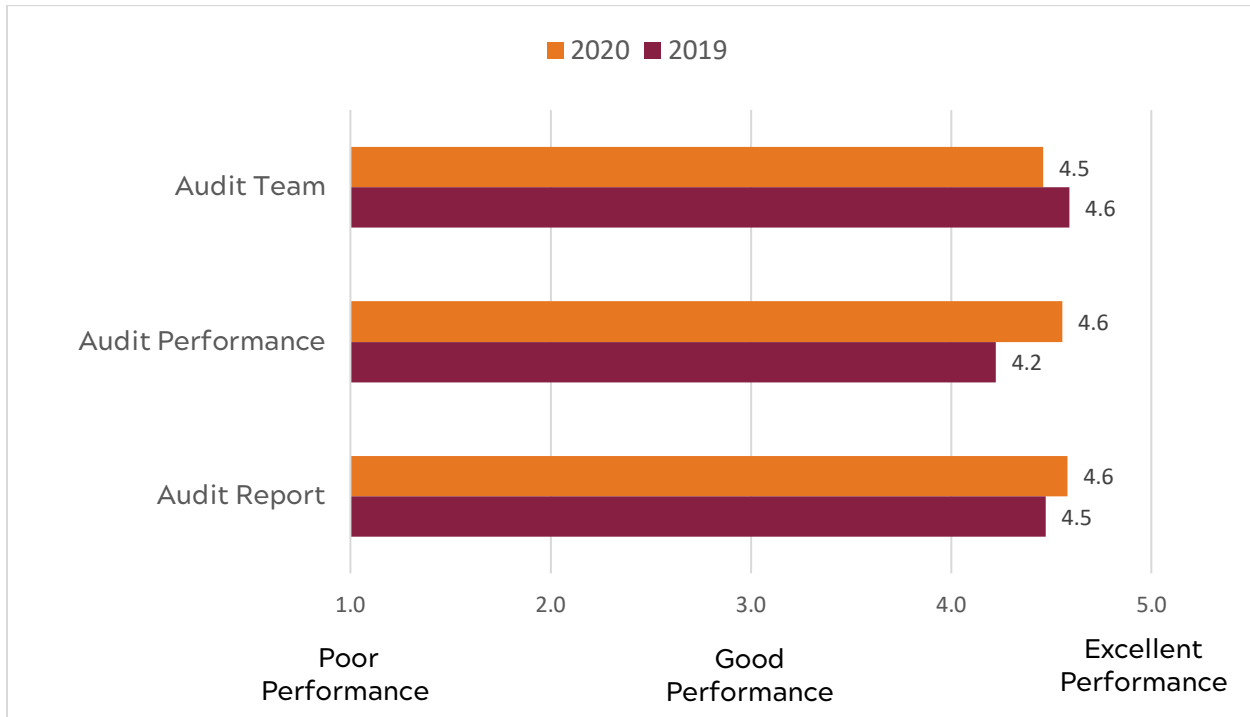
After the completion of each engagement, the primary contacts within the area under review are provided a survey requesting their evaluation of the quality of audit services. Feedback from the surveys is used to **enhance the overall quality** of the engagements and **ensure we are meeting our customer service focus**. The survey responses are grouped into three categories focused on the following areas:

- Audit Team Demonstrated technical proficiency, approached audit in an objective and professional manner, and conclusions and opinions were logical.
- Audit Performance Discussed the preliminary audit objectives, scope, and timing of the audit, management concerns and suggestions were solicited and considered in the audit, and disruption of daily activities was minimized as much as possible during the audit.

Audit Report

Written clearly and contained adequate explanations for the observations, and recommendations improved or added value to the department’s operation.

FY 2019-20 Survey Results



Overall, **customer ratings were highly favorable** as results ranged from good to excellent. Attaining a cumulative average score of 4.5 on a 5-point scale exceeded OARC’s goal of a 4.0 rating on survey feedback. Comments provided by clients showed appreciation of the audit process and the courtesy, professionalism, flexibility, and thoroughness demonstrated by the audit team. Two respondents from the same engagement commented on their disagreement with language used in the report to frame the issue and the lack of quantification. The respondents felt the auditors lacked necessary understanding of their processes and that the engagement was cumbersome. Most respondents who left comments expressed how auditors worked diligently, asked the appropriate questions along the way, and took the feedback provided seriously to draw reasonable conclusions based on evidence collected.

4.5
Excellent overall rating

“The audit team was exceptional both in skill and approach. We appreciate the collegiality and interest in making recommendations that are helpful to the program.”
- University Associate Vice President

Quality Assurance and Improvement Program

In accordance with requirements set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Internal Audit maintains a comprehensive Quality Assurance and Improvement Program. This program includes ongoing monitoring, periodic self-assessments, and an independent external assessment that should be conducted at a minimum of every five years.

An external assessment was last completed during fiscal year 2015-16, when the internal audit function received the highest rating possible of "generally conforms." The next independent external assessment will be due in 2021. In anticipation of the external review, a self-assessment was completed in fiscal year 2019-20 with recommendations currently being completed.



Fraud, Waste, and Abuse

OARC conducts reviews of all state and local Hokie Hotline reports and internal complaints alleging fraud, waste, and abuse. During fiscal year 2019-20 OARC:

- Initiated 23 cases, including 17 internal and 6 state hotline complaints.
- Closed 7 cases from prior fiscal years and 13 for current fiscal year.

For the 20 cases completed:

- 1 of 7 (14%) state hotline cases were substantiated
- 7 of 13 (54%) internally reported cases were substantiated.

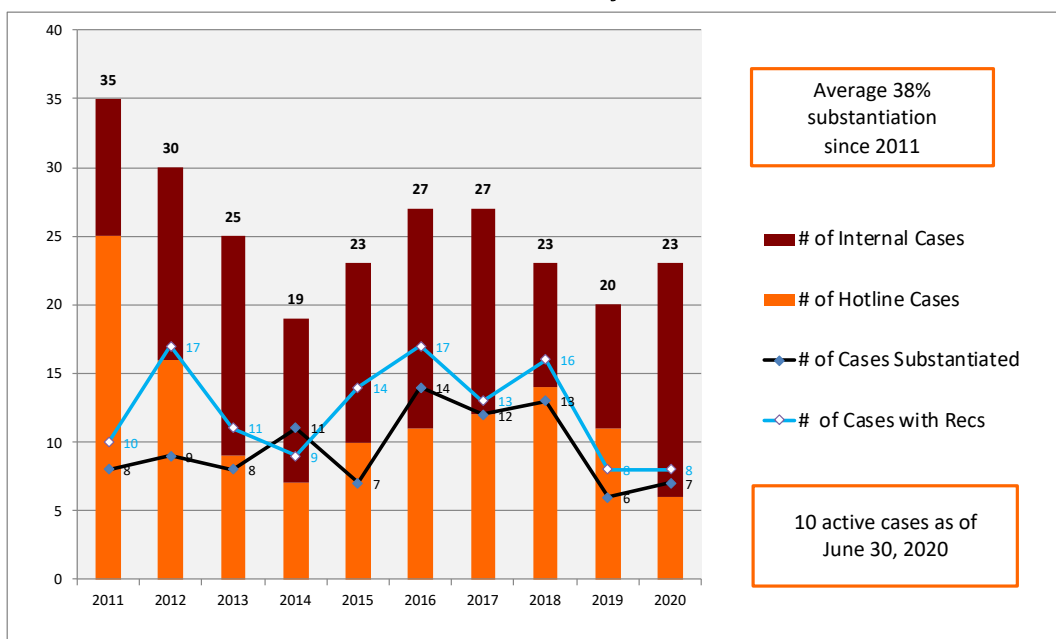
Since 2010-11, approximately 55 percent of internally reported allegations have been substantiated, and 19 percent of state hotline cases have historically been substantiated, for a combined weighted average of 38 percent.

OARC completed implementation of a fraud, waste, and abuse hotline service (“Hokie Hotline”) that offers an easy, safe, secure, and anonymous platform to accept tips and complaints from all sources about potential fraud, waste, abuse, and noncompliance at the university. Six of the 23 complaints mentioned above were received via the Hokie Hotline, which went live on July 19, 2019.



Since fiscal year 2010-11, approximately 74 percent of the allegations investigated by OARC have fallen within five general categories: improper use of university resources; leave or time abuse; abuse of authority; misfeasance and waste; and conflict of interest.

Historical Case Volume by Fiscal Year



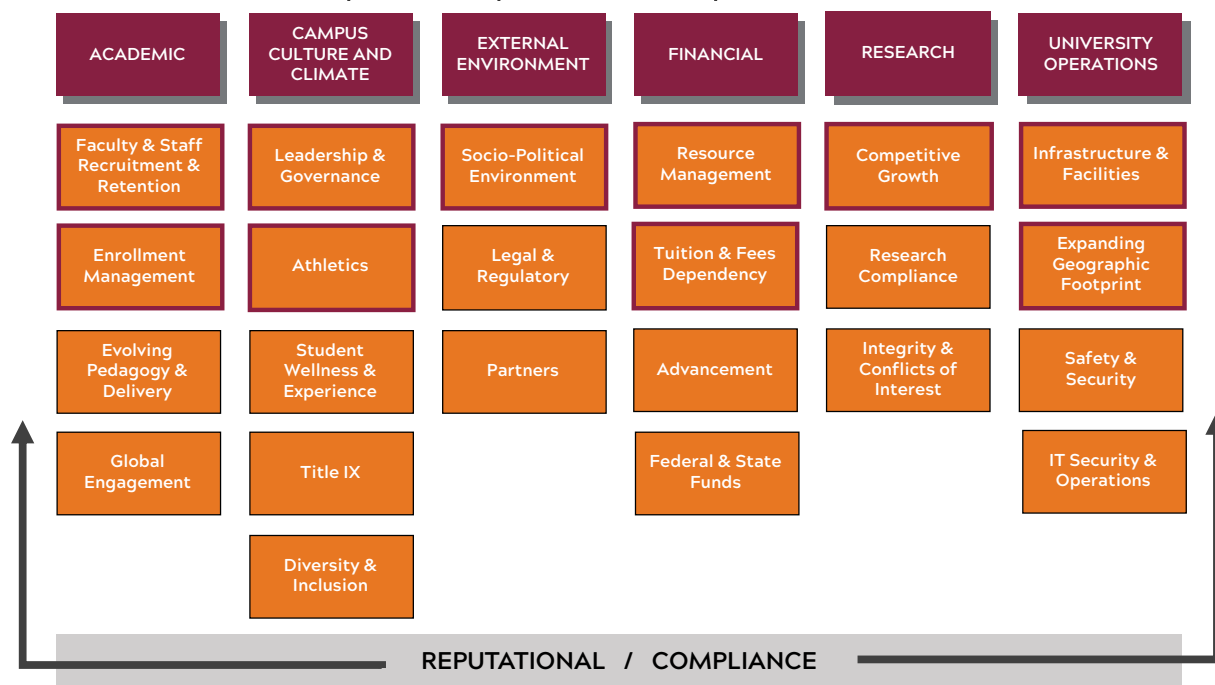
Enterprise Risk Management Program

OARC has coordinated Virginia Tech's ERM Program since its inception at the request of the Board of Visitors CAR Committee in 2017. The ERM process, a key tool in setting strategic goals across the enterprise, is designed to **identify potential events** that may affect the university, **manage those risks** within the university's risk tolerance, and **support the achievement of Virginia Tech's mission and objectives**. The ERM program strengthens the university's ability to achieve its mission and strategic objectives through effective management of key risks and seizure of opportunities related to the achievement of strategic objectives. In this context, risk encompasses both negative events ("downside risk") and opportunities ("upside risk").

Many ERM-related activities took place in fiscal year 2019-20, both planned and *ad hoc*, including:

- Deploying an updated risk landscape including the creation of a 'top ten risks' model
- In addition to existing quarterly updates to the CAR Committee, ERM-related themes were highlighted in presentations across Board of Visitors committees
- Engaging with executive and senior leadership on risks related to the university's response to the COVID-19 pandemic
- Partnering with the Division of Student Affairs and Environmental Health & Safety to facilitate a tabletop exercise examining root causes and testing mitigation strategies for the university's Fall 2020 return-to-campus plans

Updated Enterprise Risk Landscape – March 2020



We are pleased to see **continued engagement** with the identified enterprise risks across the Board of Visitors committees and the executive leadership team. On multiple occasions during the past year, executive and senior leadership mentioned how the issues facing the institution were contemplated through the ERM process.

20 of 24
enterprise risks
discussed with the
board

Additionally, we are encouraged by the continued **broadening of coverage** in presentations to the Board of Visitors on ERM risks. Since the formation of the formal ERM program and introduction of the university's Enterprise Risk Landscape, 21 presentations and discussions highlighting ERM risk areas took place across the five standing Board of Visitors committees. The 24 enterprise risks are depicted in the following graphic with the size corresponding to number of discussions.



Institutional Compliance Program

Virginia Tech is committed to *integrity*, a *culture of compliance*, and promoting the *highest ethical standards* for all employees. Since 2017, OARC has led the university's Institutional Compliance Program (ICP) in promoting and supporting a working environment reflecting our commitment to compliance with all relevant legal and regulatory requirements. The ICP is a resource to support the Virginia Tech community in proactively meeting its compliance obligations and managing compliance risks.

"Virginia Tech is committed to integrity, a culture of compliance, and the promotion of the highest ethical standards for all employees."

- President Tim Sands

In fiscal year 2019-20 ICP activities included:

- Deploying the inaugural risk assessment process utilizing custom-built assessment tool and risk owner training resources
- Achieving a 97.5% completion rate (157 of 161) by 78 university-wide risk owners for initial risk assessments and initial analysis of resulting data
- Launching an anonymous reporting hotline for compliance-related concerns
- Pivoting focus of the Compliance Advisory Committee to compliance outreach and education
- Ongoing quarterly presentations to the CAR Committee on program progress

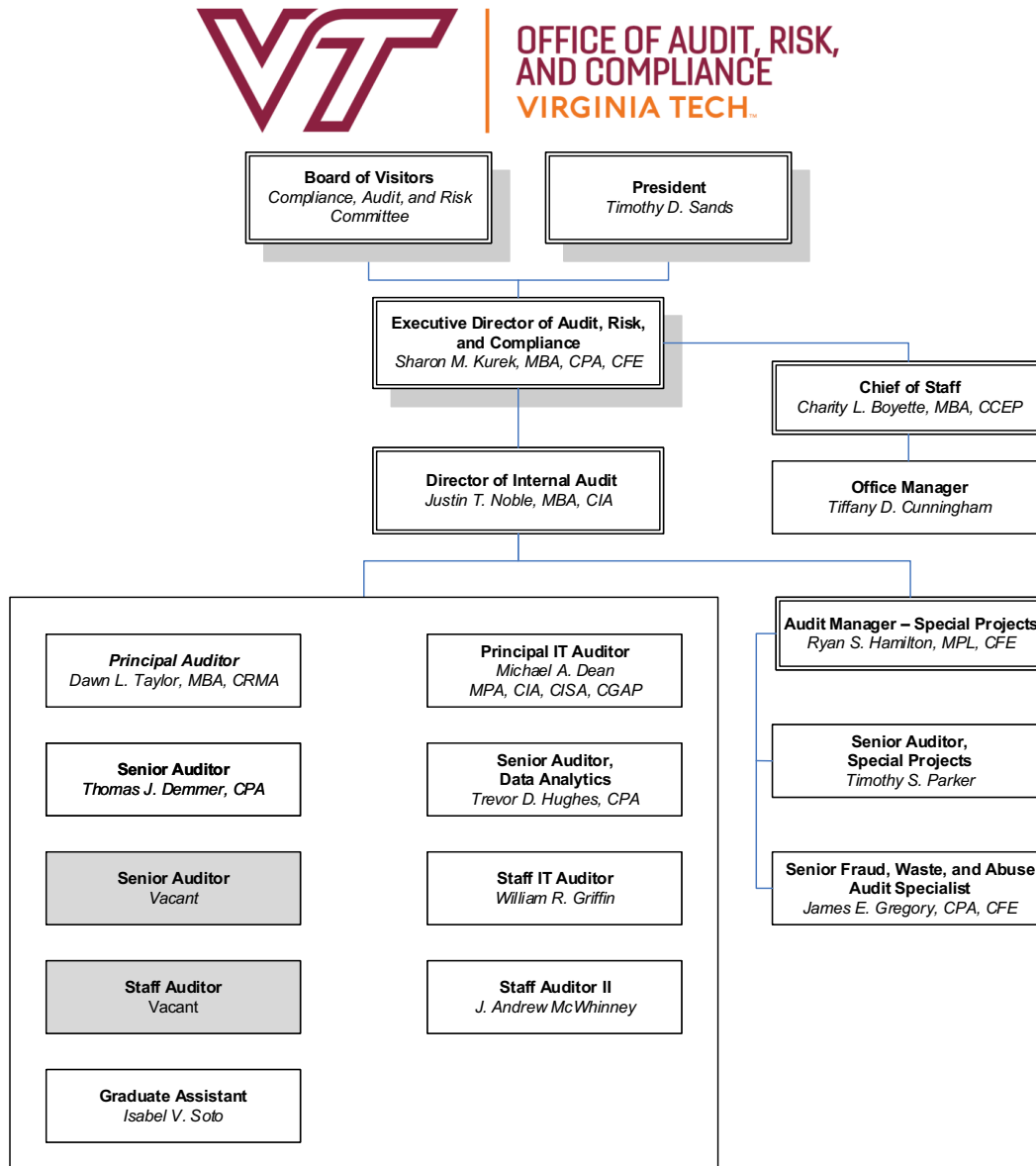
8 ELEMENTS OF AN EFFECTIVE COMPLIANCE PROGRAM



Staffing and Resources

Staffing continues to be a strategic focus. During the year we successfully onboarded a new Director of Internal Audit. COVID-19, and the result effects of university budget restrictions, limited our ability to fill two vacant auditor positions. Additionally, we have been cautious with filling our student and graduate assistant positions. The result is an overall reduction in audit capacity for fiscal year 2020-21.

OARC Organizational Chart



Professional Service

OARC continues its longstanding tradition of professional engagement and service. Activities this year included:

- Association of College and University Auditors (ACUA)
 - Sharon M. Kurek served on the Ambassador Committee, Nominating Committee, is a member of the ACUA Faculty program, and was a speaker at both The AVE and AuditCon.
 - Justin T. Noble served as Immediate Past President, Chairman of the Ambassador Committee and Nominating Committee, and was a speaker at both Audit Interactive and AuditCon.
 - Trevor D. Hughes was a speaker at Audit Interactive and volunteered on ACUA's data analytic ad-hoc group.
- Institute for Internal Auditors Southwest Virginia Chapter
 - Dawnetta L. Taylor served on the board and was the Academic chair
 - Sharon M. Kurek and Thomas J. Demmer served on the Audit Committee.

Professional Qualifications

We are proud of our staff and the depth of experience in the team. OARC staff has more than 175 years of combined professional experience in accounting, auditing, compliance, and IT, and over 55 years of service to Virginia Tech. The staff maintains an extensive background with expertise in such areas as:

- Information technology;
- Fraud and forensics;
- NCAA bylaws;
- Healthcare;
- Financial aid;
- Research; and
- General financial, compliance, and operational auditing.

178
years of
professional
audit, risk, and
compliance
experience

Certification and Advanced Degrees

Professional Certifications			
4	Certified Public Accountants (CPA)	1	Certified Government Auditing Professional (CGAP)
3	Certified Fraud Examiners (CFE)	1	Certified Compliance and Ethics Professional (CCEP)
2	Certified Internal Auditor (CIA)	1	Certification in Risk Management Assurance (CRMA)
1	Certified Information Systems Auditor (CISA)	1	Project Management Professional (PMP)
Advanced Degrees			
4	Master of Business Administration (MBA)	1	Master of Public Administration (MPA)
1	Master of Architecture (MArch)	4	Master of Science (Business Analytics, Environmental Natural Resources, Sociology, Sports Administration)
1	Master of Policy Leadership (MPL)		

Resourcing

The table below compares OARC’s expenditures from fiscal year 2019-20 to fiscal year 2018-19. The expenditures for salaries and benefits increased as the office filled vacancies among staff members, including the addition of a new Director of Internal Audit. Due to travel restrictions and other impacts of the COVID-19 pandemic, training expenses decreased by 56 percent as in-person training shifted to virtual models. In addition, due to the prior year’s decision to engage an external audit firm to complete two planned audit projects, we incurred a significant increase in this expense category. Costs continue to rise for software necessary to carry out OARC responsibilities in an effective and efficient manner, including electronic workpapers, data analysis tools, and the new Hokie Hotline.

Analysis of Expenditures

	FY 2018-19	FY 2019-20
Salaries and Benefits	\$ 1,568,657	\$ 1,782,251
Equipment	3,235	5,135
External Audit Firm Engagement	22,130	74,174
Operating Expenses	40,447	40,940
Training	50,825	22,379
Personnel Expenses & Recruitment	22,663	22,769
Audit Software	28,592	33,643
Total	\$ 1,736,549	\$ 1,981,282

Appendix A: FY 2019-20 Audit Plan Status

The chart below outlines the status of the fiscal year 2019-20 audit plan, as amended. As noted previously, three projects remain in progress and will be carried forward to the fiscal year 2020-21 audit plan.

FY 2019-20 Audit Plan Status

Audit Project	Risk Ranking	BOV Mtg
Risk-Based Audit		
Admissions	High	Aug 2020
Athletics*	High	<i>Carry-Forward</i>
Americans with Disabilities Act (ADA) Compliance	High	<i>Deferred</i>
Center for International Research, Education, & Development	High	Aug 2020
Center for the Arts	Medium	<i>Carry-Forward</i>
Chemical Engineering	Medium	Mar 2020
Facilities: Site and Infrastructure Development	Medium	Aug 2020
Graduate Education	High	Mar 2020
Human Resources: Payroll*	High	Mar 2020
IT: Banner Applications	High	Jun 2020
IT: Data Privacy	High	<i>Deferred</i>
IT: Log Management	High	Mar 2020
IT: Windows Server Security	High	Aug 2020
Parking and Transportation	High	Jun 2020
Physical Security	High	Aug 2020
Research: Continuity of Operations *	High	<i>Canceled</i>
Research: Grant Management* (<i>Carry Forward</i>)	Medium	Nov 2019
Research: Human Research Protections Program*	High	Aug 2020
School of Public and International Affairs (<i>Carry Forward</i>)	Medium	Nov 2019
Title IX Compliance	High	<i>Deferred</i>
University Scholarships and Financial Aid	High	Mar 2020
VCE – Northern District	Medium	Mar 2020
Veterinary Teaching Hospital and Equine Medical Center	High	<i>Deferred</i>
Virginia Tech Transportation Institute (VTI)	High	Aug 2020
Policy Compliance Reviews		
College of Natural Resources and Environment		Jun 2020
College of Science		Jun 2020
Vice President for Diversity, Inclusion, and Strategic Affairs		<i>Canceled</i>
Vice President for Information Technology		Mar 2020

Audit Project	Risk Ranking	BOV Mtg
Policy Compliance Reviews (continued)		
Vice President for Operations		<i>Canceled</i>
Vice President for Student Affairs		Nov 2019
Virginia Tech Carilion School of Medicine		<i>Deferred</i>
<i>* Annual Audit on Different Components</i>		

Additionally, OARC responded to management’s requests for advisory services and consultative guidance in the following areas:

- Research Institutes – Operational Alignment – The Office of the Vice President for Research and Innovation bolsters the research enterprise at Virginia Tech through services and support that help faculty, staff, and students plan, perform, and commercialize groundbreaking research. The research institutes of Virginia Tech enhance the university’s ability to address large-scale research opportunities by crossing traditional disciplinary and college lines. This review assessed the organizational structure, personnel reporting, and budget authority for Virginia Tech’s university-level research institutes and university/institute-level centers in an effort to minimize risk.
- International Dependencies – Virginia Tech’s mission is to be a leading global university; one that has a worldwide perspective, empowers graduates to solve world challenges, and is a top destination for global talent and innovation. Among the tremendous benefits, this global viewpoint introduces an element of risk in the form of dependency on international populations, governments, and infrastructure. This on-going review is in follow-up to an Enterprise Risk Management tabletop exercise focused on potential impacts of reduced international student enrollment and will focus on specific and general takeaways regarding the identification of opportunities in this space. This project was halted during the COVID pandemic and will be carried forward onto next year’s audit plan.
- Honors College – The mission of the Virginia Tech Honors College is to inspire and facilitate an extraordinary undergraduate education for students of exceptional motivation with a variety of life experiences. Honors students seek to be active learners and strive to apply their knowledge and skills to tackling critical real-world problems. Academic and professional requirements maximize the disciplinary depth, transdisciplinary capabilities, inclusive perspectives, and purpose-driven engagement that are the hallmarks of the VT-Shaped student experience. This review is intended to assist management of this relatively new college in assessing its operational practices. This project was not started by the end of the fiscal year and will be deferred onto next year’s audit plan.

Appendix B: IIA Standards Disclosures



Per Charter:

The internal audit function will conduct its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics, and *International Standards for the Professional Practice of Internal Auditing*.

MANDATORY GUIDANCE	
Core Principles	<ul style="list-style-type: none"> • Demonstrates integrity. • Demonstrates competence and due professional care. • Is objective and free from undue influence (independent). • Aligns with the strategies, objectives, and risks of the organization. • Is appropriately positioned and adequately resourced. • Demonstrates quality and continuous improvement. • Communicates effectively. • Provides risk-based assurance. • Is insightful, proactive, and future-focused. • Promotes organizational improvement.
Definition of Internal Auditing	Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Code of Ethics	<p>Internal auditors are expected to apply and uphold the following principles:</p> <ul style="list-style-type: none"> • Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment. • Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. • Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. • Competency – Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.
International Standards for the Professional Practice of Internal Auditing	<p>Attribute Standards (1000 through 1300)</p> <p>1000 Purpose, Authority, and Responsibility</p> <p>1100 Independence and Objectivity</p> <p>1200 Proficiency and Due Professional Care</p> <p>1300 Quality Assurance and Improvement Program</p> <p>Performance Standards (2000 through 2600)</p> <p>2000 Managing the Internal Audit Activity</p> <p>2100 Nature of Work</p> <p>2200 Engagement Planning</p> <p>2300 Performing the Engagement</p> <p>2400 Communicating Results</p> <p>2500 Monitoring Progress</p> <p>2600 Communicating the Acceptance of Risks</p>



OFFICE OF AUDIT, RISK,
AND COMPLIANCE
VIRGINIA TECH.

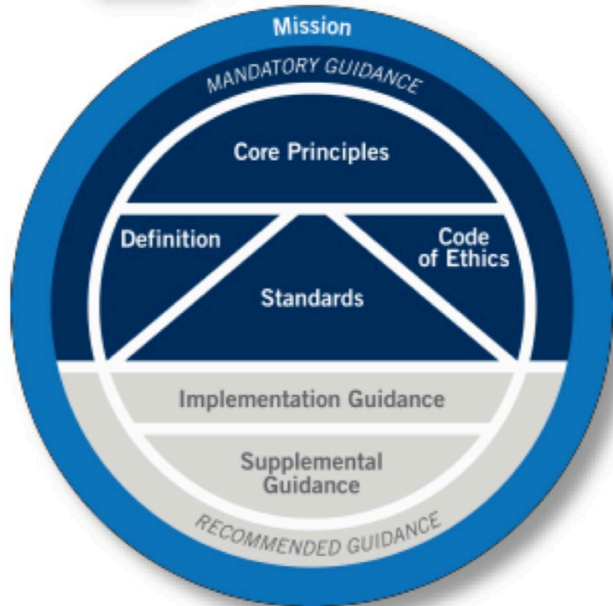
ANNUAL REPORT

Sharon M. Kurek, CPA, CFE, MBA
Executive Director of Audit, Risk, and
Compliance
November 15, 2020





International Professional
Practices Framework



The chief audit executive's reporting and communication to senior management and the board must include information about:

- The audit charter, including internal audit activity's purpose, authority, and responsibility.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the Code of Ethics and the Standards, and action plans to address any significant conformance issues (Quality Assurance & Improvement Program).
- Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organization.

The Office of Audit, Risk, and Compliance (OARC) performs independent internal audits, plans and oversees the university risk management process, and oversees the institutional compliance program. OARC's mission is to **enhance and protect organizational value** by providing risk-based and objective **assurance, advice, and insight** as follows:

- **Audit:** Provide **independent, objective** assurance and advisory activity designed to **add value** and **improve university operations**. Audits help the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- **Enterprise Risk Management:** Provide **oversight** of the enterprise risk management program by **creating and maintaining the framework** to effectively identify, assess, and manage risk.
- **Compliance:** Provide **oversight** of the institutional compliance program and the distributed processes that support compliance across the university.

OARC did not identify areas where management decided to accept a level of risk that we believed to be unacceptable.

No material control weaknesses were identified; however, a number of areas requiring improvement were noted.

Overall, management:

- accepts their responsibility for internal control and is supportive of audit efforts;
- generally accepts audit recommendations and responds by developing action plans to address concerns; and
- did not limit the work performed and independence/objectivity was not impaired.

Internal Audit:

- 88% of audit plan completed
- 22 completed engagements
- 23 fraud, waste, or abuse cases initiated
- 100% on-time completion of high and medium action plans

88%

audit plan
completion

ERM

“top ten”
established

98%

compliance
risk
assessments
completed

Enterprises Risk Management

- Update of university's enterprise risk landscape and heat map
- Establishment of "top ten" focus areas
- ERM principles framed COVID response planning and discussion

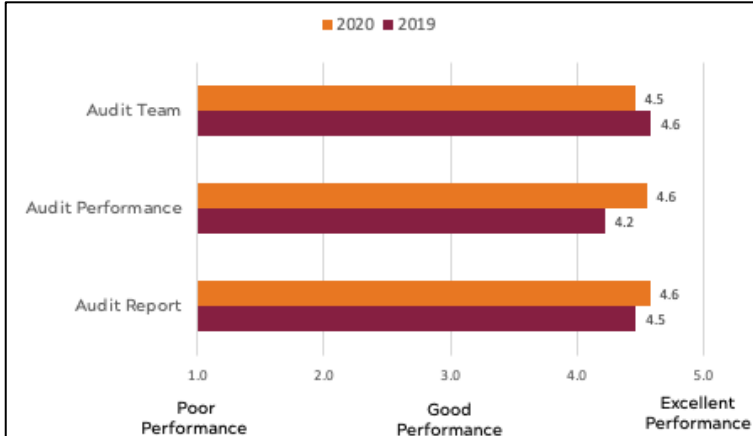
Institutional Compliance Program:

- 75+ distributed university-wide risk owners completed 160+ compliance risk assessments
- 98% of compliance risk assessments completed

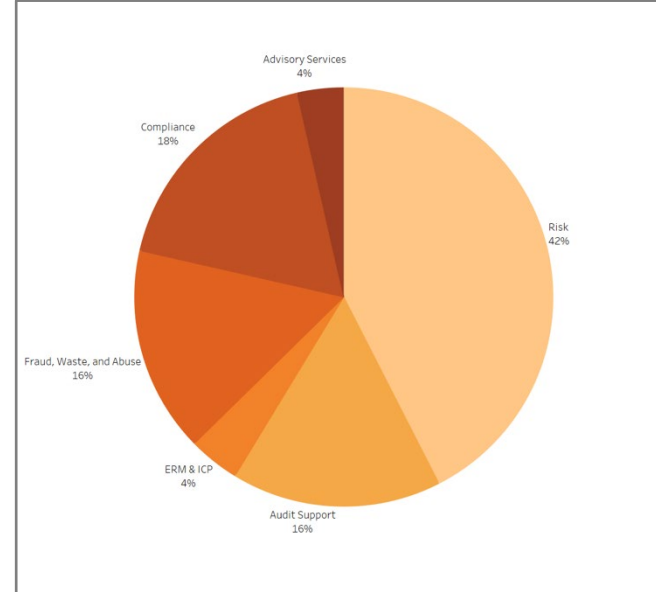
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Audits – Percentage Complete	88%
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Note: Includes Policy Compliance Reviews and Advisory Services	

Client Satisfaction Survey Results



Distribution of Direct Audit Hours

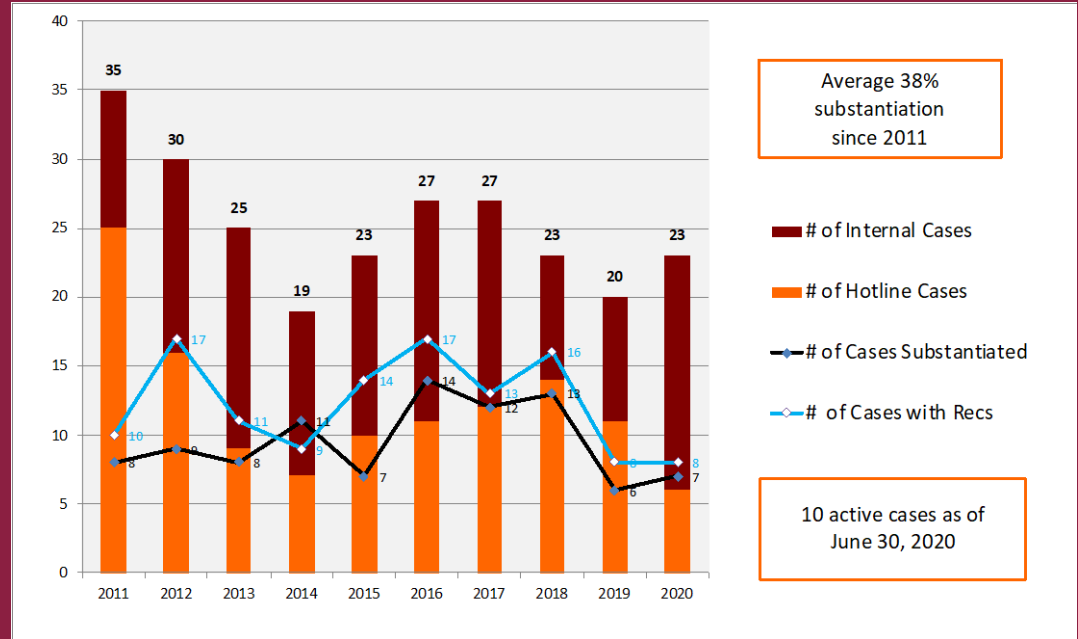


Management Corrective Action Summary

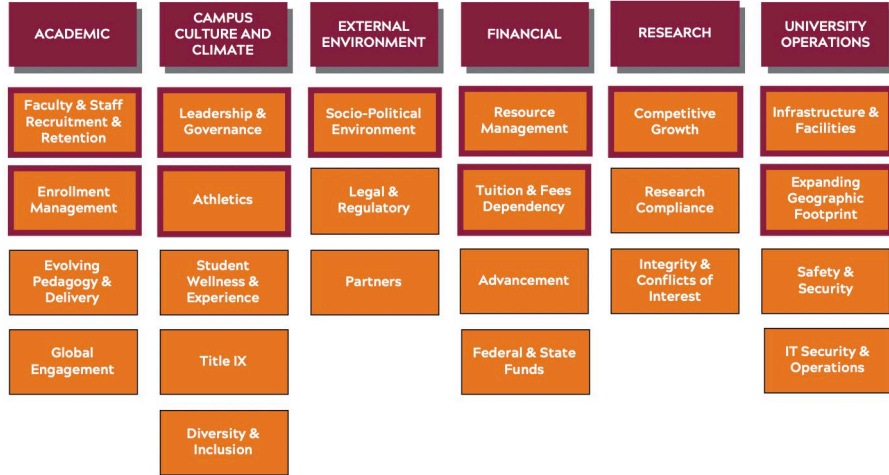
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Management corrective actions added	84
Management corrective actions closed	62
Current # of open management corrective actions	56



H O K I E H O T L I N E



Updated Enterprise Risk Landscape – March 2020



REPUTATIONAL / COMPLIANCE

updated risk landscape including the creation of a 'top ten risks' model

continued broadening of coverage in presentations to the Board of Visitors on ERM risks



Highlights include:

- Achieving a 97.5% completion rate (157 of 161) by 78 university-wide risk owners for initial risk assessments
- Launching an anonymous reporting hotline for compliance-related concerns
- Pivoting focus of the Compliance Advisory Committee to compliance outreach and education

“Virginia Tech is committed to integrity, a culture of compliance, and the promotion of the highest ethical standards for all employees.”

- President Tim Sands

8 ELEMENTS OF AN EFFECTIVE COMPLIANCE PROGRAM

High-level personnel exercising oversight

Written policies and procedures

Training and Education

Lines of Communication

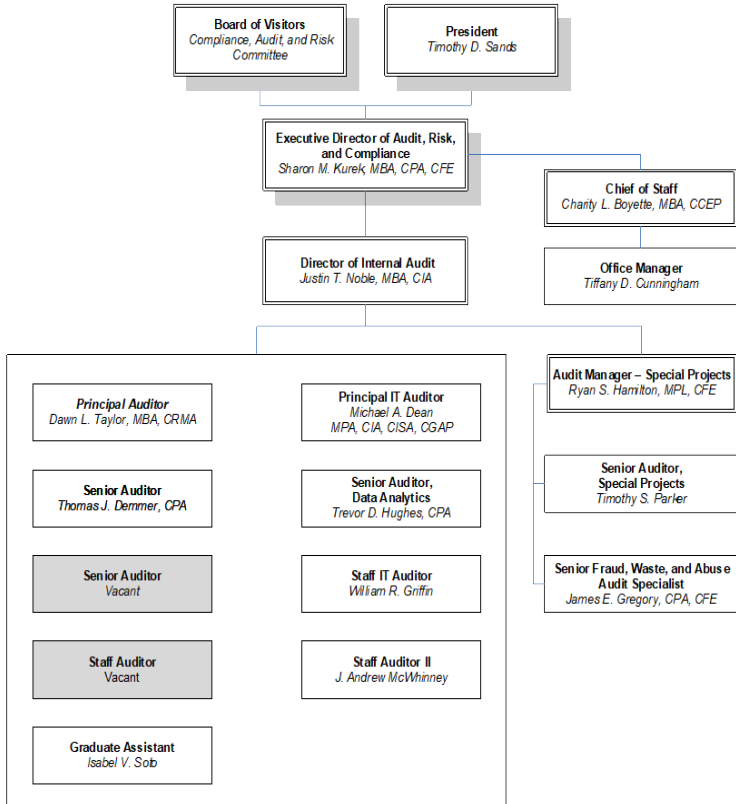
Well publicized disciplinary guidelines

Internal compliance monitoring

Response to detected offenses

Perform periodic compliance risk assessments

VT OFFICE OF AUDIT, RISK,
AND COMPLIANCE
VIRGINIA TECH.



Certification and Advanced Degrees

Professional Certifications			
4	Certified Public Accountants (CPA)	1	Certified Government Auditing Professional (CGAP)
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178
years of
professional
audit experience

>55
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Virginia Tech
experience

Analysis of Expenditures

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Audit Software	28,592	33,643
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QUESTIONS?

**VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
COMPLIANCE, AUDIT, AND RISK COMMITTEE OF THE BOARD OF VISITORS**

COMPLIANCE, AUDIT, AND RISK CHARTER

I. PURPOSE

The primary purpose of the Compliance, Audit, and Risk (CAR) Committee is to assist the Board of Visitors in fulfilling its fiduciary responsibilities related to oversight of:

- The university's enterprise risk management program, as an essential part of a strong control environment, to ensure that risk appetite aligns with management's decisions and strategy;
- Adherence to this charter, including reviewing audits conducted by the Office of Audit, Risk, and Compliance and external bodies and providing guidance on auditing concerns to the full Board;
- The university's compliance with all federal, state, and local laws and executive orders and policies promulgated by academic and athletic accrediting bodies, regulatory agencies, funding agencies, and the State Council of Higher Education for Virginia;
- The maintenance of effective systems of internal control, including the integrity of the university's financial accounting and reporting practices; and
- The performance of the university's internal and independent audit functions.

The function of the Committee is oversight. University management is responsible for the preparation, presentation, and integrity of the university's financial statements, fiscal plans, and other financial reporting. University management is also responsible for maintaining appropriate financial accounting and reporting policies, procedures, and controls designed to assure compliance with generally accepted accounting principles and applicable laws and regulations. The Office of Audit, Risk, and Compliance examines and evaluates the adequacy and effectiveness of the university's internal control systems. The university's external auditor, the state Auditor of Public Accounts, is responsible for planning and conducting the financial statement examination in accordance with generally accepted government auditing standards.

This document and the related meeting planner are intended to identify and document the Committee's oversight responsibilities in order that such sound practices will continue despite the turnover of Committee members. It also outlines the regularly scheduled review activities that will ensure that the university continues to have an independent and objective internal audit function and obtains the greatest possible benefit from its external audits.

II. MEETINGS

By statute, the Board of Visitors, including the CAR Committee, must meet once a year, but traditionally holds four meetings a year. Additional meetings may occur more frequently as circumstances warrant. The Committee Chair should discuss the agenda with the

Executive Director of Audit, Risk, and Compliance prior to each Committee meeting to finalize the meeting agenda and review the items to be discussed.

III. RESPONSIBILITIES

In performing its audit oversight responsibilities, the CAR Committee shall:

A. General

1. Adopt a formal written charter that specifies the Committee's responsibilities and practices. The charter should be reviewed annually and updated as necessary.
2. Maintain minutes of meetings.
3. Authorize audits within the Committee's scope of responsibilities.
4. Report Committee actions to the Board of Visitors with such recommendations as the Committee may deem appropriate.
5. Meet in closed session, consistent with state law, (without members of senior management present, when appropriate) with the external auditors and/or the Executive Director of Audit, Risk, and Compliance to discuss matters that the Committee or the auditors believe should be discussed privately. The Executive Director of Audit, Risk, and Compliance shall have a regularly scheduled opportunity to meet privately with the Committee at each of its four annual meetings.

B. Risk Management and Internal Control

1. Review the university's enterprise risk management (ERM) efforts including the program structure and the processes for assessing significant risk exposures and the steps management has taken to monitor and control such exposures, as well as the university's risk assessment and risk management policies.
2. Consider the effectiveness of the university's internal control systems, including those over information technology and financial reporting.
3. Understand the scope of internal and external audit reviews of internal control, and obtain reports on significant potential issues and recommendations, together with management's responses.
4. Review management's written responses to significant potential issues and recommendations of the auditors, including the timetable to correct the identified weaknesses in the internal control system.
5. Advise management that they are expected to provide a timely analysis of significant reporting issues and practices.

C. External Auditors

1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year.
2. As necessary, discuss with the external auditors their processes for identifying and responding to key audit and internal control risks.

3. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks.
4. Meet with external auditors at the completion of the financial statements audit to receive and discuss the audit report(s), and determine whether external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles.
5. Review the results and organizational response stemming from significant reviews by regulatory agencies or other external entities (non-financial statement audits).

D. Internal Auditors

1. Approve the charter for the Office of Audit, Risk, and Compliance. The charter should be reviewed annually and updated as necessary.
2. Review and approve the annual audit plan and any significant changes to the plan.
3. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity and reporting relationships.
4. Review completed audit reports and progress reports on executing the approved annual audit plan.
5. Review the results of the Office of Audit, Risk, and Compliance's Quality Assurance and Improvement Program (QAIP), including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university.
6. Inquire of the Executive Director of Audit, Risk, and Compliance regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information.
7. Review and concur in the appointment, replacement, reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance.
8. Evaluate the Executive Director of Audit, Risk, and Compliance's annual performance and make decisions regarding compensation.

E. Compliance, Ethics, and Business Conduct

1. Support leadership by promoting and supporting a university-wide culture of ethical and lawful conduct.
2. Require management to periodically report on procedures that provide assurance that the university's mission, values, and codes of conduct are properly communicated to all employees.
3. Review the programs and policies of the university designed by management to assure compliance with applicable laws and regulations and monitor the results of the compliance efforts.
4. Monitor the university's conflict of interest policies and related procedures.

The “CAR Agenda Meeting Planner” is an integral part of this document. If the Board of Visitors meets less frequently than anticipated, the Planner will be adjusted accordingly.

**Virginia Polytechnic Institute and State University
Compliance, Audit, and Risk Committee of the Board of Visitors
CAR Agenda Meeting Planner**

A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
A. General							
1. Review and update CAR Committee charter	X				X		
2. Approve and maintain minutes of previous meeting		X		X	X	X	X
3. Authorize audits within the Committee’s scope of responsibilities			X				
4. Report Committee actions to the Board of Visitors with recommendations deemed appropriate		X			X	X	X
5. Meet in closed session with Executive Director of Audit, Risk, and Compliance, and with external auditors, as needed		X		X	X	X	X
B. Risk Management and Internal Control							
1. Review the university’s ERM efforts including the program structure, processes, risk assessment, and risk management policies		X			X	X	X
2. Consider the effectiveness of the university’s internal control systems			X				
3. Understand the scope of internal and external audit reviews of internal control, and obtain reports on significant potential issues and recommendations, together with management’s responses		X			X	X	X
4. Review management’s written responses to significant potential issues and recommendations of the auditors, including the timetable to correct identified weaknesses in the internal control system		X			X	X	X
5. Advise management that they are expected to provide a timely analysis of significant current reporting issues and practices	X				X		
C. External Auditors							
1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year	X						X
2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks			X		X		
3. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university’s risks			X				

A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
4. Meet with external auditors at the completion of the financial statements audit to receive and discuss the audit report(s)	X				X		
5. Review results of other significant reviews from regulatory agencies or other external entities			X				
D. Internal Auditors							
1. Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed	X				X		
2. Approve the annual audit plan	X						X
3. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships	X				X		
4. Review the results of the QAIP, including internal and external assessments			X				
5. Review completed audit reports and progress reports on executing the approved annual audit plan		X			X	X	X
6. Inquire of the Executive Director of Audit, Risk, and Compliance regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information		X		X	X	X	X
7. Review and concur in the appointment, replacement, reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance			X				
8. Evaluate the Executive Director of Audit, Risk, and Compliance's annual performance and make decisions regarding compensation	X						X
E. Compliance, Ethics, and Business Conduct							
1. Convey commitment to ethical conduct through periodic receipt of management reports on how the university's mission, values, and codes of conduct are properly communicated to all employees			X				
2. Review the programs and policies of the university designed to assure and monitor compliance		X			X	X	X
3. Monitor the university's conflict of interest policies and related procedures		X		X	X	X	X



Charter for the Office of Audit, Risk, and Compliance

No. 3350

Policy Effective Date:
2/9/1989

Last Revision Date:
11/17/2019

Policy Owner:
President Sands

Policy Author:
(Contact Person)
Sharon Kurek

- 1.0 Purpose
- 2.0 Policy
- 3.0 Procedures
- 4.0 Definitions
- 5.0 References
- 6.0 Approval and Revisions

1.0 Purpose

This policy outlines the policies and procedures covering the Office of Audit, Risk, and Compliance (OARC) at Virginia Polytechnic Institute and State University and serves as a charter for the department.

2.0 Policy

It is the policy of the Compliance, Audit, and Risk (CAR) Committee of the Board of Visitors and the management of Virginia Polytechnic Institute and State University to support the maintenance of an internal audit function to assist in the effective discharge of their fiduciary responsibilities in assessing the effectiveness of the internal control environment.

The Office of Audit, Risk and Compliance (OARC) performs independent internal audits, plans and oversees the university risk management process, and oversees the institutional compliance program. OARC's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight as follows:

1. *Audit*: Provide independent, objective assurance and advisory activities designed to add value and improve university operations. It helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. *Risk Management*: Provide oversight of the enterprise risk management (ERM) program by creating and maintaining the framework to identify, assess, and manage risk.
3. *Compliance*: Provide oversight of the institutional compliance program and the distributed processes that support compliance across the university.

2.1 Scope of the Office of Audit, Risk, and Compliance

The scope of OARC's work is to determine whether Virginia Tech's risk management, internal controls, compliance activities and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Programs, plans, and strategic objectives are achieved.
- Risks are appropriately identified, managed, and considered in institutional decision making.
- Significant financial, managerial and operating information is accurate, reliable, and timely.
- Compliance with policies, procedures, standards, laws, and regulations.
- Measures are taken to foster continuous improvement in control processes.
- Resources are acquired, managed, and protected in an economical, efficient, and effective manner.



2.2 Independence and Objectivity

Independence is essential to enable the internal audit function to accomplish its purpose. Accordingly, the Executive Director of Audit, Risk, and Compliance reports functionally to the CAR committee and also serves in a staff role to the committee. For day-to-day operations, the Executive Director of Audit, Risk, and Compliance reports administratively to the President. These reporting relationships allow for direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.

All work will be conducted in an objective and independent manner. Staff will maintain an impartial attitude in selecting and evaluating evidence and in reporting results. Independence in fact and appearance enables unbiased judgments essential to the proper conduct of the department's scope of work. OARC staff have the responsibility to maintain high standards of conduct, professionalism, independence, and character to carry out proper and meaningful internal auditing within the university.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that would normally be audited. Therefore, internal audit review and appraisal procedures do not in any way substitute for the responsibilities assigned to other persons in the organization.

2.3 Authority

OARC has unrestricted access to all university departments, records, reports, activities, property, and personnel that they deem necessary to discharge their audit responsibilities. OARC will exercise discretion in their review to assure the necessary confidentiality of matters that come to its attention.

OARC will allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports. OARC will also obtain assistance for specialized services from within or outside the university in order to complete engagements.

2.4 Auditing Standards

The internal audit function will conduct its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

2.5 Systems Planning and Development

Management will consult OARC during the planning, development, and modification of major financial or operating systems and procedures (manual and automated) to ensure that:

- Reasonable and adequate internal controls exist.
- Systems or procedural documentation is complete and appropriate.
- An adequate audit trail exists.

OARC's participation will be designed to help ensure safeguarding of information assets and compliance with appropriate procedures and aid management efficiency by avoiding costly systems or procedural changes at later dates.



2.6 Responsibilities of the Executive Director of Audit, Risk, and Compliance

The Executive Director of Audit, Risk, and Compliance has primary responsibility for the proper maintenance and management of OARC to ensure that the work fulfills the purposes and responsibilities established in this policy statement. The Executive Director of Audit, Risk, and Compliance is specifically charged with the following responsibilities:

- Coordinating all auditing activities to provide a central source of information for management and the CAR Committee regarding all audit activities and to provide comprehensive, cost-effective audit coverage for the university.
- Facilitating the university's efforts regarding enterprise risk management (ERM) on behalf of senior management and the CAR Committee.
- Coordinating the university's institutional compliance program to be a resource and serve as a catalyst for the achievement of university best practices in compliance-related subject matter areas.
- Establishing written policies and procedures for OARC and directing its technical and administrative functions.
- Developing, submitting for approval, and executing comprehensive risk-based annual audit plan to carry out departmental responsibilities.
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter, and provide information on the sufficiency of department resources.
- Recommending improvements in controls designed to increase efficiency, safeguard university resources, and ensure compliance with government laws and regulations.
- Issuing an annual summary report of activities to the CAR Committee.
- Appraising the adequacy of the action taken by management to correct significant reported internal control weaknesses and deficient conditions, and reporting this information to the CAR Committee and responsible senior manager as appropriate.
- Establishing and maintaining a Quality Assurance and Improvement Program to evaluate the operations of the department, including periodic internal self-assessments and external peer reviews at least once every five years by qualified persons who are independent of the university, the results of which will be presented to senior management and the CAR Committee.
- Communicating directly with the CAR Committee any matters considered to warrant its attention as appropriate, including trends and emerging issues that could impact the university.
- Performing sufficient tests and examinations to determine and report to management, the CAR Committee, and the appropriate authorities the extent of any fraud, waste, and abuse and to identify the weaknesses in control procedures that may have allowed the fraudulent activity to occur. The investigation of the specific event with the objective of recovery and/or prosecution is the responsibility of the appropriate law enforcement agency and Commonwealth's Attorney, based on jurisdiction.



2.7 Audit Reports

OARC will issue audit reports and/or memoranda in all audit activities performed. The format and style of the report will be determined by the Executive Director of Audit, Risk, and Compliance, depending upon the nature and conditions surrounding the audit. Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. The formulation of overall opinions requires consideration of the engagement results and their significance. All reports on engagements scheduled in the annual audit plan will be issued to the members of the CAR Committee; the President; appropriate senior management; and other appropriate personnel as deemed necessary by the Executive Director of Audit, Risk, and Compliance. In addition, reports approved at open meetings of the committee shall be made available to the public in accordance with state statutes. In certain circumstances, the Executive Director of Audit, Risk, and Compliance may decide, with the approval of the Chair of the CAR Committee, to restrict the issuance of an audit report to certain members of management and/or the committee.

2.8 Responsibility for Corrective Action

Senior management to whom the audited department, activity, or agency reports organizationally is responsible for the issuance of a written response to recommendations made or deficient conditions reported. The responses should be submitted to the Executive Director of Audit, Risk, and Compliance for inclusion in the issued audit report. At each meeting, the CAR Committee will receive status updates of recommendations in the process of implementation.

2.9 Coordination with External Auditing Agencies

To ensure appropriate coordination and completeness of the CAR Committee reporting responsibilities, senior managers should promptly notify the Executive Director of Audit, Risk, and Compliance of any external audits or reviews. OARC will coordinate its audit efforts with those of the Auditor of Public Accounts or other external auditing agencies by participating in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary, and their combined efforts provide comprehensive, cost-effective audit coverage for the university. The Executive Director of Audit, Risk, and Compliance will work with the appropriate members of management to determine the level of involvement of OARC, if any, in the performance of each external audit. Duplication of work will be avoided as much as possible.

2.10 Special Projects

The Executive Director of Audit, Risk, and Compliance is empowered to conduct special audit projects, reviews, advisory services, or investigations at the request of the President, Vice Presidents or their designee, and the CAR Committee. Special projects assist management in meeting its objectives; promoting economy and efficiency in the administration of its programs and operations; or preventing and detecting fraud, waste, and abuse, examples of which may include facilitation of risk and control evaluation, training, and advisory services.

3.0 Procedures

Principal guidance and direction on how OARC accomplishes its mission and responsibilities is provided to the audit staff through an office procedures manual. The manual promotes adherence to the International Professional Practice Framework developed by the Institute of Internal Auditors.



4.0 Definitions

Abuse

The excessive or improper use of a thing or policy, or employment of something in a manner contrary to the natural or legal rules for its use. Abuse includes the destruction, diversion, manipulation, misapplication, mistreatment, or misuse of university resources, as well as the extravagant or excessive use of one's position or authority. Abuse can occur in financial or nonfinancial settings.

Advisory Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Assurance

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Charter

The charter is a formal document that defines OARC's purpose, authority, and responsibility. The charter establishes the office's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Code of Ethics

The Code of Ethics of The Institute of Internal Auditors are principles relevant to the profession and practice of internal auditing, and rules of conduct that describe behavior expected of internal auditors. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest could prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Control

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control (e.g. integrity and ethical values; management's philosophy and operating style; organizational structure; and the assignment of authority and responsibility).



Control Processes

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Executive Director of Audit, Risk, and Compliance

The individual who serves as the chief audit executive and is responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Institute of Internal Auditors' International Professional Practices Framework.

Engagement

A specific assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Enterprise Risk Management

A process applied in strategy-setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risk to be within the entity's risk tolerance, and support the achievement of entity objectives.

Fraud

The intentional misrepresentation or concealment of information in order to deceive, mislead, or acquire something of value. Fraud is an intentional deception perpetrated to secure an unfair advantage or personal benefit.

Governance

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. The governance process includes: promoting appropriate ethics and values within the organization; ensuring effective organizational performance management and accountability; communicating risk and control information to appropriate areas of the organization; and coordinating the activities of and communicating information among the board, external and internal auditors, and management.

Independence

The freedom from conditions that threaten the ability of a function to carry out its responsibilities in an unbiased manner.

International Professional Practices Framework

The conceptual framework that organizes the authoritative guidance promulgated by the Institute of Internal Auditors. Authoritative guidance is comprised of two categories including mandatory guidance (Core Principles, Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing) and strongly recommended guidance (implementation and supplemental guidance).

Objectivity

An unbiased mental attitude that allows internal auditors to make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.



Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact, likelihood, and velocity.

Risk Management

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

Scope

A statement that specifies the focus, extent, and boundary of a particular audit. The scope can be specified by defining the physical location of the audit, the organizational units that will be examined, the processes and activities that will be included, and/or the time period that will be covered.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Waste

The careless expenditure, consumption, mismanagement, use, or squandering of university resources. Waste also includes incurring unnecessary costs due to inefficient or ineffective practices, systems, or controls.

5.0 References

Section 2.1-155.3 of the *Code of Virginia*, enacted in 1984.

State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual, Office of the State Inspector General, Commonwealth of Virginia, 2020 edition.

The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing, revised in 2016 and effective 2017.

6.0 Approval and Revisions

- Revision 0
Approved February 9, 1989, by the Director of Internal Audit, David C. Goodyear.
- Revision 1
Annual review. Section 2.8 - changed so that reports "approved" by the Finance and Audit Committee of the Board of Visitors shall be available to the public.
Approved March 29, 1990, by the Director of Internal Audit, David C. Goodyear.



Virginia Polytechnic Institute and State University

- **Revision 2**
Changes were made to eliminate minor discrepancies between the audit manual and the policy statement as presented to the Board of Visitors.
Approved November 3, 1995, by the Director of Internal Audit, David C. Goodyear.
Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.
- **Revision 3**
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.
Approved March 29, 2004 by the Executive Vice President and Chief Operating Officer, Minnis E. Ridenour.
Approved March 29, 2004 by the Finance and Audit Committee of the Board of Visitors.
- **Revision 4**
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors, in conjunction with the Internal Audit Department's quality assurance review.
Approved March 14, 2005 by the Executive Vice President and Chief Operating Officer, James A. Hyatt.
Approved March 14, 2005 by the Finance and Audit Committee of the Board of Visitors.
- **Revision 5 April 1, 2008:**
Updates to position titles and/or responsibilities due to university reorganization.
- **Revision 6**
 - Policy title changed from "Internal Audit Department" to "Internal Audit Charter."
 - Section 2.2 revised to reflect change in Director of Internal Audit reporting relationship.
 - Sections 2.5 and 2.7 revised to clarify the role of Internal Audit and the standards under which it conducts its activities.
 - Section 2.9 revised to clarify the process for senior management areas submitting corrective action plans.Approved November 7, 2011 by the university President, Charles W. Steger.
Approved November 7, 2011 by the Finance and Audit Committee of the Board of Visitors.
- **Revision 7**
 - Full technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies. The charter was also revised to incorporate the concept of objectivity, and to include applicable procedures and definitions.
 - Policy title changed from "Internal Audit Charter" to "Charter for the University's Internal Audit Function."Approved November 9, 2015 by the Finance and Audit Committee of the Board of Visitors and President, Timothy D. Sands.



Virginia Polytechnic Institute and State University

- **Revision 8**
Revised to address the reorganization of the Board of Visitors' committee structure and additional responsibilities with regard to risk management and compliance. Additional revisions were made to reflect revised guidance from the Institute of Internal Auditors.
Approved November 5, 2017 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 9**
Revisions from technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies.
Approved November 18, 2019 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 10**
Revisions from technical review correcting grammatical, punctuation, and minor format inconsistencies. Additionally, section 2.9 was revised to clarify expectations on OARC's responsibility for coordinating external audits and reviews.
Approved **November XX, 20XX** by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.



Charter for the Office of Audit, Risk, and Compliance

No. 3350

Policy Effective Date:
2/9/1989

Last Revision Date:
11/17/2019

Policy Owner:
President Sands

Policy Author:
(Contact Person)
Sharon Kurek

- 1.0 Purpose
- 2.0 Policy
- 3.0 Procedures
- 4.0 Definitions
- 5.0 References
- 6.0 Approval and Revisions

1.0 Purpose

This policy outlines the policies and procedures covering the Office of Audit, Risk, and Compliance (OARC) at Virginia Polytechnic Institute and State University and serves as a charter for the department.

2.0 Policy

It is the policy of the Compliance, Audit, and Risk (CAR) Committee of the Board of Visitors and the management of Virginia Polytechnic Institute and State University to support the maintenance of an internal audit function to assist in the effective discharge of their fiduciary responsibilities in assessing the effectiveness of the internal control environment.

The Office of Audit, Risk and Compliance (OARC) performs independent internal audits, plans and oversees the university risk management process, and oversees the institutional compliance program. ~~The~~ OARC's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight as follows:

1. *Audit*: Provide independent, objective assurance and advisory activities^y designed to add value and improve university operations. It helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
2. *Risk Management*: Provide oversight of the enterprise risk management (ERM) program by creating and maintaining the framework to identify, assess, and manage risk.
3. *Compliance*: Provide oversight of the institutional compliance program~~(ICP)~~ and the distributed processes that support compliance across the university.

2.1 Scope of the Office of Audit, Risk, and Compliance

The scope of OARC's work is to determine whether Virginia Tech's risk management, internal controls, compliance activities and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Programs, plans, and strategic objectives are achieved.
- Risks are appropriately identified, managed, and considered in institutional decision making.
- Significant financial, managerial and operating information is accurate, reliable, and timely.
- Compliance with policies, procedures, standards, laws, and regulations.
- Measures are taken to foster continuous improvement in control processes.
- Resources are acquired, managed, and protected in an economical, efficient, and effective manner.



2.2 Independence and Objectivity

Independence is essential to enable the internal audit function to accomplish its purpose. Accordingly, the Executive Director of Audit, Risk, and Compliance reports functionally to the CAR committee and also serves in a staff role to the committee. For day-to-day operations, the Executive Director of Audit, Risk, and Compliance reports administratively to the President. These reporting relationships allow for direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.

All work will be conducted in an objective and independent manner. Staff will maintain an impartial attitude in selecting and evaluating evidence and in reporting results. Independence in fact and appearance enables unbiased judgments essential to the proper conduct of the department's scope of work. OARC staff have the responsibility to maintain high standards of conduct, professionalism, independence, and character to carry out proper and meaningful internal auditing within the university.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that would normally be audited. Therefore, internal audit review and appraisal procedures do not in any way substitute for the responsibilities assigned to other persons in the organization.

2.3 Authority

OARC has unrestricted access to all university departments, records, reports, activities, property, and personnel that they deem necessary to discharge their audit responsibilities. OARC will exercise discretion in the ~~ir~~ review ~~of records~~ to assure the necessary confidentiality of matters that come to its attention.

OARC will allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports. OARC will also obtain assistance for specialized services from within or outside the university in order to complete engagements.

2.4 Auditing Standards

The internal audit function will conduct its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

2.5 Systems Planning and Development

Management will consult OARC during the planning, development, and modification of major financial or operating systems and procedures (manual and automated) to ensure that:

- Reasonable and adequate internal controls exist.
- Systems or procedural documentation is complete and appropriate.
- An adequate audit trail exists.

OARC's participation will be designed to: ~~(a)~~ help ensure safeguarding of information assets and compliance with appropriate procedures; and ~~(b)~~ aid management efficiency by avoiding costly systems or procedural changes at later dates.



2.6 Responsibilities of the Executive Director of Audit, Risk, and Compliance

The Executive Director of Audit, Risk, and Compliance has primary responsibility for the proper maintenance and management of OARC to ensure that the work fulfills the purposes and responsibilities established in this policy statement. The Executive Director of Audit, Risk, and Compliance is specifically charged with the following responsibilities:

- Coordinating all auditing activities to provide a central source of information for management and the CAR Committee ~~of the Board of Visitors~~ regarding all audit activities and to provide comprehensive, cost-effective audit coverage for the university.
- Facilitating the university's efforts regarding enterprise risk management (ERM) on behalf of senior management and the CAR Committee ~~of the Board of Visitors~~.
- Coordinating the university's ~~Institutional~~ ~~institutional~~ ~~Compliance~~ ~~compliance~~ ~~Program~~ ~~program~~ (ICP) to be a resource and serve as a catalyst for the achievement of university best practices in compliance-related subject matter areas.
- Establishing written policies and procedures for OARC and directing its technical and administrative functions.
- Developing, submitting for approval, and executing comprehensive risk-based annual audit plans to carry out departmental responsibilities.
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter, and provide information on the sufficiency of department resources.
- Recommending improvements in controls designed to increase efficiency, safeguard university resources, and ensure compliance with government laws and regulations.
- Issuing an annual summary report of activities to the CAR Committee ~~of the Board of Visitors~~.
- Appraising the adequacy of the action taken by management to correct significant reported internal control weaknesses and deficient conditions, and reporting this information ~~to the CAR Committee and responsible senior manager as appropriate~~ at least quarterly to the responsible Vice Presidents and the university's Chief Business Officer, or their designees.
- Establishing and maintaining a Quality Assurance and Improvement Program to evaluate the operations of the department, including periodic internal self-assessments and external peer reviews at least once every five years by qualified persons who are independent of the university, the results of which will be presented to senior management and the ~~Board of Visitors~~ CAR Committee.
- Communicating directly with the CAR Committee ~~of the Board of Visitors~~ any matters considered to warrant its attention as appropriate, including trends and emerging issues that could impact the university.
- Performing sufficient tests and examinations to determine and report to management, the CAR Committee ~~of the Board of Visitors~~, and the appropriate authorities the extent of any fraud, waste, and abuse ~~detected by audit or otherwise~~ and to identify the weaknesses in control procedures that may have allowed the fraudulent activity to occur. The investigation of the specific event with the objective ~~or of~~ recovery and/or prosecution is the responsibility of the appropriate law enforcement agency and Commonwealth's Attorney, based on jurisdiction.



2.7 Audit Reports

OARC will issue audit reports and/or memoranda in all audit activities performed. The format and style of the report will be determined by the Executive Director of Audit, Risk, and Compliance, depending upon the nature and conditions surrounding the audit. Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. The formulation of overall opinions requires consideration of the engagement results and their significance. All reports on engagements scheduled in the annual audit plan will be issued to the members of the CAR Committee ~~of the Board of Visitors~~; the President; appropriate senior management; and other appropriate personnel as deemed necessary by the Executive Director of Audit, Risk, and Compliance. In addition, reports approved at open meetings of the committee shall be made available to the public in accordance with state statutes. In certain circumstances, the Executive Director of Audit, Risk, and Compliance may decide, with the approval of the Chair of the CAR Committee ~~of the Board of Visitors~~, to restrict the issuance of an audit report to certain members of management and/or the committee.

2.8 Responsibility for Corrective Action

Senior management to whom the audited department, activity, or agency reports organizationally is responsible for the issuance of a written response to recommendations made or deficient conditions reported ~~by the internal audit function~~. The responses should be submitted to the Executive Director of Audit, Risk, and Compliance for inclusion in the issued audit report. At each meeting, the CAR Committee will receive status updates of recommendations in the process of implementation.

2.9 Coordination with External Auditing Agencies

To ensure appropriate coordination and completeness of the CAR Committee reporting responsibilities, senior managers should promptly notify the Executive Director of Audit, Risk, and Compliance of any external audits or reviews. The Executive Director of Audit, Risk, and ComplianceOARC will coordinate ~~the department's~~its audit efforts with those of the Auditor of Public Accounts or other external auditing agencies by participating in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary, and their combined efforts provide comprehensive, cost-effective audit coverage for the university. The Executive Director of Audit, Risk, and Compliance will work with the appropriate members of management to determine the level of involvement of OARC, if any, in the performance of each external audit. Duplication of work will be avoided as much as possible. ~~To ensure appropriate coordination and ensure completeness of the CAR Committee reporting responsibilities, senior managers should promptly notify the Executive Director of Audit, Risk, and Compliance of any external reviews by any external auditing agencies.~~

2.10 Special Projects

The Executive Director of Audit, Risk, and Compliance is empowered to conduct special audit projects, reviews, advisory services, or investigations at the request of the President, Vice Presidents or their designee, and the CAR Committee. ~~of the Board of Visitors to~~ Special projects assist management in meeting its objectives; ~~;~~ promoting economy and efficiency in the administration of its programs and operations; or preventing and detecting fraud, waste, and abuse ~~in its programs and operations~~, examples of which may include facilitation of risk and control evaluation, training, and advisory services.



3.0 Procedures

Principal guidance and direction on how OARC accomplishes its mission and responsibilities is provided to the audit staff through an office procedures manual. The manual promotes adherence to the International Professional Practice Framework developed by the Institute of Internal Auditors.

4.0 Definitions

Abuse

The excessive or improper use of a thing or policy, or employment of something in a manner contrary to the natural or legal rules for its use. Abuse includes the destruction, diversion, manipulation, misapplication, mistreatment, or misuse of university resources, as well as the e-xtravagant or excessive use of one's position or authority. Abuse can occur in financial or nonfinancial settings.

Add Value

~~The internal audit function adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes.~~

Advisory Services

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Assurance

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Charter

The charter is a formal document that defines OARC's purpose, authority, and responsibility. The charter establishes the office's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Code of Ethics

The Code of Ethics of The Institute of Internal Auditors (~~IIA~~) are principles relevant to the profession and practice of internal auditing, and rules of conduct that describe behavior expected of internal auditors. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

Compliance

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest

Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest could prejudice an individual's ability to perform his or her duties and responsibilities objectively.



Control

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment

The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control (e.g. integrity and ethical values; management's philosophy and operating style; organizational structure; and the assignment of authority and responsibility).

Control Processes

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Executive Director of Audit, Risk, and Compliance

The individual who serves as the chief audit executive and is responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the [Institute of Internal Auditors' International Professional Practices Framework](#), [IIA's Definition of Internal Auditing](#), [the Core Principles](#), [the Code of Ethics](#), and [the Standards](#).

Engagement

A specific [internal audit](#) assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Enterprise Risk Management

A process applied in strategy-setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risk to be within the entity's risk tolerance, and support the achievement of entity objectives.

Fraud

The intentional misrepresentation or concealment of information in order to deceive, mislead, or acquires something of value. Fraud is an intentional deception perpetrated to secure an unfair advantage [or personal benefit](#).

Governance

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. The governance process includes: promoting appropriate ethics and values within the organization; ensuring effective organizational performance management and accountability; communicating risk and control information to appropriate areas of the organization; and coordinating the activities of and communicating information among the board, external and internal auditors, and management.

Independence

The freedom from conditions that threaten the ability of ~~the a internal audit~~ function to carry out [internal audits](#) responsibilities in an unbiased manner.



Internal Audit Function

~~The department, division, team of advisors, or other practitioner(s) that provides independent, objective assurance and advisory services designed to add value and improve an organization's operations.~~

International Professional Practices Framework

The conceptual framework that organizes the authoritative guidance promulgated by the Institute of Internal Auditors. Authoritative guidance is comprised of two categories including: (1)-mandatory [guidance \(Core Principles, Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing\)](#) and (2)-strongly recommended [guidance \(implementation and supplemental guidance\)](#).

Objectivity

An unbiased mental attitude that allows internal auditors to [make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments](#)~~perform engagements in such a manner that they believe in their work product and that no quality compromises are made.~~ Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Risk

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact, ~~and~~ [likelihood, and velocity](#).

Risk Management

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

Scope

A statement that specifies the focus, extent, and boundary of a particular audit. The scope can be specified by defining the physical location of the audit, the organizational units that will be examined, the processes and activities that will be included, and [or](#) the time period that will be covered.

Significance

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Standards

~~A professional pronouncement that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.~~

Waste

The careless expenditure, consumption, mismanagement, use, or squandering of university [resources](#). Waste also includes incurring unnecessary costs due to inefficient or ineffective practices, systems, or controls.



5.0 References

Section 2.1-155.3 of the *Code of Virginia*, enacted in 1984.

State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual, Office of the State Inspector General, Commonwealth of Virginia, [2018-2020](#) edition.

The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing, revised in 2016 and effective 2017.

6.0 Approval and Revisions

- Revision 0
Approved February 9, 1989, by the Director of Internal Audit, David C. Goodyear.
- Revision 1
Annual review. Section 2.8 - changed so that reports "approved" by the Finance and Audit Committee of the Board of Visitors shall be available to the public.
Approved March 29, 1990, by the Director of Internal Audit, David C. Goodyear.
- Revision 2
Changes were made to eliminate minor discrepancies between the audit manual and the policy statement as presented to the Board of Visitors.
Approved November 3, 1995, by the Director of Internal Audit, David C. Goodyear.

Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.
- Revision 3
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.
Approved March 29, 2004 by the Executive Vice President and Chief Operating Officer, Minnis E. Ridenour.
Approved March 29, 2004 by the Finance and Audit Committee of the Board of Visitors.
- Revision 4
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors, in conjunction with the Internal Audit Department's quality assurance review.
Approved March 14, 2005 by the Executive Vice President and Chief Operating Officer, James A. Hyatt.
Approved March 14, 2005 by the Finance and Audit Committee of the Board of Visitors.
- Revision 5 April 1, 2008:
Updates to position titles and/or responsibilities due to university reorganization.
- Revision 6
 - Policy title changed from "Internal Audit Department" to "Internal Audit Charter."



Virginia Polytechnic Institute and State University

- Section 2.2 revised to reflect change in Director of Internal Audit reporting relationship.
- Sections 2.5 and 2.7 revised to clarify the role of Internal Audit and the standards under which it conducts its activities.
- Section 2.9 revised to clarify the process for senior management areas submitting corrective action plans.

Approved November 7, 2011 by the university President, Charles W. Steger.

Approved November 7, 2011 by the Finance and Audit Committee of the Board of Visitors.

- Revision 7
 - Full technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies. The charter was also revised to incorporate the concept of objectivity, and to include applicable procedures and definitions.
 - Policy title changed from “Internal Audit Charter” to “Charter for the University’s Internal Audit Function.”

Approved November 9, 2015 by the Finance and Audit Committee of the Board of Visitors and President, Timothy D. Sands.

- Revision 8
Revised to address the reorganization of the Board of Visitors’ committee structure and additional responsibilities with regard to risk management and compliance. Additional revisions were made to reflect revised guidance from the Institute of Internal Auditors.

Approved November 5, 2017 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.

- Revision 9
Revisions from technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies.

Approved November 18, 2019 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.

- Revision 10
Revisions from technical review correcting grammatical, punctuation, and minor format inconsistencies. Additionally, section 2.9 was revised to clarify expectations on OARC’s responsibility for coordinating external audits and reviews.
Approved November 18XX, 2019XX by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.

Discussion of Future Topics
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 15, 2020

The Chair of the Compliance, Audit, and Risk Committee will discuss agenda items for future meetings and adjourn the committee meeting.