

Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 14, 2022

Closed Session Meeting

Board Members Present: Sharon Brickhouse Martin (Chair), David Calhoun, Tish Long (Rector), Jeff Veatch

Virginia Tech Personnel: Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Hud McClanahan, Justin Noble, Kim O'Rourke, Timothy Sands, John Talerico

1. **Motion to Begin Closed Session:** Motion to begin closed session.
2. **Research Security Landscape:** The Director of the Office of Export and Secure Research Compliance briefed the Committee on upcoming changes to compliance requirements, risks to the institution, and challenges inherent to research security. Virginia Tech has a robust research security program today that complies with all existing requirements. Requirements for research security programs include: Cybersecurity, Foreign Travel Security, Research Security Training, Export Control Training, and Institutional Certification. The committee requested a future discussion on the biomedical research landscape within the context of research security.
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:** The Executive Director discussed audits of specific departments and units where individual employees were identified.
5. **Motion to End Closed Session:** Motion to end closed session.

Open Session Meeting

Board Members Present: Sharon Brickhouse Martin (Chair), David Calhoun, Jeff Veatch

Virginia Tech Personnel: Mac Babb, Lynsey Belshe, Al Cooper, Ron Fricker, Guru Ghosh, Debbie Greer, Suzanne Griffin, Tony Haga, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Hud McClanahan, Scott Midkiff, Justin Noble, Charlie Phlegar, Kevin Pitts, Zo Qazi, Will Walton, Melinda West, Lisa Wilkes

Guests: Kevin Savoy, Jonathan South

1. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.
2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
 - a. **Minutes from the August 23, 2022 Meeting:** The Committee reviewed and approved the minutes of the August 23, 2022 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 3, 2022, the university had 25 open recommendations. Four audit comments were issued during the first quarter of the fiscal year. As of September 30, 2022, the university had addressed 11 comments, leaving 18 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) has completed 7 percent of its audit plan, and 35 percent is underway, in accordance with the fiscal year 2022-23 annual audit plan.
 - d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the August 23, 2022 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. University Scholarships and Financial Aid: The audit received an effective rating.
 - ii. Office of Research and Innovation Policy Compliance Review: The audit received a rating of improvements are recommended. Observations were noted regarding fiscal responsibility, fixed asset management, information technology, emergency preparedness, and state vehicle management.
 - e. **External Reviews and Special Reports:** The Committee received a report on external reviews and special reports that have occurred at the university.
3. **Auditor of Public Accounts Financial Statement Audit and Management Letter:** The Committee received a report from Mr. Kevin Savoy, Audit Director for the Auditor of Public Accounts, on the results of the university's financial statement audit and management letter for the fiscal year ended June 30, 2022, which resulted in an unmodified opinion. Furthermore, the audit identified no new material weaknesses or significant deficiencies during fiscal year 2022.
 4. **Updated Report on Audits of University-Related Corporations:** The Committee received an update on required audits of university-related corporations. Consistent with the Board of Visitors' resolution establishing university-related corporations, each corporation is annually required to provide audited annual financial statements, management letters from external auditors, and management's responses to the university's president. For fiscal year 2021, the Virginia Tech Innovations Corporation has recently made progress to complete its audit, which was delayed due to complications in closing out a foreign research grant. The auditors issued a management letter to VT Innovations Corporation (VTIC) including a material weakness regarding subsidiary accounting and other internal controls. The management letter identified delays in audit completion, significant audit adjustments, and engagement of audit firm to assist with various non-attest functions due to turnover at AET Global, LLC., a subsidiary of VTIC. The university is having ongoing meetings with AET Global management to receive updates on their progress to resolve outstanding operational issues.
 5. **Internal Audit Reports:** The following internal audit report was issued by OARC since the August 23, 2022 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. Virginia Tech Police Department (VTPD): The audit received a rating of significant improvements are needed. Observations were noted related to the automated external defibrillators (AEDs) program managed by the Virginia Tech Rescue Squad (VTRS), VTRS internal training requirements, and VTPD ammunition inventory tracking. The Committee accepted this report.

6. **Discussion of the Institutional Compliance Program:** The Committee received initial impressions from the newly hired University Compliance Officer. A strong culture of compliance not only serves to mitigate risks, but enhances the ability of the institution to meet its goals. Since 2017, OARC has led the university's Institutional Compliance Program (ICP) in promoting and supporting a working environment reflecting its commitment to compliance with all relevant legal and regulatory requirements. The ICP is not designed to centralize compliance, but rather to prioritize compliance areas by risk and ensure that those areas are following best practices and have access to information, resources, and support.

The next phase in the maturation of an institutional compliance program often focuses on efficiencies and prioritizing areas of compliance risk. Actions such as establishing expectations and tools for assessments, and utilizing a programmatic approach to identify best practices, lead to gains in efficiencies and consistency as well as opportunities for collective actions. Developing a consistent, scalable, and measurable methodology will provide information to all stakeholders as to unit and university program effectiveness and obstacles to risk mitigation.

7. **Review and Approval of 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 charters to add clarity for the areas under the Committee's oversight, including delineating the roles and responsibilities for the internal audit, enterprise risk management, and institutional compliance programs. The Committee approved the recommended changes and identified clerical error.
8. **College of Science Open Internal Audit Comments:** The Committee received an update on outstanding internal audit comments from the May 2020 College of Science Policy Compliance Review. The issues related to Fiscal Responsibility and Leave Reporting have been completed and closed, while the issues related to

Information Technology missed the original and revised target dates. College leadership shared that the Access Control, Encryption, and PII Endpoint Scanning improvements will be completed for the remaining units by December 31, 2022, and the outstanding IT Risks Assessments will be completed by January 31, 2023. Furthermore, the longer-term strategy includes establishing a collegewide IT leader to improve coordination, interface with campus IT and units, and emphasize cyber-security.

9. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings, including IT compliance across all colleges and the timeline of outcomes from the IT Transformation efforts.

There being no further business, the meeting adjourned at 11:25 a.m.

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech – Duck Pond

November 14, 2022

9:00 a.m.

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion to Begin Closed Session	Jeff Veatch
+ ♦ 2. Research Security Landscape	John Talerico
3. Update on Fraud, Waste, and Abuse Cases	Ryan Hamilton Sharon Kurek
4. Discussion with the Executive Director of Audit, Risk, and Compliance	Sharon Kurek
5. Motion to End Closed Session	David Calhoun

+ Discusses Strategic Investment Priorities.
♦ Discusses Enterprise Risk Management topic(s).

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech – Duck Pond

November 14, 2022

10:00 a.m.

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Welcome and Introductory Remarks	Sharon Brickhouse Martin
2. Consent Agenda	Sharon Brickhouse Martin
a. Minutes from the August 23, 2022 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. University Scholarships and Financial Aid	
ii. Office of Research and Innovation Policy Compliance Review	
e. External Reviews and Special Reports	
3. Auditor of Public Accounts Financial Statement Audit and Management Letter	Kevin Savoy Jonathan South
4. Updated Report on Audits of University-Related Corporations	Melinda West
5. Internal Audit Reports	Justin Noble
a. Virginia Tech Police Department	
6. Discussion of the Institutional Compliance Program	Suzanne Griffin
7. Review and Approval of Charters	Sharon Kurek
a. Compliance, Audit, and Risk Committee Charter	
b. Charter for the Office of Audit, Risk, and Compliance	
8. College of Science Open Internal Audit Comments	Kevin Pitts Will Walton
9. Discussion of Future Topics	Sharon Brickhouse Martin

Welcome and Introductory Remarks
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 14, 2022

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 14, 2022

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

- a. Minutes of the August 23, 2022 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
 - i. University Scholarships and Financial Aid
 - ii. Office of Research and Innovation Policy Compliance Review
- e. External Reviews and Special Reports

Update of Responses to Open Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2022

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 2023 reflects closing 10 of 10 recommendations by the original target date.

The report presented at the August 23, 2022 meeting covered audit reports reviewed and accepted through June 30, 2022 and included 25 open medium and high priority recommendations. Activity for the quarter ending September 30, 2022 resulted in the following:

Open recommendations as of June 30, 2022	25
Add: medium and high priority recommendations accepted August 23, 2022	4
Subtract: recommendations addressed since June 30, 2022	11
Remaining open recommendations as of September 30, 2022	<u>18</u>

One recommendation was addressed that missed the target date from a prior reporting period. 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 26, 2022, OARC has indicated one recommendation that previously missed the original target date will miss the revised target date. OARC met with the unit's leadership team to ensure an action plan is identified and in place to resolve remaining compliance deficiencies. All remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work conjointly with all units and provides assistance as needed to help with timely completion of action plans.

ATTACHMENT A

Open Recommendations by Priority Level

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2022

Report Date	Audit Name	Audit Number	Total Recommendations							
			ISSUED	COMPLETED	OPEN					
					Extended		On-schedule		Total	
					High	Medium	High	Medium	Open	
May 11, 2020	College of Science	20-1491	3	2		1				1
Oct 22, 2021	University Libraries	22-1595	4	3				1		1
Mar 18, 2022	Mechanical Engineering	22-1586	3					3		3
May 19, 2022	Vice President for Outreach and International Affairs	22-1598	2					2		2
May 20, 2022	IT: Network Security	22-1584	3	1				2		2
May 20, 2022	Foreign Gifts and Contracts Reporting	22-1588	5				4	1		5
May 20, 2022	Vendor Contract Administration	22-1593	2					2		2
Jun 30, 2022	Biological Sciences	22-1573	2					2		2
Totals:			24	6	0	1	4	13		18

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2022

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 / Current		
May 11, 2020	1	20-1491	College of Science	Information Technology	Medium		Dec 01, 2021	Oct 01, 2022	1	Missed the original target date.
May 20, 2022	2	22-1584	IT: Network Security	Management Network Security	Medium		Nov 30, 2022		2	
May 20, 2022	3	22-1584	IT: Network Security	Vulnerability Management	Medium		Nov 30, 2022		2	
May 19, 2022	4	22-1598	VP Outreach and International Affairs	Fiscal Responsibility	Medium		Dec 01, 2022		2	
May 19, 2022	5	22-1598	VP Outreach and International Affairs	Fixed Assets Management	Medium		Dec 01, 2022		2	
Jun 30, 2022	6	22-1573	Biological Sciences	Cost Transfers	Medium		Dec 31, 2022		2	
Jun 30, 2022	7	22-1573	Biological Sciences	Effort Reporting	Medium		Dec 31, 2022		2	
Oct 22, 2021	8	22-1595	University Libraries	Information Technology	Medium		Jan 15, 2023		3	
May 20, 2022	9	22-1593	Vendor Contract Administration	Contract Administration	Medium		Jan 15, 2023		3	
May 20, 2022	10	22-1593	Vendor Contract Administration	Contract Monitoring	Medium		Jan 15, 2023		3	

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2022

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 / Current		
Mar 18, 2022	11	22-1586	Mechanical Engineering	Laboratory Safety	Medium		Jan 31, 2023		3	
Mar 18, 2022	12	22-1586	Mechanical Engineering	Administrative Privileges	Medium		Feb 01, 2023		3	
Mar 18, 2022	13	22-1586	Mechanical Engineering	Patch Management	Medium		Feb 01, 2023		3	
May 20, 2022	14	22-1588	Foreign Gifts and Contracts Reporting	Formal Policy and Procedures	High		Jul 01, 2023		3	
May 20, 2022	15	22-1588	Foreign Gifts and Contracts Reporting	Foreign Contract Reporting	High		Jul 01, 2023		3	
May 20, 2022	16	22-1588	Foreign Gifts and Contracts Reporting	Determination of Source	High		Jul 01, 2023		3	
May 20, 2022	17	22-1588	Foreign Gifts and Contracts Reporting	Completeness of Reporting	High		Jul 01, 2023		3	
May 20, 2022	18	22-1588	Foreign Gifts and Contracts Reporting	System of Record	Medium		Jul 01, 2023		3	

Follow Up Status

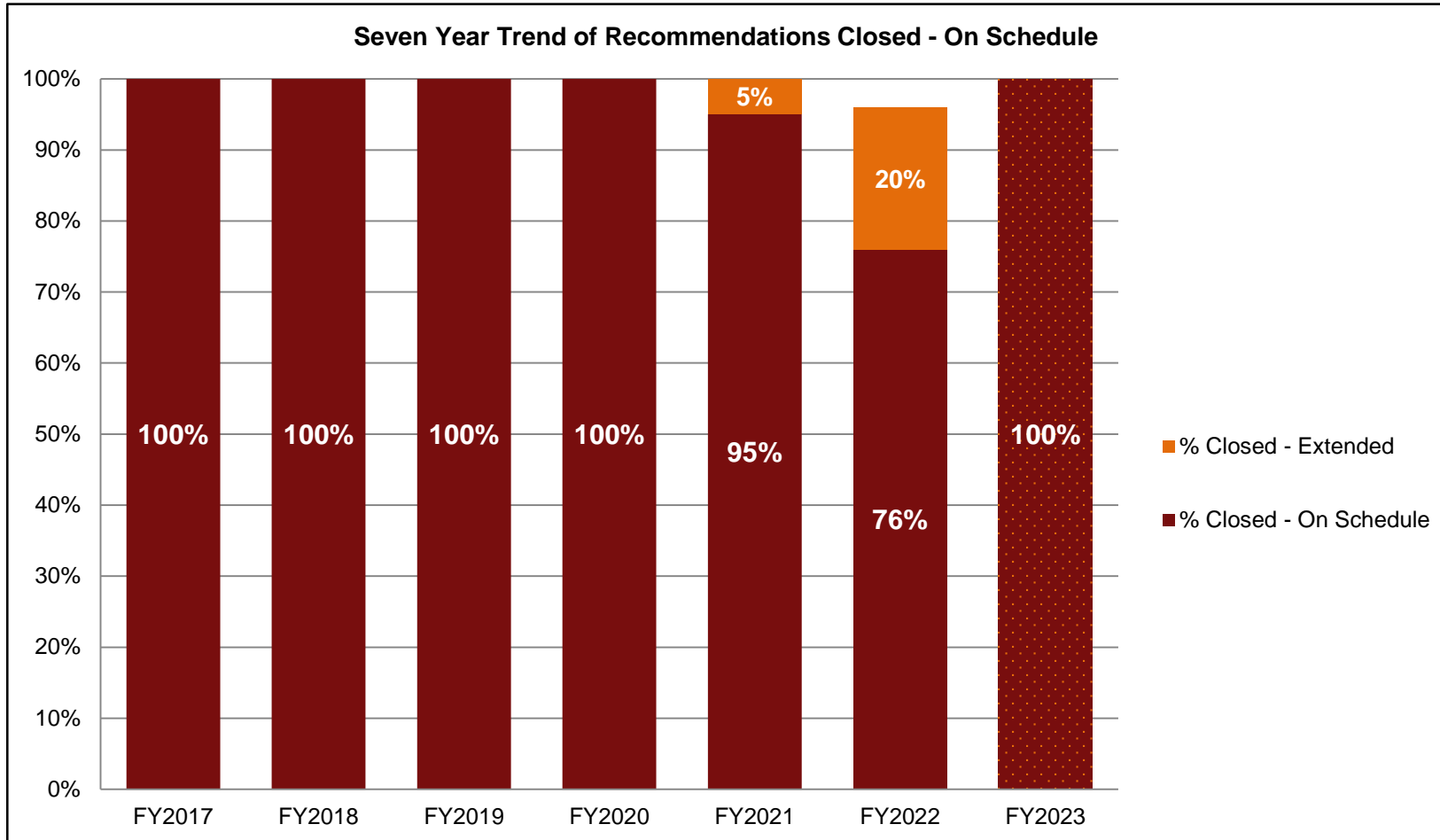
- 1 Management confirmed during follow up discussions with the Office of Audit, Risk, and Compliance (OARC) that the auditee has missed their implementation date.
- 2 Management confirmed during follow up discussions with OARC that actions are occurring and the target date has been or will be met. OARC will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.
- 3 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.

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2022



Audit Plan Status Report
COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 14, 2022

Audit Plan Update

Audits were performed in accordance with the fiscal year 2022-23 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the August board meeting three planned projects have been completed, including two risk-based audits and one policy compliance review.

Twelve projects are currently underway, including:

- Seven risk-based projects: Civil and Environmental Engineering, Data Analytics: Administrative Operations, Data Analytics: Electronic Systems Approvals, Human Resources: Employee Administration, IT: Cybersecurity Incident Response, University Registrar, and Virginia Cooperative Extension – Southwest District.
- Four advisory service projects: Graduate Assistant Workload, Remote Working Compliance, and Steger Center Financial Controls. Additionally, an advisory service project regarding the university's athletic media rights vendor has been added to the plan and is underway.
- One policy compliance review: College of Engineering.

In fiscal year 2022-23, OARC has completed seven percent of its audit plan as depicted below.

FY 2022-23 Completion of Audit Plan

Audits	
Total # of Audits Planned	38
Total # of Supplemental Audits	1
Total # of Carry Forwards	4
Total # of Planned Audits Canceled or Deferred	0
Total Audits in Plan as Amended	43
Total Audits Completed	3
Audits - Percentage Complete	7%
Audits - Percentage Complete or Underway	35%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 14, 2022

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
University Scholarships and Financial Aid	Effective
Office of Research and Innovation Policy Compliance Review	Improvements are Recommended
Report for Discussion	Rating
Virginia Tech Police Department	Significant Improvements are Needed

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 14, 2022

External Reviews and Special Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 14, 2022

Background

Virginia Tech is subject to reviews by a variety of external agencies, including the Commonwealth's Auditor of Public Accounts (APA), the Office of the State Inspector General (OSIG), and others. In addition to the annual audits of the university's financial statements and its Intercollegiate Athletics program conducted by the APA, Virginia Tech is frequently included along with other agencies in statewide reviews typically included as part of an agency's annual work plan. Due to the breadth of the programs and the dollar volume of activities at Virginia Tech, the university is often selected for inclusion in a variety of statewide reviews. The following report provides an analysis of external and statewide audit activities consistent with the university's planned approach to manage and report on these audit activities.

Report on the Audit of the Sub-Award Expenditures (2022)

The University of Illinois at Urbana-Campaign (UI) reviewed the cost share on a subaward agreement with VT for reporting period August 16, 2019 through January 31, 2022. The UI found no issues related to the review.

U.S. Department of Labor (2022)

The Occupational Safety and Health Administration conducted review of Financial Status Reports associated with a grant, for the period September 30, 2020 through June 30, 2021. There were no financial findings or recommendations.

Internal Revenue Service (2022)

The university underwent an IRS audit on 403(b) deferred compensation plans for tax year 2018. No findings or changes to the university's plan were proposed.

Financial Audit of Costs Catalyzing Afghan Agricultural Innovation Program (2021 and 2022)

The U. S. Agency for International Development (USAID) contracted with the independent certified public accounting firm of CliftonLarsonAllen LLP (CLA) to conduct an audit of Cooperative Agreement No. 306-72030618LA00002 for the period May 28, 2018 to December 31, 2019. The audit objectives for this cooperative agreement include: to opine on USAID fund accountability, evaluate the university's internal control for this award, and compliance with agreement terms and applicable laws and regulations.

In its report issued March 9, 2021, CLA found Virginia Tech's fund accountability statement presents fairly, in all material respects. A material weakness was noted over financial reporting resulting from working cash advances made to AET Global (AET), LLC a wholly owned subsidiary of Virginia Tech Foundation, Inc. The subsidiary budget, statement of work, and budget narrative

was fully disclosed in the proposal and accepted and approved by USAID. These prepayments were classified as financial transactions and not a purchase. The prepayments were made to ensure money was available for the outlay of funds for the management and purchase of goods and services by the subsidiary that are ancillary to the operation of the federal program. Virginia Tech affirms the working cash advances made to AET have been carried out consistent with the proposal cost application. CLA and Virginia Tech agree that providing advance funding to subrecipients is allowed under 2 CFR 200 as well as Virginia Tech policies. CLA supports the finding indicating that actual costs were not incurred on the project before the prepayment was reported as expenses to be reimbursed by USAID.

CLA noted the salary amount for one employee exceeded the appropriate salary scale per National Technical Assistance (NTA) guidelines used to measure reasonableness of compensation in the Afghanistan labor market. A review of the employee's job responsibilities indicated the title didn't reflect their administrative responsibilities which warrant higher compensation.

Subsequent to receiving the draft report, the university provided documentation supporting actual expenses of \$287,500 associated with the initial working capital advance and documentation of credentials and experience of the individual whose salary exceeded the appropriate salary scale per NTA guidelines by \$7,455. The university also issued working capital loans to AET Global, LLC as approved by the Board of Visitors at its June 8, 2021 meeting.

The Office of the Special Inspector General for Afghanistan Reconstruction (SIGAR) contracted with Castro & Company to perform an audit on the same grant for the period January 1, 2020 through May 27, 2021. Castro identified one prior audit report (as summarized above) that was relevant to Virginia Tech's associate cooperative agreement that had two findings that could have a material effect on the university's Special Purpose Financial Statement (SPFS). Castro performed follow-up procedures and concluded Virginia Tech took adequate corrective action on both previous findings. Castro issued an unmodified opinion on the university's SPFS for the period ending May 27, 2021 and did not find any material weaknesses or significant deficiencies in Virginia Tech's internal controls, or any instances of noncompliance with the terms and conditions of the associate cooperative agreement per the report issued on August 18, 2022.

The university remains in contact with USAID to receive notice of final resolution of the two findings in the March 9, 2021 report.

Department of Defense, Office of the Under Secretary of Defense Personnel & Readiness, Voluntary Education Institutional Compliance Program (2022)

A compliance review of DoD Tuition Assistance (TA) funds found the university uses fair recruiting practices and provides a clear and complete explanation of available financial aid. Minor changes were recommended to ensure compliance. The university will revise visual information to be more transparent that the DoD and Virginia Tech do not have a special partnership, and that the military does not endorse the university. Updates will be made to the Financial Aid Office website to provide more clarity regarding the financial aid application process and establish formal controls to help ensure the Cohort Default Rate disclosure if the rate rises above the national average.

Virginia Department of Veterans Services (ongoing)

Virginia Tech received notice of its selection in a Compliance Survey, which was conducted to ensure that schools, training establishments, and their approved courses comply with all applicable provisions of the laws administered by the U.S. Department of Veterans Affairs and State Approving Agency (DVS). This limited scope review was to monitor compliance based on a review of records for a specific set of students and is ongoing.

Contractor Purchasing System Review (ongoing)

A contractor purchasing system review (CPSR) was performed by the Office of Naval Research in September 2022 to evaluate the efficiency and effectiveness with which the university spends government funds and complies with government policy when subcontracting. The university's last CPSR was performed in April 2019. Maintaining an approved purchasing system benefits Virginia Tech meets the FAR contractual requirements and generally eliminates the need for advance notification and pre-approval of subcontracts on federally sponsored projects.

The CPSR analyst provided preliminary findings to the university during an exit meeting on September 29, 2022. The analyst had no formal recommendations for the university and expects to receive approval of the university's procurement system soon.

Capital Construction Project Reviews (ongoing)

The Office of Audit, Risk, and Compliance (OARC) works in close collaboration with the Division of Campus Planning, Infrastructure, and Facilities (CPIF) in outsourced reviews of certain capital construction projects. In general, the contract compliance audits are conducted on Construction Manager at Risk (CMaR) contracts in three phases (preconstruction, construction in progress, contract close out) with a goal of ensuring billings and payments are in accordance with contract documents, reviewing for duplicate costs, appropriateness of change orders, and identifying opportunities for cost avoidance.

In summer 2021, Virginia Tech rebid its long-standing construction project review program and three firms were selected. OARC and CPIF work collaboratively to assign and monitor firm performance on the selected capital construction projects. The following reviews have occurred on the active CMaR projects:

Capital Construction Project	Preconstruction	Construction In Progress	Contract Close Out
Hitt Hall GMP 1 and 2	✓		
Holden Hall Renovation	✓	✓	✓
Data and Decision Sciences	✓	✓	
Corps Leadership and Military Science	✓	✓	
Innovation Campus Academic Building	✓		
New Upper Quad Residence Hall	✓		
Student Wellness Improvements	✓		
Undergraduate Science Laboratory	✓		

Overall, the university continues to see value in its outsourced construction audit efforts. While varying in scope and amounts, each report has identified instances of unallowed costs and/or opportunities for cost avoidance through clarification of contract language.



SPONSORED PROGRAMS ADMINISTRATION

1901 S. First St., Suite A, MC-685
Champaign, IL 61820-7406

May 16, 2022

Attn: Virginia Polytechnic Inst & State University

Re: Conclusion of desk review of sub-award expenses inception through January 2022

087795 (17551); D5790 IDOT R27-206 FY18 VaTech, UIUC PI: Imad Al-Qadi

Dear Divyabala

The University of Illinois at Urbana-Champaign has concluded its review of cost share on the subaward noted above. If there are any issues of concern related to this review they will be listed below and may be cause for subsequent invoices to be selected in future reviews.

Issue/Concern	Required Action
None noted	None noted

Thank you for your assistance in this evaluation. We look forward to continuing work with your institution.

Charletta Little

Coordinator, Audit & Compliance
Sponsored Programs Administration
University of Illinois at Urbana-Champaign
217-244-4831 | clittl7@illinois.edu



Department of the Treasury
Internal Revenue Service
TEGE Employee Plans
31 Hopkins Plaza
11th Floor, Room 1120
Baltimore, MD 21201

VIRGINIA POLYTECHNIC INSTITUTE
300 TURNER ST NW STE 3300
BLACKSBURG VA 24061-0001

Date: June 8, 2022
Taxpayer Identification Number: 54-6001805
Name of Plan: Virginia Polytechnic Institute & State University Tax Deferred Savings Program
Type of Plan: IRC 403(b)
Plan Year(s) Ended: December 31, 2018
Person to Contact/ID Number: Clarice Alexander 1000274208
Contact Telephone Number: 443-853-5527

Dear Ms. Shelor:

We have completed our examination of your plan for the year(s) listed above. We are pleased to inform you that no change in your plan's status will be proposed. However, during the examination we noted a certain item, indicated on the enclosure, that requires your attention.

If you have any questions, please contact the person whose name and telephone number are shown above.

Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Catherine L. Jones".

Catherine L. Jones
Director, EP Examinations

Enclosure:
Explanation of Items

JUN 13 '22 PM 6:23

Explanation of Items

Name of Plan Virginia Polytechnic Institute & State University Tax Deferred Savings Program	Taxpayer Identification Number 54-6001805	Plan Year(s) Ended December 31, 2018
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The following item is provided as an advisory comment as a result of our examination:

During the audit of the December 31, 2018 plan year, the Agent found that the Vendors EE Contributions Reconciliation Report to W2s for 2018 indicated an employer contribution was made to this retirement plan for two employees although this retirement plan only provides for employee elective deferrals. The Agent asked about this and it was found that the service vendor for this plan incorrectly recorded the employer contribution for both employees that went to another retirement plan maintained by the employer as going to this retirement plan. The service vendor promptly corrected this bookkeeping error and this was verified by the Agent.

The Agent considers this issue has been corrected and will not pursue it further. This letter serves as a reminder that the two affected accounts have been adjusted and now reflect the correct balances. The letter also serves as a recommendation to continue all of the checks and balances that are in place between the employer and the plan's service vendor in handling the daily administration of this 403(b) retirement plan.

Auditor of Public Accounts Financial Statement Audit and Management Letter

COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 14, 2022

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, 2022.

COMPLIANCE, AUDIT, AND RISK COMMITTEE

October 12, 2022

In accordance with the resolution passed by the Finance and Audit Committee on April 25, 1985, and as amended on November 13, 1995 and March 31, 2008, each university-related corporation is required to provide the University's President audited annual financial statements, management letters from the external auditors, management's responses thereto, and an annual certification that all procedures outlined in the resolution have been met. These financial statements, management letters, and management responses have been reviewed as of June 30, 2021, and found to meet the standards set forth in the audit resolution, except as noted below.

**VIRGINIA TECH CORPORATIONS
COMPLIANCE WITH AUDIT RESOLUTION FOR FISCAL YEAR 2021**

Corporation	Audited Financial Statement	Management Letter	Response to Management Letter	External Auditor Length of Service	Certification Letter
VT Applied Research Corporation	✓	*	*	Ω	✓
VT Foundation, Inc.	✓	*	*	Ω	✓
VT Intellectual Properties, Inc.	✓	*	*	Ω	✓
VT Services, Inc.	✓	*	*	Ω	✓
VT Innovations Corporation	✓	2	2	Ω	✓
VT India Research and Education Forum ¹	✓	*	*	€	✓

* No material recommendations resulted from the audit.

Ω Corporation using same audit firm as in years past; management team has been rotated within the past five years in accordance with the audit resolution.

€ Corporation has not been in existence for five years. Hence, the requirement in the affiliation agreement to rotate the external audit firm or the audit team after a consecutive five-year team is not applicable.

¹ The financial statement year end for VT India Research and Education Forum (VTIREF) is March 31.

² The auditors issued a management letter to VT Innovations Corporation (VTIC) including a material weakness regarding subsidiary accounting and other internal controls. The management letter identified delays in audit completion, significant audit adjustments, and engagement of audit firm to assist with various non-attest functions due to turnover at AET Global LLC., a subsidiary of VTIC. The university is having ongoing meetings with AET Global management to receive updates on their progress to resolve outstanding operational issues.

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 14, 2022

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
University Scholarships and Financial Aid	Effective
Office of Research and Innovation Policy Compliance Review	Improvements are Recommended
Report for Discussion	Rating
Virginia Tech Police Department	Significant Improvements are Needed

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 14, 2022

**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 institutional compliance processes that monitor 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 (i) preparation, presentation, and integrity of the university's financial statements, (ii) maintenance and implementation of effective policies, procedures, and controls designed to assure compliance with generally accepted accounting principles and applicable laws and regulations; and (iii) identification, assessment, monitoring, and management of significant enterprise-level risks to the university. 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 must meet once a year, but traditionally holds four meetings a year, which typically includes the CAR Committee. 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 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. Approve the charter for the Office of Audit, Risk, and Compliance. The charter should be reviewed annually and updated as necessary.
3. Maintain minutes of meetings in accordance with standard board practices.
4. Authorize audits within the Committee's scope of responsibilities.
5. Report Committee actions to the Board of Visitors with such recommendations as the Committee may deem appropriate.
6. Meet in closed session, consistent with state law, (without members of senior management present, when appropriate) with the internal or external auditors to discuss matters that the Committee 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 committee meetings.

B. Enterprise 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. Review and approve the annual audit plan and any significant changes to the plan.
2. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity and reporting relationships.
3. Review completed audit reports and progress reports on executing the approved annual audit plan.
4. 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.
5. Inquire of the Director of Internal Audit regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information.
6. Confer with management in the appointment, reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance and the Director of Internal Audit.

E. Institutional 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.

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~~ institutional compliance processes that monitor 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~~ (i) preparation, presentation, and integrity of the university's financial statements, fiscal plans, and other financial reporting. University management is also responsible for (ii) maintenance and implementation of effective ~~maintaining appropriate financial accounting and reporting~~ policies, procedures, and controls designed to assure compliance with generally accepted accounting principles and applicable laws and regulations; and (iii) identification, assessment, monitoring, and management of significant enterprise-level risks to the university. 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, which typically includes the CAR Committee.

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.~~ Approve the charter for the Office of Audit, Risk, and Compliance. The charter should be reviewed annually and updated as necessary.
- ~~2.3.~~ Maintain minutes of meetings in accordance with standard board practices.
- ~~3.4.~~ Authorize audits within the Committee's scope of responsibilities.
- ~~4.5.~~ Report Committee actions to the Board of Visitors with such recommendations as the Committee may deem appropriate.
- ~~6.~~ Meet in closed session, consistent with state law, (without members of senior management present, when appropriate) with the internal or 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 committee meetings.
- ~~5.~~

B. Enterprise 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.~~

~~2.1.~~ Review and approve the annual audit plan and any significant changes to the plan.

~~3.2.~~ Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity and reporting relationships.

~~4.3.~~ Review completed audit reports and progress reports on executing the approved annual audit plan.

~~5.4.~~ 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.

~~6.5.~~ Inquire of the ~~Executive Director of Audit, Risk, and Compliance~~ Director of Internal Audit regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information. Confer with management in the ~~Review and concur in the~~ appointment, ~~replacement~~, reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance and the Director of Internal Audit.

~~7. Evaluate the Executive Director of Audit, Risk, and Compliance's annual performance and make decisions regarding compensation.~~

~~6.~~

E. Institutional 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		
Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed	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

	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
A=Annually; S=Scheduled BOV Meeting; AN=As Necessary							
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				
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							
6. Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed	X				X		
1. Approve the annual audit plan	X						X
2. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships	X				X		
3. Review the results of the QAIP, including internal and external assessments			X				
4. Review completed audit reports and progress reports on executing the approved annual audit plan		X			X	X	X
5. 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
6. Review and concur in the appointment, replacement, reassignment, or dismissal of the Executive Director of Audit, Risk, and Compliance			X				
7. 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:
11/14/2022

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 audit, risk, and compliance functions 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 comprehensive assurance services through independent internal audits, advisory activities, the university risk management process, and the institutional compliance program. OARC 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. 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.
2. *Risk Management*: Provide oversight of the enterprise risk management (ERM) program by identifying, assessing, and managing risk by working with risk owners within the ERM process.
3. *Compliance*: Provide oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.

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

The scope of OARC's work is to determine whether Virginia Tech's network of 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.
- Processes for the collection and administration of significant financial, managerial, and operating information provide management with accurate, reliable, and timely data.



Virginia Polytechnic Institute and State University

- Compliance with policies, procedures, standards, laws, regulations, contracts, or other requirements.
- Significant legislative or regulatory changes impacting the compliance activities are recognized and addressed properly.
- Resources are acquired, managed, and protected in an economical, efficient, and effective manner.
- Integrity, quality, and continuous improvement are fostered in the university's culture and control processes.

2.2 Accountability

The Executive Director or Audit, Risk, and Compliance shall be accountable to senior leadership and the CAR Committee of the Board of Visitors to:

- Supervise the leaders responsible for internal audit and compliance.
- Provide assessments on the adequacy and effectiveness of the university's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the university, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan, university compliance and risk management activities, and the sufficiency of department resources.
- Coordinate with, and provide oversight of, other compliance, control, and monitoring functions by working with subject matter experts and compliance risk owners.

2.3 Independence, Objectivity, and Professionalism

To provide for the objectivity of risk management and compliance efforts and the independence of the internal audit efforts to ensure the highest ethics and integrity standards:

- The Executive Director or Audit, Risk, and Compliance reports to the President and the CAR Committee.
- The Chief Audit Executive reports functionally to the CAR Committee and administratively to the Executive Director or Audit, Risk, and Compliance.
- The University Compliance Officer reports to the Executive Director or Audit, Risk, and Compliance and is accountable to the CAR Committee.

OARC personnel will exhibit the highest level of professional objectivity and integrity in gathering, evaluating, and communicating information about the activity or process being examined. OARC assessments will consider all relevant facts and circumstances, and OARC staff will not be influenced by their own personal interests or by others interests in forming judgments.

The internal audit function conducts 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.



2.4 Authority

OARC is authorized to:

- Have unrestricted access consistent with applicable law to all university departments, information, records, reports, activities, property, manual and automated systems, and personnel that they deem necessary to carry out their responsibilities. OARC will exercise discretion in their review to assure the necessary confidentiality of matters that come to its attention.
- Have direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish OARC objectives.
- Obtain assistance for specialized services from within or outside the university in order to complete engagements.

As internal audit is an independent function, OARC staff assigned to internal audit responsibilities are not authorized to:

- Have direct operational responsibility or authority over any of the procedures, systems, or activities audited.
- Initiate or approve accounting transactions external to OARC.
- Direct the activities of any employee not employed by OARC, except to the extent such employees have been appropriately assigned to assist with OARC engagements or activities.

2.5 Responsibility

OARC has the responsibility to enhance and protect organizational value by:

General:

- Evaluating and assessing existing significant functions and new or changing services, processes, operations, and control processes coincident with their development, implementation and/or expansion of the university.
- Conducting investigations of suspected fraudulent and non-compliant activities and appropriately notifying relevant university management, the CAR Committee, and the appropriate authorities.
- Communicating directly with the CAR Committee on any matters considered to warrant its attention as appropriate, including trends and emerging issues that could impact the university.
- Maintaining a professional staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.

Enterprise Risk Management:

Enterprise Risk Management, under the direction of the Executive Director or Audit, Risk, and Compliance, provides services including, but not limited to:

- Planning, facilitating, and overseeing the university's efforts regarding enterprise risk management (ERM) on behalf of senior management and the CAR Committee.



Virginia Polytechnic Institute and State University

- Executing the periodic university risk assessment process and advising risk owners in their identification and implementation of responses to monitor and manage such risks.
- Ensuring risk management plans are maintained and university risk assessment results are reported to the President and the CAR Committee.

Internal Audit:

Internal Audit, under the direction of the Director of Internal Audit, provides services including, but not limited to:

- Coordinating audit 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.
- Developing, submitting for approval, and executing a comprehensive risk-based annual audit plan.
- Issuing periodic reports recommending improvements in controls designed to increase efficiency, safeguard university resources, and ensure compliance with government laws and regulations.
- Performing advisory services, beyond its auditing services, to assist management in meeting its objectives.
- Appraising the adequacy of actions 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.

Institutional Compliance:

Institutional Compliance, under the direction of the University Compliance Officer, provides services including, but not limited to:

- Providing oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.
- Conducting periodic risk assessments to identify potential areas of compliance vulnerability and risk, and ensuring management ownership for monitoring and managing compliance risks.
- Advising institutional compliance risk owners and decentralized compliance risk management leadership.

2.6 Coordination with External Auditing Agencies

To ensure appropriate coordination and completeness of the CAR Committee reporting responsibilities, senior managers should promptly notify OARC 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.



3.0 Procedures

Principal guidance and direction on how OARC accomplishes its mission and responsibilities is provided to the staff through an office procedures manual. The manual promotes adherence to the professional standards.

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.

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 engagement. The scope can be specified by defining the physical location, the organizational units that will be examined, the processes and activities that will be included, and/or the time period that will be covered.

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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.

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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.



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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.
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Approved March 14, 2005 by the Executive Vice President and Chief Operating Officer, James A. Hyatt.
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- 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.

- 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.



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- **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 15, 2020 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 11**
Revised to delineate the roles and responsibilities for internal audit, enterprise risk management, and the institutional compliance program. Additional revisions were made to streamline for consistency.
Approved November 14, 2022 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/~~15~~14/~~2020~~2022

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, risk, and compliance functions 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 comprehensive assurance services through independent internal audits, advisory activities, plans and oversees the university risk management process, and ~~oversees~~ the institutional compliance program. OARC 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. 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~~ identifying, assessing, and manage-managing risk by working with risk owners within the ERM process.
3. *Compliance:* Provide oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.

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

The scope of OARC’s work is to determine whether Virginia Tech’s network of 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.



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- Risks are appropriately identified, managed, and considered in institutional decision making.
- Processes for the collection and administration of Significant financial, managerial, and operating information provide management with ~~is~~ accurate, reliable, and timely data.
- Compliance with policies, procedures, standards, laws, ~~and~~ regulations, contracts, or other requirements.
- Significant legislative or regulatory changes impacting the compliance activities are recognized and addressed properly.
- Resources are acquired, managed, and protected in an economical, efficient, and effective manner.
- Integrity, quality, and ~~Measures are taken to foster~~ continuous improvement are fostered in the university's culture and control processes.
- ~~Resources are acquired, managed, and protected in an economical, efficient, and effective manner.~~

2.2 Accountability

The Executive Director or Audit, Risk, and Compliance shall be accountable to senior leadership and the CAR Committee of the Board of Visitors to:

- Supervise the leaders responsible for internal audit and compliance.
- Provide assessments on the adequacy and effectiveness of the university's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the university, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan, university compliance and risk management activities, and the sufficiency of department resources.
- Coordinate with, and provide oversight of, other compliance, control, and monitoring functions by working with subject matter experts and compliance risk owners.

2.2-3 Independence, and Objectivity, and Professionalism

To provide for the objectivity of risk management and compliance efforts and the independence of the internal audit efforts to ensure the highest ethics and integrity standards:

- The Executive Director or Audit, Risk, and Compliance reports to the President and the CAR Committee.
- The Chief Audit Executive reports functionally to the CAR Committee and administratively to the Executive Director or Audit, Risk, and Compliance.
- The University Compliance Officer reports to the Executive Director or Audit, Risk, and Compliance and is accountable to the CAR Committee.

~~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.~~

OARC personnel will exhibit the highest level of professional objectivity and integrity in gathering, evaluating, and communicating information about the activity or process being examined. OARC assessments will consider all relevant facts and circumstances, and OARC staff will not be influenced by their own personal interests or by others interests in forming judgments.

The internal audit function will conducts 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.

~~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.~~

2.3.4 Authority

OARC is authorized to:

- ~~OARC has~~ Have unrestricted access consistent with applicable law to all university departments, information, records, reports, activities, property, manual and automated systems, and personnel that they deem necessary to carry out their responsibilities ~~discharge their audit responsibilities~~. OARC will exercise discretion in their review to assure the necessary confidentiality of matters that come to its attention.
- ~~These reporting relationships allow for~~ Have direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.
- ~~OARC will a~~ Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit OARC objectives, ~~and issue reports~~.
- ~~OARC will also o~~ Obtain assistance for specialized services from within or outside the university in order to complete engagements.

As internal audit is an independent function, OARC staff assigned to internal audit responsibilities are not authorized to:

- ~~Internal auditors will h~~ Have no direct operational responsibility or authority over any of the procedures, systems, or 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.

- Initiate or approve accounting transactions external to OARC.
- Direct the activities of any employee not employed by OARC, except to the extent such employees have been appropriately assigned to assist with OARC engagements or activities.

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 5 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 OARC has the responsibilities to enhance and protect organizational value by:~~

General:

- Evaluating and assessing existing significant functions and new or changing services, processes, operations, and control processes coincident with their development, implementation and/or expansion of the university.
- Conducting investigations of suspected fraudulent and non-compliant activities and appropriately notifying relevant ~~Performing sufficient tests and examinations to determine and report to university 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.~~



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- Communicating directly with the CAR Committee on any matters considered to warrant its attention as appropriate, including trends and emerging issues that could impact the university.
- 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.

Enterprise Risk Management:

Enterprise Risk Management, under the direction of the Executive Director or Audit, Risk, and Compliance, provides services including, but not limited to:

- Planning, facilitating, and overseeing the university's efforts regarding enterprise risk management (ERM) on behalf of senior management and the CAR Committee.
- Executing the periodic university risk assessment process and advising risk owners in their identification and implementation of responses to monitor and manage such risks.
- Ensuring risk management plans are maintained and university risk assessment results are reported to the President and the CAR Committee.

Internal Audit:

Internal Audit, under the direction of the Director of Internal Audit, provides services including, but not limited to:

- 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.
- Developing, submitting for approval, and executing a comprehensive risk-based annual audit plan to carry out departmental responsibilities.
- Issuing periodic reports recommending improvements in controls designed to increase efficiency, safeguard university resources, and ensure compliance with government laws and regulations.
- Performing advisory services, beyond its auditing services, to assist management in meeting its objectives.
- Appraising the adequacy of the actions 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.

Institutional Compliance:

Institutional Compliance, under the direction of the University Compliance Officer, provides services including, but not limited to:

- 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. Providing oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.



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- Conducting periodic risk assessments to identify potential areas of compliance vulnerability and risk, and ensuring management ownership for monitoring and managing compliance risks.
- Advising institutional compliance risk owners and decentralized compliance risk management leadership.
- 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 6 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~~ OARC 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~~ [professional standards](#).

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



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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

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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.

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6.0 Approval and Revisions

- Revision 0
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- Revision 1
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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.
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- Revision 5 April 1, 2008:
Updates to position titles and/or responsibilities due to university reorganization.
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 - 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.



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- 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 15, 2020 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.

- [Revision 11](#)
[Revised to delineate the roles and responsibilities for internal audit, enterprise risk management, and the institutional compliance program. Additional revisions were made to streamline for consistency.](#)
[Approved November 14, 2022 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 14, 2022

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