

Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE Holtzman Alumni Center, Alumni Board Room 12:30 p.m.

March 19, 2020

Open Session

Committee Members: Anna James (chair), Sharon Brickhouse Martin, Letitia Long, Dennis Treacy

Other Board Members: Greta Harris

VPI & SU Faculty and Staff: Kay Heidbreder, Sharon Kurek, Michael Mulhare, Justin Noble, Kim O'Rourke, Dwayne Pinkney, Timothy Sands

Guests: Henri Gandreau (Roanoke Times)

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, with the exception of the Internal Audit Report for VCE: Northern District, which was removed from the Consent Agenda by Letitia Long and discussed separately.
 - a. **Minutes for the November 17, 2019 Meeting:** The Committee reviewed and approved the minutes of the November 17, 2019 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 September 30, 2019, the university had 14 open recommendations. Two audit comments were issued during the second quarter of the fiscal year. As of December 31, 2019, the university had addressed 10 comments, leaving six open recommendations in progress.
 - c. **Audit Plan Status Report:** The committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) had completed 32 percent of its audit plan, and 65 percent was complete or underway, in accordance with the fiscal year 2019-20 annual audit plan.

- d. **Internal Audit Reports:** The following internal audit reports were issued by the Office of Audit, Risk, and Compliance (OARC) since the November 17, 2019 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. **Chemical Engineering:** The audit received a rating of improvements are recommended. An audit recommendation was issued to management where opportunities for further improvements were noted in the area of lab safety training oversight. Additionally, a low-priority recommendation of a less significant nature was noted with respect to international travel.
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- e. **Auditor of Public Accounts Financial Statement Audit and Management Letter:** The Committee received a report on the Auditor of Public Accounts (APA) audit of the university's financial statements and management letter for the fiscal year ended June 30, 2019. During the audit, the APA found the financial statements were presented fairly in all material respects, and there were no internal control findings requiring management's attention. The APA

identified one instance of noncompliance related to the process of identifying individuals in a position of trust.

- f. **Auditor of Public Accounts Intercollegiate Athletics Programs Report:** The Committee received a report on the APA 2019 Intercollegiate Athletics review for fiscal year 2019. The APA performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Programs for fiscal year ended June 30, 2019 is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. During the APA review, no matters were brought to the APA's attention that would lead them to believe the amounts of the Schedule of Revenues and Expenses should be adjusted. This review did not constitute an audit and therefore no opinion was issued.
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information technology (IT) log management tools created challenges in effectively managing and monitoring IT logs. Additionally, low-priority recommendations of a less significant nature were noted regarding compliance with the Standard for Information Technology Logging for three systems.

4. **ERM and ICP Program Updates:** The Committee received an update on the Enterprise Risk Management and Institutional Compliance programs. An update on the new iteration of ERM, along with a revised enterprise risk landscape and heat map, was shared with the committee. ICP developments with the university-wide compliance matrix and associated risk assessments were also shared with the committee.
5. **Discussion on Public Safety:** The Assistant Vice President for Emergency Management discussed university plans to protect public safety related to the COVID-19 pandemic.
6. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

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Compliance, Audit, and Risk Closed Session

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

There being no further business, the meeting adjourned at 2:15 p.m.

Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE

3:00 p.m.

May 21, 2020

The Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University met on May 20, 2020, at 3:00 p.m. On this date, the Commonwealth of Virginia was operating under a state of emergency as declared by Governor Northam due to the COVID-19 pandemic. This was an entirely electronic meeting held via Zoom videoconference to conduct regular business as permitted by legislation passed by the General Assembly on April 22, 2020, and signed into law by Governor Northam. A quorum of the Compliance, Audit, and Risk Committee was present on the videoconference.

Closed Session

Committee Members: Anna James (Chair), Letitia Long, Sharon Brickhouse Martin, Dennis Treacy, Horacio Valeiras (Rector)

Other Board Members: Chris Petersen, Preston White

Also present on the Zoom videoconference were the following: Cyril Clarke, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Justin Noble, Kim O'Rourke, Dwayne Pinkney, Timothy Sands

Compliance, Audit, and Risk Closed Session

1. **Motion for Closed Session:** Motion to begin closed session.
2. **Internal Audit Reports:** The following confidential internal audit reports were issued by the Office of Audit, Risk, and Compliance (OARC) since the March 19, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - a. **Parking and Transportation:** The audit received a rating of improvements are recommended. Audit recommendations were issued to management

where opportunities for further improvements were noted in the areas of funds handling and reconciliation procedures and monthly fuel inventory leak check monitoring. Additionally, a low-priority recommendation of a less significant nature was noted regarding the oversight of drivers' licenses.

- b. **College of Science Policy Compliance:** The audit received a rating of significant improvements are needed. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of fiscal responsibility, wage payroll, leave reporting, funds handling, information technology, and emergency preparedness.
3. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
4. **Annual Performance Review of the Executive Director of Audit, Risk, and Compliance:** The Committee provided an annual performance review to the Executive Director of Audit, Risk, and Compliance.
5. **Discussion with the Executive Director of Audit, Risk, and Compliance:** The Executive Director discussed audits of specific departments and units where individual employees were identified.

Open Session

Committee Members: Anna James (Chair), Sharon Brickhouse Martin, Letitia Long, Mr. Dennis Treacy, Horacio Valeiras (Rector)

Other Board Members: Chris Petersen, Preston White

Representatives to the Board: John Ferris, Tammie Smith

Also present on the Zoom videoconference were the following: Charity Boyette, Al Cooper, Cyril Clarke, DeAnn Compton, Corey Earles, Kari Evans, Kay Heidbreder, Sharon Kurek, Ken Miller, Justin Noble, Brook Nunn (captioner), Kim O'Rourke, Dwayne Pinkney, Timothy Sands, G. Don Taylor Jr.

In addition, 60 members of the university community and public viewed a live stream of the videoconference on YouTube Live.

1. **Motion to Reconvene in Open Session:** Motion to begin open session.
2. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.
3. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
 - a. **Minutes for the March 19, 2020 Meeting:** The Committee reviewed and approved the minutes of the March 19, 2020 meeting.
 - b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of December 31, 2019, the university had six open recommendations. Four audit comments were issued during the third quarter of the fiscal year. As of March 31, 2020, the university has addressed one comment, leaving nine open recommendations in progress.
 - c. **Audit Plan Status Report:** The Committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) had completed 60 percent of its audit plan in accordance with the fiscal year 2019-20 annual audit plan.
 - d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the March 19, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - i. **IT: Banner Applications:** The audit received a rating of effective. A low-priority recommendation of a less significant nature was noted regarding configuration of the Docker cluster that supports Banner 9.
 - ii. **College of Natural Resources and Environment Policy Compliance Review:** The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of leave reporting, funds handling, and information technology.

- e. **ERM and ICP Program Updates:** The Committee reviewed an update on the Enterprise Risk Management (ERM) program and Institutional Compliance program (ICP). The new iteration of ERM, along with the revised enterprise risk landscape and heat map, focused on the top ten risks. As part of the ICP, distributed university-wide compliance owners have completed 80 percent of associated risk assessments, but delays have occurred due to the pandemic.
4. **Annual External Audit Scope Discussion with the Auditor of Public Accounts:** The Committee met with the Auditor of Public Accounts (APA) for a discussion of the scope of the audit of the 2019-20 financial statements and the APA's plans for conducting and completing the audit.
5. **Audit Plan for Fiscal Year 2020-21:** The Committee reviewed and approved the annual audit plan for fiscal year 2020-21. OARC conducted the annual risk assessment after reviewing financial and operational data and seeking input from senior management. In addition, a university-wide information technology risk assessment and audit plan was created in accordance with industry standards. For fiscal year 2020-21, the audit plan includes more than 25 audit projects, with approximately 76 percent of available resources committed to the completion of planned projects.
6. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

There being no further business, the meeting adjourned at 4:50 p.m.

Audit Plan Status Report
COMPLIANCE, AUDIT, AND RISK COMMITTEE

March 19, 2020

Audit Plan Update

Audits were performed in accordance with the fiscal year 2019-20 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Six risk-based audits and one policy compliance review have been completed since the November board meeting.

The following eight audit projects are underway: Center for International Research, Education, and Development; IT: Banner Applications; IT: Windows Server Security; Parking and Transportation; Physical Security; Research: Human Subject Safety; and policy compliance reviews for the College of Natural Resources and Environment and the College of Science. Additionally, advisory service projects related to international dependencies and research institutes are ongoing.

The risk-based audit of Title IX has been deferred to the fiscal year 2020-21 audit plan in anticipation of forthcoming changes in federal regulations, and the policy compliance review for the Vice President for Operations has been canceled due to reorganization.

So far in fiscal year 2019-20, OARC has completed 31% percent of its audit plan as depicted in Exhibit 1.

Exhibit 1
FY 2019-20 Completion of Audit Plan

Audits	
Total # of Audits Planned	31
Total # of Supplemental Audits	0
Total # of Carry Forwards	3
Total # of Planned Audits Canceled and/or Deferred	3
Total Audits in Plan as Amended	31
Total Audits Completed	10
Audits - Percentage Complete	32%
Audits - Percentage Complete or Underway	65%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE
March 19, 2020

Background

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

Consent Agenda Reports	Rating
Chemical Engineering	Improvements are Recommended
Graduate Education	Improvements are Recommended
Human Resources: Payroll	Effective
University Scholarships and Financial Aid	Effective
VCE: Northern District	Improvements are Recommended
Vice President for Information Technology Policy Compliance Review	Improvements are Recommended
Reports for Discussion	Rating
IT: Log Management	Improvements are Recommended

Summary of Audit Ratings

The Office of Audit, Risk, and Compliance's rating system has four tiers from which to assess the controls designed by management to reduce exposures to risk in the area being audited. The auditor can use professional judgment in constructing the exact

wording of the assessment in order to capture varying degrees of deficiency or significance.

Definitions of each assessment option

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

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

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

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

RECOMMENDATION:

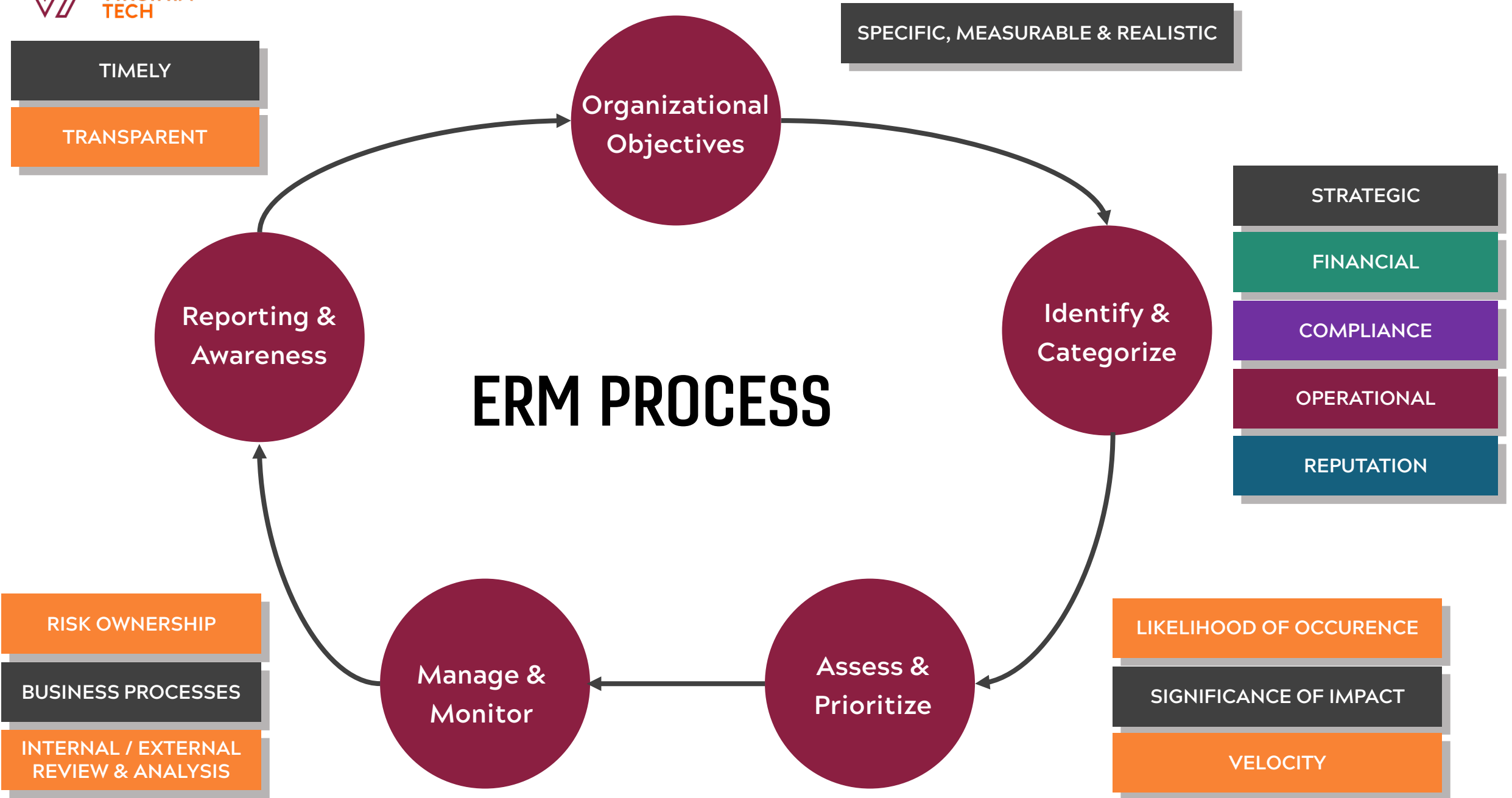
That the internal audit reports listed above be accepted by the Compliance, Audit, and Risk Committee.

March 19, 2020

March 19, 2020

ERM & ICP ***Program Updates***

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



ERM SUMMARY

Updates since November

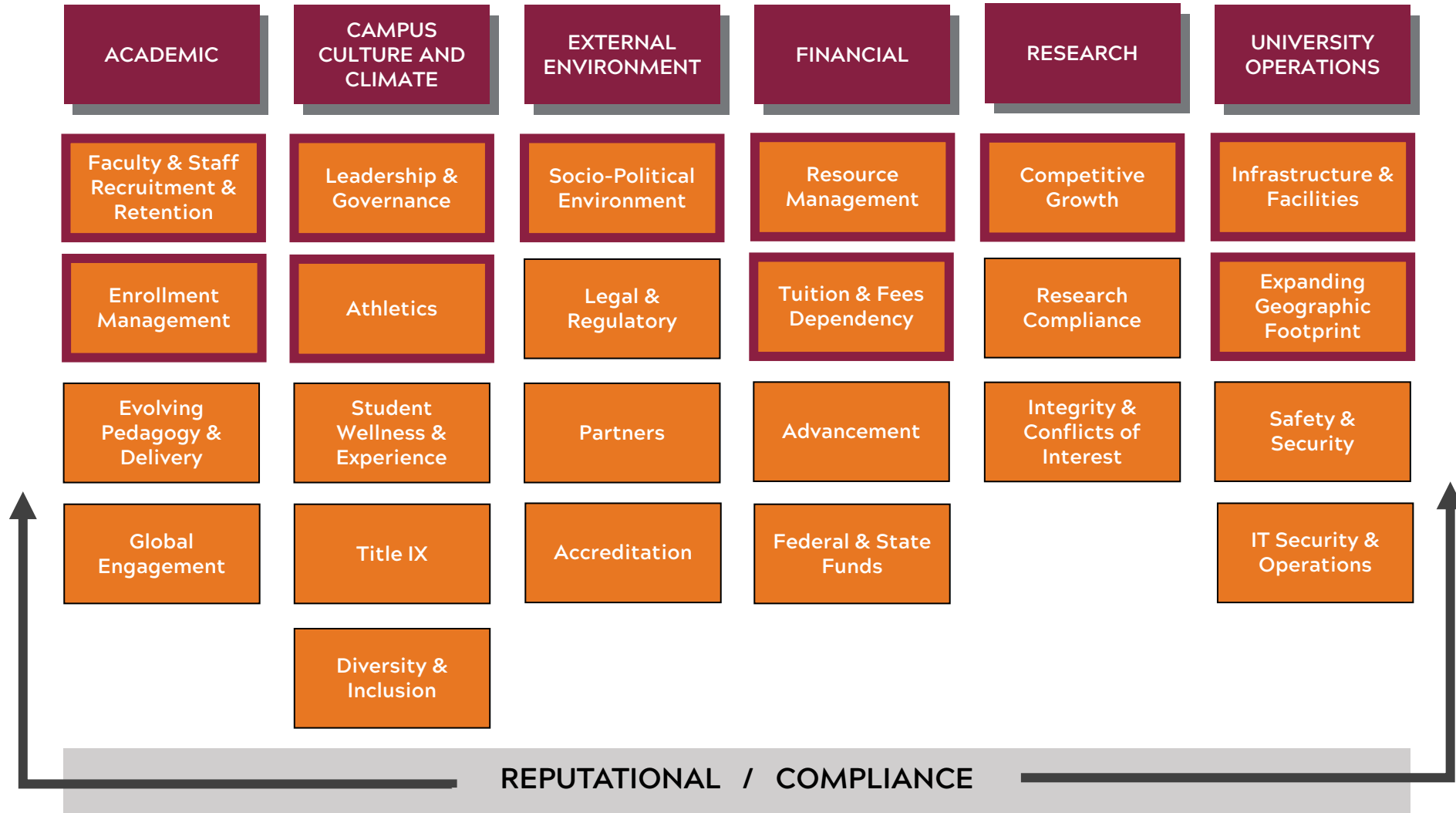
- *ERM Refresh - risk identification and assessment*
- *Developed updated risk landscape and heat map*
- *Presented updated risk landscape/heat map and discussed with PLT members*
- *Began process of establishing updated risk snapshots with risk owners*

Going Forward

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

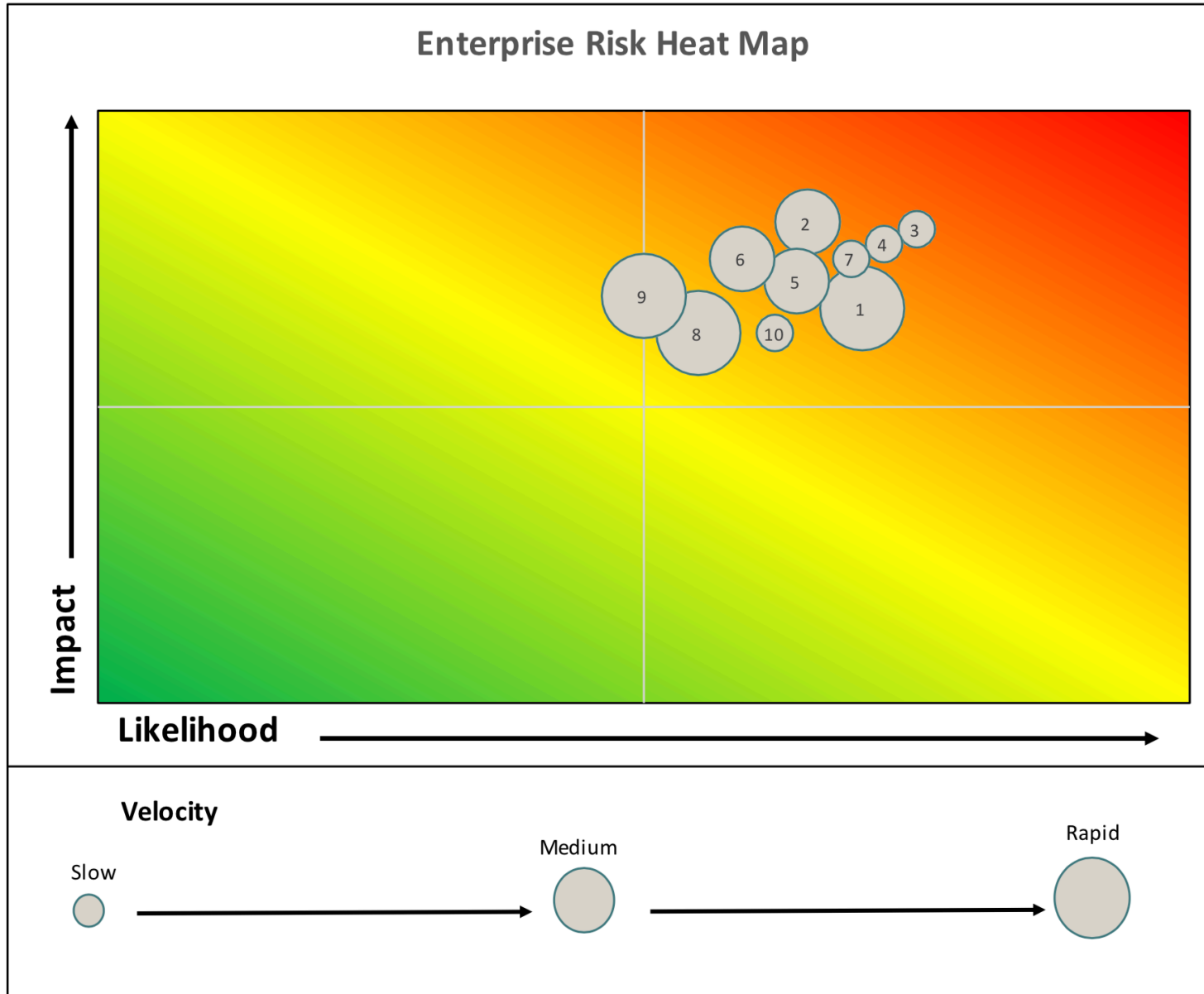
Enterprise Risk Landscape

March 2020



Top Ten ERM Risks

March 2020



Graph Legend

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

ERM Top 10 Risks – Owners & BOV Alignment

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

ERM Top 10 Risks – Owners & BOV Alignment

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



Risks across many key areas have been considered, including student safety, international campuses, study abroad programs, research activities, campus operations, business continuity and more

- VT has closely monitored and assessed the outbreak of COVID-19 (2019 Novel Coronavirus) worldwide, and its potential impact on university programs and other activities our community members are engaged in
- The safety and well-being of our students, faculty, and staff is our primary concern
- Per university policy 1070, Global Travel Policy, no travel is currently authorized to/from China, Iran, Italy, and South Korea because of the CDC Warning Level 3 advisories
 - Travelers who meet the above criteria must not return to a VT campus or facility until they can demonstrate that they have been asymptomatic for a period of 14 days from the date of entering/reentering the United States
 - Travelers should self-quarantine and follow CDC and local health authority guidelines



- A cross-functional workgroup has routinely met to manage this situation
- Enhanced communications strategy
 - Comprehensive website
 - Multiple letters issued to specific constituencies (e.g., Chinese international student community, students studying abroad, VT community, etc.)
 - Campus News notices in daily emails
- Coordination with the local health department
- Established a proactive plan to respond to an infectious disease incident
- Assistance will be provided to enable students to maintain academic progress
- Mitigation of adverse financial consequences resulting from disruption of travel arrangements

8 Elements of an Effective Compliance Program

High-level personnel
exercising oversight

Written policies and
procedures

Training and
Education

Lines of
Communication

Well publicized
disciplinary
guidelines

Internal compliance
monitoring

Response to detected
offenses

Perform periodic
compliance risk
assessments

ICP SUMMARY

Updates since November

- *OARC launched the compliance risk-assessment process*
 - *38% of assessments have been completed by distributed university-wide compliance owners (due mid-March)*
- *OARC, in conjunction with BAMS and University Relations, developed a multiphase plan to increase awareness of the new Hokie Hotline and broader compliance efforts*

In Progress and Going Forward

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

QUESTIONS?

Discussion on Public Safety
COMPLIANCE, AUDIT, AND RISK COMMITTEE
March 19, 2020

The Committee will discuss the university's plan
to protect public safety.

Discussion of Future Topics
COMPLIANCE, AUDIT, AND RISK COMMITTEE
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The Chair of the Compliance, Audit, and Risk Committee
will discuss agenda items for future meetings
and adjourn the committee meeting.

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

May 21, 2020

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

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

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

Welcome and Introductory Remarks
COMPLIANCE, AUDIT, AND RISK COMMITTEE
May 21, 2020

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

Consent Agenda
COMPLIANCE, AUDIT, AND RISK COMMITTEE
May 21, 2020

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

- a. Minutes from the March 19, 2020 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
 - i. IT: Banner Applications
 - ii. College of Natural Resources and Environment Policy Compliance Review
- e. ERM and ICP Program Updates

Committee Minutes

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3. **Discussion with the Executive Director of Audit, Risk, and Compliance:** The Executive Director discussed audits of specific departments and units where individual employees were identified.

There being no further business, the meeting adjourned at 2:15 p.m.

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 March 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 2020 reflects closing 12 of 12 recommendations by the original target date.

The report presented at the March 19, 2020 meeting covered audit reports reviewed and accepted through December 31, 2019 and included six open medium and high priority recommendations. Activity for the quarter ended March 31, 2020 resulted in the following:

Open recommendations as of December 31, 2019	6
Add: medium and high priority recommendations accepted March 19, 2020	4
Subtract: recommendations addressed since December 31, 2019	1
Remaining open recommendations as of March 31, 2020	<u>9</u>

While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through May 1, 2020, OARC has closed one of the nine outstanding medium and high priority recommendations. The remaining open recommendations are progressing as expected and are on track to meet their respective target due dates. Management continues to work conjointly with all units and provides assistance as needed to ensure action plans are completed timely.

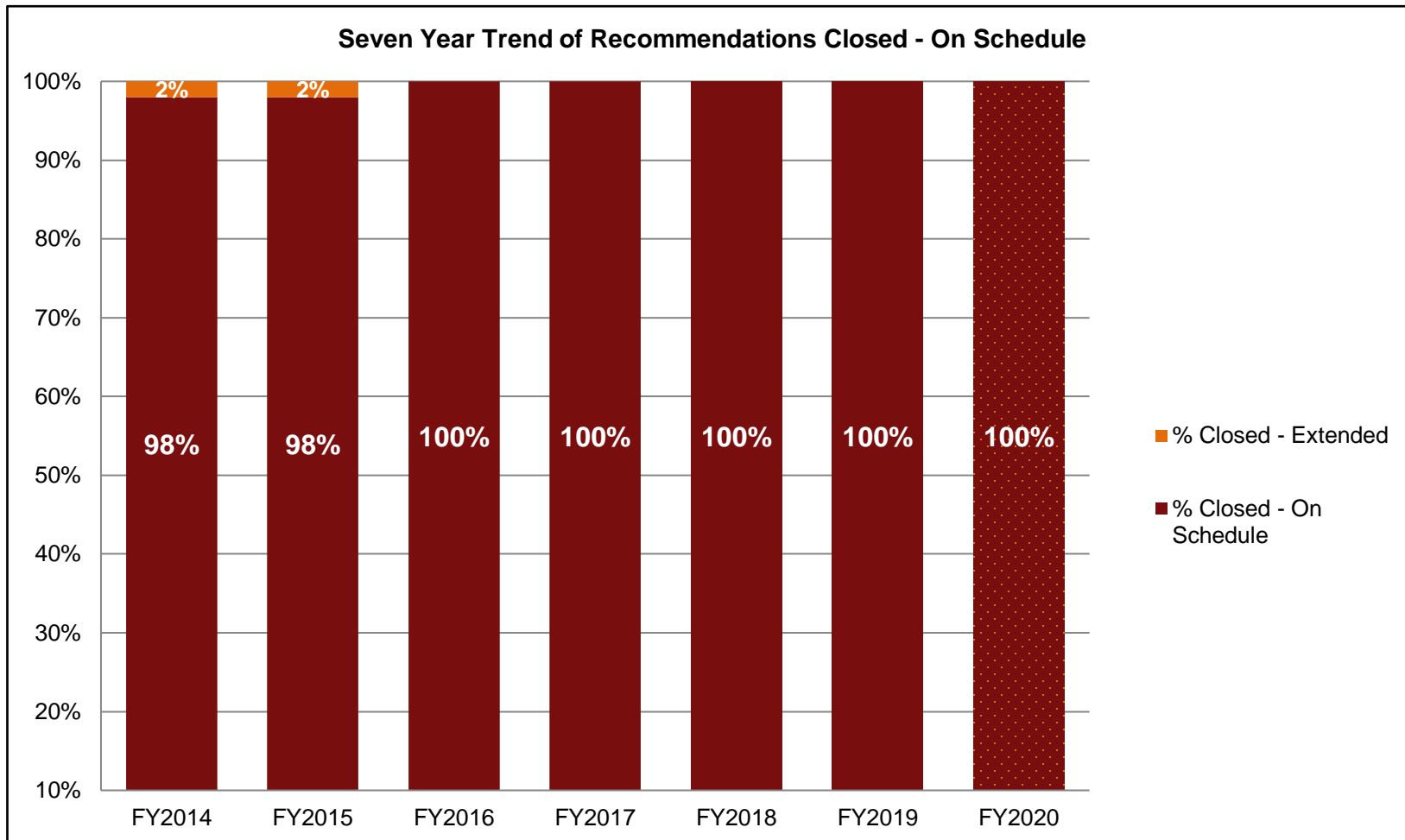
Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
25-Aug-19	College of Liberal Arts & Human Sciences	18-1387	3				1	2	3
25-Aug-19	Athletics	19-1435	5	4				1	1
25-Aug-19	Research: Subrecipient Monitoring	19-1442	1					1	1
17-Nov-19	Research: Grant Management	19-1441	1					1	1
19-Mar-20	Chemical Engineering	20-1472	1	1					0
19-Mar-20	VCE Northern District	20-1487	1					1	1
19-Mar-20	Graduate Education	20-1474	1					1	1
19-Mar-20	IT: Log Management	20-1478	1					1	1
Totals:			14	5	0	0	1	8	9

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		
25-Aug-19	1	19-1442	Research:Subrecipient Monitoring	Subrecipient Risk Assessment	Medium		31-Mar-20		1	
28-Feb-20	2	20-1487	VCE Northern District	4-H Background Check	Medium		15-Apr-20		1	
25-Aug-19	3	18-1387	College of Liberal Arts & Human Sciences	Fiscal Responsibility	Medium		30-Apr-20		1	
25-Aug-19	4	18-1387	College of Liberal Arts & Human Sciences	Funds Handling	Medium		30-Apr-20		1	
25-Aug-19	5	19-1435	Athletics	Equipment Room Inventory Management	Medium		30-Jun-20		1	
17-Nov-19	6	19-1441	Research: Grant Management	Untimely PARs	Medium		30-Jun-20		1	
04-Mar-20	7	20-1474	Graduate Education	Graduate Application Fee	Medium		31-Jul-20		2	
25-Aug-19	8	18-1387	College of Liberal Arts & Human Sciences	Information Technology	High		31-Dec-20		2	
06-Mar-20	9	20-1478	IT: Log Management	Log Management	Medium		01-Apr-21		2	

Follow Up Status

- 1 As of May 1, 2020, management confirmed during follow up discussions with the Office of Audit, Risk, and Compliance (OARC) that actions are occurring and the target date will be met. OARC will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.
- 2 Target date is beyond current calendar quarter. Management has follow-up discussions with the auditor to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

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



Audit Plan Status Report
COMPLIANCE, AUDIT, AND RISK COMMITTEE

May 21, 2020

Audit Plan Update

Audits were performed in accordance with the fiscal year 2019-20 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Two risk-based audit and two policy compliance reviews have been completed since the March board meeting. Additionally, an advisory service project regarding research institutes has been completed.

The following nine audit projects are underway: Admissions; Athletics; Center for the Arts; Center of International Research, Education, and Development; Facilities: Site and Infrastructure Development; IT: Windows Server Security; Physical Security; Research: Human Research Protection Program; and the Virginia Tech Transportation Institute. Additionally, an advisory service project related to international dependencies is ongoing.

Due to the COVID-19 effects to campus units, the following engagements have been deferred for consideration in the fiscal year 2020-21 audit plan: Americans with Disability Act (ADA) Compliance; Honors College; IT: Data Privacy; Research: Continuity of Operations; Veterinary Teaching Hospital and Equine Medical Center, and Virginia Tech Carilion School of Medicine policy compliance review.

So far in fiscal year 2019-20, OARC has completed 60% percent of its audit plan as depicted in Exhibit 1.

Exhibit 1
FY 2019-20 Completion of Audit Plan

Audits	
Total # of Audits Planned	31
Total # of Supplemental Audits	0
Total # of Carry Forwards	3
Total # of Planned Audits Canceled and/or Deferred	9
Total Audits in Plan as Amended	25
Total Audits Completed	15
Audits - Percentage Complete	60%
Audits - Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

May 21, 2020

Background

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

Consent Agenda Reports	Rating
IT: Banner Applications	Effective
College of Natural Resources and Environment Policy Compliance Review	Improvements are recommended

Summary of Audit Ratings

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

Definitions of each assessment option

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

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

Significant or Immediate Improvements are Needed – The audit identified several control weaknesses that have caused, or are likely to cause, material errors, omissions, or irregularities to go undetected. The weaknesses are of such magnitude that senior

management should undertake immediate corrective actions to mitigate the associated business risk and possible damages to the organization.

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

RECOMMENDATION:

That the internal audit reports listed above be accepted by the Compliance, Audit, and Risk Committee.

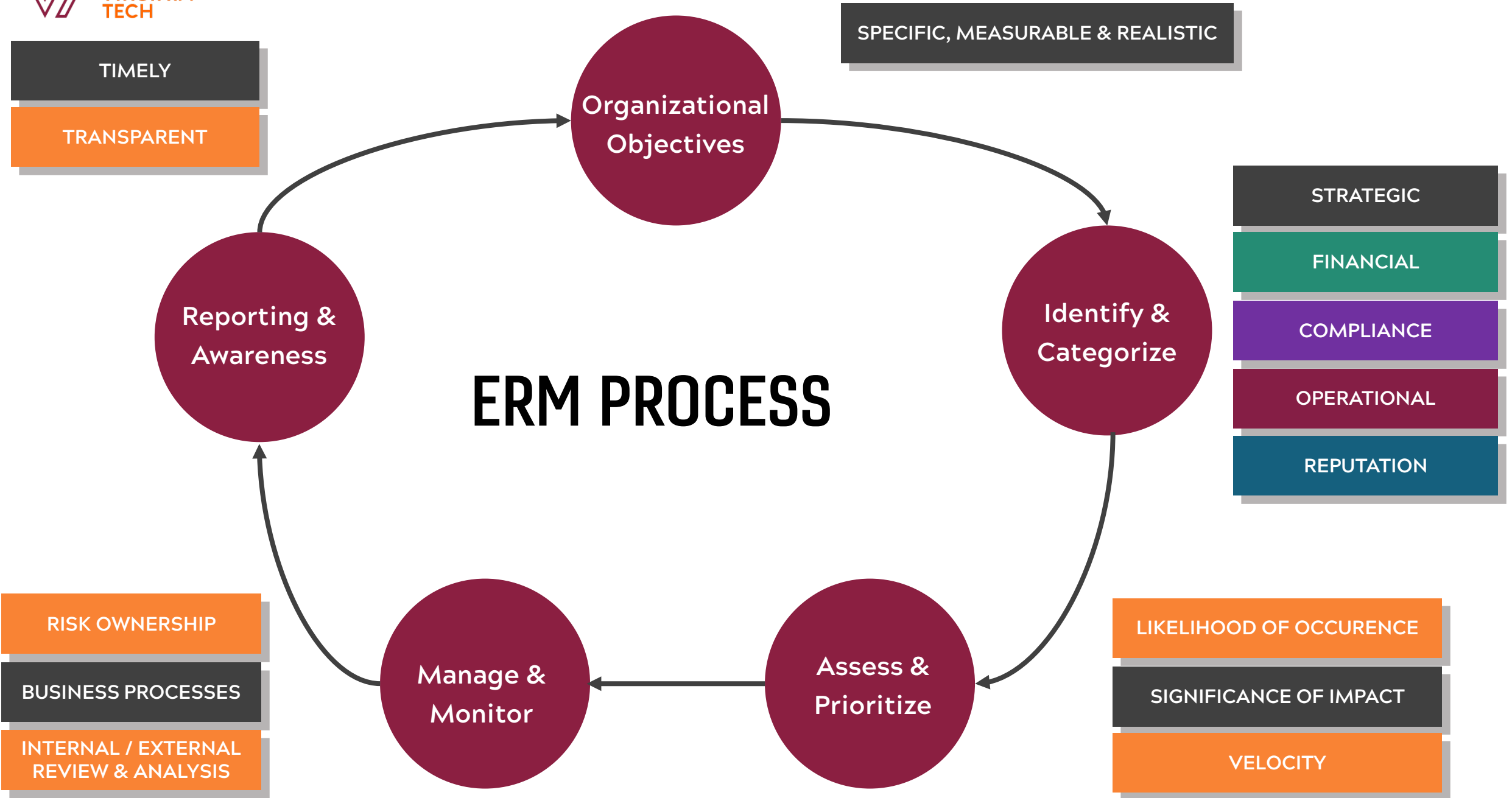
May 21, 2020

May 21, 2020

ERM & ICP

Program Updates

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



ERM SUMMARY

Updates since November

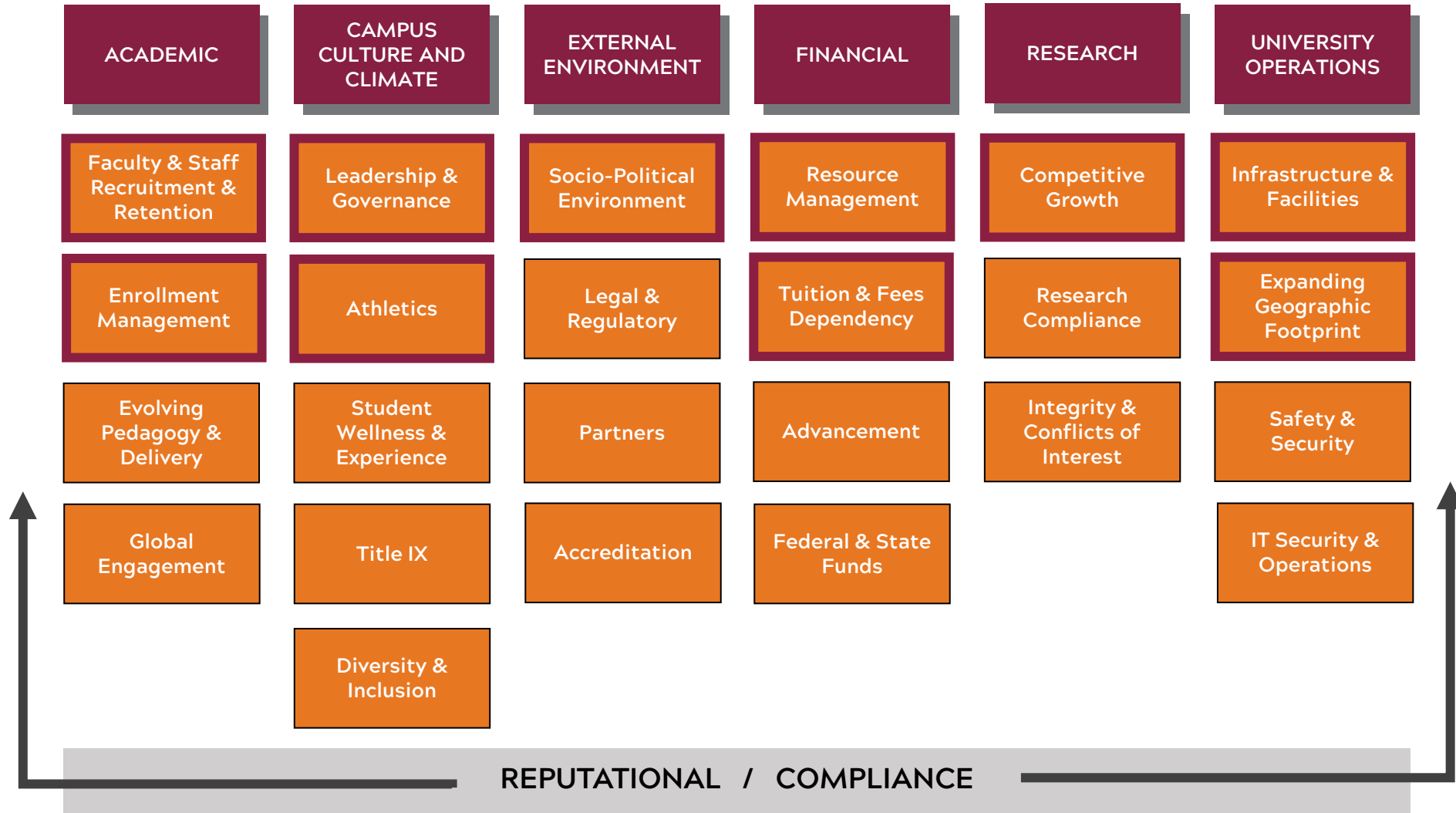
- *ERM Refresh - risk identification and assessment*
- *Developed updated risk landscape and heat map*
- *Presented updated risk landscape/heat map and discussed with PLT members*
- *Began process of establishing updated risk snapshots with risk owners*

Going Forward

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

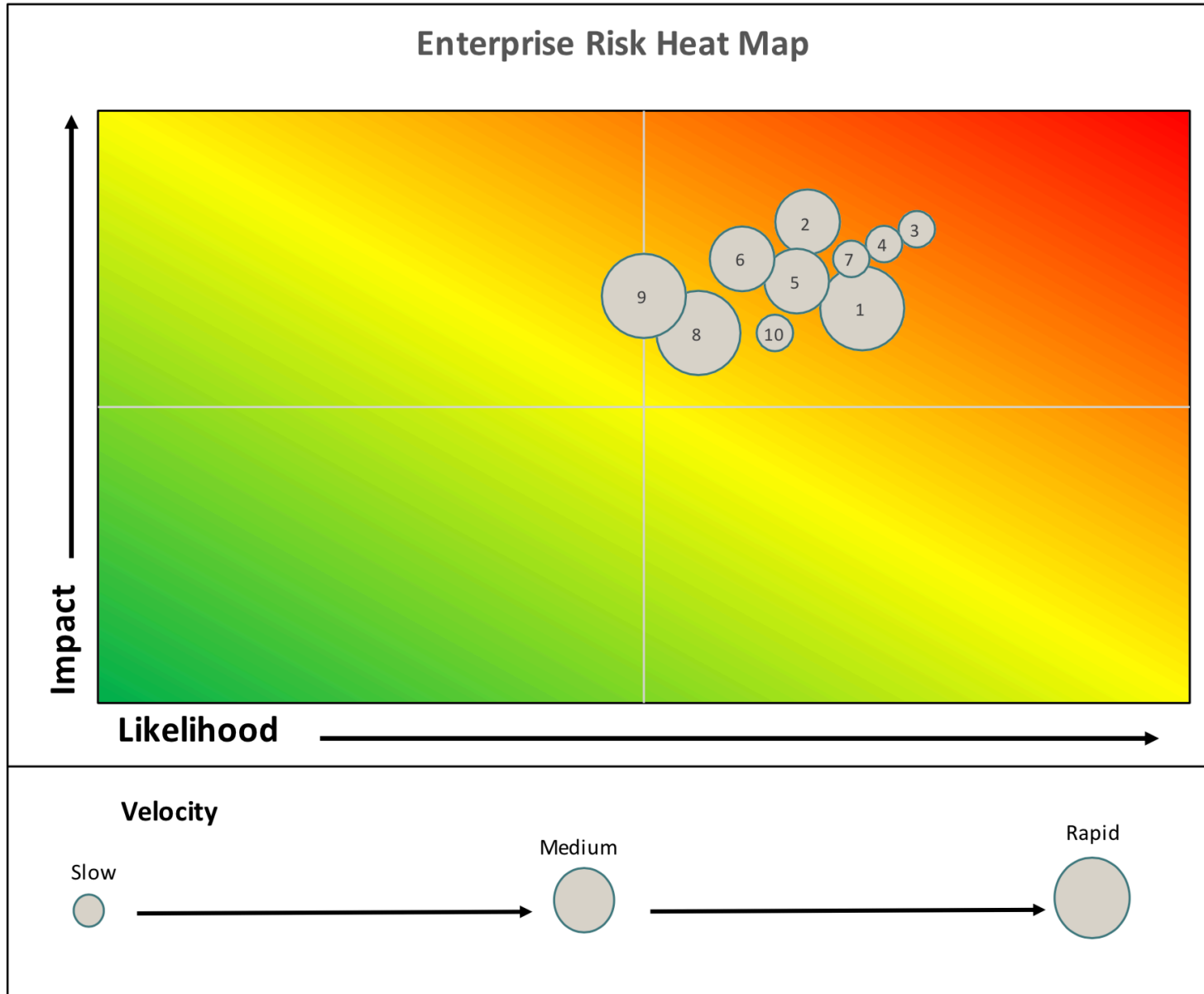
Enterprise Risk Landscape

March 2020



Top Ten ERM Risks

March 2020



Graph Legend

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

ERM Top 10 Risks – Owners & BOV Alignment

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

ERM Top 10 Risks – Owners & BOV Alignment

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

8 Elements of an Effective Compliance Program

High-level personnel
exercising oversight

Written policies and
procedures

Training and
Education

Lines of
Communication

Well publicized
disciplinary
guidelines

Internal compliance
monitoring

Response to detected
offenses

Perform periodic
compliance risk
assessments

ICP SUMMARY

Updates since March

- *OARC launched the compliance risk-assessment process*
 - *60% of assessments have been completed by distributed university-wide compliance owners (deadline extended to May 15 due to COVID-19 response)*
- *OARC, in conjunction with BAMS and University Relations, developed a multiphase plan to increase awareness of the new Hokie Hotline and broader compliance efforts*

In Progress and Going Forward

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

QUESTIONS?

Virginia Tech
Compliance, Audit, and Risk Committee
Entrance Conference Agenda
May 21, 2020

1. APA Audit Management

- DeAnn Compton, Audit Director
- Meghan Finney, Auditor In-Charge

2. Audit Objectives, Audit Plan and Audit Roles:

a. Audit timing

- Audit Period – July 1, 2019 through June 30, 2020
- Audit Deadline – October 31, 2020

b. Audit objectives – Our audit objectives are to provide an opinion on the university’s financial statements that will be included with the financial statements that are distributed by the university. We will also issue a report on internal controls and compliance that will include any findings or recommendations that we may issue as a result of the audit.

c. Statewide single audit support – Audit work supporting the single audit will be completed for the Research & Development cluster and follow up testwork will be completed for Financial Aid related to Enrollment Reporting for the 2020 fiscal year.

d. Overview of the relationship between APA, management, and the Board – APA and Virginia Tech management work closely together in that APA is available to assist University staff during the report preparation process and we review the results of the financial statement preparation during the audit. APA follows up on all findings and recommendations to determine that management addresses findings promptly. At the completion of the audit, APA reports the results of our audits to the Board or the Audit Committee. We also work closely with internal audit throughout the year.

e. Responsibilities of management relative to internal control and financial statements – ARMICS outlines the University’s responsibility for internal control and the University annually certifies its responsibilities for internal control and accurate financial statements. Our responsibility is to ensure that internal controls are adequate as designed and then to review whether they are operating as intended.

3. Audit Approach

a. Our Office is continuously improving our audit approach by identifying, evaluating, and testing controls that are built into the university’s administrative and financial system. We continue to identify, test, and evaluate manual processes and controls, as well.

b. The final audit report may include recommendations to improve processes and the use of administrative systems. These may be separately identified as “efficiency recommendations.”



4. Discussion of Risk with Board Members

The APA encourages the Board of Visitors to provide input regarding the risks they perceive to the University in completing its mission. While Board members can direct their comments to the Audit Committee Chair or the Internal Audit Director to be forwarded to the APA Project Manager, we can meet directly with the Audit Committee Chair, if preferred. We are interested in the following issues:

- Any areas of fraud risk
- Any areas of institutional risk
- Any matters that the Board believes should be considered in planning

5. Required Communication with Board



Required Communications with the Board

Management should acknowledge that they understand and agree to the following terms of the engagement and Management's responsibilities during the audit process.

Responsibilities during the audit process:

1. The Auditor's (APA) Responsibilities

Overall Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audits contained in the *Government Auditing Standards*. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*.

Audit Procedures-Internal Control and Compliance

Our audit will include obtaining an understanding of internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate in writing to management and those charged with governance any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants



Those charged with governance

We are responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. GAAS do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

2. Management's Responsibilities –

Our audit will be conducted on the basis that Management **acknowledge and understand that they have the following responsibilities:**

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- As received, forward copies of each federal audit performed on agency or institution programs or activities to the Auditor of Public Accounts as required by Chapter 836 § 4-8.02 a. of the 2017 Virginia Acts of Assembly. To forward these reports to the Auditor of Public Accounts, use APAFederal@apa.virginia.gov. If the federal report is only available in hardcopy or contains FOIA exempt information, DO NOT email the report, use this same email account to notify the Auditor of Public Accounts of the federal report and provide the contact information of the individual with the report.
- Informing the APA of any potential documents that are FOIA exempt
- Ensuring that management is reliable and financial information is reliable and properly recorded
- Making all financial records and related information available to the APA
- Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
- Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information
- Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
- Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole



- Preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

3. Audit Committee

- Communicate with APA about audit scope
- Communicate with management and internal audit regarding progress
- Receive reports and findings from management and external audit

Other Elements of the audit process:

Overall planned scope of the audit

- **Approach to internal control** – We review internal controls to identify those areas where we can replace substantive testing with transactional testing. We look for management to have written formal policies and procedures and check for the implementation of those procedures.
- **Concept of materiality** – We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University.

Identification of potential fraud risks

- **Approach to fraud** – Most of our audit is focused on our opinion on the financial statements and materiality. Our primary interest related to fraud would be in how it may affect the financial statements and those controls that the financial statements rely upon. The audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we review policies and procedures for fraud risk and may direct our testwork towards addressing fraud risk.
- **Responsibility for identifying fraud risks and fraud** – Auditing standards require us to assess fraud risk, interview management and staff about their knowledge of fraud and fraud risk, and review exceptions for indications of possible fraudulent transactions. Auditors should be looking for red flag fraud indicators. Even though government entities are not always profit oriented, the auditors remain vigilant about financial statement fraud.
- **Report fraudulent transactions as required by Code of Virginia § 30-138** Agencies are responsible for reporting circumstances that suggest a reasonable possibility that a fraudulent transaction has



occurred involving funds or property under their control, where an officer or employee of the state or local government may be involved. Items should be reported to the Auditor of Public Accounts, the State Inspector General, and the Superintendent of State Police.

Audit Reporting

We will issue a written report upon completion of our audit of the University's financial statements. *We will make reference to the Component Auditor's audit of Virginia Tech Foundation, Inc. and Virginia Tech Services, Inc.* Our report will be addressed to the Board of Visitors of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s). If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Audit Plan for Fiscal Year 2020-21

COMPLIANCE, AUDIT, AND RISK COMMITTEE

May 21, 2020

The Office of Audit, Risk, and Compliance (OARC) presents the Audit Plan for Fiscal Year 2020-21 to the Compliance, Audit, and Risk Committee for review and approval. An annual risk assessment was conducted to identify the entities that should receive audit attention in fiscal year 2020-21 and a core audit plan was developed in coordination with the university's ERM initiative.

For fiscal year 2020-21, 24 audit projects and three management advisory services are proposed, with approximately 76 percent of OARC's available resources committed to the completion of planned projects. A description of each project is provided within the audit plan. OARC's goal will be to complete 85 percent of the audit plan. The internal audit plan may be modified based on the external audit environment or changes in regulations, management, or resources.

RECOMMENDATION:

That the Audit Plan for Fiscal Year 2020-21 be approved by the Compliance, Audit, and Risk Committee.

May 21, 2020



Office of Audit, Risk, and Compliance
Fiscal Year 2020-21 Audit Plan
May 21, 2020

OVERVIEW

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

RISK ASSESSMENT PROCESS

Enterprise Risk Assessment (ERM)

The university instituted an Enterprise Risk Management (ERM) initiative during fiscal year 2017-18 to provide enhanced visibility into the university's risks and to align strategic planning with the resulting risk awareness. OARC facilitates the ERM program by working with university leadership to establish and maintain the framework for collectively identifying and assessing risks across the enterprise. The ERM program intends to strengthen the university's ability to achieve its mission and strategic objectives by:

- Obtaining a holistic view of the most critical risks to the achievement of Virginia Tech's mission and objectives;
- Creating a risk-aware culture, including the management of risks to an appropriate level;
- Improving focus and perspective on both internal and external risks and opportunities, including emerging risks and value drivers;
- Enhancing decision making and alignment with strategic goals; and
- Improving efficiency and optimizing allocation of resources through risk prioritization.

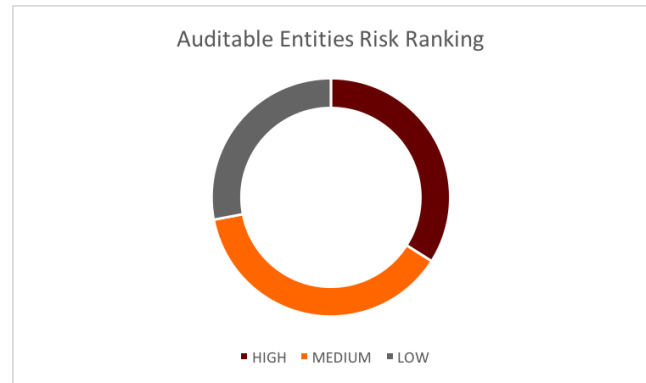
University leadership provided feedback to the ERM process by identifying risks, assessing the risks in terms of likelihood of occurrence, significance of impact, and velocity of onset, all grouped by the categories depicted below:

ERM RISK CATEGORIES	ALTITUDES OF RISK
Strategic	Systemic and Existential
Financial	Institutional
Compliance	Unit-Level
Operational	
Reputational	

In order to maximize efficiency and engagement from university senior leadership, OARC leveraged this complimentary process as an element of the traditional annual risk assessment in support of audit plan development.

OARC Audit Planning Risk Assessment

University departments and administrative operations were grouped into approximately 175 auditable entities or responsibility centers based on common missions and the existing organizational structure. For each auditable entity, OARC reviewed financial data, including expenditures, revenues, cash receipts, federal contracts and grants, and total employees.



The relative risk was assessed on a judgmental basis for the following qualitative and quantitative factors.

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

Elements considered within these factors included:

- Management's awareness of internal controls;
- Stability and expertise of management;
- Interval since the last audit review;
- Complexity of operations and technology applications;
- Materiality or financial impact to the university;
- Potential impact to reputation;
- Impact of noncompliance with internal and external policy, procedure, regulatory, and statutory requirements; and
- Reliance on information and management reporting for operating decisions, monitoring performance, providing services, and allocating resources.

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

IT Risk Assessment

OARC has also created a university-wide information technology (IT) risk-based audit plan mapped to the ISO 27002 standard, a best practice for developing and maintaining enterprise-wide IT security that is also referenced by university policies. OARC consulted with key IT personnel to ensure that audit coverage is maximized and properly targeted.

The assessment of IT and business operations at the university identified four high-level risk domains intended to encapsulate the vast majority of the systems and computing environments within the university as follows:

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

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

CORE AUDIT PLAN

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

The critical areas for core audit plan inclusion are:

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

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

FISCAL YEAR 2020-21 AUDIT PLAN

The audit plan focuses on delivering value to Virginia Tech with an emphasis on the following risk areas: strategic, operational, financial, compliance, and IT. If new topics emerge during the audit plan period that require more immediate attention, reconfiguration of the plan can be undertaken to accommodate these changes. OARC's goal is to complete 85 percent of the audit plan. As each audit is undertaken, risks will be re-evaluated to ensure proper audit coverage with consideration of confidentiality, integrity, and availability. Annual expenditures and revenues referenced below reflect fiscal year 2019-20 data unless otherwise noted.

The fiscal year 2020-21 audit plan includes 27 projects. Additionally, in response to the governor's directive to limit hiring, we anticipate being unable to hire two full-time positions and one of our student positions. Should the commonwealth or university allow the hiring of the open positions, we have included the additional 10 projects we anticipate being added to the plan.

Risk-Based Assurance

Planned Engagement	Overview	Risk Area
Athletics *	The Department of Athletics, an approximately \$97 million enterprise, sponsors 22 NCAA Division I sports. OARC conducts various components of a complete audit of Athletics over a five-year period.	Compliance – Athletics
Americans with Disabilities Act (ADA) Compliance	The university is committed to equal opportunity in employment and education for individuals with disabilities and complies with the ADA, as amended, and the Rehabilitation Act. Campus-wide ADA compliance involves many offices including ADA and Accessibility Services, colleges and departments, Services for Students with Disabilities, and University Legal Counsel among others.	Compliance – Human Resources and Student Services
Computer Science	The Department of Computer Science is a key contributor to the university's commitment to help double the commonwealth's tech-talent pipeline. Computer Science had approximately \$25 million in general expenditures, including \$9 million in research. The department was last reviewed in 2012.	Operational – Academic
Construction Project Management	The Facilities Department is responsible for the planning, design, and construction of all university facilities. Effective construction project management is a critical component to achieving the university's growth plans and requires cooperation and communication across Facilities, Finance, users, and construction partners.	Operational – Facilities and Operations
Foreign Gift and Contracts Reporting	The Department of Education continues to increase the scrutiny around foreign gift and contract reporting, which is required when \$250,000 or more is received from the same foreign source. This review includes the processes deployed to both capture and ensure the accuracy in reporting requirements. The activity has not been previous reviewed.	Compliance – Financial Management
Fralin Life Sciences Institute	The Fralin Life Sciences Institute at Virginia Tech (FLSI) strategically invests in targeted research areas within the life sciences. In April 2019, the university combined FLSI with the Biocomplexity Institute to enhance Virginia Tech's investment in and impact of life sciences research. FLSI had nearly \$19 million in expenditures, including approximately \$8 million in research, and last received a dedicated review in 2015.	Operational – Research

Planned Engagement	Overview	Risk Area
Human Resources: Compensation and Classification *	Compensation Management is a wide-ranging activity within Human Resources including: in-band adjustments, interpreting and developing policy, pay strategy, pay structure, and role changes. The HR classification activity refers to the coordination of distinct employment categories including faculty, staff, and wage. Each of these classifications has their own policies and procedures governing conduct, pay structure, and benefits programs. The activity was last reviewed in 2013.	Operational – Human Resources
IT: Data Privacy	The university uses, collects, stores, and transmits a wide array of data. This includes research data, academic records, medical information, financial data, and the personally identifiable data of faculty, staff, students, alumni, and others. Additionally, the university must be mindful of a long list of federal or external regulations including: FERPA, HIPAA, GLBA, and GDPR. Individual privacy elements have been previously reviewed, but the broader topic has not received a dedicated audit.	Compliance – Information Technology
IT: External Interfaces and Wire Transfers	The university sends a large number of highly sensitive electronic transmissions to external entities such as funds transfer or the submission of protected information. This audit will identify high-risk transmissions and focus on the process security. The activity was last reviewed in 2013.	Operational – Information Technology
IT: Linux Server Security	Servers are used widely to perform a variety of tasks, from network attached file storage or collaborative database hosting to processing email or print requests. As such, servers often present significant risks when not properly secured. A large percentage of the university's servers operate on the Linux platform which often require specialized administration of their unique security challenges. The activity was last reviewed in 2016.	Operational – Information Technology
IT: Network Security	The university provides an extensive telecommunications and data network that accommodates tens of thousands of registered users connecting work and personal devices through wired, Wi-Fi, and virtual private network connections. Additionally, the university operates a Restricted/Limited Access Network (RLAN), which provides more security for sensitive data. The activity was last reviewed in 2017.	Operational – Information Technology
Principal Investigator Research Management	With over \$530 million in research expenditures, compliance with the multitude of requirements is an ongoing challenge. This review will take a data-driven and risk-based look at specific principal investigators and their compliance with certain research compliance metrics.	Operational – Research
Procurement and Accounts Payable	The purchasing and accounts payable functions are overseen by the Procurement department and Controller's office, respectively. Although managed separately, this audit will focus on the processes to make a purchase that involves both functions as transactions flow from one to the other. The activity was last reviewed in 2014.	Operational – Financial Management
Research: Biosafety *	Institutional Biosafety Committees (IBCs) are the cornerstone of institutional oversight of research that involves the use of biohazardous agents, including recombinant and/or synthetic nucleic acid molecules. The university's IBC is charged with the planning and implementation of the campus Biosafety Program with a purpose to ensure the health and safety of all personnel working with biohazardous agents. The activity was last reviewed in 2014.	Operational – Research
Scholarships *	Scholarship administration is highly decentralized with the administrative responsibility primarily delegated to the college and department level. Funding sources for departmental scholarships includes endowments and annual/operating	Compliance – Enrollment Services

Planned Engagement	Overview	Risk Area
	funds. University Scholarships and Financial Aid acts as an agent to deliver scholarship proceeds to students. The activity was last reviewed in 2016.	
Student Engagement and Campus Life	Student Engagement and Campus Life complements the academic experience by building communities, promoting holistic education, and cultivating environments through leadership, innovation, and service. This unit was last reviewed in 2010.	Operational – Student Services
Student Fees	The university collects a large number of approved fees from students including mandatory, room and board, program, and other fees. Each category has various restrictions or acceptable uses that must be closely monitored. The activity was last reviewed in 2015.	Financial – Financial Management
Student-Athlete Academic Success	The university has invested in a variety of programs to promote student-athlete academic success. This review will examine the policies, procedures, and practices surrounding the student-athlete academic experience. This activity was last reviewed as an advisory services project in 2015.	Operational - Athletics
Title IX Compliance	Maintaining a campus free of sex discrimination, including sexual misconduct and sexual harassment, is important for all students and employees. Title IX of the Education Amendments prohibits discrimination on the basis of sex in any educational program or activity that receives federal financial assistance. Significant change has occurred in the federal guidance within this area. Although external reviews have occurred, this topic has not previously received a dedicated review.	Compliance – Campus Safety and Security
Veterinary Teaching Hospital and Equine Medical Center	The Veterinary Teaching Hospital provides primary and specialized medical care and large animal ambulatory field services to animals residing in the Blacksburg area and referred by practitioners in the region. The Marion duPont Scott Equine Medical Center in Leesburg, Virginia is a full-service equine hospital which offers advanced specialty care, 24-hour emergency treatment, and diagnostic services. The hospitals had \$16.3 million in combined revenue. The unit was last reviewed in 2012.	Operational - Academic

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

University Policy Compliance Reviews

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

Planned Engagement	Overview	Risk Area
Office of the President	The Office of the President includes Business and Management Systems, University Legal Counsel, and Strategic Affairs. While Athletics falls under the President's office, its policy compliance review is conducted independently. The last policy compliance audit of this area was in 2016.	Operational
Office of the Provost	The Office of the Provost oversees Academic Resource Management, Destination Areas, Enrollment Management, Faculty Affairs, Inclusion and Diversity, Learning System Innovations and Effectiveness, and Undergraduate Academic Affairs. This review will also incorporate Strategic Alliances. The last policy compliance audit in this area was in 2016.	Operational

Planned Engagement	Overview	Risk Area
Pamplin College of Business	The Pamplin College of Business offers undergraduate and graduate programs in accounting and information systems, business information technology, finance, hospitality and tourism management, management, marketing, and real estate. Pamplin had expenditures of \$54 million, including \$3 million in research. The last policy compliance audit of this area was in 2015.	Operational
Virginia Tech Carilion School of Medicine	Through a unique public-private partnership between a cutting edge-research university and a major health care institution, the Virginia Tech Carilion School of Medicine (VTC SOM) educates physician thought leaders through inquiry, research, and discovery. VTC SOM had expenditures of \$13 million. Newly established as part of the university in 2018, there has not yet been a policy compliance review in this area.	Operational

Management Advisory Services

Planned Engagement	Overview	Risk Area
Gift Accounting	The university's ambitious goals require the ongoing financial support of its alumni and donors. This review is intended to assist management in reviewing gift accounting process across the various units involved in the accounting process.	Operational – Financial Management
Honors College	The mission of the Honors College is to inspire and facilitate an extraordinary undergraduate education for students of exceptional motivation with a variety of life experiences. This review is intended to assist management of this relatively new college in assessing its operational practices.	Operational – Academic Units
Robotics Process Administration	Robotics Process Automation (RPA) is a technology that allows a "robot" to emulate and integrate the actions of humans in digital systems to execute business processes. The university is implementing RPA into core financial functions. This review will assist management in ensuring sound internal controls remain in the RPA enhanced processes.	Operational – Financial Management

Special Projects and Annual Audit Activities

Activity	Overview
Special Projects	Investigate fraud, waste, and abuse allegations.
Annual Audit Activities (Follow-up, Inventory)	Conduct follow-up audit procedures to ensure that management is implementing controls as described within their responses to audit report recommendations. Assist management with year-end inventory counts for financial statement verifications.
External Audit Coordination	Manage and serve as the liaison for all external audit services, including contracted and regulatory-imposed audits.
Quality Assurance	As part of the quality assurance and improvement program (QAIP), an external quality assurance review (QAR) that covers all aspects of the internal audit activity will be conducted to assess operations and practices in conformance with professional standards.

ADDITIONAL AUDIT COVERAGE

If OARC is able to fill the two vacant auditor positions, the following projects will be included in the fiscal year 2020-21 audit plan. Otherwise, these projects will be considered for inclusion on the fiscal year 2021-22 plan.

Planned Engagement	Overview	Risk Area
CARES Act Compliance	The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by congress in March 2020. The act provides stabilization funding to university to mitigate the ongoing cost of operations and to pass through assistance to students.	Compliance – Financial Management
Data Analytics - Possible Fraudulent Transactions	With the move to remote operations, a number of standard internal controls have been altered or are no longer applicable. This review will be a data-driven review of transactions during the period of remote operations looking for inappropriate transactions.	Compliance – Financial Management
Export and Secure Research Compliance	The Office of Export and Secure Research Compliance (OESRC) supports the university's commitment to complying with export and trade sanction laws and regulations. Violations of these laws are punishable by severe civil and criminal penalties and fines, including imprisonment. This activity was last reviewed in 2015.	Compliance – Research
Mechanical Engineering	The Department of Mechanical Engineering is a central piece of the university's Tech Talent Investment Program goals and the emerging Innovation Campus. Mechanical Engineering had approximately \$36 million in general expenditures of which \$17 million is research expenditures. The department was last reviewed in 2014.	Operational – Academic
Partnership for and Incentive Based Budget	The Partnership for an Incentive Based Budget (PIBB) connects resource allocation to the achievement of established benchmarks with a goal of improving the university's overall educational quality. This advisory project will review the PIBB model for responsiveness in the current economic situation.	Operational – Financial Management
Quarry Operations	Virginia Tech has owned its quarry since 1869. Hokie Stone, a central aesthetic to the campus architecture, is utilized in nearly all campus buildings. This activity was last reviewed in 2015.	Operational - Facilities and Operations
Resource Management: Reserve Balances	The management of reserve balances across campus is an important part of overall financial management. This advisory project will be a data-driven look at reserve balance management and trends.	Operational – Financial Management
Senior Vice President and Chief Business Officer (SVP&CBO)	The Office of the SVP&CBO is responsible for the financial, administrative, physical, technological, and operational infrastructure of the university. This review will include this office and the following areas it oversees: Business Affairs; Human Resources; Equity and Accessibility; Policy and Governance; and Security and Safety.	Operational
Training and Governance	The university has deployed a decentralized training program. This project will review the various groups with training requirements and the overall training program governance.	Operational – Human Resources
VT India	Virginia Tech India Research and Education Forum (VTIREF) is a not-for-profit institute registered in India. As an affiliated site, VTIREF's mission includes research, professional education, and outreach.	Operational – Off-Campus Location

AUDIT RESOURCES

The fiscal year 2020-21 audit plan is based on professional staffing of 11 full-time equivalents (FTEs), with two vacancies being held due to the hiring freeze. Staffing will continue to be augmented by the continuation of the student internship program in which 1-2 Virginia Tech students are employed.

Approximately 76 percent of OARC's available resources are committed to the completion of planned audit projects, management advisory reviews, and investigations. The annual audit plan is designed to provide

appropriate coverage utilizing a variety of audit methodologies, including audits of individual units, functional and process audits, university-wide reviews, and information system projects. OARC conducts follow-up audit procedures throughout the year to ensure that management is implementing controls as described within their responses to audit report recommendations.

Audit resources are allocated as follows:

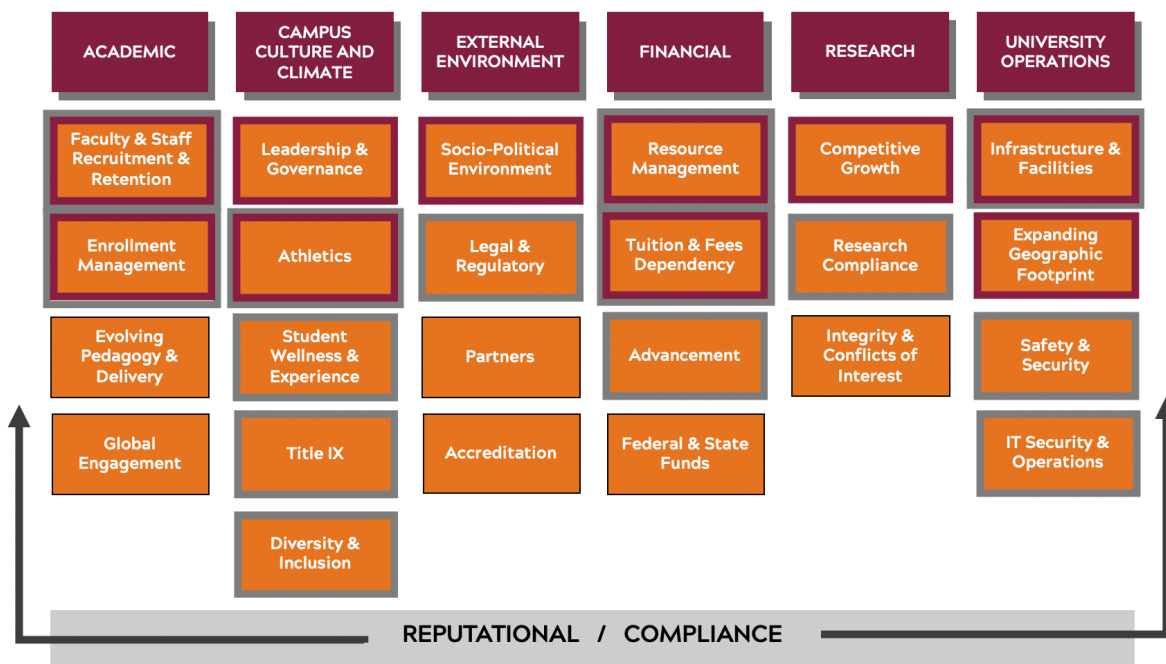
- 58 percent of OARC’s available resources are committed to the completion of planned audit projects and follow-up audit procedures.
- 8 percent to accommodate requests from management and consultations with university departments.
- 10 percent to conduct investigations into fraud, waste, and abuse allegations.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

AUDIT PLAN MAPPED TO ERM

As part of the ERM program, university leadership has identified key residual risks across six thematic areas. The graphic below depicts how planned projects will provide audit coverage of enterprise risks.

Enterprise Risk Landscape

March 2020



Maroon border = Top 10 Risk
 Gray border = Audit Coverage of Risk

OFFICE OF AUDIT, RISK, AND COMPLIANCE

PROPOSED AUDIT PLAN

Fiscal Year 2020-21

May 21, 2020

Justin T. Noble, CIA
Director of Internal Audit

OVERVIEW - ANNUAL AUDIT PLAN

The Office of Audit, Risk, and Compliance (OARC) conducts:

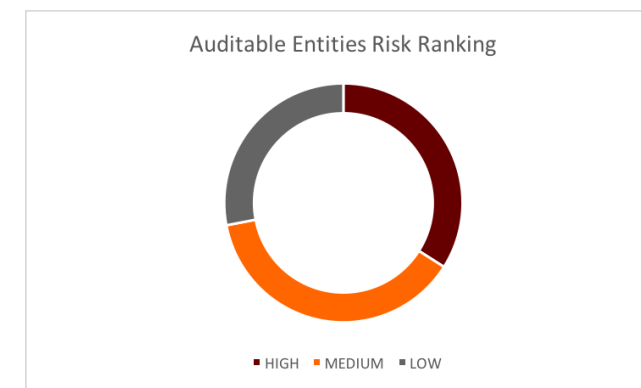
- Risk-Based Assurance Engagements
- Policy Compliance Reviews
- Management Advisory Services
- Investigations

Annual risk assessment process informs and guides the development of the audit plan for the next fiscal year

RISK ASSESSMENT PROCESS

Components of the annual risk assessment process included:

- **ERM**
 - Separate but related university initiative
 - Incorporates perspective of university leadership
- **OARC Audit Planning Risk Assessment**
 - Approximately 175 auditable entities
 - Control Environment, Business Exposure, Public Sensitivity, Compliance Requirements, Information Technology & Management Reporting
- **IT Risk Assessment**
 - Variety of systems and technologies to include emerging topics
 - Mapped to ISO 27002 standard



OVERVIEW - ANNUAL AUDIT PLAN

OARC has identified certain critical areas for inclusion in the core audit plan to ensure that adequate coverage is provided over a reasonable time. The critical areas for core audit plan inclusion are:

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

RISK-BASED AUDIT PROJECTS

The audit plan focuses on strategic, operational, financial, compliance, and IT risks. The audit plan will be reconfigured as needed when new topics requiring more immediate attention emerge.

Athletics *	IT: Network Security
ADA Compliance	Principal Investigator Research Management
Computer Science	Procurement and Accounts Payable
Construction Project Management	Research: Biosafety *
Foreign Gift and Contracts Reporting	Scholarships *
Fralin Life Sciences Institute	Student Engagement and Campus Life
Human Resources: Compensation and Classification *	Student Fees
IT: Data Privacy	Student-Athlete Academic Success
IT: External Interfaces and Wire Transfers	Title IX Compliance
IT: Linux Server Security	Veterinary Teaching Hospital and Equine Medical Center
	* Entity receives an annual audit on different operational components

POLICY COMPLIANCE AUDITS

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

Office of the President

Office of the Provost

Pamplin College of Business

VTC School of Medicine (VTC SOM)

MANAGEMENT ADVISORY SERVICES

The nature and scope of management advisory service activities, developed through agreement with the client, add value and improve the university's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Gift Accounting

Honors College

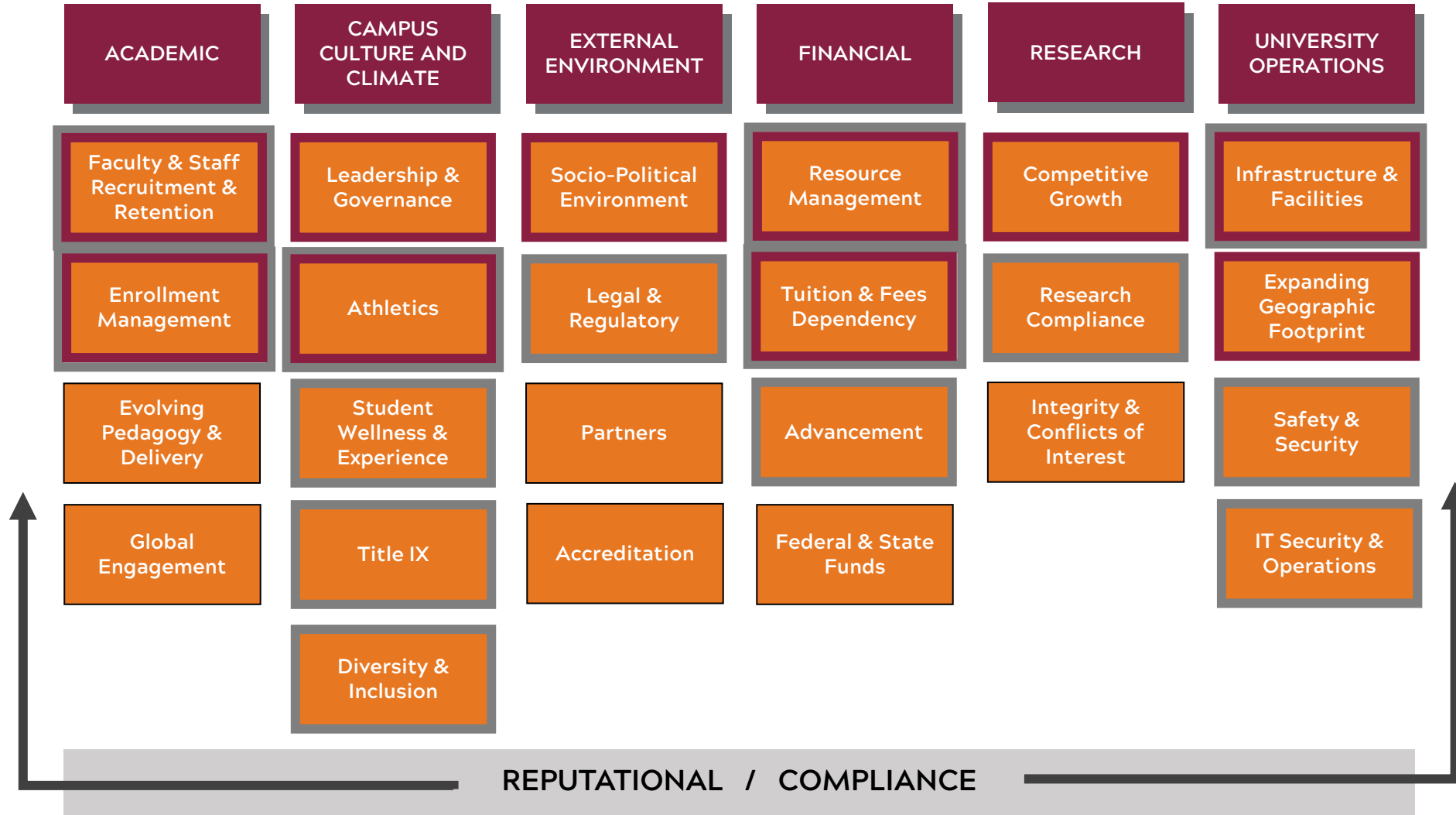
Robotics Process Administration

AUDIT RESOURCES

- Audit Plan - professional staffing of 11 FTEs
 - Two vacancies being held due to the hiring freeze
- Student employee program - hire 1-2 Virginia Tech students
- OARC's available resources are allocated as follows:
 - 58% - completion of audit projects and follow-up
 - 8% - accommodate management requests
 - 10% - conduct investigations into fraud, waste, and abuse allegations
 - 9% - professional development, internal quality improvement, and administration
 - 15% - compensated absences such as annual, sick, and holiday leave

Enterprise Risk Landscape

March 2020



Maroon border = Top 10 Risk
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QUESTIONS?

Discussion of Future Topics
COMPLIANCE, AUDIT, AND RISK COMMITTEE
May 21, 2020

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