

Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 23, 2022

Compliance, Audit, and Risk Closed Session

Board Members Present: Sharon Brickhouse Martin (Chair), David Calhoun, Sandy Davis, Letitia Long (Rector), Melissa Nelson, Jeff Veatch

Virginia Tech Personnel: Cyril Clarke, Suzanne Griffin, Kay Heidbreder, Chris Kiwus, Sharon Kurek, Justin Noble, Timothy Sands, Dan Sui, Don Taylor

1. **Motion for Closed Session:** Motion to begin closed session.
2. **Internal Audit Reports:** The following confidential internal audit report was issued by the Office of Audit, Risk, and Compliance (OARC) since the June board 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. **Export and Secure Research Compliance:** The audit received a rating of improvements are recommended. An observation was noted regarding processes for monitoring adherence to System Security Plans. A low priority observation was noted related to monitoring restricted research funds.

The committee unanimously accepted this report.

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.

Compliance, Audit, and Risk Open Session

Board Members Present: Sharon Brickhouse Martin (Chair), David Calhoun, Sandy Davis, Greta Harris, Letitia Long (Rector), Melissa Nelson, Jeff Veatch

Virginia Tech Personnel: Beth Armstrong, Cyril Clarke, Al Cooper, Suzanne Griffin, Luisa Havens Gerardo, Kay Heidbreder, Chris Kiwus, Sharon Kurek, Ken Miller, Justin Noble, Kim O'Rourke, Timothy Sands, Dan Sui, Don Taylor

5. **Motion to Reconvene in Open Session:** Motion to begin open session.
6. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.
7. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
 - a. **Minutes from the June 6, 2022 Meeting:** The Committee reviewed and approved the minutes of the June 6, 2022 meeting.
 - b. **Audit Plan Status Report:** The Committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) has completed 86 percent of its audit plan, and 100 percent is underway, in accordance with the fiscal year 2021-22 annual audit plan.
 - c. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the June board 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.
 - i. **Agricultural Research and Extension Centers:** The audit received a rating of improvements are recommended. One observation was noted regarding completion of required safety training. In addition, three low-priority recommendations of a less significant nature were noted regarding fiscal responsibility, wage payroll, and state vehicle management.

- ii. **Biological Sciences:** The audit received a rating of improvements are recommended. Observations were noted regarding cost transfers and effort reporting.

d. **Status Update on the Audit of the University's Financial Statements:**

This report provided the current status of the audit of the university's financial statements for fiscal year 2021-22.

The committee unanimously approved the items on the consent agenda, as amended.

- 8. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of March 31, 2022, the university had 15 open recommendations. Seventeen audit comments were issued during the fourth quarter of the fiscal year. As of June 30, 2022, the university had addressed 7 comments, leaving 25 open recommendations in progress. The committee received updates on two areas where management's actions did not achieve their deadlines and activities are ongoing. The board expects the actions to be completed ahead of the next committee meeting and will look for an update in November.
- 9. **Discussion on Internal Audit Report: Foreign Gifts and Contracts Reporting:** The Committee discussed the Foreign Gifts and Contracts Reporting audit report that it received during the June meeting. The audit received a rating of significant improvements are needed. Audit recommendations were issued to management where opportunities for improvements were noted related to foreign gifts and contracts governance and reporting. Discussion included an update on the university's actions to address the identified risks.

The committee unanimously accepted this report.

- 10. **OARC Annual Report:** The Committee reviewed the Annual Report for OARC. OARC received its external quality assessment review of the internal audit, enterprise risk management, and institutional compliance programs. Results indicated that the internal audit function "generally conforms" with the professional standards, which is the highest rating. The review provided opportunities to continue to evolve OARC as a valued advisor to management through an integrated, comprehensive assurance approach that leverages audit, risk, and compliance functions as a single, effective office to drive risk understanding, discussion, and mitigation efforts university-wide.

Thirty-two audit projects, or 86 percent of the audits on the fiscal year 2021-22 amended audit plan, have been completed. Four audit projects were underway on June 30th and carried forward into fiscal year 2022-23. In addition to conducting scheduled audits, policy compliance reviews, and advisory services, the department participated in annual audit activities, fraud investigations, and professional development activities. Acceptance of this report documents the Committee's review of the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships as required by the Committee's Charter.

OARC continued implementation of the Enterprise Risk Management (ERM) program and Institutional Compliance Program (ICP). OARC deployed an updated risk landscape with a comprehensive evaluation of the "top ten risks" and increased the visibility of ERM across the CAR Committee and other Board of Visitors committees. A university-wide compliance matrix, including the identification of distributed compliance owners and a mechanism to capture associated risk assessments, was developed as part of the ICP, as well as managing the anonymous hotline.

The committee unanimously accepted this report.

11. **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 and discussed potential modifications 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. OARC requested input from the Committee on the proposed language for a future update.
12. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

There being no further business, the meeting adjourned at 9:00 a.m.

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

**Newport News Marriott at City Center, Pearl Ballroom Salon I
August 23, 2022
7:30 am**

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion for Closed Session	Committee Member
2. Internal Audit Reports	Justin Noble
a. Export and Secure Research Compliance	
3. Update on Fraud, Waste, and Abuse Cases	Sharon Kurek
4. Discussion with the Executive Director of Audit, Risk, and Compliance	Sharon Kurek

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

Newport News Marriott at City Center, Pearl Ballroom Salon I
August 23, 2022
8:00 am

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion to Reconvene in Open Session	Committee Member
2. Welcome and Introductory Remarks	Committee Chair
3. Consent Agenda	Committee Chair
a. Minutes from the June 6, 2022 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Agricultural Research and Extension Centers	
ii. Biological Sciences	
e. Status Update on the Audit of the University's Financial Statements	
4. Discussion on Internal Audit Report: Foreign Gifts and Contracts Reporting	Justin Noble
5. OARC Annual Report	Sharon Kurek
6. Review and Approval of Charters	Sharon Kurek
a. Compliance, Audit, and Risk Committee Charter	
b. Charter for the Office of Audit, Risk, and Compliance	
7. Discussion of Future Topics	Committee Chair

Consent Agenda
COMPLIANCE, AUDIT, AND RISK COMMITTEE
August 23, 2022

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

- a. Approval of Minutes of the June 6, 2022 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
 - i. Agricultural Research and Extension Centers
 - ii. Biological Sciences
- e. Status Update of the Audit of the University's Financial Statements

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 June 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 76 percent on-schedule rate for fiscal year 2022 reflects closing 19 of 25 recommendations by the original target date.

The report presented at the June 6, 2022 meeting covered audit reports reviewed and accepted through March 31, 2022 and included 15 open medium and high priority recommendations. Activity for the quarter ending June 30, 2022 resulted in the following:

Open recommendations as of March 31, 2022	15
Add: medium and high priority recommendations accepted June 6, 2022	17
Subtract: recommendations addressed since March 31, 2022	7
Remaining open recommendations as of June 30, 2022	<u>25</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 August 5, 2022, OARC has closed one and is reviewing supporting documentation to close a second of the 25 remaining open medium and high priority recommendations. 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.

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
Jun 30, 2021	Veterinary Teaching Hospital	21-1540a	1			1				1
Sep 27, 2021	Fralin Life Sciences Institute	21-1526	2	1				1		1
Oct 22, 2021	Student Athlete Academic Success	21-1538	1					1		1
Oct 22, 2021	University Libraries	22-1595	4	3				1		1
Mar 17, 2022	Fralin Biomedical Research Institute	22-1580	1					1		1
Mar 18, 2022	Mechanical Engineering	22-1586	3					3		3
Apr 20, 2022	Dining Services	22-1578	3					3		3
May 19, 2022	School of Architecture and Design	22-1589	2					2		2
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
Totals:			32	7	0	2	4	19		25

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		
May 11, 2020	1	20-1491	College of Science	Information Technology	Medium		Dec 01, 2021	Oct 01, 2022	1	Missed the original target date.
Jun 30, 2021	2	21-1540a	Veterinary Teaching Hospital	Supplies Inventory	Medium		Jan 31, 2022	Aug 31, 2022	1	Missed the original target date.
Oct 22, 2021	3	21-1538	Student Athlete Academic Success	Information Technology	Medium		Jul 01, 2022		2	
Mar 17, 2022	4	22-1580	Fralin Biomedical Research Institute	System Account Removal	Medium		Aug 01, 2022		2	
Sep 27, 2021	5	21-1526	Fralin Life Sciences Institute	Oversight of Distributed Funds	Medium		Aug 31, 2022		2	
May 19, 2022	6	22-1589	School of Architecture and Design	Conflicts of Interest Disclosure	Medium		Aug 31, 2022		2	
Apr 20, 2022	7	22-1578	Dining Services	Monitoring Employee Training Compliance	Medium		Sep 01, 2022		2	
Apr 20, 2022	8	22-1578	Dining Services	Vehicle Forms Documentation	Medium		Sep 01, 2022		2	
Apr 20, 2022	9	22-1578	Dining Services	FERPA Communications	Medium		Sep 01, 2022		2	
May 19, 2022	10	22-1589	School of Architecture and Design	Lab and Shop Access	Medium		Sep 30, 2022		2	

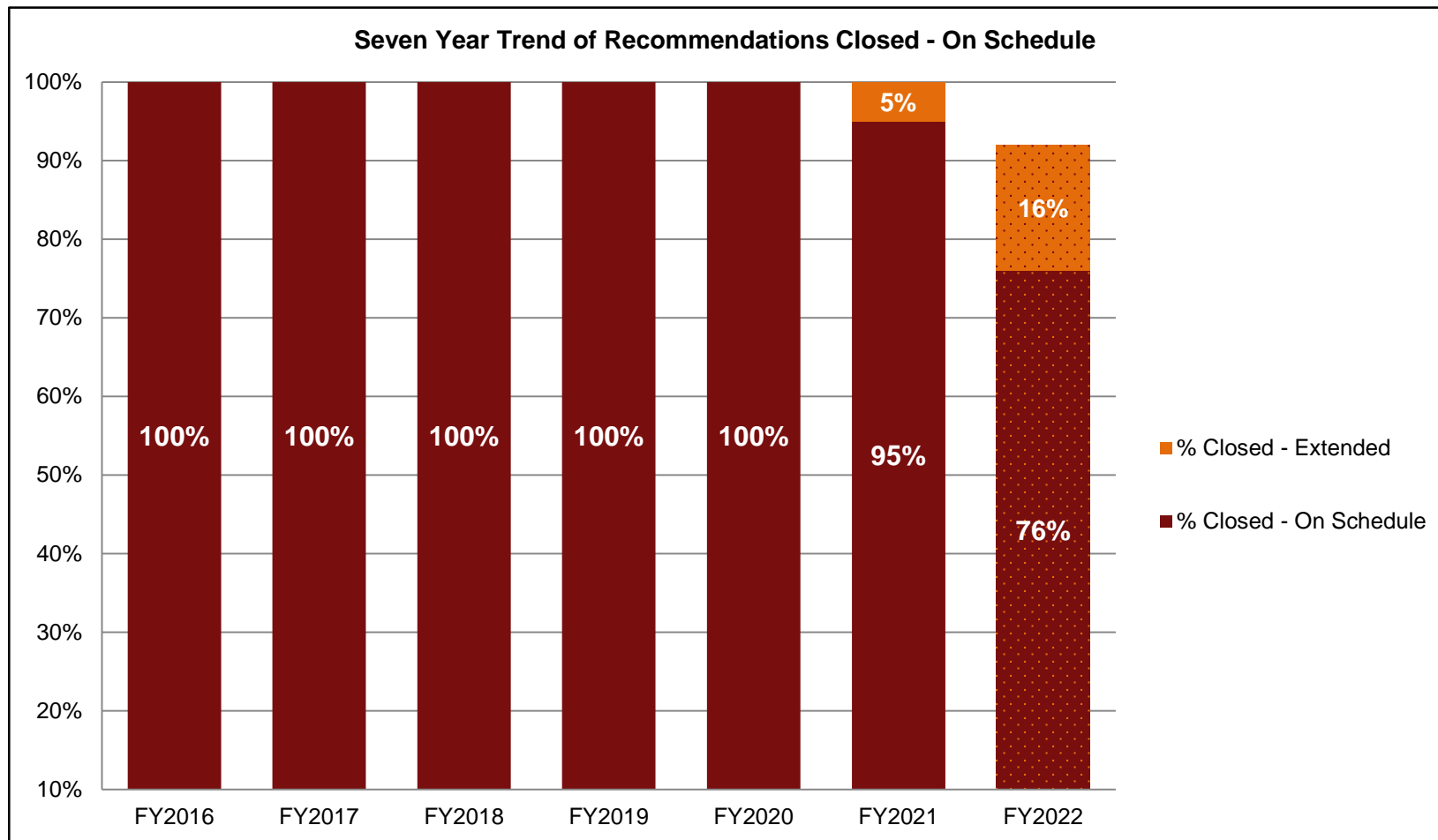
Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
May 20, 2022	11	22-1584	IT: Network Security	Management Network Security	Medium		Nov 30, 2022		3	
May 20, 2022	12	22-1584	IT: Network Security	Vulnerability Management	Medium		Nov 30, 2022		3	
May 19, 2022	13	22-1598	VP Outreach and International Affairs	Fiscal Responsibility	Medium		Dec 01, 2022		3	
May 19, 2022	14	22-1598	VP Outreach and International Affairs	Fixed Assets Management	Medium		Dec 01, 2022		3	
Oct 22, 2021	15	22-1595	University Libraries	Information Technology	Medium		Jan 15, 2023		3	
May 20, 2022	16	22-1593	Vendor Contract Administration	Contract Administration	Medium		Jan 15, 2023		3	
May 20, 2022	17	22-1593	Vendor Contract Administration	Contract Monitoring	Medium		Jan 15, 2023		3	
Mar 18, 2022	18	22-1586	Mechanical Engineering	Laboratory Safety	Medium		Jan 31, 2023		3	
Mar 18, 2022	19	22-1586	Mechanical Engineering	Administrative Privileges	Medium		Feb 01, 2023		3	
Mar 18, 2022	20	22-1586	Mechanical Engineering	Patch Management	Medium		Feb 01, 2023		3	

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		
May 20, 2022	21	22-1588	Foreign Gifts and Contracts Reporting	Formal Policy and Procedures	High		Jul 01, 2023		3	
May 20, 2022	22	22-1588	Foreign Gifts and Contracts Reporting	Foreign Contract Reporting	High		Jul 01, 2023		3	
May 20, 2022	23	22-1588	Foreign Gifts and Contracts Reporting	Determination of Source	High		Jul 01, 2023		3	
May 20, 2022	24	22-1588	Foreign Gifts and Contracts Reporting	Completeness of Reporting	High		Jul 01, 2023		3	
May 20, 2022	25	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 the Office of Audit, Risk, and Compliance (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.



Audit Plan Status Report
COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 23, 2022

Audit Plan Update

Audits were performed in accordance with the fiscal year 2021-22 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the June board meeting five planned projects have been completed, including three risk-based audits and two advisory engagements. The two advisory engagements were related to Data Analytics in Research Compliance and IT Endpoint Management.

The following four projects are underway and will be shown as carry forwards into the fiscal year 2022-23 audit plan: Data Analytics: Administrative Operations, Police, University Scholarships and Financial Aid, and the Graduate Assistant Workload advisory engagement that was added to the supplemental plan.

At the end of fiscal year 2021-22, OARC had completed 86 percent of its audit plan as depicted in Exhibit 1.

Exhibit 1
FY 2021-22 Completion of Audit Plan

Audits	
Total # of Audits Planned	31
Total # of Supplemental Audits	2
Total # of Carry Forwards	9
Total # of Planned Audits Canceled or Deferred	5
Total Audits in Plan as Amended	37
Total Audits Completed	32
Audits - Percentage Complete	86%
Audits - Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 23, 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
Agricultural Research and Extension Centers	Improvements are Recommended
Biological Sciences	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.

August 23, 2022

Status Update of the Audit of the University's Financial Statements

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 23, 2022

The Auditor of Public Accounts (APA) began the audit of the university's financial statements for fiscal year 2021-22 with the entrance conference on May 23, 2022. The APA is currently in the initial stage of the audit where they review transactions and test internal controls over the university's financial processes. Through early August 2022, the audit is progressing as planned, and the APA has not provided any audit comments or recommendations for improvements. At this time, we are not aware of any issues that would prevent the successful completion of the fiscal year 2021-22 audit by the targeted deadline of October 31, 2022.



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Informed
Decisions



OFFICE OF AUDIT, RISK,
AND COMPLIANCE
VIRGINIA TECH™

Annual Report

For the Fiscal Year Ended June 30, 2022

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A Year of Review and Progress

In the fall of 2021, the Office of Audit, Risk, and Compliance (OARC) engaged in an independent Quality Assessment Review (QAR) of the internal audit, enterprise risk management, and institutional compliance programs that was conducted by an external firm and peers from two prestigious universities. The QAR assessed opportunities to continue to evolve OARC as a valued advisor to management through an integrated, comprehensive assurance approach that leverages audit, risk, and compliance functions as a single, effective office to drive risk understanding, discussion, and mitigation efforts university-wide. The results, summarized in a report to executive management and the Board of Visitors in January 2022, provided a meaningful opportunity to engage stakeholders from across the institution to map out the future of the institution’s comprehensive and connected risk management program.



For Internal Audit, the peer review team determined the function “Generally Conforms” with the required standards, which is the top rating the team could assess. Opportunities identified included a continuing evolution on project management and scoping, as well as the purposeful identification of the director as the audit leader. In Enterprise Risk Management, the team identified the strong leadership by the Executive Director, engagement across the campus, and opportunities for broader ERM linkage to strategic priorities with cross-cutting identification and mitigation plans. Finally, the Institutional Compliance Program was noted as

having built a strong foundation of the essential elements of a compliance function with opportunities residing in the ability to better define the program at both the university and unit level, provide connections to the institution’s ethical values, and continuing to mature the overall program.

In considering the QAR recommendations, the university executives, Board, and OARC leadership have been engaged in a comprehensive process to evaluate the future of the office and its charge. With the onboarding of the first University Compliance Officer forthcoming in September 2022, this year was marked with dedication to strategic discussions to lay the groundwork for OARC’s continued success. Discussion regarding the resources needed (time, personnel, and financial), along with updating the governing charters that will be used to ensure future success, will launch OARC into fiscal year 2022-23 on an upward trajectory, continuing to help Virginia Tech effectively manage and mitigate its extensive risk profile.

“OARC is comprehensive, objective, rigorous, and supportive.”

“OARC is exactly what an audit function should be. They are truly there to help.”

“The Executive Director has been an advocate- she advises us and is incredibly helpful.”

Mission Statement

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:

Assurance
Advice
Insight

1. **Audit:** Provide **independent, objective** assurance and advisory activity designed to **add value** and **improve university operations**.
2. **Enterprise 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.



Protected & Connected

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

State of Control Environment

The university's internal audit function within OARC continues to be a significant element of the university's overall control structure and a positive influence on the control environment. During fiscal year 2021-22, OARC examined and tested the operations and systems of internal control within a number of university departments to assist management and the Board of Visitors in the discharge of their fiduciary responsibilities.

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

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

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



FY 2021-22 Highlights

Internal Audit

- 86% of audit plan completed
- 32 completed engagements
- 15 fraud, waste, or abuse cases initiated
- 4.4 out of 5 (88%) on client satisfaction surveys
- 70 management action plans closed

88%

client
satisfaction

Enterprise Risk Management (ERM)

- Updated university's enterprise risk landscape and heat map
- Refreshed "top ten" focus areas
- Engaged all Board of Visitor committees on ERM topics

Whole-of-
leadership
engagement

Institutional Compliance Program (ICP)

- Recruited inaugural university compliance officer
- Continued engagement with the campus-wide compliance risk owners
- Ongoing management of anonymous compliance concern reporting hotline

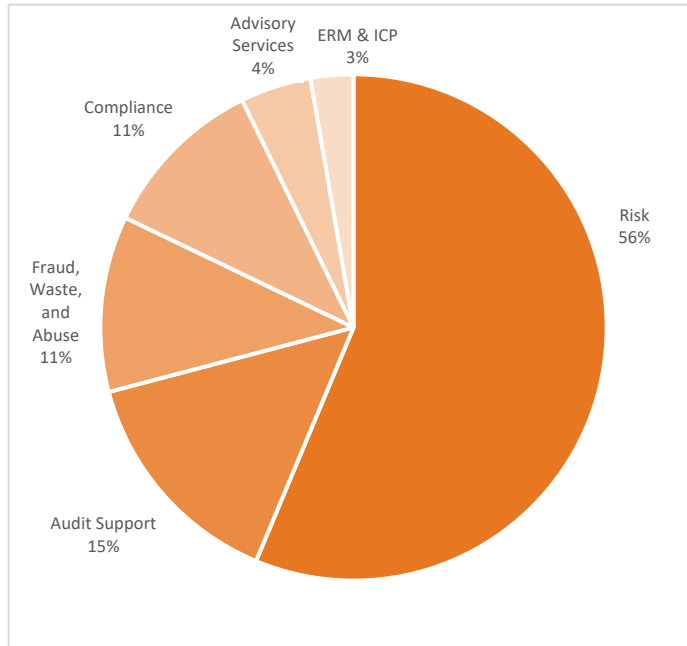
Inaugural
university
compliance
officer
recruited

Internal Audit

Internal Audit continued its role as the assurance and advisory arm within the university. Value-added engagements through traditional audits, a limited number of advisory activities, and providing insight through formal and informal means were hallmarks throughout the year. As depicted below, fiscal year 2021-22 began with 31 proposed engagements. A combination of changing risks, including the continued effects of COVID-19, led to the cancelation or deferment of five audits. Coupled with one supplemental advisory review and nine carry forward engagements, OARC ended the year with 37 planned audits, of which the team completed 32 as of this report. This results in an 86 percent completion rate for fiscal year 2021-22. Appendix A shows the status of each audit in the fiscal year 2021-22 audit plan.

Audits	
Total # of Audits Planned	31
Total # of Supplemental Audits	2
Total # of Carry Forwards	9
Total # of Planned Audits Deferred and/or Canceled	5
Total Audits in Plan as Amended	37
Total Audits Completed	32
Audits – Percentage Complete	86%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Effort



Of the 25,400 hours logged by OARC last year, 64% was charged directly to executing our core mission. The remaining 36% was spent on office administration, computer support, training, and compensated absences.

This chart depicts how 16,465 of core-mission hours were spent.

- 71% on Risk, Advisory, and Compliance engagements
- 11% of Fraud, Waste, and Abuse investigations
- 3% on ERM and compliance
- 15% on audit support (annual audit planning, supervision)

Follow-Up Activities and Management Corrective Actions

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

70
management
corrective
actions closed

Of the 77 management corrective actions generated during fiscal year 2021-22, OARC categorized eight as high priority (10%). High-priority management corrective actions would include those that are systemic or have a broad impact; have contributed to a significant investigation finding; are reportable conditions under professional literature; create health or safety concerns; involve senior officials; create exposures to fines, penalties, or refunds; or are otherwise judged as significant control issues. Open management corrective action plans at fiscal year-end have been outstanding an average of 244 days. Audits for fiscal year 2021-22 resulted in recommendations with ratings of high, medium, or low management corrective actions as follows:

Beginning # of management corrective actions	48
Management corrective actions added	77
Management corrective actions closed	70
Current # of open management corrective actions	55

Results of Surveys for Evaluating OARC Services

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

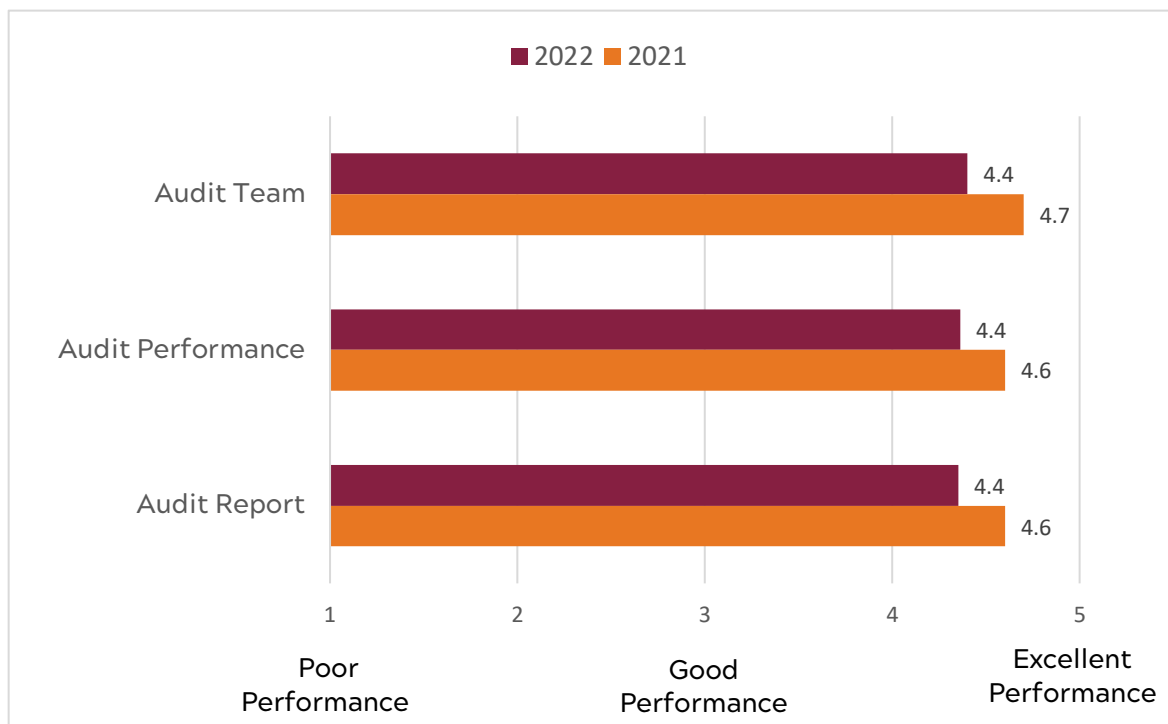
88%
client
satisfaction

Audit Team Demonstrated technical proficiency, approached audit in an objective and professional manner, and effectiveness of conclusions and opinions.

Audit Performance Discussed preliminary audit objectives, scope, and timing of audit, solicited and considered management concerns and suggestions in audit, and minimized disruption of auditee’s daily activities as much as possible.

Audit Report Written clearly, contained adequate explanations for observations, and recommendations improved or added value to auditee’s departmental operation.

FY 2021-22 Survey Results



Overall, **customer ratings were highly favorable** as results ranged from good to excellent. Attaining a cumulative average score of 4.4 on a 5-point scale exceeded OARC's goal of a 4.0 rating on survey feedback, and resulted in 88% client satisfaction.

"The audit team was courteous and professional, and it was a pleasure working with them."

- Unit Senior Management

Quality Assurance and Improvement Program

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

The on-going monitoring program consists of four elements: the supervisory review of project working papers, quality assurance reviews of individual audits, the pre-issuance review of reports, and periodic assessments of the quality control system.

An external assessment of OARC was completed by Baker Tilly during this fiscal year, when the internal audit function received the **highest rating possible of "generally conforms."** Further details about the review is shared in the section titled "A Year of Review and Progress" of this report on page 3. The next independent external assessment will occur in five years.



Fraud, Waste, and Abuse

OARC conducts reviews of all state hotline and internal complaints alleging fraud, waste, and abuse at the institution. During fiscal year 2021-22, OARC:

- Investigated 15 cases, including 12 internal and three state hotline complaints.
- Closed four cases from prior fiscal years and eight from fiscal year 2021-22.

Of the 12 cases completed:

- One of three (33%) state hotline cases was substantiated.
- Six of nine (67%) internally reported cases were substantiated.

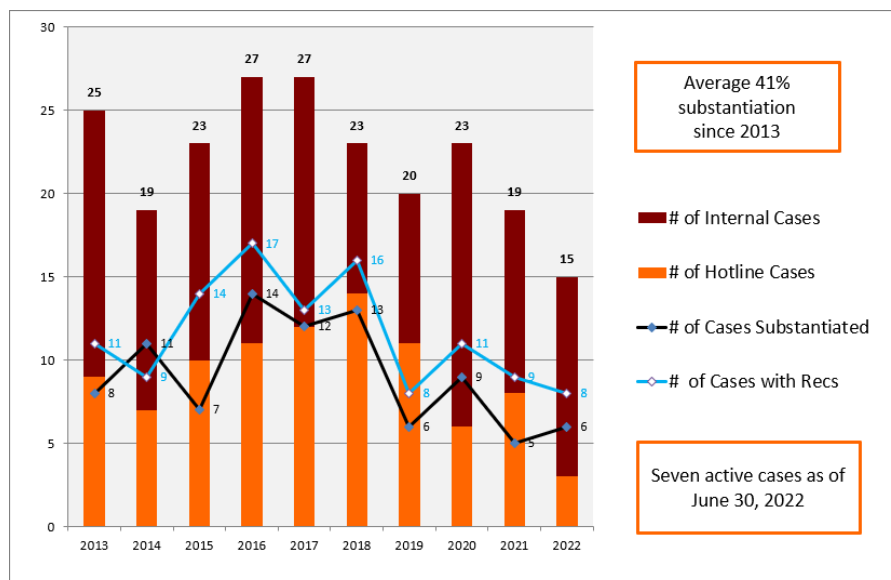
Since 2012-13, approximately 57 percent of internally reported allegations have been substantiated, and 19 percent of state hotline cases have historically been substantiated, for a combined weighted average of 41 percent.

OARC maintains a fraud, waste, and abuse hotline service (“Hokie Hotline”) that offers an easy, safe, secure, and anonymous platform to accept tips and complaints from all sources about potential fraud, waste, abuse, and noncompliance at the university. Two of the 12 internally investigated complaints mentioned above were received via the Hokie Hotline.



Since fiscal year 2012-13, approximately 72 percent of the allegations investigated by OARC have fallen within five general categories: improper use of university resources; abuse of authority; leave or time abuse; misfeasance and waste; and conflict of interest.

Historical Case Volume by Fiscal Year

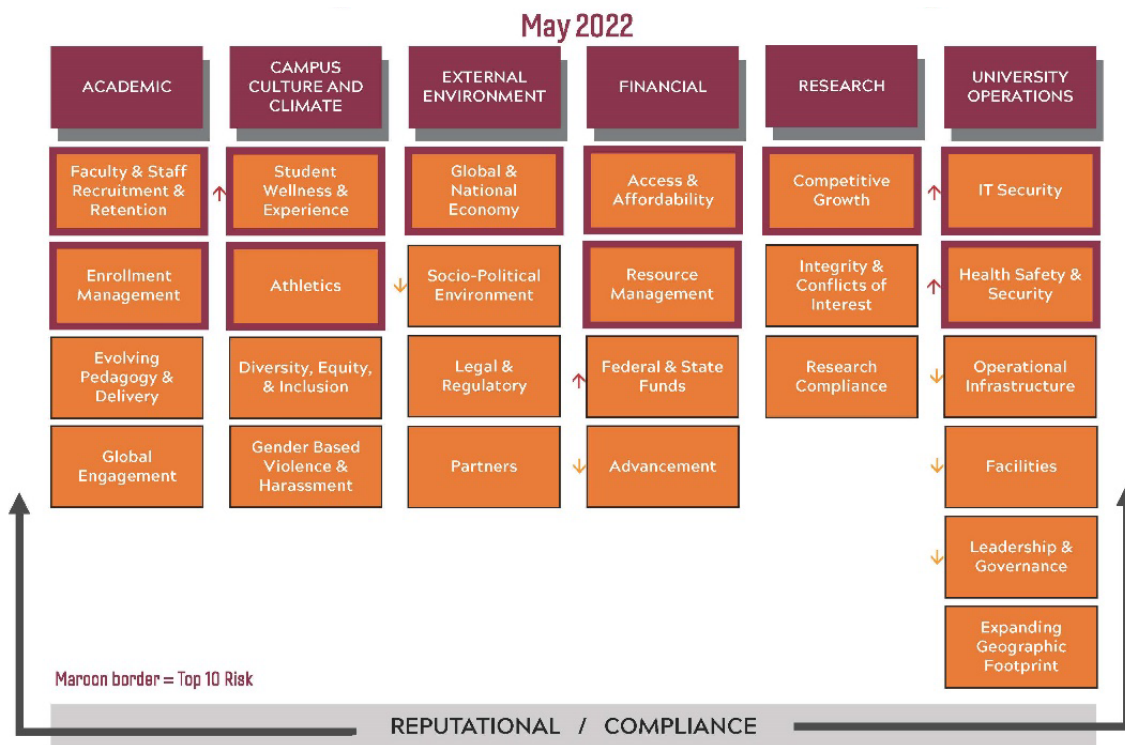


Enterprise Risk Management Program

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

ERM-related activities that took place in fiscal year 2021-22, both planned and *ad hoc*, included:

- Deploying an updated risk landscape and heat map.
- Refreshing the 'top ten risks'.
- Engaging all Board of Visitor committees on ERM topics.



OARC is pleased to see continued engagement with the identified enterprise risks across the Board of Visitors committees and the executive leadership team. On multiple occasions during the past year, executive and senior leadership mentioned how the issues facing the institution were contemplated through the ERM process. Additionally, OARC is encouraged by the continued broadening of coverage in presentations to the Board of Visitors on ERM risks. Since the formation of the formal ERM program and introduction of the university's Enterprise Risk

22 of 25

enterprise risks discussed with the board

Landscape, 56 presentations and discussions highlighting ERM risk areas took place across the Board of Visitors' committees. The 25 enterprise risks are depicted in the following graphic with the size corresponding to number of discussions.



Institutional Compliance Program

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

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

- President Tim Sands

In fiscal year 2021-22 ICP activities included:

- Recruiting the inaugural university compliance officer.
- Continued engagement with the campus-wide compliance risk owners.
- Managing an anonymous reporting hotline for compliance-related concerns.

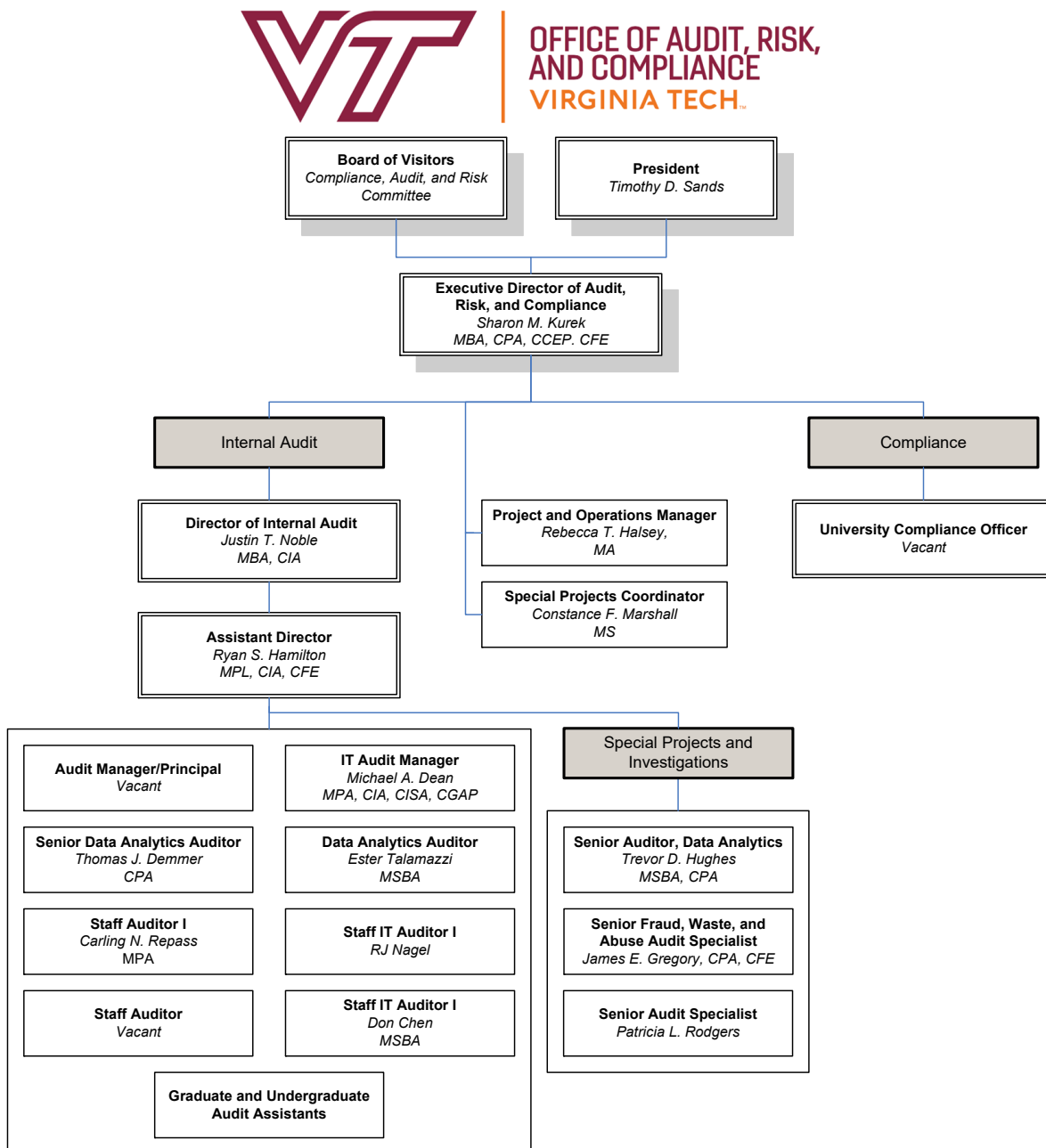
In order to scale the compliance program to fully support ever-growing complex regulatory frameworks, a University Compliance Officer position was funded after the fiscal year to focus on monitoring compliance efforts university-wide, facilitate discussion among compliance owners, and stay current on emerging trends in higher education compliance. Once personnel is onboarded, OARC will begin developing compliance-related tools, such as a dedicated web-based site with training resources, compliance owner connectivity, and reporting functions.



Staffing and Resources

Staffing continues to be a strategic focus. During the fiscal year, we successfully onboarded two new staff auditors, a new project and operations manager, a graduate assistant, and an undergraduate student wage employee. The office will soon begin recruiting to fill one vacant audit manager/ principal auditor, one staff auditor, and will be onboarding the inaugural university compliance officer this fall.

OARC Organizational Chart



Professional Service

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

- Association of College and University Auditors (ACUA)
 - Sharon M. Kurek served as mentor for a newly promoted Chief Audit Executive colleague at Indiana University, remained part of the ACUA Faculty Program, and was a speaker at ACUA AuditCon.
 - Justin T. Noble served on the Nominating Committee, and was a speaker at ACUA Audit Interactive and AuditCon.
 - Trevor D. Hughes was a speaker at AuditCon.
- Institute for Internal Auditors Southwest Virginia Chapter
 - Sharon M. Kurek, Thomas J. Demmer, and Mauro Castro Silva served on the Audit Committee.
 - Justin T. Noble was elected to the chapter Board of Governors.
- Sharon M. Kurek was invited to speak at venues related to ERM and institutional compliance. Specifically, Sharon was a panelist at Audit + Beyond, AuditBoard's annual conference, on "Building a Successful ERM Program" and was a general session speaker for the Society of Corporate Compliance Ethics' Higher Education Compliance Conference on "Compliance in the Era of Distributed Workforces."

Professional Qualifications

OARC is proud of its staff and the depth of experience in the team. OARC staff has more than 180 years of combined professional experience, including 172 years of combined experience in audit, risk, and compliance profession. Additionally, staff has over 55 years of service to Virginia Tech. The staff maintains an extensive background with expertise in such areas as:

- Information Technology
- Fraud and Forensics
- Athletics
- Healthcare
- Data Analytics
- Internal Controls
- Research
- Enterprise Risk Management
- Ethics
- Quality Assessment Reviews
- General financial, compliance, and operational auditing
- Effective compliance and ethics programs

172

years of
professional
audit, risk, and
compliance
experience

Certification and Advanced Degrees

Professional Certifications			
4	Certified Public Accountants (CPA)	1	Certified Compliance and Ethics Professional (CCEP)
3	Certified Fraud Examiners (CFE)	1	Certified Government Auditing Professional (CGAP)
3	Certified Internal Auditor (CIA)	1	Project Management Professional (PMP)
1	Certified Information Systems Auditor (CISA)		
Advanced Degrees			
2	Master of Business Administration (MBA)	2	Master of Public Administration (MPA)
1	Master of Architecture (March)	5	Master of Science or Arts (Business Analytics, International Affairs, Political Science)
1	Master of Policy Leadership (MPL)		

Resourcing

The table below compares OARC’s expenditures from fiscal year 2021-22 to fiscal year 2020-21. While over 86 percent of OARC expenditures supported salaries and benefits, these costs decreased due to vacancies among staff members, which were intentionally held open due to the pandemic-related hiring freeze. As pandemic-related travel restrictions lifted, training expenses resumed to their pre-COVID level. Due to the QAR of the internal audit, enterprise risk management, and institutional compliance programs, OARC incurred the external firm engagement expense this fiscal year. Costs increased for software necessary to carry out OARC responsibilities in an effective and efficient manner, with the shift to the new AuditBoard system which provides an integrated software solution for audit, risk and compliance, in addition to data analysis tools and the Hokie Hotline. Overall, the fiscal year 2021-22 expenditures have returned to within 1 percent of pre-pandemic fiscal year 2019-20 spending.

Analysis of Expenditures

	FY 2020-21	FY 2021-22
Salaries and Benefits	\$ 1,730,542	\$ 1,703,247
Equipment	2,997	6,934
External Audit Firm Engagement		54,163
Operating Expenses	35,461	32,532
Training	14,695	34,322
Personnel Expenses & Recruitment		23,356
Audit Software	31,167	106,451
Total	\$ 1,814,862	\$ 1,961,005

Appendix A: FY 2021-22 Audit Plan Status

The chart below outlines the status of the fiscal year 2021-22 audit plan, as amended.

FY 2021-22 Audit Plan Status

Audit Project	Risk Ranking	BOV Mtg
Risk-Based Audit		
Agricultural Research and Extension Centers	Medium	Aug 2022
Athletics*	High	Jun 2022
Biological Sciences	High	Aug 2022
Continuing and Professional Education	Medium	Apr 2022
Data Analytics: Administrative Operations	Medium	<i>Deferred</i>
Data Analytics: Possible Fraudulent Transactions	Medium	<i>Deferred</i>
Dining Services	High	Jun 2022
Export and Secure Research Compliance	High	Aug 2022
Fralin Biomedical Research Institute at VTC	High	Apr 2022
HR: Compensation and Classification*	High	Apr 2022
IT: Data Privacy	High	Nov 2021
IT: Network Security	High	Jun 2022
IT: Risk Assessment and Classification	High	<i>Canceled</i>
Mechanical Engineering	High	Apr 2022
Police Department	High	<i>Carry-Forward</i>
Foreign Gifts and Contracts Reporting*	High	Jun 2022
School of Architecture + Design	High	Jun 2022
Service Centers	High	Jun 2022
Title IX Compliance	High	Apr 2022
University Scholarships and Financial Aid*	High	<i>Carry-Forward</i>
Vendor Contract Administration	High	Jun 2022
Policy Compliance Reviews		
Senior Vice President & Chief Business Officer		Apr 2022
University Libraries		Nov 2021
Vice President for Campus Planning, Infrastructure, and Facilities		Jun 2022
Vice President for Finance		Apr 2022
Vice President for Outreach and International Affairs		Jun 2022
<i>* Annual Audit on Different Components</i>		

Additionally, OARC responded to management's request for advisory service and consultative guidance in the following area:

- Endpoint Management – Endpoint management is a process that involves managing endpoints connecting to the university's networked resources to ensure that the endpoint and any university data it can access are appropriately secured. The objectives of this review were to determine whether capacity exists to implement additional endpoint management controls, including endpoint data loss prevention and endpoint, detect, and respond solutions; determine the level of maturity that exists in endpoint management processes; and identify areas of university policy and standards that need to be addressed to enable implementation of additional endpoint management controls.
- Data Analytics: Research Compliance – This review focused on assessing the analytical resources used to ensure contractual and regulatory compliance and improve OARC's capacity to use and understanding university-wide data for research compliance testing. OARC used data to conduct cross-cutting analysis that looked at critical risk concentrations and common sponsored research audit issues identified in recent National Science Foundation publications. This work laid the groundwork for future deeper dives into university-wide research compliance testing.

Appendix B: IIA Standards Disclosures



Per Charter:

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

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



OFFICE OF AUDIT, RISK,
AND COMPLIANCE
VIRGINIA TECH.

ANNUAL REPORT

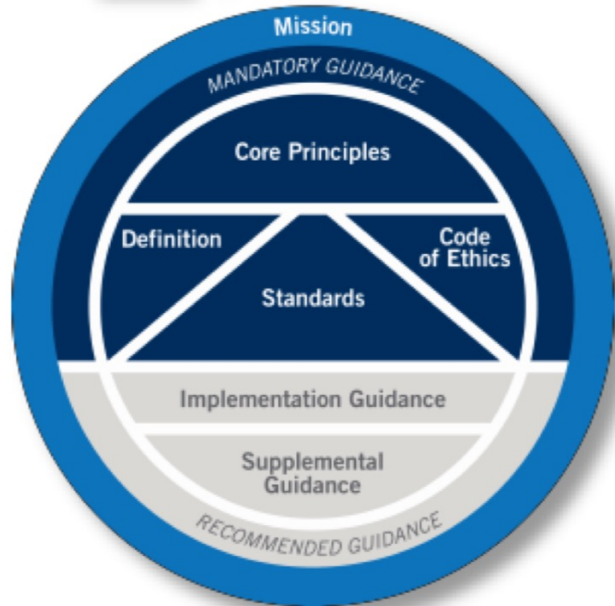
Sharon M. Kurek, CPA, CCEP, CFE, MBA
Executive Director of Audit, Risk, and Compliance

August 23, 2022





International Professional
Practices Framework



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

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

"OARC is comprehensive, objective, rigorous, and supportive."

"OARC is exactly what an audit function should be. They are truly there to help."

"The Executive Director has been an advocate- she advises us and is incredibly helpful."

- External Quality Assessment Review (QAR)
- Strategic and comprehensive institutional process to evaluate OARC and its charge



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:

- **Audit:** Provide **independent, objective** assurance and advisory activity designed to **add value** and **improve university operations**
- **Enterprise Risk Management:** Provide **oversight** of the enterprise risk management program by **identifying, assessing, and managing risk** by working with risk owners within the ERM process
- **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

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

No deficiencies representing significant control weaknesses were identified; however, a number of other areas requiring improvement were noted.

Overall, management:

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

Internal Audit:

- 86% of audit plan completed
- 32 completed engagements
- 15 fraud, waste, or abuse cases initiated
- 4.4 out of 5 (88%) on client satisfaction surveys
- 70 management action plans closed

88%

client
satisfaction

ERM

“top ten”
updated

Inaugural
university
compliance
officer
recruited

Enterprise Risk Management

- Updated university's enterprise risk landscape and heat map
- Refreshed the "top ten" focus areas
- Engaged all Board of Visitor committees on ERM topics

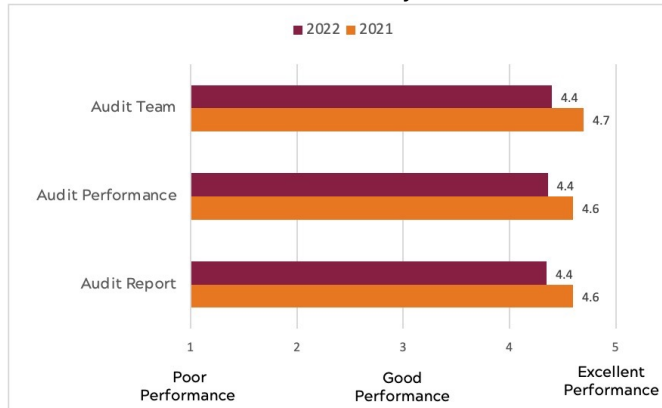
Institutional Compliance Program:

- Recruited the inaugural university compliance officer
- Continued engagement with the campus-wide compliance risk owners
- Ongoing management of the anonymous compliance concern reporting hotline

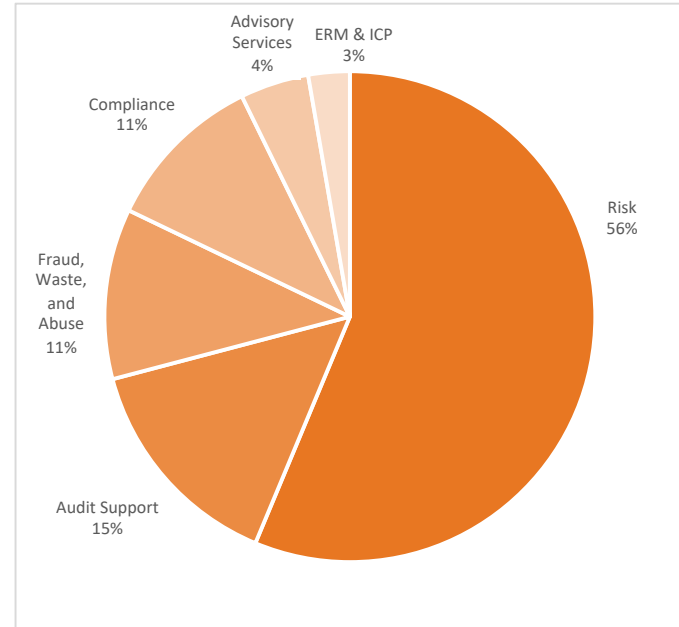
Audit Plan Status

Audits	
Total # of Audits Planned	31
Total # of Supplemental Audits	2
Total # of Carry Forwards	9
Total # of Planned Audits Deferred and/or Canceled	5
Total Audits in Plan as Amended	37
Total Audits Completed	
Audits – Percentage Complete	86%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Client Satisfaction Survey Results



Distribution of Direct Audit Hours

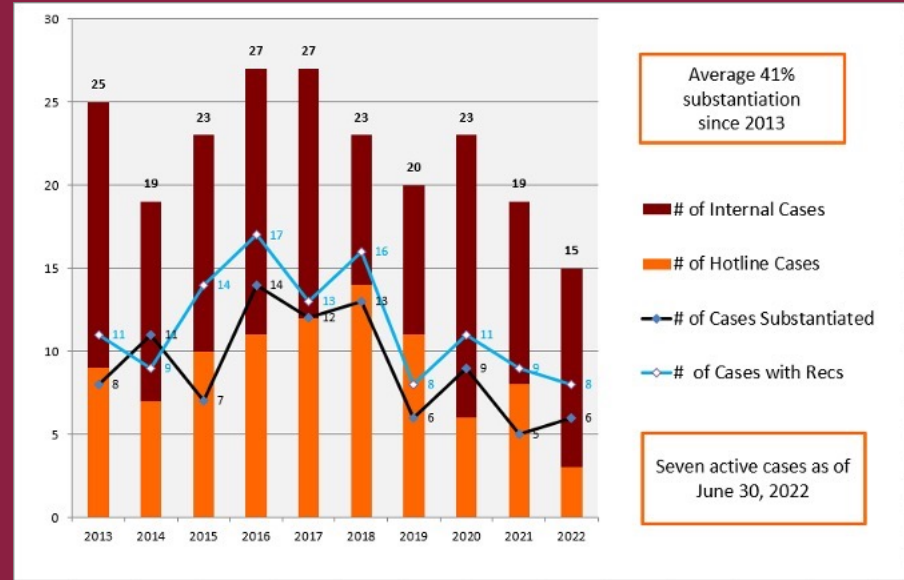


Management Corrective Action Summary

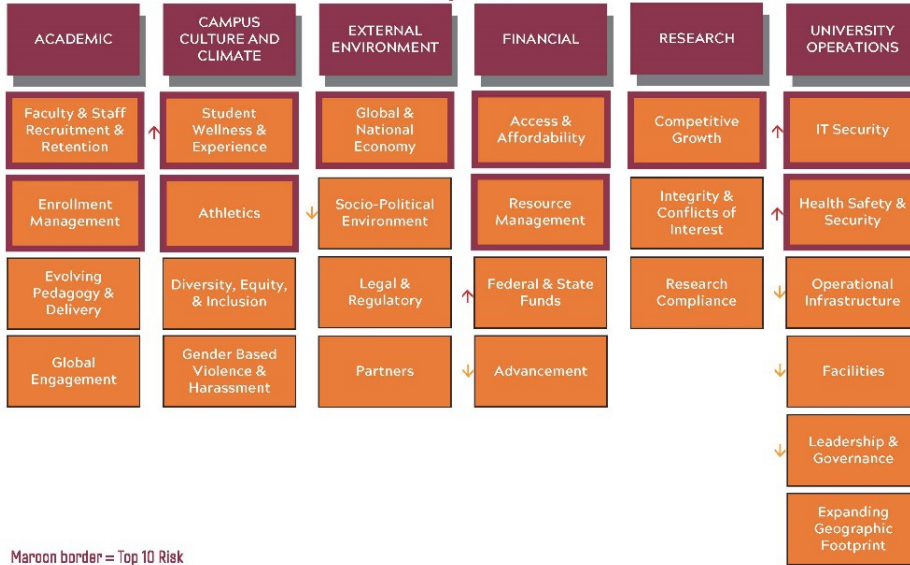
Beginning # of management corrective actions	48
Management corrective actions added	77
Management corrective actions closed	70
Current # of open management corrective actions	55



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



May 2022



Maroon border = Top 10 Risk

REPUTATIONAL / COMPLIANCE

Engaged all Board of Visitor committees on ERM topics



Updated risk landscape including evaluation of the 'top ten risks'

Highlights include:

- Recruiting the inaugural university compliance officer.
- Continued engagement with the campus-wide compliance risk owners
- Managing an anonymous reporting hotline for compliance-related concerns.

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

- President Tim Sands

8 ELEMENTS OF AN EFFECTIVE COMPLIANCE PROGRAM

High-level personnel exercising oversight

Written policies and procedures

Training and Education

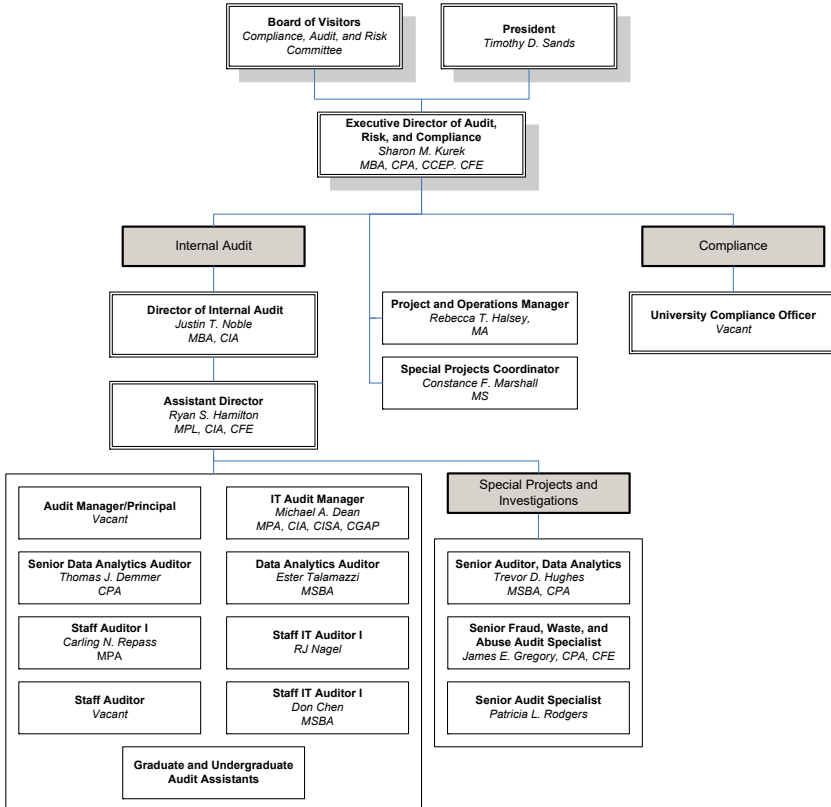
Lines of Communication

Well publicized disciplinary guidelines

Internal compliance monitoring

Response to detected offenses

Perform periodic compliance risk assessments



Certification and Advanced Degrees

Professional Certifications			
4	Certified Public Accountants (CPA)	1	Certified Compliance and Ethics Professional (CCEP)
3	Certified Fraud Examiners (CFE)	1	Certified Government Auditing Professional (CGAP)
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2	Master of Business Administration (MBA)	2	Master of Public Administration (MPA)
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172
years of
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experience

>55
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Analysis of Expenditures

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Training	14,695	34,322
Personnel Expenses & Recruitment		23,356
Audit Software	31,167	106,451
Total	\$ 1,814,862	\$ 1,961,005



QUESTIONS?

Review and Approval of Charters
COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 23, 2022

The Office of Audit, Risk, and Compliance (OARC) presents the Compliance, Audit, and Risk Committee Charter and the Charter for the Office of Audit, Risk, and Compliance for review and approval in accordance with professional standards. After conducting a thorough review, OARC recommends 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.

RECOMMENDATION:

That the Compliance, Audit, and Risk Committee Charter and the Charter for the Office of Audit, Risk, and Compliance be approved by the Compliance, Audit, and Risk Committee.

**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, including the CAR Committee, must meet once a year, but traditionally holds four meetings a year. Additional meetings may occur more frequently as circumstances warrant. The Committee Chair should meet with the Associate Vice

President and Chief Risk Officer as necessary and at least 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.
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 or the auditors believe should be discussed privately.
7. Confer privately with the Associate Vice President and Chief Risk Officer 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 Chief Audit Executive regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information.
6. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Audit Executive.
7. Evaluate the Chief Audit Executive's annual performance and make decisions regarding compensation in consultation with the Associate Vice President and Chief Risk Officer.

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		
2. Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed	X				X		
3. Approve and maintain minutes of previous meeting		X		X	X	X	X
4. Authorize audits within the Committee’s scope of responsibilities			X				
5. Report Committee actions to the Board of Visitors with recommendations deemed appropriate		X		X	X	X	X
6. Meet in closed session with the Associate Vice President and Chief Risk Officer, and with internal or 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	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	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	X
5. Advise management that they are expected to provide a timely analysis of significant current reporting issues and practices	X				X		
C. External Auditors							
1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year	X						X
2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks			X		X		
3. Review the coordination of internal and external audit procedures to promote an effective use of resources			X				

A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
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)	X				X		
5. Review results of other significant reviews from regulatory agencies or other external entities			X				
D. Internal Auditors							
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	X
5. Inquire of the Chief Audit Executive 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	
6. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Audit Executive			X				
7. Evaluate the Chief Audit Executive's annual performance and make decisions regarding compensation in consultation with the Associate Vice President and Chief Risk Officer	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	X
3. Monitor the university's conflict of interest policies and related procedures		X		X	X	X	X

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. Additional meetings may occur more frequently

1 *Presentation Date:* ~~November 17~~ August 23,

~~2019~~ 2022

as circumstances warrant. The Committee Chair should meet with the Associate Vice President and Chief Risk Officer as necessary and at least ~~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.
3. Maintain minutes of meetings.
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 ~~and/or the Executive Director of Audit, Risk, and Compliance~~ to discuss matters that the Committee or the auditors believe should be discussed privately.
7. Confer privately with ~~the Executive Director of Audit, Risk, and Compliance~~ Associate Vice President and Chief Risk Officer ~~shall have a regularly scheduled opportunity to meet privately with the Committee~~ at each of its ~~four annual~~ 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.

2Presentation Date: ~~November 17~~ August 23,

~~2019~~ 2022

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 Chief Audit Executive regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information.
6. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Audit Executive.
7. Evaluate the Chief Audit [Executive](#)'s annual performance and make decisions regarding compensation in consultation with the Associate Vice President and Chief Risk Officer.

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		
<u>2. Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed</u>	<u>X</u>				<u>X</u>		
2.3. Approve and maintain minutes of previous meeting		X		X	X	X	X
3.4. Authorize audits within the Committee’s scope of responsibilities			X				
4.5. Report Committee actions to the Board of Visitors with recommendations deemed appropriate		X		<u>X</u>	X	X	X
5.6. Meet in closed session with <u>the Associate Vice President and Executive Director of Audit, Risk, and Compliance</u> <u>Chief Risk Officer</u> , and with <u>internal or external auditors</u> , 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		<u>X</u>	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		<u>X</u>	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		<u>X</u>	X	X	X
5. Advise management that they are expected to provide a timely analysis of significant current reporting issues and practices	X				X		
C. External Auditors							
1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year	X						X
2. Discuss with the external auditors their processes for identifying and responding to key audit and internal control risks			X		X		

4Presentation Date: ~~November 17~~ August 23,

A=Annually; S=Scheduled BOV Meeting; AN=As Necessary	Frequency			Planned Timing			
	A	S	AN	Aug	Nov	Mar	Jun
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							
1. Review and approve the charter for the Office of Audit, Risk, and Compliance, if changes are needed	X				X		
10.1. Approve the annual audit plan	X						X
11.2. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships	X			X	X		
12.3. Review the results of the QAIP, including internal and external assessments			X				
13.4. Review completed audit reports and progress reports on executing the approved annual audit plan		X		X	X	X	X
14.5. Inquire of the Executive Director of Audit, Risk, and Compliance Chief Audit Executive 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	X
15.6. Review and concur in the appointment, replacement, reassignment, or dismissal of the Chief Audit Executive Executive Director of Audit, Risk, and Compliance			X				
16.7. Evaluate the Chief Audit Executive Executive Director of Audit, Risk, and Compliance's annual performance and make decisions regarding compensation in consultation with the Associate Vice President and Chief Risk Officer	X					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	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:
8/23/2022

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.



- Compliance with policies, procedures, standards, laws, regulations, contracts, or other requirements.
- Significant legislative or regulatory issues impacting the organization 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 Associate Vice President and Chief Risk Officer (Chief Risk Officer) 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.

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 Chief Risk Officer reports to the President and the CAR Committee.
- The Chief Audit Executive reports functionally to the CAR Committee and administratively to the Chief Risk Officer.
- The University Compliance Officer reports to the Chief Risk Officer 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 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.

Risk Management:

Risk Management, under the direction of the Chief Risk Officer, 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 Chief Audit Executive, 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 Chief Audit Executive 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 acquires something of value. Fraud is an intentional deception perpetrated to secure an unfair advantage or personal benefit.

Governance

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

Independence

The freedom from conditions that threaten the ability of 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.

Significance

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

Waste

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

5.0 References

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

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

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

6.0 Approval and Revisions

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



Virginia Polytechnic Institute and State University

Approved November 3, 1995, by the Director of Internal Audit, David C. Goodyear.
Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.

- Revision 3
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.
Approved March 29, 2004 by the Executive Vice President and Chief Operating Officer, Minnis E. Ridenour.
Approved March 29, 2004 by the Finance and Audit Committee of the Board of Visitors.
- Revision 4
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors, in conjunction with the Internal Audit Department's quality assurance review.
Approved March 14, 2005 by the Executive Vice President and Chief Operating Officer, James A. Hyatt.
Approved March 14, 2005 by the Finance and Audit Committee of the Board of Visitors.
- Revision 5 April 1, 2008:
Updates to position titles and/or responsibilities due to university reorganization.
- Revision 6
 - Policy title changed from "Internal Audit Department" to "Internal Audit Charter."
 - Section 2.2 revised to reflect change in Director of Internal Audit reporting relationship.
 - Sections 2.5 and 2.7 revised to clarify the role of Internal Audit and the standards under which it conducts its activities.
 - Section 2.9 revised to clarify the process for senior management areas submitting corrective action plans.Approved November 7, 2011 by the university President, Charles W. Steger.
Approved November 7, 2011 by the Finance and Audit Committee of the Board of Visitors.
- Revision 7
 - Full technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies. The charter was also revised to incorporate the concept of objectivity, and to include applicable procedures and definitions.
 - Policy title changed from "Internal Audit Charter" to "Charter for the University's Internal Audit Function."Approved November 9, 2015 by the Finance and Audit Committee of the Board of Visitors and President, Timothy D. Sands.
- 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.



Virginia Polytechnic Institute and State University

- **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 August 23, 2022 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.



Insertions = Blue Text
Deletions = Red Text
Moved = Green Text

Charter for the Office of Audit, Risk, and Compliance

No. 3350

Policy Effective Date:
2/9/1989

Last Revision Date:
~~11/8/15~~ ~~2/3/2020~~ 2022

Policy Owner:
President Sands

Policy Author:
(Contact Person)
Sharon Kurek

- 1.0 Purpose
- 2.0 Policy
- 3.0 Procedures
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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 sSignificant 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 issues impacting the organization 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 Associate Vice President and Chief Risk Officer (Chief Risk Officer) 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.

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 Chief Risk Officer reports to the President and the CAR Committee.
- The Chief Audit Executive reports functionally to the CAR Committee and administratively to the Chief Risk Officer.
- The University Compliance Officer reports to the Chief Risk Officer 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.~~



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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 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 e~~ 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 responsibility~~ ies 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.
- 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.

Risk Management:

Risk Management, under the direction of the Chief Risk Officer, 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 Chief Audit Executive, 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 Rrecommending 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.
- 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.

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~~• 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~~ [Chief Audit Executive](#) 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

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

Control

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



Control Environment

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

Control Processes

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

~~Executive Director of Audit, Risk, and Compliance~~

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

Engagement

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

Enterprise Risk Management

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

Fraud

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

Governance

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

Independence

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

International Professional Practices Framework

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



Objectivity

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

Risk

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

Risk Management

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

Scope

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

Significance

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

Waste

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

5.0 References

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

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

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

6.0 Approval and Revisions

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



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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.

Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.

- Revision 3

Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.

Approved March 29, 2004 by the Executive Vice President and Chief Operating Officer, Minnis E. Ridenour.

Approved March 29, 2004 by the Finance and Audit Committee of the Board of Visitors.

- Revision 4

Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors, in conjunction with the Internal Audit Department's quality assurance review.

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

Approved March 14, 2005 by the Finance and Audit Committee of the Board of Visitors.

- Revision 5 April 1, 2008:

Updates to position titles and/or responsibilities due to university reorganization.

- Revision 6

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

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

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

- Revision 7

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

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

- Revision 8



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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 August 23, 2022 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.