

Committee Minutes

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

November 15, 2020

Closed Session

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

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

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

Compliance, Audit, and Risk Closed Session

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

Open Session

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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