

Committee Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 6, 2022

The Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University met in Closed Session on Monday, June 6, 2022 at 9:30 a.m. on the Blacksburg campus at New Classroom Building in Room 260.

Committee Members Present

Sharon Brickhouse Martin (Chair)
Anna James
Jeff Veatch

Board Members Present

Letitia Long (Rector)
Edward Baine
Shelley Barlow
Carrie Chenery
Charles C. T. Hill
Melissa Nelson
Chris Petersen
Mehul Sanghani
Horatio Valeiras
Preston White

The following Virginia Tech staff members were present: Cyril Clarke, Ryan Hamilton, Kay Heidbreder, Chris Kiwus, Sharon Kurek, Ken Miller, Justin Noble, Kim O'Rourke, Timothy Sands, Lisa Wilkes

Closed Session

Chair Martin convened the meeting and welcomed everyone to the Compliance, Audit, and Risk Committee meeting.

Motion to Begin Closed Session

Ms. James moved that the Compliance, Audit, and Risk Committee of the Board of Visitors convene in Closed Session, pursuant to §2.2-3711, Code of Virginia, as amended, to consider the following:

- 1) Reviews of departments where specific individuals' performance will be discussed
- 2) Discussion of an audit that reveals threats to cybersecurity all pursuant to the following subpart of §2.2-3711(A)(1) and (19), Code of Virginia, as amended.

The meeting concluded at 11:30 a.m.

The Compliance, Audit, and Risk Committee of the Board of Visitors of Virginia Polytechnic Institute and State University reconvened in Open Session on Monday, June 6, 2022, at 11:35 a.m. on the Blacksburg campus at New Classroom Building in Room 260.

Committee Members Present

Sharon Brickhouse Martin (Chair)
Anna James
Jeff Veatch

Board Members Present

Letitia Long (Rector)
Edward Baine
Shelley Barlow
Carrie Chenery
Charles C. T. Hill
Melissa Nelson
Chris Petersen
Mehul Sanghani
Horatio Valeiras
Preston White

Representatives to the Board

Anna Buhle
Holli Drewry
Paolo Fremin
Phil Miskovic
Jamal Ross
Serena Young

Guests

Kevin Savoy (APA)
Jonathan South (APA)

Virginia Tech Staff

Lynsay Belshe
Eric Brooks
Brock Burroughs
Mauro Castro Silva

Virginia Tech Staff cont.

Cyril Clarke
Al Cooper
Corey Earles
Kari Evans
Ron Fricker
Rebekah Gunn
Lindsey Haugh
Kay Heidbreder
Randy Heflin
Cristen Jandreau
Francis Keene
Chris Kiwus
Sharon Kurek
Lisa Lee
Connie Marshall
Scott Midkiff
Ken Miller
Laurel Miner
Justin Noble
Kim O'Rourke
Mark Owczarski
Ben Peets
James Perkins
Paul Richter
Trudy Riley
Timothy Sands
Barbara Starling
Dan Sui
Ester Talamazzi
Jon Clark Teglas
John Talerico
R.S. Viers
Tracy Vosburgh
Lisa Wilkes

Open Session

1. **Motion to Reconvene in Open Session:** Following the Closed Session, the doors were opened and Chair Martin called on Mr. Veatch to make the motion to return to Open Session. Mr. Veatch made the following motion to return to open session:

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

WHEREAS, Section 2.2-3712 of the Code of Virginia requires a certification by the Compliance, Audit, and Risk Committee of the Board of Visitors that such closed meeting was conducted in conformity with Virginia law;

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

The motion was seconded by Ms. James and passed unanimously.

2. **Welcome and Introductory Remarks:** Chair Martin convened the meeting and welcomed everyone to the Compliance, Audit, and Risk Committee meeting.
3. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
 - a. **Minutes from the April 4, 2022 Meeting:** The Committee reviewed and approved the minutes of the April 4, 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 75% 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 April 4, 2022 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. Athletics: The audit received a rating of effective. The review indicated that management has designed and implemented controls that are effective at reducing Athletics' exposure to the Name, Image, and Likeness compliance risks it is facing.
 - ii. Dining Services: The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvements were noted in the areas of monitoring employee training, management of vehicle usage forms, and Family Educational Rights and Privacy Act (FERPA) communications.
 - iii. School of Architecture + Design: The audit received a rating of improvements are recommended. Observations were noted to improve administration of lab safety training data and reporting of external activities and potential conflicts of interest.
 - iv. Service Centers: The audit received a rating of effective. A low-priority recommendation of a less significant nature was noted regarding alignment of university policies with current practices.
 - v. Vendor Contract Administration: The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvements were noted regarding contract management and monitoring.
 - vi. Vice President for Campus Planning, Infrastructure, and Facilities Policy Compliance Review: The audit received a rating of improvements are recommended. An audit recommendation was issued to management where opportunities for further improvement were noted in the area of fiscal responsibility.
- d. Report on Audit of Student Financial Assistance Programs Cluster:** The audit report issued on February 4, 2022 found that the institutions managing the federal

Student Financial Assistance Programs Cluster properly stated, in all material respects, the amounts recorded and reported in each institution's accounting and financial reporting system and applicable federal student financial assistance systems. In addition, the report included an internal control and compliance finding for the university which is that it needs to improve compliance over enrollment reporting.

4. **Annual External Audit Scope Discussion with the Auditor of Public Accounts:** The Committee met with the APA for a discussion of the scope of the audit of the 2021-22 financial statements and the APA's plans for conducting and completing the audit.
5. **Report on Audits of University-Related Corporations:** The Committee received an update on required audits of university-related corporations including Virginia Tech Applied Research Corporation; Virginia Tech Foundation, Inc.; Virginia Tech Intellectual Properties, Inc.; Virginia Tech Services, Inc.; Virginia Tech Innovations Corporation; and Virginia Tech India Research and Education Forum. Consistent with the Board of Visitors' resolution establishing university-related corporations, each corporation is annually required to provide audited annual financial statements, management letters from external auditors, and management's responses to the university's president. For fiscal year 2021, the Virginia Tech Innovations Corporation has been unable to complete its audit due to complications in closing out a foreign research grant.
6. **Research Risk and Compliance Discussion:** The Committee received an update on certain research risks and compliance topics. Management led a discussion on the following research enterprise risks: faculty and staff recruitment and retention; facilities and infrastructure; conflicts of interest; research compliance; and global engagement. Due to time constraints, the Committee suggested that further discussion of research risks and compliance be scheduled for a future Committee meeting.
7. **Report on Open Internal Audit Comments:** The Committee received an update on the status of open internal audit comments. As of December 31, 2021, the university had 22 open recommendations. Four audit comments were issued during the third quarter of the fiscal year. As of March 31, 2022, the university had addressed 11 comments, leaving 15 open recommendations in progress.
8. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the April 4, 2022 board 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. **Research: Foreign Gifts and Contracts Reporting:** The audit received a rating of significant improvements are needed. Audit recommendations were issued to management where opportunities for improvements were noted related to Section 117 governance and reporting. Due to time constraints, the Committee agreed to have further discussion of this topic at a future Committee meeting.
 - b. **Vice President for Outreach and International Affairs Policy Compliance Review:** The audit received a rating of significant improvements are needed. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of fiscal responsibility, wage payroll, leave reporting, P14 appointments, fixed asset management, and state vehicle management.
9. **Audit Plan for Fiscal Year 2022-23:** OARC presented the Audit Plan for Fiscal Year 2022-23 for review and approval. An annual risk assessment was conducted to identify the entities that should receive audit attention in fiscal year 2022-23 and a core audit plan was developed in coordination with the university's ERM initiative. For fiscal year 2022-23, 31 audit projects and seven management advisory services are proposed, with approximately 75 percent of OARC's available resources committed to the completion of planned projects. A description of each project is provided within the audit plan. OARC's goal will be to complete 85 percent of the audit plan. The internal audit plan may be modified based on the external audit environment or changes in regulations, management, or resources. The Committee approved the Audit Plan for Fiscal Year 2022-23.
10. **Discussion of Future Topics:** The Committee discussed topics to be covered in future Committee meetings.

The meeting concluded at 12:30 pm.

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 6, 2022

9:30 am

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion for Closed Session	Anna James
2. Internal Audit Reports a. IT: Network Security	Justin Noble
3. Update on Fraud, Waste, and Abuse Cases	Sharon Kurek Ryan Hamilton
4. Annual Performance Review of the Executive Director of Audit, Risk, and Compliance	Sharon Brickhouse Martin
5. Audit, Risk, and Compliance Operating Model Assessment and Discussion of Future State and Personnel Actions	Tim Sands Lisa Wilkes
6. Discussion with the Executive Director of Audit, Risk, and Compliance	Sharon Kurek

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 6, 2022

10:45 am

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion to Reconvene in Open Session	Greta Harris
2. Welcome and Introductory Remarks	Sharon Brickhouse Martin
3. Consent Agenda	Sharon Brickhouse Martin
a. Minutes from the April 4, 2022 Meeting	
b. Audit Plan Status Report	
c. Internal Audit Reports	
i. Athletics	
ii. Dining Services	
iii. School of Architecture + Design	
iv. Service Centers	
v. Vendor Contract Administration	
vi. Vice President for Campus Planning, Infrastructure, and Facilities Policy Compliance Review	
d. Report on Audit of Student Financial Assistance Programs Cluster	
4. Annual External Audit Scope Discussion with the Auditor of Public Accounts	Kevin Savoy Jonathan South
5. Report on Audits of University-Related Corporations	Ken Miller
◆ 6. Research Risk and Compliance Discussion	Dan Sui
7. Report on Open Internal Audit Comments	Justin Noble
8. Internal Audit Reports	Justin Noble
a. Research: Foreign Gifts and Contracts	
b. Vice President for Outreach and International Affairs Policy Compliance Review	

9. Audit Plan for Fiscal Year 2022-23

Sharon Kurek
Justin Noble

10. Discussion of Future Topics

Sharon Brickhouse Martin

◆ **Discusses Enterprise Risk Management topic(s).**

Consent Agenda
COMPLIANCE, AUDIT, AND RISK COMMITTEE
June 6, 2022

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

- a. Minutes from the April 4, 2022 Meeting
- b. Audit Plan Status Report
- c. Internal Audit Reports
 - i. Athletics
 - ii. Dining Services
 - iii. School of Architecture + Design
 - iv. Service Centers
 - v. Vendor Contract Administration
 - vi. Vice President for Campus Planning, Infrastructure, and Facilities Policy Compliance Review
- d. Report on Audit of Student Financial Assistance Programs Cluster

Audit Plan Status Report
COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 6, 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 April board meeting nine planned projects have been completed, including seven risk-based audits and two policy compliance reviews.

The following eight projects are underway: Agricultural Research and Extension Centers, Biological Sciences, Data Analytics: Research Compliance, Data Analytics: Administrative Operations, Export and Secure Research Compliance, IT: Endpoint Management, Police, and University Scholarships and Financial Aid. Additionally, an advisory service project regarding Graduate Assistant Workload has been added to the plan and is underway.

Further, two planned audits have been canceled or deferred since the April board meeting. Based on the current transition in executive leadership, the planned advisory review of the Schiffert and Cook Counseling funding model has been canceled. Additionally, based on staff turnover, the planned data analytic focused engagement on fraudulent transactions has been deferred to next year.

In fiscal year 2021-22, OARC has completed 75 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	1
Total # of Carry Forwards	9
Total # of Planned Audits Canceled or Deferred	5
Total Audits in Plan as Amended	36
Total Audits Completed	27
Audits - Percentage Complete	75%
Audits - Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 6, 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
Athletics	Effective
Dining Services	Improvements are Recommended
School of Architecture + Design	Improvements are Recommended
Service Centers	Effective
Vendor Contract Administration	Improvements are Recommended
Vice President for Campus Planning, Infrastructure, and Facilities Policy Compliance Review	Improvements are Recommended
Reports for Discussion	Rating
Research: Foreign Gifts and Contracts	Significant Improvements are Needed
Vice President for Outreach and International Affairs Policy Compliance Review	Significant Improvements are Needed

Summary of Audit Ratings

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

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

Definitions of each assessment option

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

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

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

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

RECOMMENDATION:

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

June 6, 2022

Report on Student Financial Assistance Programs Cluster

COMPLIANCE, AUDIT, AND RISK COMMITTEE

April 25, 2022

Virginia Tech is subject to reviews by a variety of Commonwealth agencies, including the Auditor of Public Accounts (APA), the Office of the State Inspector General (OSIG), and others. In addition to the annual audits of the university's financial statements and its Intercollegiate Athletics program conducted by the APA, Virginia Tech was selected for inclusion in the APA's audit of the Student Financial Assistance Programs Cluster for the fiscal year ended June 30, 2021.

The audit report issued on February 4, 2022 found that the institutions managing the federal Student Financial Assistance Programs Cluster properly stated, in all material respects, the amounts recorded and reported in each institution's accounting and financial reporting system and applicable federal student financial assistance systems. A copy of the full report is included in *Appendix A*.

In addition, the report included an internal control and compliance finding for the university as excerpted below:

Improve Compliance over Enrollment Reporting

Applicable to: James Madison University, Norfolk State University (repeat – first issued in 2018), Northern Virginia Community College (repeat – first issued 2018)), Old Dominion University, Radford (repeat – first issued 2018), **Virginia Polytechnic Institute and State University (repeat – first issued 2018)**, Virginia State University (repeat – first issued 2018)

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Select institutions as noted above

The institutions noted below did not properly report accurate and or timely enrollment data to the U.S. Department of Education (ED) using the National Student Loan Data System (NSLDS) in accordance with 34 CFR 685.309, Dear Colleague Letter GEN 12-06 and the NSLDS Enrollment Guide, for students that had withdrawn, graduated, or changed enrollment levels.

Virginia Polytechnic Institute and State University (VT) Registrar's Office personnel did not report accurate program level enrollment data to NSLDS for students that had an enrollment level change. The underlying cause of the errors is a combination of programming language errors resulting in the transmission of incorrect data fields. From a review of 40 students, we identified the following deficiencies: The effective date was inaccurate for ten students (25%).

Not properly and accurately reporting a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data reported by each institution is vital to ensuring that federal Direct Loan records and other federal student records remain updated.

Each institution should evaluate its current enrollment reporting procedures. Institutional management should implement corrective measures to prevent future noncompliance. Where applicable, management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

University Response

The university's enrollment reporting logic currently creates the program level effective date as the date a student initially enrolls for a given term unless there are changes to status or program, based on the institution's interpretation of the NSLDS Enrollment Reporting Guide. The institution however agrees with the APA that adjusting the Effective Date definition to correspond with best practices will ensure accuracy and consistency with NSLDS. Virginia Tech will coordinate with our third-party servicer (National Student Clearinghouse), adjust the logic in our Enrollment reporting code, and test accuracy against NSLDS data. This change in reporting and testing will be completed by August 1, 2024.

The initial finding issued first in 2018 was focused on a different component of Enrollment Reporting. The university continues to invest resources in reporting and self-audits to ensure the accuracy of data reported to NSLDS. The university also asserts that enrollment data at the *program level* is not likely to interfere with establishing a student's loan status, deferment privileges, and grace periods.



STUDENT FINANCIAL ASSISTANCE PROGRAMS CLUSTER

REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2021

Auditor of Public Accounts
Staci A. Henshaw, CPA

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(804) 225-3350



AUDIT SUMMARY

We audited the major federal program of the Student Financial Assistance Programs Cluster, administered by the following public higher education institutions in the Commonwealth of Virginia:

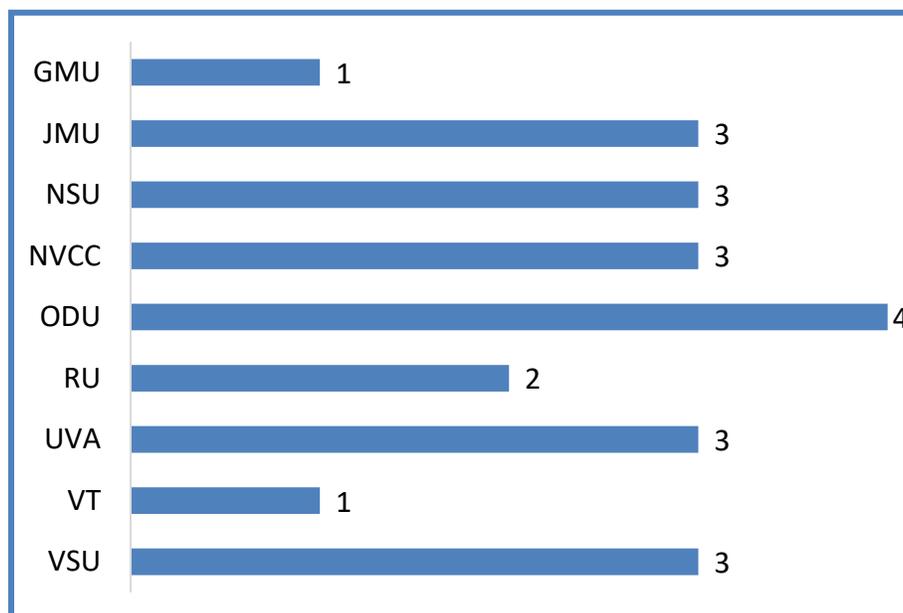
George Mason University (GMU)	Radford University (RU)
James Madison University (JMU)	University of Virginia (UVA)
Norfolk State University (NSU)	Virginia Commonwealth University (VCU)
Northern Virginia Community College (NVCC)	Virginia Polytechnic and State University (VT)
Old Dominion University (ODU)	Virginia State University (VSU)

Our audit for the fiscal year ended June 30, 2021, found:

- Proper recording and reporting of all transactions, in all material respects, in each institutions' accounting and financial reporting system and applicable federal student financial assistance system;
- matters involving internal control and operations necessary to bring to management's attention that also represent instances of noncompliance with applicable laws and regulations or other matters that are required to be reported; and
- adequate corrective action with respect to audit findings related to the federal Student Financial Assistance Programs Cluster reported in the Commonwealth's fiscal year 2020 Single Audit except for those findings that are reflected as "repeat" in this letter.

Our audit identified eight recommendations for the ten higher education institutions included as part of our review. The chart below summarizes the total number of findings for each institution.

Findings by Institution



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INTERNAL CONTROL AND COMPLIANCE FINDINGS AND RECOMMENDATIONS

Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Applicable to: George Mason University, Norfolk State University, University of Virginia

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The institutions noted below are not in compliance with the Gramm-Leach-Bliley Act (GLBA). Federal regulations consider institutions of higher education, because of their engagement in financial assistance programs, to be financial institutions that must comply with Public Law 106-102, known as the GLBA. Related regulations in 16 U.S. Code of Federal Regulations (CFR) 314.4 require organizations to develop, implement, and maintain the information security program to safeguard customer information and complete a risk assessment that includes consideration of risks and mitigating controls in each relevant area of operation. The regulations require a risk assessment that considers risks for the following elements:

- employee training and management;
- information systems, including network and software design, as well as information processing, storage, transmission, and disposal; and
- detecting, preventing, and responding to attacks, intrusions, or other system failures.

George Mason University (GMU) does not implement cybersecurity requirements of the GLBA for some systems containing customer information in accordance with the CFR and University policy. GMU completed a system security plan (SSP) that identifies risks to the security, confidentiality, and integrity of customer information and assesses the safeguards in place to control these risks for two systems, including the financial system that stores student and financial data. However, GMU has not evaluated each of their systems to determine what systems contain customer information. GMU also has not completed a sensitive systems list and completed an SSP for each system on the sensitive systems list. Due to resource constraints and project prioritization, GMU has not yet conducted the risk evaluations and implemented the controls necessary to meet the cybersecurity requirements of the GLBA for each system containing customer information.

Norfolk State University (NSU) does not implement cybersecurity requirements of the GLBA for some of its sensitive systems in accordance with the CFR and its University Information System Security policy. While NSU incorporates the GLBA cybersecurity requirements in its risk assessment process and SSP, NSU has completed the documentation for nine of 19 sensitive systems. NSU has started their plan to conduct risk assessments and to complete an SSP for each of its identified sensitive systems. However, due to resource constraints, NSU has not yet completed the risk assessment process or the development of SSP's for all its sensitive systems.

The University of Virginia (UVA) does not consider certain required elements of the GLBA within risk assessments of systems containing nonpublic customer information. UVA completed a risk assessment for two systems that contain nonpublic customer information. However, the risk assessments do not include all required elements of the GLBA. Additionally, UVA did not assess the risk for all systems that contain nonpublic customer information. UVA was unaware of the requirements of the GLBA and assumed that its system risk assessments would meet the requirements. As a result, UVA did not consider certain risks that may impact its information technology (IT) environment and safeguards that are either in place or that it needs to implement to mitigate those risks, respectively.

Without implementing cybersecurity requirements of the GLBA for each system containing nonpublic customer information, institutions may not be able to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information, and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

Each institution should evaluate its systems to determine what systems contain customer information, perform a risk assessment as required by GLBA, and document risks that may impact the IT environment. Ensuring compliance with the GLBA will protect the confidentiality, integrity, and availability of student information within each institution's IT environment.

Improve Compliance over Enrollment Reporting

Applicable to: James Madison University, Norfolk State University (repeat – first issued in 2018), Northern Virginia Community College (repeat – first issued 2018)), Old Dominion University, Radford (repeat – first issued 2018), Virginia Polytechnic Institute and State University (repeat – first issued 2018), Virginia State University (repeat – first issued 2018)

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Select institutions as noted above

The institutions noted below did not properly report accurate and or timely enrollment data to the U.S. Department of Education (ED) using the National Student Loan Data System (NSLDS) in accordance with 34 CFR 685.309, Dear Colleague Letter GEN 12-06 and the NSLDS Enrollment Guide, for students that had withdrawn, graduated, or changed enrollment levels.

James Madison University (JMU) Registrar's Office personnel did not report accurate and/or timely enrollment data to NSLDS for students that had withdrawn or had an enrollment level change. The underlying cause of the errors is a combination of factors including programming language errors resulting in the transmission of incorrect data fields and the timing of when JMU submitted the last enrollment report. From a review of 51 students, we identified the following deficiencies:

- The effective date of the applicable enrollment status change was not accurate for six students (12%);

- The enrollment level status was inaccurate for one student (2%); and
- JMU did not report the withdraw status change at the program level in NSLDS for one student (2%).

Norfolk State University (NSU) Registrar's Office personnel did not report accurate and timely enrollment data to NSLDS for students that had graduated, withdrawn, or had another applicable enrollment level change. The underlying cause of the errors is a combination of factors including late batches, NSU reporting students as withdrawn rather than graduated for fall 2020, batch overwrites, and other concerns that NSU will have to research with its third-party servicer. From a review of 50 students, we identified the following deficiencies:

- The enrollment status was inaccurate for 15 students (30%);
- The effective date was inaccurate for 32 students (64%);
- NSU did not report enrollment status changes timely for 49 students (98%); and
- At least one campus or program level field deemed critical was inaccurate for 33 students (66%).

Northern Virginia Community College (NVCC) Registrar's Office personnel did not report accurate and/or timely enrollment data to NSLDS for students that had an enrollment level change, graduated, or withdrew. The underlying cause of the errors is primarily related to staff turnover and prioritizing resources to address the COVID-19 pandemic. From a review of 40 students, we identified the following deficiencies:

- The enrollment status was inaccurate for 11 students (28%);
- The effective date was inaccurate for 12 students (30%);
- NVCC did not report enrollment status changes timely for 17 students (43%); and
- At least one campus or program level field deemed critical was inaccurate for 15 students (38%).

Old Dominion University (ODU) personnel did not report accurate and/or timely enrollment data to NSLDS for students that had withdrawn or had an enrollment level change. The underlying cause of the errors is a combination of factors including date/time stamp programming language errors, a keying error, and a lack students providing identifying data which correspond to a field used to update NSLDS. For enrollment status changes other than graduated or withdrawn statuses, the effective date discrepancies resulted at the program reporting level. From a review of 50 students, we identified the following deficiencies:

- The enrollment status was inaccurate for nine students (18%);
- The effective date was inaccurate for 18 students (36%);
- ODU did not report enrollment status changes timely for 11 students (22%); and
- At least one campus or program level field deemed critical was inaccurate for 18 students (36%).

Radford University (RU) personnel did not report accurate student status change data to the NSLDS. We relied on fieldwork performed by RU's Audit and Advisory Services related to unofficial withdrawals and other status changes, which included graduates for fall 2020. The underlying cause of the errors relates to keying errors, transitioning processes from Jefferson College of Health Sciences to RU, and prioritizing resources to address the COVID-19 pandemic. A review of 40 selected students noted the following deficiencies:

- The effective date was inaccurate for one student withdrawal out of eight (13%);
- The effective date for the program level field was inaccurate for five students (13%);
- The student's enrollment status did not agree between the student information system and NSLDS for two students (5%); and
- RU reported the student's enrollment status accurately in NSLDS but incorrectly in the student information system for one student (3%).

Virginia Polytechnic Institute and State University (VT) Registrar's Office personnel did not report accurate program level enrollment data to NSLDS for students that had an enrollment level change. The underlying cause of the errors is a combination of programming language errors resulting in the transmission of incorrect data fields. From a review of 40 students, we identified the following deficiencies:

- The effective date was inaccurate for ten students (25%).

Virginia State University (VSU) Registrar's Office personnel did not report accurate and/or timely enrollment data to NSLDS for students that had an enrollment level change, graduated, or withdrew. The underlying cause of the errors is related to staff turnover and prioritizing resources to address the COVID-19 pandemic. From a review of 39 students, we identified the following deficiencies:

- The enrollment status was inaccurate for five students (13%);
- The effective date was inaccurate for nine students (23%);

- VSU did not report enrollment status changes timely for 17 students (44%); and
- At least one campus or program level field deemed critical was inaccurate for nine students (23%).

Not properly and accurately reporting a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data reported by each institution is vital to ensuring that federal Direct Loan records and other federal student records remain updated.

Each institution should evaluate its current enrollment reporting procedures. Institutional management should implement corrective measures to prevent future noncompliance. Where applicable, management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Properly Process Return of Title IV Calculations

Applicable to: Norfolk State University

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

NSU's Office of Financial Aid personnel did not consistently perform accurate return of Title IV (R2T4) calculations during aid year 2021. We determined the Office of Financial Aid is calculating returns accurately except when disbursing Federal Supplemental Educational Opportunity Grants (FSEOG). NSU's student information system has a mechanism to identify the matching requirement for FSEOG. Due to NSU inaccurately coding the matching requirement, the calculation used 75 percent of each applicable student's FSEOG disbursement instead of 100 percent. As a result, for four out of 25 (16%) students reviewed, Norfolk State University personnel should have returned a total of \$487 additional unearned funds to ED.

In accordance with 34 CFR 668.22, when a recipient of a Title IV grant or loan assistance withdraws from an institution during a period of enrollment in which the recipient began attendance, the institution must determine the amount of Title IV grant or loan assistance that the student earned as of the student's withdrawal date. An institution must use the full amount of FSEOG if ED supplied the entirety of the FSEOG funds. NSU has a waiver from the FSEOG matching requirement, and as such, ED provides the full amount of FSEOG grants. NSU personnel should configure its system to accurately calculate the return of Title IV funds using 100 percent of a student's FSEOG disbursement.

Promptly Return Unearned Title IV Funds to Department of Education**Applicable to:** Old Dominion University**Type of Finding:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

ODU personnel did not consistently return Title IV funds to ED within the required timeframe. The primary cause for the noncompliance is attributable to staffing challenges during aid year 2021 in both the Financial Aid and Registrar's Offices, as well as transitioning to a remote work environment. For 11 out of 21 students (52%), the date of return of unearned funds is greater than 45 days after the date of determination.

In accordance with 34 CFR 668.21(b), the institution must return those funds for which it is responsible as soon as possible, but no later than 45 days, after the date that the institution becomes aware that a student has withdrawn. By not returning funds timely, the institution is not in compliance with federal requirements and may be subject to potential adverse actions affecting ODU's participation in Title IV programs.

ODU Management should review its current procedures and resources and should implement corrective measures to ensure business continuity and return unearned Title IV funds to ED in a timely manner.

Promptly Return Unclaimed Aid to the Department of Education**Applicable to:** James Madison University, Old Dominion University, Radford University, University of Virginia, Virginia State University**Type of Finding:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

The institutions noted below did not promptly return unclaimed student financial aid funds to the ED within the required timeframe. In accordance with 34 CFR 668.164(l), if an institution attempts to disburse funds by check and the recipient does not cash the check, the institution must return the funds no later than 240 days after the date it issued that check or no later than 45 days after a rejected electronic funds transfer (EFT). Not returning funds timely can result in federal noncompliance and subject the institution to potential adverse actions affecting the institution's participation in Title IV aid programs.

JMU's Business Office personnel did not return unclaimed student financial aid funds to the U.S. Department of Education within the required timeframe. Specifically, in nine of 106 (8%) unclaimed checks returned; the Business Office was up to 12 days late. JMU management were aware of the unclaimed checks, however staff were unable perform follow-up reviews due to the COVID-19 pandemic and staff turnover.

ODU's personnel did not return unclaimed student financial aid funds to ED within the required timeframe. We reviewed the population of students with unclaimed aid outstanding that exceeded the required timeframe for return of funds to ED. For the population of 65 students, \$79,058 of unclaimed aid was not returned within the required timeframe. The underlying cause of the errors is staffing shortages, leading to staff overlooking 65 checks in the due diligence process.

RU personnel did not return unclaimed student financial aid funds to ED within the required timeframe. RU did not return \$2,853 in unclaimed aid timely for aid year 2021. After reviewing the full population of 47 students with aid outstanding, \$374 has not yet been returned to ED. The primary underlying cause for the noncompliance is RU escheated the funds to the Commonwealth of Virginia rather than returning the funds to ED.

UVA's Student Financial Services Office personnel did not return unclaimed student financial aid funds to ED within the required timeframe. We reviewed the population of students with unclaimed aid outstanding exceeding the required timeframe for return of funds to ED. For the population of 22 students, \$55,692 of unclaimed aid was not returned within the required timeframe. UVA management indicated the delays resulted from COVID-19 operational changes including but not limited to adapting to changes with the start dates of the fall and spring terms; adjusting housing and dining charges; prioritizing student relief by suspending collection activity; processing significantly increased volumes of student refunds; tracking and adjusting changes with the comprehensive fee and revised billing due dates; and transitioning of staff responsibilities.

VSU personnel did not return unclaimed student financial aid funds to ED within the required timeframe. We reviewed the population of students with unclaimed aid outstanding exceeding the required timeframe for return of funds to ED. For the population of 85 students, \$102,801 of unclaimed aid was not returned with the required timeframe. Virginia State has a contract with a third-party servicer to process refunds. However, the University is currently transitioning the contract to a new third-party servicer. The primary underlying cause for the noncompliance is VSU has no defined procedure in place to track and return unclaimed Title IV.

Each institution should evaluate current policies and procedures for returning unclaimed Title IV funds timely and implement corrective action to prevent future noncompliance. If an institution is unable to successfully contact the federal aid recipient and the check remains uncashed or the EFT is rejected, the institution should return the unclaimed funds to ED within the required timeframe.

Improve Notification Process for Federal Loan Awards to Students

Applicable to: Northern Virginia Community College

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The NVCC Financial Aid Office did not notify students awarded federal Direct Loans for two of 25 (8%) borrowers that received loans for the weeks of November 11, 2020, and March 2, 2021. The CFR

requires written award notifications to students including important details on the rights, options, and requirements of the student loan.

In accordance with 34 CFR 668.165(a)(2), institutions should properly notify students receiving federal Direct Loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan. Additionally, 34 CFR 668.165 (3) (i – ii) indicates that for Direct Loans, the institution must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution if the institution obtains affirmative confirmation and no later than seven days if the institution does not obtain an affirmative confirmation.

The Financial Aid Office uses an automated system to send the required notifications to borrowers; however, the existing process does not include edit checks to determine proper generation and distribution of notifications to students following the posting of disbursements. Consequently, staff were not aware of outdated query language within the automated system that prevented the creation of notifications for borrowers receiving federal Direct Loans.

Not properly notifying students in accordance with federal regulations may result in adverse actions and impact the institution's participation in Title IV programs. Additionally, improper notification could limit the amount of time a student or parent has to make an informed decision on whether to accept or reject a loan. The Financial Aid Office should revise the query language that triggers the loan notification process to ensure proper notification to all students receiving federal Direct Loans.

Properly Complete Exit Counseling for Federal Direct Loan Borrowers

Applicable to: James Madison University, Old Dominion University, University of Virginia, Virginia State University

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The institutions noted below did not properly complete exit counseling for federal Direct Loan borrowers. In accordance with 34 CFR 685.304(b)(3), if a student borrower withdraws from a school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete the exit counseling as required, be provided either through interactive means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials. By not performing this function, students may not receive the relevant information related to repayment of their student loans.

JMU's Financial Aid and Scholarship Office personnel did not confirm all federal Direct Loan borrowers that dropped to less than half-time enrollment completed online exit counseling. From a

review of 31 students, we identified that JMU did not provide five borrowers (16%) the required exit counseling materials. The Financial Aid and Scholarship Office uses an automated system to send the required exit counseling communications to borrowers; however, the existing process does not include edit checks to determine proper generation and distribution of exit counseling materials to students following withdrawal, graduation, or enrollment at less than half-time. Consequently, staff were not aware of programming language within the automated system that prevented the creation of the exit counseling communications to some borrowers receiving Direct Loans when they dropped to less than half-time, but stayed enrolled for at least one credit hour, during the term.

ODU personnel did not consistently confirm that all federal Direct Loan borrowers who graduated or withdrew received exit counseling materials in accordance with federal requirements. From a review of 25 students, we identified that ODU did not provide three borrowers (12%) the required exit counseling materials to the borrower's last known address or an alternate email address when the student had not completed exit counseling. The underlying cause is that, per policy, ODU personnel only notify borrowers of the exit counseling requirement through their institutional email address.

VSU's Office of Financial Aid personnel did not consistently provide follow-up exit counseling notifications to federal Direct Loan borrowers that dropped to less than half-time enrollment. From a review of 25 students, we identified three borrowers (12%) where VSU initially sent the required exit counseling materials to the institutional email address; however, VSU did not send follow-up notification to each borrower's last known address or alternate email address as required. During fall 2020 and spring 2021, the Office of Financial Aid changed its process for sending exit counseling notification to students that dropped to less than half-time enrollment due to a transition to teleworking. This change prevented the financial aid office from sending exit counseling notifications to an alternate email address as required.

UVA's Student Financial Services office personnel did not confirm all federal Direct Loan borrowers that graduated or withdrew completed online exit counseling. UVA management indicated the delays resulted from COVID-19 operational changes including but not limited to adapting to changes with the start dates of the fall and spring terms; adjusting housing and dining charges; and tracking and adjusting changes with the comprehensive fee and revised billing due dates; as well as a need to refine the process. From a review of 35 students, Student Financial Services did not provide the required exit counseling for nine borrowers (26%).

Each institution should enhance current procedures related to sending exit counseling materials to federal Direct Loan borrowers and ensure it properly notifies all applicable borrowers of exit counseling requirements through a non-institutional email address, by mail at the student's last known address, or by interactive electronic means.

Reconcile Federal Assistance Programs**Applicable to:** Northern Virginia Community College**Type of Finding:** Internal Control and Compliance**Severity:** Significant Deficiency**Repeat:** No

NVCC personnel were unable to provide sufficient documentation showing reconciliations of its accounting records with the federal systems used to authorize and request federal student aid. Specifically, we noted the following deficiencies:

- Student Financial Aid Office personnel could not provide documentation of NVCC's records with the School Account Statement (SAS) received from ED's Common Origination and Disbursement (COD) system. NVCC management indicated this was the result of a misunderstanding of the regulations. Rather than reconciling the ending cash balance on the monthly reports, the Student Financial Aid Office focused on the individual mismatches between its internal records and COD and resolving batch errors during the month.
- Controller's Office personnel could not provide documentation of reconciliations of NVCC's accounting records with ED's grants management system and its bank account. NVCC management indicated this was the result of not prioritizing the monthly reconciliations of its internal records with the grants management system. The Controller's Office reconciles its student accounts to the grants management system when a drawdown occurs, but drawdowns do not occur monthly, and that reconciliation does not include the general ledger.

In accordance with 34 CFR 685.300(b)(5) and 34 CFR 685.102(b), institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, COD provides institutions with a SAS data file which consists of a cash summary, cash detail, and loan detail records to aid in this reconciliation process. Chapter 6 (Reconciliation in the Direct Loan Program) of the Federal Student Financial Aid Handbook details the reconciliation requirements.

By not documenting a monthly reconciliation of federal Direct Loans, NVCC places itself at risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal noncompliance and may lead to potential adverse actions and impact participation by the institution in Title IV programs.

The Student Financial Aid Office and the Controller's Office should perform and retain sufficient documentation of the monthly reconciliations and resolve reconciling items between NVCC's financial systems, ED's grants management system and COD records in a timely manner to ensure compliance with federal regulations.



Staci A. Henshaw, CPA
Auditor of Public Accounts

Commonwealth of Virginia

Auditor of Public Accounts

P.O. Box 1295
Richmond, Virginia 23218

February 4, 2022

The Honorable Glenn Youngkin
Governor of Virginia

The Honorable Kenneth R. Plum
Chairman, Joint Legislative Audit
and Review Commission

We have audited the financial records and operations of the federal **Student Financial Assistance Programs Cluster**, administered by the Commonwealth of Virginia's public higher education institutions for the year ended June 30, 2021. We conducted this audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, in support of the Commonwealth's Single Audit. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Objectives

Our audit's primary objective was to audit the federal Student Financial Assistance Programs Cluster in support of the Commonwealth's Single Audit. In support of this objective, we evaluated the accuracy of the amounts recorded and reported in each institutions' accounting and financial reporting system and applicable federal student financial assistance systems; reviewed the adequacy of each institution's internal controls over the federal program; tested for compliance with applicable laws, regulations, contracts, and grant agreements; and reviewed corrective actions with respect to audit findings and recommendations from prior year reports.

Audit Scope and Methodology

Management at each institution has responsibility for establishing and maintaining internal control and complying with applicable laws, regulations, contracts, and grant agreements. Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws, regulations, contracts, and grant agreements.

We gained an understanding of the overall internal controls, both automated and manual, sufficient to plan the audit. We considered materiality and risk in determining the nature and extent of our audit procedures. Our review encompassed controls over the federal Student Financial Assistance Programs Cluster at the following Commonwealth of Virginia higher education institutions:

George Mason University	Radford University
James Madison University	University of Virginia
Norfolk State University	Virginia Commonwealth University
Northern Virginia Community College	Virginia Polytechnic and State University
Old Dominion University	Virginia State University

We performed audit tests to determine whether the federal Student Financial Assistance Programs Cluster’s controls were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws, regulations, contracts, and grant agreements. Our audit procedures included inquires of appropriate personnel; inspection of documents, records, and contracts; and observation of operations for the student financial assistance programs at each institution. We performed analytical procedures, including trend analyses, and tested details of transactions to achieve our objectives.

A nonstatistical sampling approach was used. Our samples were designed to support conclusions about our audit objectives. An appropriate sampling methodology was used to ensure the samples selected were representative of the population and provided sufficient, appropriate evidence. We identified specific attributes for testing each of the samples and when appropriate, we projected our results to the population.

Our consideration of internal control over compliance was for the limited purpose described in the section “Audit Objectives” and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and; therefore; material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. We did identify certain deficiencies in internal control that we consider to be significant deficiencies, which are described in the section titled “Internal Control and Compliance Findings and Recommendations.”

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Conclusions

We found that the institutions managing the federal Student Financial Assistance Programs Cluster properly stated, in all material respects, the amounts recorded and reported in each institution's accounting and financial reporting system and applicable federal student financial assistance systems.

We noted certain matters involving internal control and its operation and compliance with applicable laws, regulations, contracts, and grant agreements that require management's attention and corrective action. These matters are described in the section entitled "Internal Control and Compliance Findings and Recommendations."

The institutions listed in the section "Audit Scope and Methodology" have taken adequate corrective action with respect to audit findings and recommendations reported in the prior year's Single Audit except for those findings that are reflected as "repeat" in this letter. We did not evaluate corrective action over findings listed in the Commonwealth of Virginia's prior year Single Audit report for Tidewater Community College and Paul D. Camp Community College where corrective action remains ongoing and audit procedures were not required to provide an opinion on compliance over the federal Student Financial Assistance Programs Cluster.

Since the findings noted above have been identified as significant deficiencies, they will be reported as such in the "Independent Auditor's Report on Compliance for Each Major Program; Report on Internal Control over Compliance; and Report on Schedule of Federal Awards Required by Uniform Guidance," which is included in the Commonwealth of Virginia's Single Audit Report for the year ended June 30, 2021. The Single Audit will be available on APA's website at www.apa.virginia.gov in February 2022.

Exit Conference and Report Distribution

We discussed this report with management of each institution and provided a draft report on February 4, 2022. Each institution's response to the findings and recommendations identified in our audit is included in the section titled "Institution Responses." We did not audit these responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of the Governor and General Assembly, management of each institution, and the citizens of the Commonwealth of Virginia and is a public record.

Staci A. Henshaw
AUDITOR OF PUBLIC ACCOUNTS

DR/clj



4400 University Drive, Fairfax, Virginia 22030
Phone: 703-993-1000

February 4, 2022

Staci Henshaw, CPA
Auditor of Public Accounts
P.O. Box 1295
Richmond, Virginia 23218

Dear Ms. Henshaw:

We have reviewed the audit findings and recommendations resulting from the Student Financial Assistance Programs Cluster audit for the fiscal year ended June 30, 2021 by the Auditor of Public Accounts (APA).

The following contains APA's finding and management's response to the concern and issue raised.

APA Finding:

Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The following institutions are not in compliance with the Gramm-Leach-Bliley Act (GLBA). Institutions of higher education, because of their engagement in financial assistance programs, are considered financial institutions that must comply with Public Law 406-12, known as the GLBA. Related regulations in the Code of Federal Regulations (C.F.R.) 16 C.F.R. § 314.4 require organizations to develop, implement, and maintain the information security program to safeguard customer information and complete a risk assessment that includes consideration of risks and mitigating controls in each relevant area of operation. The regulations require a risk assessment that considers risks for the following elements:

- employee training and management;
- information systems, including network and software design, as well as information processing, storage, transmission, and disposal; and
- detecting, preventing, and responding to attacks, intrusions, or other system failures.

George Mason University (GMU) does not implement cybersecurity requirements of the GLBA for some systems containing customer information in accordance with the C.F.R. and University policy. GMU completed a system security plan (SSP) that identifies risks to the security, confidentiality, and integrity of customer information and assesses the safeguards in place to control these risks for two systems, including the financial system that stores student and financial data. However, GMU has not evaluated each of their systems to determine what systems contain customer information. George Mason University also has not completed a sensitive systems list and completed an SSP for each system on the sensitive systems list. Due to resource constraints and project prioritization, GMU has not yet conducted the risk evaluations and implemented the controls necessary to meet the cybersecurity requirements of the GLBA for each system containing customer information.

Without implementing cybersecurity requirements of the GLBA for each system containing nonpublic customer information, institutions may not be able to ensure the security and confidentiality of customer information, protect against any anticipated threats or hazards to the security or integrity of such information, and protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer.

Each institution should evaluate their systems to determine what systems contain customer information, perform a risk assessment as required by GLBA, and document those risk that may impact the IT environment. Ensuring compliance with GLBA will protect the confidentiality, integrity, and availability of student information within each institution's IT environment.

Management's Response

George Mason University acknowledges and concurs with the audit finding for the fiscal year ended June 30, 2021. GMU has already implemented corrective actions for the cited control deficiency in FY22.

Sincerely,



Carol Dillon Kissal
Senior Vice President, Administration and Finance



February 7, 2022

Ms. Staci Henshaw
 Auditor of Public Accounts
 101 North 14th Street, 8th floor
 Richmond VA, 23219

Dear Ms. Henshaw,

This letter confirms that we agree with the wording presented in the 2021 APA Student Financial Aid Report Draft as it pertains to findings related to James Madison University, with the following responses to be included in the report:

Improve Compliance over Enrollment Reporting

James Madison University (JMU) Registrar's Office personnel did not report accurate and/or timely enrollment data to the NSLDS for students that had withdrawn or had an enrollment level change. The underlying cause of the errors is a combination of factors including programming language errors resulting in the transmission of incorrect data fields and the timing of when JMU submitted the last enrollment report. From a review of 51 students, we identified the following deficiencies:

- *The effective date of the applicable enrollment status change was not accurate for six students (12%);*
- *The enrollment level status was inaccurate for one student (2%); and*
- *JMU did not report the withdraw status change at the program level in NSLDS for one student (2%).*

JMU Response

For six (12%) of the eight students with enrollment reporting issues, the effective date of the applicable enrollment status change was not accurate. In addition, for one student (2%), the enrollment level status was inaccurate. These issues occurred when the Spring 2021 end of term file was reported to NSC after grades posted, which caused potential errors for students with WP/WF grades and enrollment level changes (e.g., full-time to $\frac{3}{4}$ time or $\frac{3}{4}$ time to $\frac{1}{2}$ time). This late submission was due to human error. Calendar notations have been placed to ensure end of term files are sent prior to grade posting in the future.

OFFICE OF FINANCIAL AID AND SCHOLARSHIPS

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 Harrisonburg, VA 22807
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 fin_aid@jmu.edu
 www.jmu.edu/financialaid

With regard to the final issue, the withdraw status change for one student (2%) was not reported at the program level in NSLDS. Two resolution efforts are now in place to ensure this does not recur. First, the Office of the Registrar, the Office of Financial Aid and Scholarships, and Information Technology have made programming adjustments to the enrollment reporting program to report correct dates for the population identified in the audit. In addition, the "Research and Update Student NSLDS Enrollment Info" policy has been revised to include steps for monthly testing of students who withdraw, are less than full time, or graduate, and compare the data in PeopleSoft to the institutional and program level data in NSLDS.

Promptly Return Unclaimed Aid to the Department of Education

JMU's Business Office personnel did not return unclaimed student financial aid funds to the U.S. Department of Education within the required timeframe. Specifically, in nine of 106 (8%) unclaimed checks returned; the Business Office was up to 12 days late. JMU management were aware of the unclaimed checks upon return, however staff were unable perform follow-up reviews due to the COVID-19 pandemic and staff turnover.

JMU Response

On eight of the nine failed returns, the unclaimed funds were originally reapplied to the student accounts within the allowable timeframe. At the time of reapplication, the unclaimed funds appropriately paid charges on student accounts or would have within a short period of time. Following that application, the status of the accounts changed, resulting in the unclaimed funds once again generating a credit on the account.

The ninth, or final failed return, was an error of \$1 in the amount returned. The aid was applied to a charge, but the charge was less than the aid by \$1.

We discovered the items in question in April 2021 and immediately made changes to our processes to prevent future delays. We have scheduled a weekly report focusing specifically on these items. It is e-mailed to the Accounting Specialist who makes this a top priority each week.

Properly Complete Exit Counseling for Federal Direct Loan Borrowers

JMU Financial Aid and Scholarship office personnel did not confirm all federal Direct Loan borrowers that dropped to less than half-time enrollment completed online exit counseling. From a review of 31 students, we identified that JMU did not provide five borrowers (16%) the required exit counseling materials. The Financial Aid and Scholarship office uses an automated system to send the required exit counseling communications to borrowers. However, the existing process does not include edit checks to determine proper generation and distribution of exit counseling materials to students following withdrawal, graduation, or enrollment at less than half-time. Consequently, staff was not aware of programming language within the automated system that prevented the creation of the exit counseling communications to some borrowers receiving direct loans when they dropped to less than half-time, but stayed enrolled for at least one credit hour, during the term.

JMU Response

Of the five borrowers (16%) who were not provided exit counseling information, all had dropped to less-than-half-time enrollment, but remained enrolled for at least one credit hour during the semester. Two resolution efforts have been completed to prevent a recurrence of this issue:

- The automated system, which sends the Exit Counseling email, has been updated and now correctly sends Exit Counseling email to students who drop below half time and remain enrolled for at least one credit hour.
- The Exit Counseling procedures have been updated to include monthly steps to review and confirm Exit Counseling emails were sent to the appropriate students.

Sincerely,



Brad Barnett
Director of the Office of Financial Aid & Scholarships

**FINANCE AND ADMINISTRATION**

700 Park Ave., HBW Suite 310, Norfolk, Virginia 23504
 P: 757-823-8011 | F: 757-823-8084 | nsu.edu

February 9, 2022

Ms. Staci Henshaw
 The Auditor of Public Accounts
 P.O. Box 1295
 Richmond, VA 23218-1295

Dear Ms. Henshaw:

The Norfolk State University administration has reviewed the Internal Control and Compliance Findings and Recommendations provided by the Auditor of Public Accounts for the Student Financial Federal Programs for the fiscal year ending June 30, 2021, and agrees, in principle, with all findings.

Attached for your consideration is a brief update as to where the University is with respect to the findings. The formal Corrective Action Workplan will be submitted within thirty days as required by CAPP Manual Topic No. 10205. Please contact me should you have any questions or require additional information.

On behalf of Norfolk State University, please extend our appreciation to your staff for their professional audit work and recommendations.

Sincerely,

Gerald E. Hunter, PhD
 Vice President for Finance and Administration
 and Chief Financial Officer

Cc: Javaune Adams-Gaston, PhD, President
 Justin Moses, J.D, EdD, VP for Operations & Chief Strategist for Institutional Effectiveness
 Karla Amaya Gordon, AVP for Finance and Administration/University Controller
 Derika Burgess, University Internal Auditor
 S. Faye Monroe-Davis, Chief Information Officer
 Juan Alexander, PhD, AVP for Enrollment Management
 Melissa Barnes, EdD, Director of Financial Aid
 Michael Carpenter, University Registrar



We see the future in you.

FINANCE AND ADMINISTRATION

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FY 2021 – Student Financial Aid Internal Control & Compliance Findings Management Response

Implement Information Security Program Requirement for the Gramm-Leach-Bliley Act

NSU continues to improve the Information Security, Risk Management and Contingency Programs detailed in the report. In addition, we are actively investigating tools to assist with compliance of the Gramm-Leach-Bliley Act.

Improve Compliance over Enrollment Reporting

The NSU Registrar Office has implemented the following enrollment reporting process into the Enrollment Verification Policies and Procedures to ensure that accurate data are submitted to the National Student Clearinghouse:

1. After every batch for students who graduated, the Registrar staff checks the National Student Clearinghouse every five days to make sure that all graduation information reported is accurate.
2. When graduating students after the first graduation batch is processed, any student who is conferred after will be manually processed in the National Student Clearinghouse database instead of batch processing those individuals. The Registrar staff will ensure that graduation statuses are checked at least twice after the initial reporting.
3. The Office of the Registrar staff will ensure that all graduates for the prior semester are processed before the next semester batch is run.
4. The Office of the Registrar staff works closely with the National Student Clearinghouse to ensure that all data reported is accurate and timely in the case of campus or program level fields.
5. For students who officially withdraw from the University, the Registrar staff will send submission of students records to ensure that the enrollment status is not overwritten in subsequent batches for the current semester.
6. For students who unofficially withdraw from the University, the Registrar staff will manually review the enrollment status at least twice to ensure that the enrollment status is not overwritten in subsequent batches for the current semester.

**FINANCE AND ADMINISTRATION**

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P: 757-823-8011 | F. 757-823-8084 | nsu.edu

FY 2021 – Student Financial Aid Internal Control & Compliance Findings
Management Response (Cont'd)

Properly Process Return to Title IV (R2T4) Calculations

NSU Financial Aid staff updated the system to reflect a code of N (No) for FSEOG and 75% Federal Funds field and recalculated all students who were awarded federal SEOG that withdrew during the 2020-21 academic year. The Financial Aid Office also recalculated R2T4 for all students who were awarded FSEOG and who withdrew during the fall 2020, spring 2021 and summer 2021 semesters. All Pell and Direct Loans records have been corrected via the U.S. Department of Education's Common Originations and Disbursements (COD).

February 4, 2022

Improve Compliance over Enrollment Reporting

Applicable to: James Madison University, Norfolk State University (repeat – first issued in 2018), Old Dominion University, Northern Virginia Community College (repeat – first issued 2018), Radford (repeat – first issued 2018), Virginia State University (repeat – first issued 2018), Virginia Tech (repeat – first issued 2018)

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: Select institutions as noted above

The following institutions did not properly report accurate and or timely enrollment data to the U.S. Department of Education using the National Student Loan Data System (NSLDS) in accordance with 34 C.F.R. § 685.309, Dear Colleague Letter GEN 12-06 and the NSLDS Enrollment Guide for students that had withdrawn and/or graduated.

NVCC Register Office personnel did not report accurate and/or timely enrollment data to the NSLDS for students that had an enrollment level change, graduated, or withdrew. The underlying cause of the errors is primarily related to staff turnover and prioritizing resources to address the COVID-19 pandemic. From a review of 40 students, we identified the following deficiencies:

- The enrollment status was inaccurate for 11 students (28%);
- The effective date was inaccurate for 12 students (30%);
- NVCC did not report enrollment status changes timely for 17 students (43%); and
- At least one campus or program level field deemed critical was inaccurate for 15 students (38%).

Response:

The Commonwealth of Virginia Auditor of Public Accounts conducted an audit of the National Student Loan Data System (NSLDS) and Graduate Files at Northern Virginia Community College. Based on their findings, the following quality control guidelines will be implemented immediately:

Office of the Controller

3924 Pender Drive
Fairfax, VA 22030

703-323-3125
website: www.nvcc.edu



- The College Records Office (CRO) make necessary corrections in the Student Status Confirmation Report (SSCR) within thirty to sixty days of the findings.
- Management and all responsible parties will review and discuss current enrollment reporting policies and procedures.
- Responsible parties will be granted access to make corrections in NSLDS by the NSLDS System Administrator.
- Retain data file uploaded to National Student Clearinghouse (NSC).
- Create a departmental SSCR schedule calendar, which identifies the file submission upload dates to the Clearinghouse.
- Collaborate with NVCC Financial Aid to address and resolve key issues.
- Financial Aid will provide the appropriate assistance in making corrections.
- Implement a monthly inspection process of the SSCR and collaborate with Financial Aid to review random samples of students who have withdrawn and received financial aid.
- Create a query to check Title IV graduates.
- Review graduate-only files (random check) for quality control and conformity with Student Information System (SIS).
- Responsible parties will maintain internal control to comply with applicable laws and regulations.
- Responsible parties will provide a monthly update to Dr. Deborah Wyne, College Dean, Office of Recruitment & Admissions.

Responsible Parties:

- NOVA Office of Recruitment & Admissions; College Records & Enrollment Success
- NOVA Office of Instructional & Information Technology
- NOVA Office of Financial Aid

Improve Notification Process for Federal Loan Awards to Students

Applicable to: Northern Virginia Community College

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The Northern Virginia Community College (NVCC) Financial Aid Office did not notify students awarded federal Direct Loans for two of 25 borrowers that received loans for the weeks of November 11, 2020, and March

Office of the Controller

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Fairfax, VA 22030

703-323-3125
website: www.nvcc.edu



2, 2021. The C.F.R. requires written award notifications to students including important details on the rights, options, and requirements of the student loan.

In accordance with 34 C.F.R. § 668.165(a)(2), institutions should properly notify students receiving federal Direct Loans, in writing, of the date and amount of the disbursement, the student's right to cancel all or a portion of a loan or loan disbursement, and the procedure and time by which the student must notify the institution that he or she wishes to cancel the loan. Additionally, 34 C.F.R. § 668.165 (3) (i – ii) indicates that for Direct Loans the institution must provide the notice in writing no earlier than 30 days before, and no later than 30 days after, crediting the student's account at the institution if the institution obtains affirmative confirmation and no later than seven days if the institution does not obtain an affirmative confirmation.

The Financial Aid Office uses an automated system to send the required notifications to borrowers; however, the existing process does not include edit checks to determine proper generation and distribution of notifications to students following the posting of disbursements. Consequently, staff were not aware the query language was outdated within the automated system that prevented the creation of notifications for borrowers receiving federal Direct Loans.

Not properly notifying students in accordance with federal regulations may result in adverse actions and impact the institution's participation in Title IV programs. Additionally, improper notification could limit the amount of time a student or parent has to make an informed decision on whether to accept or reject a loan. The Financial Aid Office should revise the query language that triggers the loan notification process to ensure proper notification to all students receiving federal Direct Loans.

Response:

Northern Virginia Community College concurs that the College Financial Aid Office did not notify two students that were awarded Federal Direct Loans the weeks of November 11, 2020, and March 2, 2021. This is an automated process and through further research with the VCCS Financial Aid Office it was found that the query language being used was outdated. Since the finding the Financial Aid Office is currently using the updated query language to select the proper group of students. The Financial Aid Office have also implemented a weekly trace process, which will send a listing of the students who received the loan notification to a staff member. This staff member will be responsible for verifying that the notifications were sent to all students who meet the weekly criteria.

Reconcile Federal Aid Programs

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Applicable to: Northern Virginia Community College

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

NVCC personnel were unable to provide sufficient documentation showing reconciliations of its accounting records with the federal systems used to authorize and request federal student aid. Specifically, we noted the following deficiencies:

- Student Financial Aid Office personnel could not provide documentation of NVCC's records with the School Account Statement (SAS) received from ED's Common Origination and Disbursement (COD) system. NVCC management indicated this was the result of a misunderstanding of the regulations. Rather than reconciling the ending cash balance on the monthly reports, the Student Financial Aid Office focused on the individual mismatches between its internal records and COD and resolving batch errors during the month.
- Controller's Office personnel could not provide documentation of reconciliations of NVCC's accounting records with ED's grants management system and its bank account. NVCC management indicated this was the result of not prioritizing the monthly reconciliations of its internal records with the grants management system. The Controller's Office reconciles its student accounts to the grants management system when a drawdown occurs, but drawdowns do not occur monthly, and that reconciliation does not include the general ledger.

In accordance with 34 CFR 685.300(b)(5) and 34 CFR 685.102(b), institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Each month, COD provides institutions with a SAS data file which consists of a cash summary, cash detail, and loan detail records to aid in this reconciliation process. Chapter 6 (Reconciliation in the Direct Loan Program) of the Federal Student Financial Aid Handbook details the reconciliation requirements.

By not documenting a monthly reconciliation of federal Direct Loans, NVCC places itself at risk of not identifying issues and resolving them before they become a systemic problem. Systemic problems could result in federal noncompliance and may lead to potential adverse actions and impact participation by the institution in Title IV programs.

The Student Financial Aid Office and the Controller's Office should perform and retain sufficient documentation of the monthly reconciliations and resolve reconciling items between NVCC's financial systems,

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ED's grants management system and COD records in a timely manner to ensure compliance with federal regulations.

Response:

- 1) A description of the actions that will be taken:

Northern Virginia Community College concurs that due to a misunderstanding of the regulations that institutions must reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the Secretary. Northern Virginia Community College agrees that there was a lack of prioritizing of the monthly reconciliations and that institutions must reconcile institutional records between federal systems and the institution's internal records.

Consequently, Northern Virginia Community College could not provide documentation of its monthly reconciliations of internal records to the cash balance recorded on the School Account Statement (SAS) received from the Common Origination and Disbursement (COD) system or to the accounting records and bank account with the U.S. Department of Education's grants management system.

Working together, Northern Virginia Community College Financial Aid Office and Controller's Office will implement processes to address the reconciliation process. The Assistant Director of Pell Grants and Loans Programs will provide copies of the School Funding Information page from COD to the Associate Controller monthly. The Associate Controller or staff member will reconcile the School Funding Information page from COD against our internal records.

The College Financial Aid Office and the Controller's Office will work to resolve discrepancies found during this process. A shared folder will be created to document the monthly reconciliation of both offices. This will permit the College to perform and retain sufficient documentation of the monthly reconciliations of the Direct Loan Program in a timely manner to ensure compliance with federal regulations.

- 2) The title of the responsible position:
Assistant Director of Pell Grants and Loans Programs and Associate Controller
- 3) An estimated completion date:
July 01, 2022

**John
Guszak**

Digitally signed by
John Guszak
Date: 2022.02.04
16:03:41 -05'00'

Office of the Controller

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Fairfax, VA 22030
📞 703-323-3125
website: www.nvcc.edu





VICE PRESIDENT FOR ADMINISTRATION AND FINANCE
 NORFOLK, VIRGINIA 23529 0014
 PHONE: (757) 683 3464

February 4, 2022

The Auditor of Public Accounts
 P. O. Box 1295
 Richmond, Virginia 23218

Dear Ms. Henshaw:

We have reviewed the audit findings and recommendations resulting from the **Student Financial Assistance Programs** for the year ended June 30, 2021, by the Auditor of Public Accounts (APA).

Old Dominion University acknowledges the audit findings. The following contains the APA findings and management's response to the concerns and issues raised.

Improve Compliance over Enrollment Reporting

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The following institutions did not properly report accurate and or timely enrollment data to the U.S. Department of Education using the National Student Loan Data System (NSLDS) in accordance with 34 C.F.R. § 685.309, Dear Colleague Letter GEN 12-06 and the NSLDS Enrollment Guide for students that had withdrawn and/or graduated.

Old Dominion University (ODU) Registrar's Office personnel did not report accurate and/or timely enrollment data to NSLDS for students that had withdrawn or had an enrollment level change. The underlying cause of the errors is a combination of factors including date/time stamp programming language errors, a keying error, and a lack of students providing identifying data which correspond to a field used to update NSLDS. For enrollment status changes other than graduated or withdrawn, the effective date discrepancies resulted at the program reporting level. From a review of 50 students, we identified the following deficiencies:

- The enrollment status was inaccurate for nine students (18%);
- The effective date was inaccurate for 18 students (36%);
- ODU did not report enrollment status changes timely for 11 students (22%); and
- At least one campus or program level field deemed critical was inaccurate for 18 students (36%).

The Auditor of Public Accounts
February 4, 2022
Page Two

Each institution should evaluate their current enrollment reporting procedures. Institutional management should implement corrective measures to prevent future noncompliance. Where applicable, management should also consider implementing a quality control review process to monitor the accuracy of campus and program-level batch submissions.

Management's Response

Old Dominion University will consult with our SIS vendor to review the enrollment reporting business processes utilized by the Registrar's Office to address the errors that were identified in the audit. Enrollment reporting involves the generation of files created by vendor-delivered jobs which are intended to automate the process of producing the enrollment file without human intervention. We will work with the vendor to determine if the jobs have defects which need to be addressed by the vendor, or if our business processes need to be adjusted. In addition, ODU will be implementing a stricter quality control process over enrollment reporting.

Promptly Return Unearned Title IV Funds to Department of Education

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

ODU personnel did not consistently return Title IV funds to the U.S. Department of Education within the required timeframe. The primary cause for the noncompliance is attributable to staffing challenges during aid year 2021 in both the financial aid and registrar offices as well as transitioning to a remote work environment. For 11 out of 21 students (52%), the date of return of unearned funds is greater than 45 days after the date of determination.

In accordance with 34 C.F.R. § 668.21(b), the institution must return those funds for which it is responsible as soon as possible, but no later than 45 days, after the date that the institution becomes aware that a student has withdrawn. By not returning funds timely, the institution is not in compliance with federal requirements and may be subject to potential adverse actions that may affect ODU's participation in Title IV programs.

Management should review current procedures and resources. Management should implement corrective measures to ensure business continuity and return unearned Title IV funds to the U.S. Department of Education in a timely manner thus preventing future noncompliance.

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Page Three

Management's Response

New R2T4 staff have been hired and trained. Zoom meetings conducted with Registrar and Financial Aid to determine requirements to streamline process. Consulting time was secured with Ellucian to complete a thorough review of the Student and Financial Aid Banner computer modules to ensure proper set-up for R2T4 calculations. SFAWDRL form is now set to extract the actual student withdrawal date, eliminating the need for manual updates. A secondary report has been created and is being used to ensure withdrawal data is identified earlier in the enrollment cycle.

Promptly Return Unclaimed Aid to the Department of Education

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The following institutions did not promptly return unclaimed student financial aid funds to the U.S. Department of Education within the required timeframe. In accordance with 34 C.F.R. § 668.164(l), if an institution attempts to disburse funds by check and the recipient does not cash the check, the institution must return the funds no later than 240 days after the date it issued that check or no later than 45 days after a rejected electronic funds transfer (EFT). Not returning funds timely can result in federal non-compliance and subject the institution to potential adverse actions and affect the institution's participation in Title IV aid programs.

ODU's Office of Finance personnel did not return \$79,058 of unclaimed student financial aid funds to the U.S. Department of Education within the required timeframe. The underlying cause of the errors is due to staffing shortages, leading to staff overlooking 65 checks in the due diligence process.

Management should evaluate current policies and procedures for returning unclaimed Title IV funds and implement corrective action to prevent future noncompliance. If each institution is unable to contact the federal aid recipient and the check remains uncashed or the EFT is rejected, the institution should return the unclaimed funds to the U.S. Department of Education within the required timeframe

Management's Response

Management takes very seriously its responsibility to promptly return unclaimed aid to the Department of Education. As noted, the underlying cause of the errors is due to staffing

The Auditor of Public Accounts
February 4, 2022
Page Four

shortages, leading to staff overlooking 65 checks in the due diligence process. Procedures have been reviewed and funds have been returned to the Department of Education.

Properly Complete Exit Counseling for Federal Direct Loan Borrower

Type of Finding: Internal Control and Compliance

Severity: Significant Deficiency

Repeat: No

The following institutions did not properly complete exit counseling for federal Direct Loan borrowers. In accordance with 34 C.F.R. § 685.304(b)(3), if a student borrower withdraws from a school without the school's prior knowledge or fails to complete the exit counseling as required, exit counseling must, within 30 days after the school learns that the student borrower has withdrawn from the school or failed to complete the exit counseling as required, be provided either through interactive means, by mailing written counseling materials to the student borrower at the student borrower's last known address, or by sending written counseling materials to an email address provided by the student borrower that is not an email address associated with the school sending the counseling materials. By not performing this function, students may not receive the relevant information related to repayment of their student loans.

ODU Office of Student Financial Aid personnel did not consistently confirm that all federal Direct Loan borrowers who have graduated or withdrew received exit counseling materials in accordance with federal requirements. From a review of 25 students, we identified that ODU did not provide three borrowers (12%) the required exit counseling materials to the borrower's last known address or an alternate email address when the student had not completed exit counseling. The underlying cause is that ODU personnel only notify borrowers of the exit counseling requirement through their institutional email address, per their policy.

Each institution should enhance current procedures related to sending exit counseling materials to federal Direct Loan borrowers and ensure it properly notifies all applicable borrowers of exit counseling requirements through a non-institutional email address, by mail at the student's last known address, or by interactive electronic means.

The Auditor of Public Accounts
February 4, 2022
Page Five

Management's Response

The R2T4 Team provides a list to the Loan Processing Team of each withdrawn student during the term. Exit counseling materials are mailed through the USPS to the students' permanent addresses.

Additional reports have been created to identify withdrawn or failing students at the end of each term. Exit materials will first be sent to the student ODU email address. If the exit process is not completed, notifications are sent to the student personal (non-ODU) email and/or mailing addresses.

Old Dominion University takes very seriously our reporting obligations and has addressed the audit findings.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Johnson", with a long horizontal flourish extending to the right.

Todd Johnson
Interim Vice President for Administration and Finance

RADFORD UNIVERSITY

February 8, 2022

The Auditor of Public Accounts
P.O. Box 1295
Richmond, VA 23218

Dear Ms. Henshaw:

We have reviewed the audit findings and recommendations related to the Student Financial Aid Federal program for aid year 2021. We understand that these findings were in relation to the testing over the major federal program of the Student Financial Assistance Programs Cluster for the Commonwealth's Single Audit. Radford University acknowledges and concurs with the audit findings. The following contains management's response to each finding.

Improve Enrollment Reporting Process

The Office of Financial Aid and the Office of the Registrar continue to work collaboratively along with Information Technology Services to update the processes that are utilized to provide information to the National Student Clearinghouse (NSCH) and ultimately National Student Loan Data System (NSLDS). Additional internal monitoring controls have been put in place to review and confirm the accuracy of data that is submitted to NSLDS. A review of all financial aid desktop procedures where enrollment changes are made has been completed and revised procedures continue to be implemented so that accurate enrollment data is provided to NSLDS and NSCH. All necessary corrective action improvements will be finalized by April 30, 2022.

Promptly Return Unclaimed Aid to the Department of Education

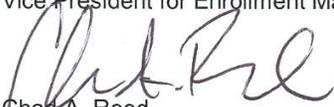
The Office of Financial Aid in consultation with the Department of General Accounting is conducting a comprehensive review of current procedures for the timely return of funds. All necessary corrective action improvements will be finalized and validated by December 31, 2022.

We would like to thank you and your staff for the valuable services that you provide.

Sincerely,



Craig Cornell
Vice President for Enrollment Management



Chad A. Reed
Vice President for Finance & Administration and Chief Financial Officer



UVA Finance

February 4, 2022

Ms. Staci Henshaw
 Commonwealth of Virginia Auditor of Public Accounts
 P.O. Box 1295
 Richmond, Virginia 23218

Dear Ms. Henshaw,

The Management Responses to the audit findings of the major federal program of the Student Financial Assistance Programs Cluster, administered by various public higher education institutions in the Commonwealth of Virginia for the fiscal year ended June 30, 2021, have been consolidated as follows:

Implement Information Security Program Requirements for the Gramm-Leach-Bliley Act

Management Response: The UVA Academic Division concurs with the APA's finding.
Responsible for Corrective Action: Steve Kimata, Assistant VP Student Financial Services and Jason Belford, Chief Information Security Officer
Anticipated Completion Date: June 2023

The University will develop a plan to comply with all GLBA requirements. This will include identifying the relevant systems and contracting with a third party servicer to conduct comprehensive risk assessments in compliance with GLBA requirements.

The timeframe for compliance with the identified systems will likely extend into calendar year 2023; for example, the assessments will need to include the Workday Finance system that the University is implementing July 1, 2022. The contractual arrangement with a vendor is expected to be completed in early 2022.

Promptly Return Unclaimed Aid to Department of Education

Management Response: The UVA Academic Division concurs with the APA's finding.
Responsible for Corrective Action: Steve Kimata, Assistant VP Student Financial Services
Anticipated Completion Date: Completed December 2021

UVA Finance is the valued and trusted financial partner that the University community turns to first.
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Auditor of Public Accounts
February 4, 2022
Page 2

Student Financial Services (SFS) has implemented additional controls for monitoring unclaimed checks containing Title IV funds. These enhanced procedures include: assigning additional staff to review and execute monthly reporting; utilizing new methods to contact students or parents along with increasing the frequency of the outreach; and returning unclaimed Title IV funds to the Department of Education within the prescribed timeframes. These enhanced procedures would have promptly returned to the Department of Education the \$55,692 mentioned above, which represents 0.3% of all Title IV monies refunded by UVA.

Properly Complete Exit Counseling for Direct Loan Borrowers

Management Response: The UVA Academic Division concurs with the APA's finding.
Responsible for Corrective Action: Steve Kimata, Assistant VP Student Financial Services
Revised Estimated Completion Date: March 1, 2022

After the oversight was discovered, Student Financial Services (SFS) sent exit counseling information to the five (5) student borrowers from the test sample and all other students we identified who borrowed in 2021 who had not previously received exit counseling information. SFS has updated our controls and procedures for monitoring and initiating exit counseling. These updates include ensuring that all students who need exit counseling are properly identified, importing NSLDS loan history into SIS, monitoring COD for completion of exit counseling, and sending exit counseling information to student borrowers' non-University email address (when available), all within the required timeframe.

We have implemented a number of enhancements to our internal controls and procedures for monitoring and initiating exit counseling. However, we are continuing to implement additional updates to ensure full compliance.

Sincerely,

DocuSigned by:



6F594A4B8D47A47D
Melody Bianchetto

Vice President for Finance

Cc: JJ Davis
 Augie Maurelli

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University Controller (MC 0312)
Virginia Tech
North End Center, Suite 3300
300 Turner Street NW
Blacksburg, Virginia 24061

February 9, 2022

Please find our response to the finding included in the 2021 Student Financial Assistance Audit.

Improve Compliance over Enrollment Reporting

Virginia Polytechnic Institute and State University (VT) Registrar's Office personnel did not report accurate program level enrollment data to NSLDS for students that had an enrollment level change. The underlying cause of the errors is a combination of programming language errors resulting in the transmission of incorrect data fields. From a review of 40 students, we identified the following deficiencies:

- The effective date was inaccurate for ten students (25%).

Not properly and accurately reporting a student's enrollment status may interfere with establishing a student's loan status, deferment privileges, and grace periods. In addition, the accuracy of the data reported by each institution is vital to ensuring that federal Direct Loan records and other federal student records remain updated.

University Response

Virginia Tech's enrollment reporting logic currently creates the program level effective date as the date a student initially enrolls for a given term unless there are changes to status or program, based on the institution's interpretation of the NSLDS Enrollment Reporting Guide. The institution however agrees with the APA that adjusting the Effective Date definition to correspond with best practices will ensure accuracy and consistency with NSLDS. Virginia Tech will coordinate with our third-party servicer (National Student Clearinghouse), adjust the logic in our Enrollment reporting code, and test accuracy against NSLDS data. This change in reporting and testing will be completed by August 1, 2024.

Please let me know if questions or concerns.

Sincerely,

A handwritten signature in blue ink that reads 'Melinda J. West'.

Melinda J. West

AVP for Finance and University Controller



VIRGINIA STATE UNIVERSITY
 P.O. Box 9213
 PETERSBURG, VIRGINIA 23806
 (804) 524-5995
 (804) 524-5347 FAX

Kevin W. Davenport
 Senior Vice President for
 Finance and Administration

TDD (804) 524-5487

February 7, 2022

Staci Henshaw
 The Auditor of Public Accounts
 P.O. Box 1295
 Richmond, VA 23218

Dear Ms. Henshaw:

Virginia State University has reviewed the findings provided by the Auditor of Public Accounts relative to the audit of the major federal programs of the Student Financial Assistance Programs Cluster. The University concurs with the findings. During the year, the University encountered operational and administrative challenges due to the loss of operations during the height of the COVID-19 pandemic. Like many other universities, Virginia State University had to temporarily adapt its policies and procedures to account for the decentralization of its operations due to remote functionality, reduced IT effectiveness and increased absenteeism due to the novel coronavirus and its subsequent variants.

The university provides the following planned corrective actions.

Response to Finding #1 - Properly Complete Exit Counseling for Federal Direct Loan Borrowers:

Planned corrective actions will be as follows:

- a) We have automated our process using Ellucian Banner to send email notifications to student's VSU and personal email. Information is documented automatically on each student's account. (Implemented fall 2021)
- b) In addition, as a part of the repayment process, the student receives information via email and/or mail from their assigned loan servicer about loan responsibilities and options.

Response to Finding #2 – Promptly Return Unclaimed Aid to Department of Education:

Planned corrective actions will be as follows:

- a) We will update our policies and procedures for returning unclaimed Title IV funds and implement corrective action to prevent further noncompliance.
- b) The Bursar's Office, Cashier's Office, Financial Aid Office and Cash Management Office will work collectively to ensure uncashed check funds are returned to ED within the required timeframe. (The offices will meet quarterly to review reports.)
- c) In addition, we have a new Third-Party Servicer (Nelnet Campus Commerce). ED requires Nelnet Campus Commerce to perform a review of applicable institutional policies and procedures related to Title IV Credit Balance Recipients.

Response to Finding #3 – Report Student Status Enrollment Changes Accurately and Timely to National Student Loan Data System:

Planned corrective actions will be as follows:

- a) Registrar's Office/Financial Aid Office will generate a report to capture students who fail to return from a given semester or term to ensure that the enrollment status for these students are reported accurately. In addition, we have scheduled revitalization training with Ellucian Banner to provide knowledge and best practices on reporting to NSC.
- b) Registrar's Office will review all batches uploaded to NSC/NSLDS to ensure that batches are accepted without errors, and/or correct errors that are reported. In addition, we will request access to NSLDS for Registrar's staff.
- c) Each Semester, quality control reviews will be conducted by Registrar and Financial Aid staff to ensure timely and accurate reporting in NSC and NSLDS.

Thank you for your attention to this matter.

Sincerely,



Kevin Davenport, Senior Vice President for
Finance and Administration

*"VSU: Education, Research and Community Service in Central and Southside Virginia..."
An Equal Opportunity Employer/Equal Access Institution*

Virginia Tech
Board of Visitors / Compliance, Audit, and Risk Committee
Entrance Conference Agenda
June 6, 2022

1. APA Audit Management

- Kevin Savoy, Project Manager
- Jonathan South, Auditor In-Charge

2. Audit Objectives, Audit Plan and Audit Roles:

- **Audit timing**
 - Audit Period – July 1, 2021 through June 30, 2022
 - Planned Audit Timing – May 2022 - October 2022
 - Audit Deadline (or Anticipated Report Issuance Date) – November 13/14, 2022 BOV Meeting
- **Audit objectives** – Our audit objectives are to provide an opinion on the university’s financial statements that will be included with the financial statements that are distributed by the university. We will also issue a report on internal controls and compliance that will include any findings or recommendations that we may issue as a result of the audit.
- **Statewide single audit support** – Although not finalized as of May 2022, it is likely that testwork over the FY22 Schedule of Expenditures of Federal Awards (SEFA), as well as testwork over any FY22 Education Stabilization Fund (ESF) funding will be performed in support of the Statewide Single Audit during this year’s audit.
- **Overview of the relationship between APA, management, and the Board** – APA and Virginia Tech management work closely together in that APA is available to assist University staff during the report preparation process and we review the results of the financial statement preparation during the audit. APA follows up on all findings and recommendations to determine that management addresses findings promptly. At the completion of the audit, APA reports the results of our audits to the Board or the Audit Committee. We also work closely with internal audit throughout the year.
- **Responsibilities of management relative to internal control and financial statements** – ARMICS outlines the University’s responsibility for internal control and the University annually certifies its responsibilities for internal control and accurate financial statements. Our responsibility is to ensure that internal controls are adequate as designed and then to review whether they are operating as intended.

3. Audit Approach

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



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

4. Discussion of Risk with Board Members

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

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

5. Required Communication with Board (See Attached Summary)



Required Communications with the Board **Terms of the Engagement**

Responsibilities during the audit process:

1. The Auditor's (APA) Responsibilities

Overall Audit Objectives

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

Audit Procedures-General

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

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

Audit Procedures-Internal Control and Compliance

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



Audit Procedures – Group Audits

Our audit will include obtaining an understanding of the consolidated group, sufficient to assess the risks of material misstatement of financial information derived from significant components to design the nature, timing, and extent of further audit procedures, including the basis for the decision to make reference in our audit opinion to audits of significant components performed by other auditors.

Those charged with governance

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

2. Management's Responsibilities –

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

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- As received, forward copies of each federal audit performed on agency or institution programs or activities to the Auditor of Public Accounts as required by Chapter 552 § 4-8.02 a. of the amended 2020 Virginia Acts of Assembly. To forward these reports to the Auditor of Public Accounts, use APAFederal@apa.virginia.gov. If the federal report is only available in hardcopy or contains FOIA exempt information, DO NOT email the report, use this same email account to notify the Auditor of Public Accounts of the federal report and provide the contact information of the individual with the report.
- Informing the APA of any potential documents that are FOIA exempt
- Ensuring that financial information is reliable and properly recorded
- Making all financial records and related information available to the APA
- Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
- Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information



- Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
- Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
- Preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.
- For Group audits, management is responsible for the following:
 - Informing the component's management of any matter that the group engagement team becomes aware that may be significant to the financial statements of the component, but of which component management may be unaware.
 - Implementing procedures to determine if there are subsequent events for components through the APA's audit report date.
 - Implementing procedures to identify and disclose the component's related parties and related party transactions.
 - Implementing policies and procedures related to the consolidation of group financial information.

3. Audit Committee

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

Other Elements of the audit process:

Overall planned scope of the audit

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



Identification of potential fraud risks

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

Audit Reporting

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

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



COMPLIANCE, AUDIT, AND RISK COMMITTEE

May 26, 2022

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

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

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

* No material recommendations resulted from the audit.

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

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

x At the time of this report, the Virginia Tech Innovations Corporation (VTIC) audit has not been completed due to delays in recording and reconciling financial activity for the USAID projects in Afghanistan. As of May 20, 2022, additional work remains to be done to close out these projects, receive final reimbursements of costs, record all transactions, and create financial statements for AET, LLC., a subsidiary of VTIC.

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



Compliance, Audit, and Risk

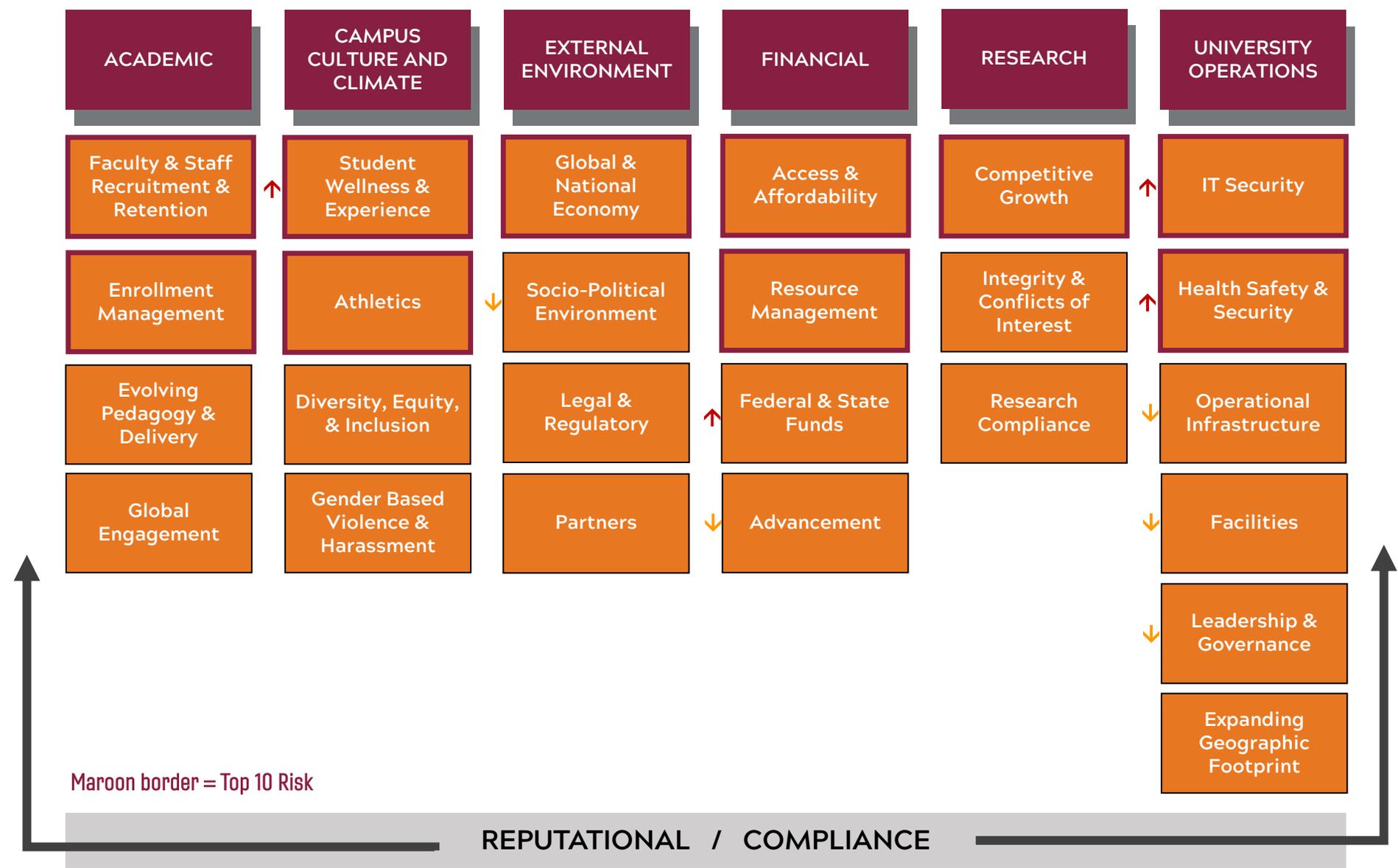
Dan Sui
Senior Vice President,
Research and Innovation

June 2022

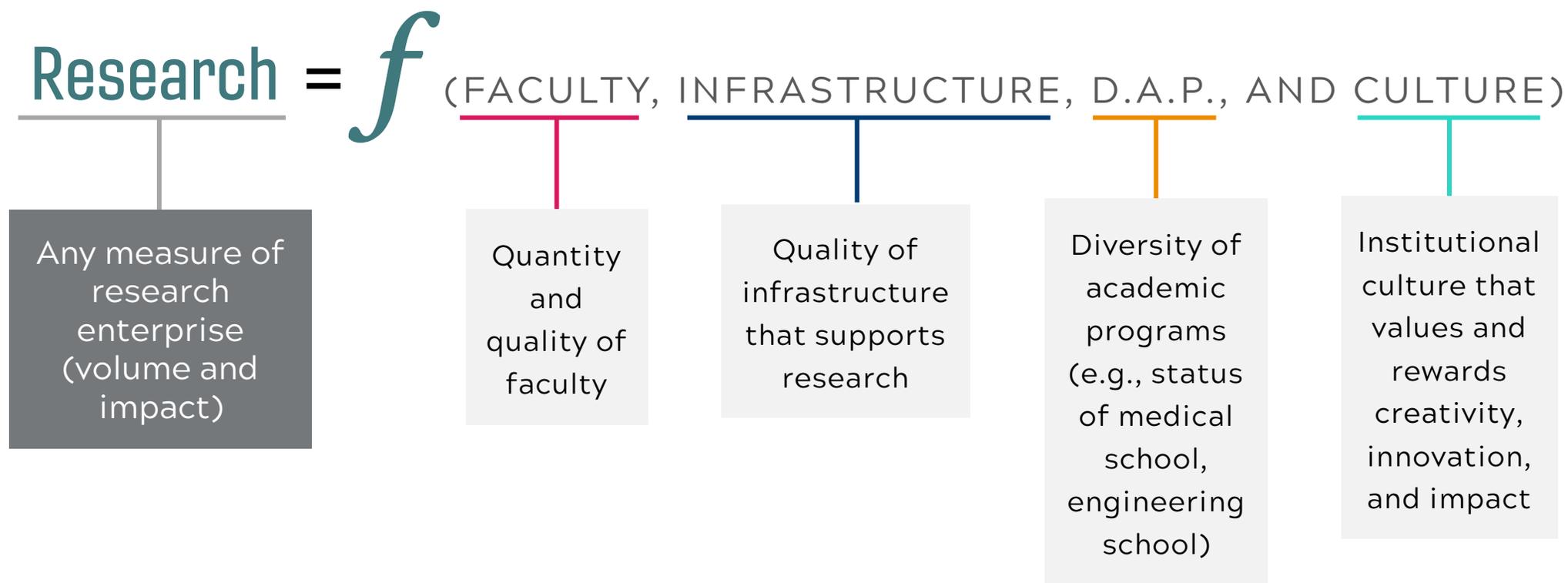


VIRGINIA TECH ENTERPRISE RISK LANDSCAPE, JUNE 2022

Research spans most risks

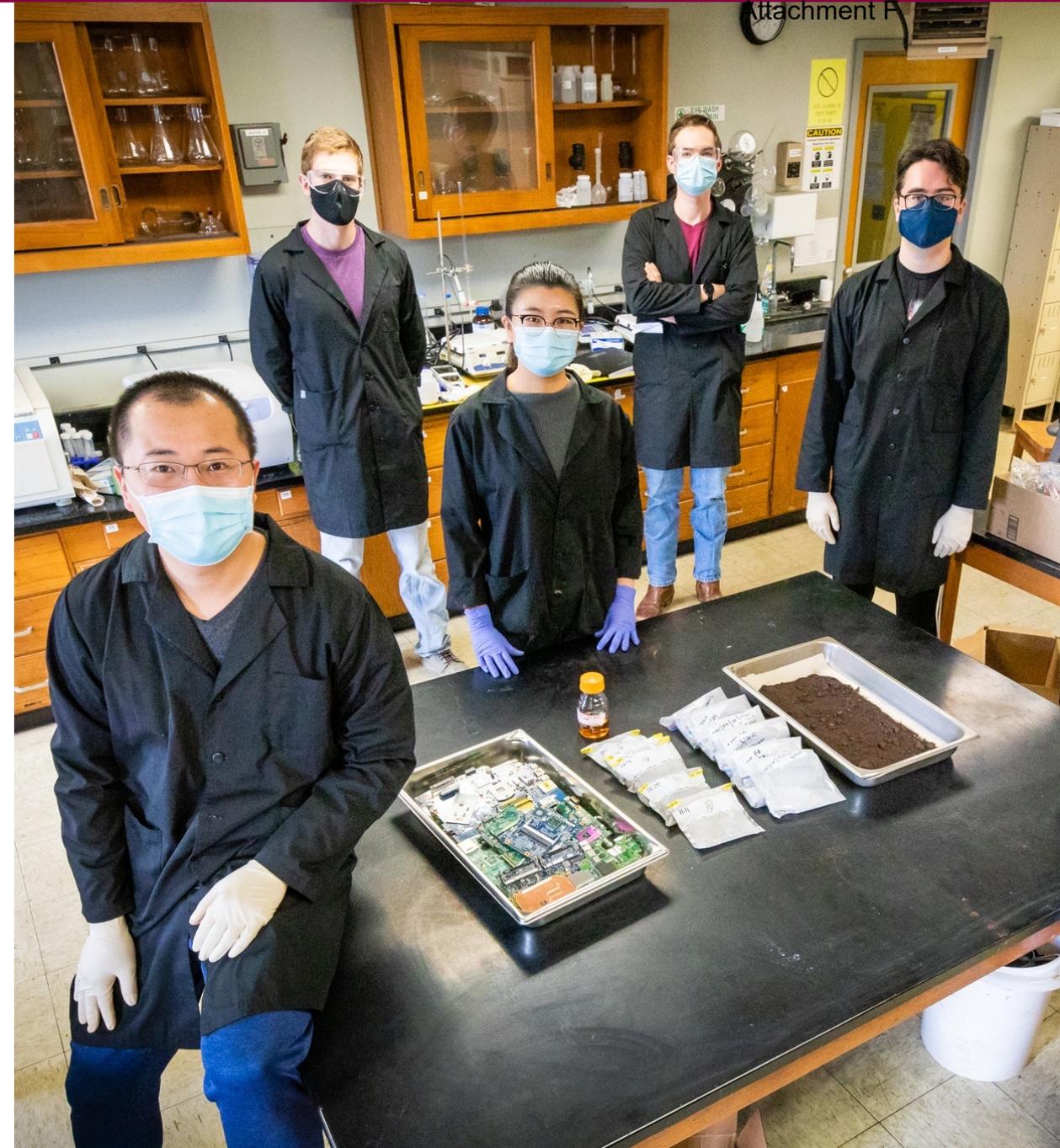


Research across the risk landscape



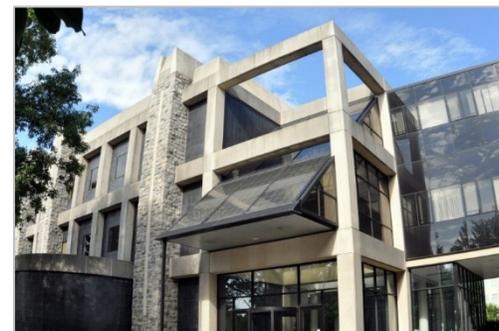
Research faculty and staff: recruitment and retention

- Faculty are engines of research enterprise
- Faculty are drawn to Virginia Tech due to our research reputation and portfolio



Facilities and infrastructure

- Research facilities are unique, expensive, complex
- Quality of research facilities influences quality and quantity of outcomes



The Research Frontiers

HEALTH

Leading one health
to achieve whole health



SECURITY

Innovating for
secure and
resilient
communities



ARTIFICIAL INTELLIGENCE

Harnessing artificial
intelligence for
intelligence
augmentation



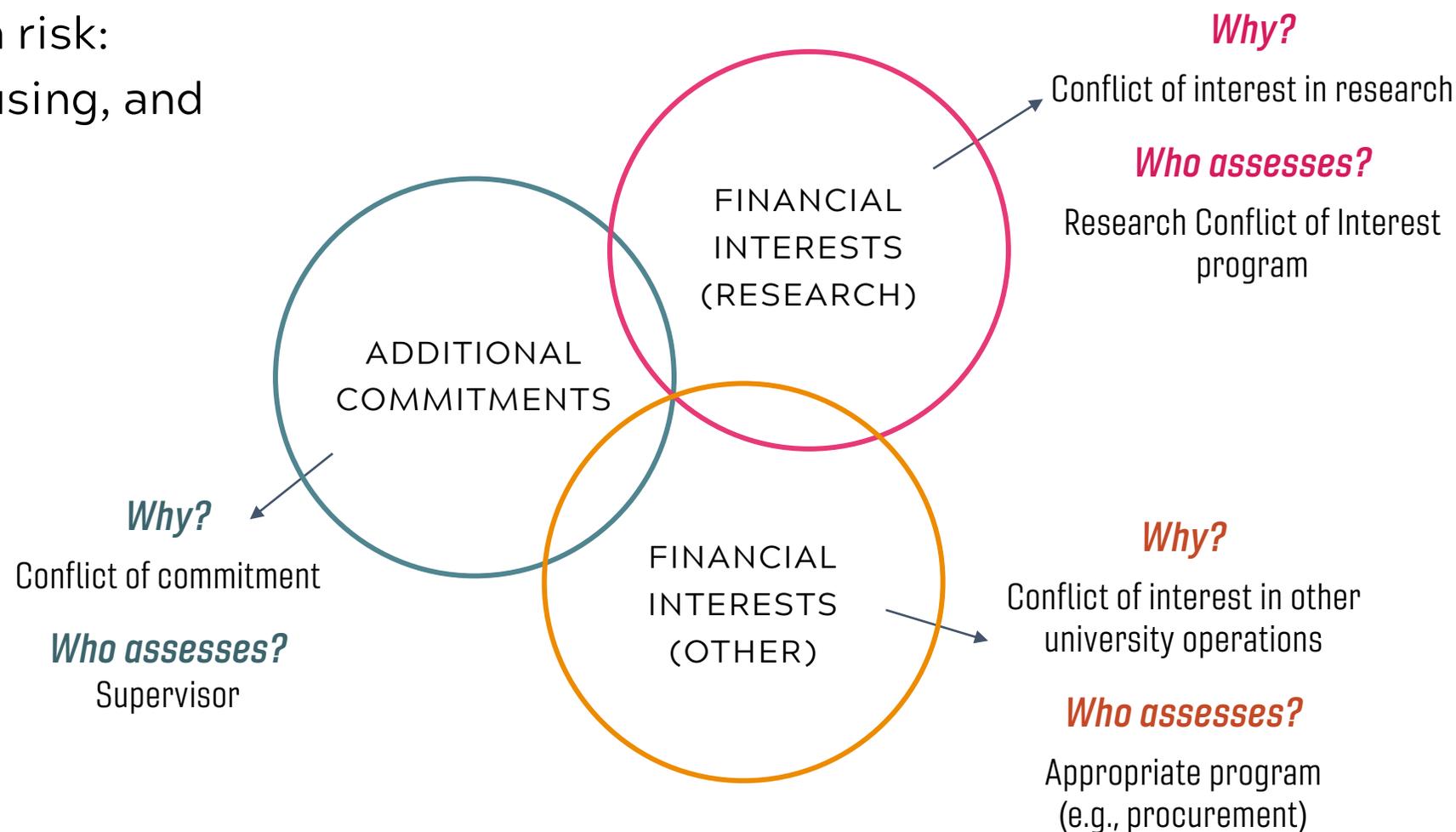
QUANTUM

Advancing the
quantum leap



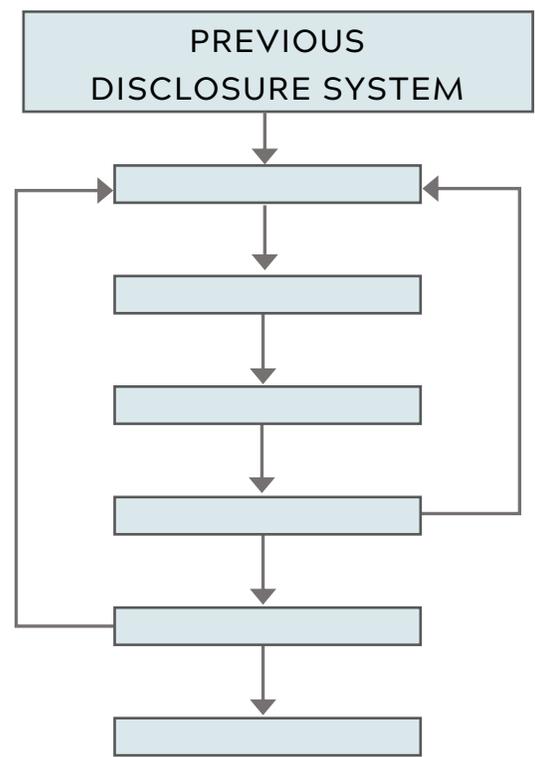
Research Conflict of Interest

Previously high risk:
complex, confusing, and
slow

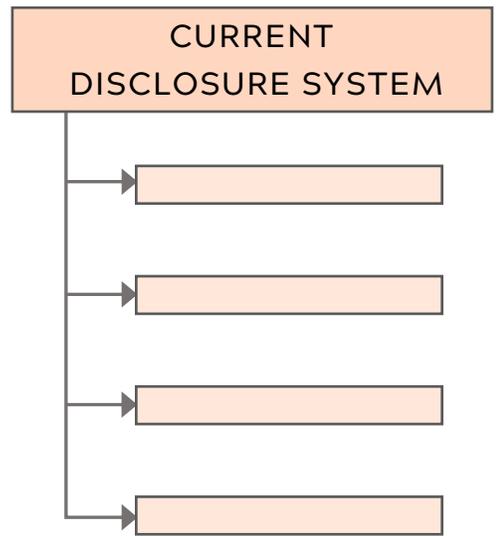


Increased efficiency, improved compliance

37 Days



12 Days



Balancing international engagement

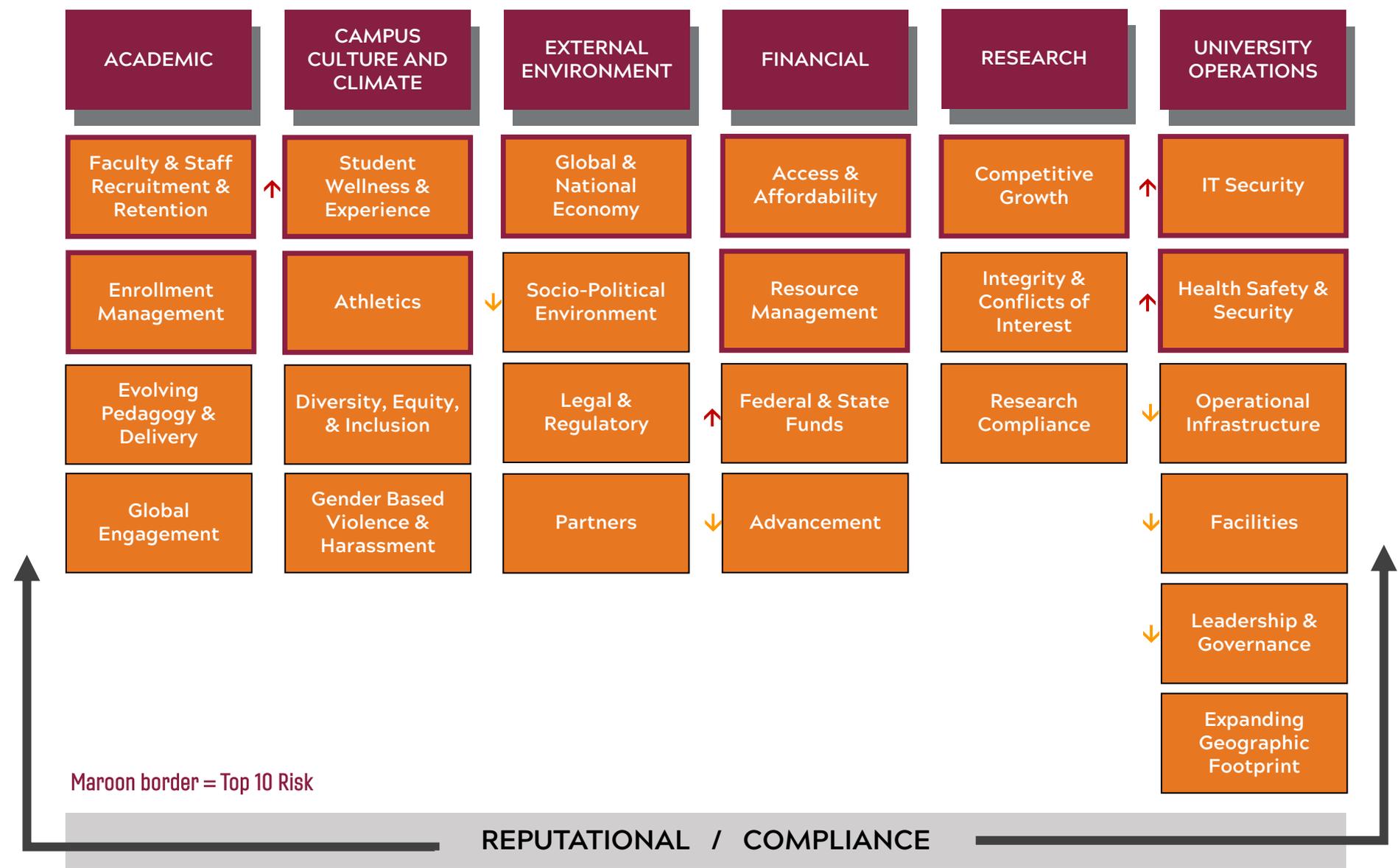


Avoiding malign foreign influence

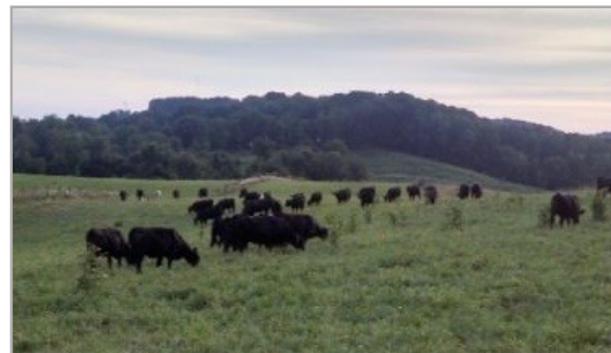
- 1 Established foreign influence task force
- 2 Created tools to support transparency, mitigation
 - Website
 - Training
 - Systems
 - Procedures
- 3 Remain vigilant, agile

VIRGINIA TECH ENTERPRISE RISK LANDSCAPE, JUNE 2022

Research
compliance
risk
reduced



Research
compliance
risk reduced





RESEARCH AND INNOVATION
VIRGINIA TECH™

Update of Responses to Open Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

March 31, 2022

As part of the internal audit process, university management participates in the opening and closing conferences and receives copies of all final audit reports. The audited units are responsible for implementing action plans by the agreed upon implementation dates, and management is responsible for ongoing oversight and monitoring of progress to ensure solutions are implemented without unnecessary delays. Management supports units as necessary when assistance is needed to complete an action plan. As units progress toward completion of an action plan, the Office of Audit, Risk, and Compliance (OARC) performs a follow-up visit within two weeks after the target implementation date. OARC is responsible for conducting independent follow up testing to verify mitigation of the risks identified in the recommendation and formally close the recommendation. As part of management's oversight and monitoring responsibility, this report is provided to update the Compliance, Audit, and Risk Committee on the status of outstanding recommendations. Management reviews and assesses recommendations with university-wide implications and shares the recommendations with responsible administrative departments for process improvements, additions or clarification of university policy, and inclusion in training programs and campus communications. Management continues to emphasize the prompt completion of action plans.

The report includes outstanding recommendations from compliance reviews and audit reports. Consistent with the report presented at the April 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 72 percent on-schedule rate for fiscal year 2022 reflects closing 15 of 21 recommendations by the original target date.

The report presented at the April 4, 2022 meeting covered audit reports reviewed and accepted through December 31, 2021 and included 22 open medium and high priority recommendations. Activity for the quarter ending March 31, 2022 resulted in the following:

Open recommendations as of December 31, 2021	22
Add: medium and high priority recommendations accepted April 4, 2022	4
Subtract: recommendations addressed since December 31, 2021	11
Remaining open recommendations as of March 31, 2022	<u>15</u>

Target dates were missed on four of 14 recommendations that came due during fiscal year 2022, quarter 3. One of two recommendations were addressed that missed the target date from a prior reporting period. While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through May 20, 2022, OARC has closed or reduced to low priority four of the 15 remaining open medium and high priority recommendations, including three recommendations that missed their original target date in quarter 3. All remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work conjointly with all units and provides assistance as needed to help with timely completion of action plans.

ATTACHMENT A

Open Recommendations by Priority Level

COMPLIANCE, AUDIT, AND RISK COMMITTEE

March 31, 2022

Report Date	Audit Name	Audit Number	Total Recommendations							
			ISSUED	COMPLETED	OPEN					
					Extended		On-schedule		Total	
					High	Medium	High	Medium	Open	
May 11, 2020	College of Science	20-1491	3	2		1				1
May 17, 2021	Linex Server Security	21-1530	4	3				1		1
May 21, 2021	Scholarships	21-1535	7	4		3				3
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	Athletics	21-1522	1					1		1
Oct 22, 2021	Principal Investigator Research Management	21-1532	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
Totals:			28	13	0	5	0	10		15

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

March 31, 2022

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
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.
May 21, 2021	3	21-1535	Scholarships (Appendix H: College of Science)	Scholarship Utilization	Medium		Mar 01, 2022	N/A	1	Missed the original target date. Completed since March 31, 2022
May 21, 2021	4	21-1535	Scholarships (Appendix H: College of Science)	Submission of Scholarship Utilization Reports	Medium		Mar 01, 2022	N/A	1	Missed the original target date. Completed since March 31, 2022
May 21, 2021	5	21-1535	Scholarships (Appendix H: College of Science)	Awarding Procedures Documentation	Medium		Mar 01, 2022	N/A	1	Missed the original target date. Completed since March 31, 2022
Oct 22, 2021	6	21-1522	Athletics	Transfer Evaluation Process	Medium		Apr 01, 2022		2	
Oct 22, 2021	7	21-1532	Principal Investigator Research Management	Financial Oversight of Research	Medium		Jun 01, 2022		2	
May 17, 2021	8	20-1530	Linex Server Security	Information Technology Standards	Medium		Jun 30, 2022		2	
Oct 22, 2021	9	21-1538	Student Athlete Academic Success	Information Technology	Medium		Jul 01, 2022		3	
Mar 17, 2022	10	22-1580	Fralin Biomedical Research Institute	System Account Removal	Medium		Aug 01, 2022		3	
Sep 27, 2021	11	21-1526	Fralin Life Sciences Institute	Oversight of Distributed Funds	Medium		Aug 31, 2022		3	

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

March 31, 2022

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
Oct 22, 2021	12	22-1595	University Libraries	Information Technology	Medium		Jan 15, 2023		3	
Mar 18, 2022	13	22-1586	Mechanical Engineering	Laboratory Safety	Medium		Jan 31, 2023		3	
Mar 18, 2022	14	22-1586	Mechanical Engineering	Administrative Privileges	Medium		Feb 01, 2023		3	
Mar 18, 2022	15	22-1586	Mechanical Engineering	Patch Management	Medium		Feb 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.

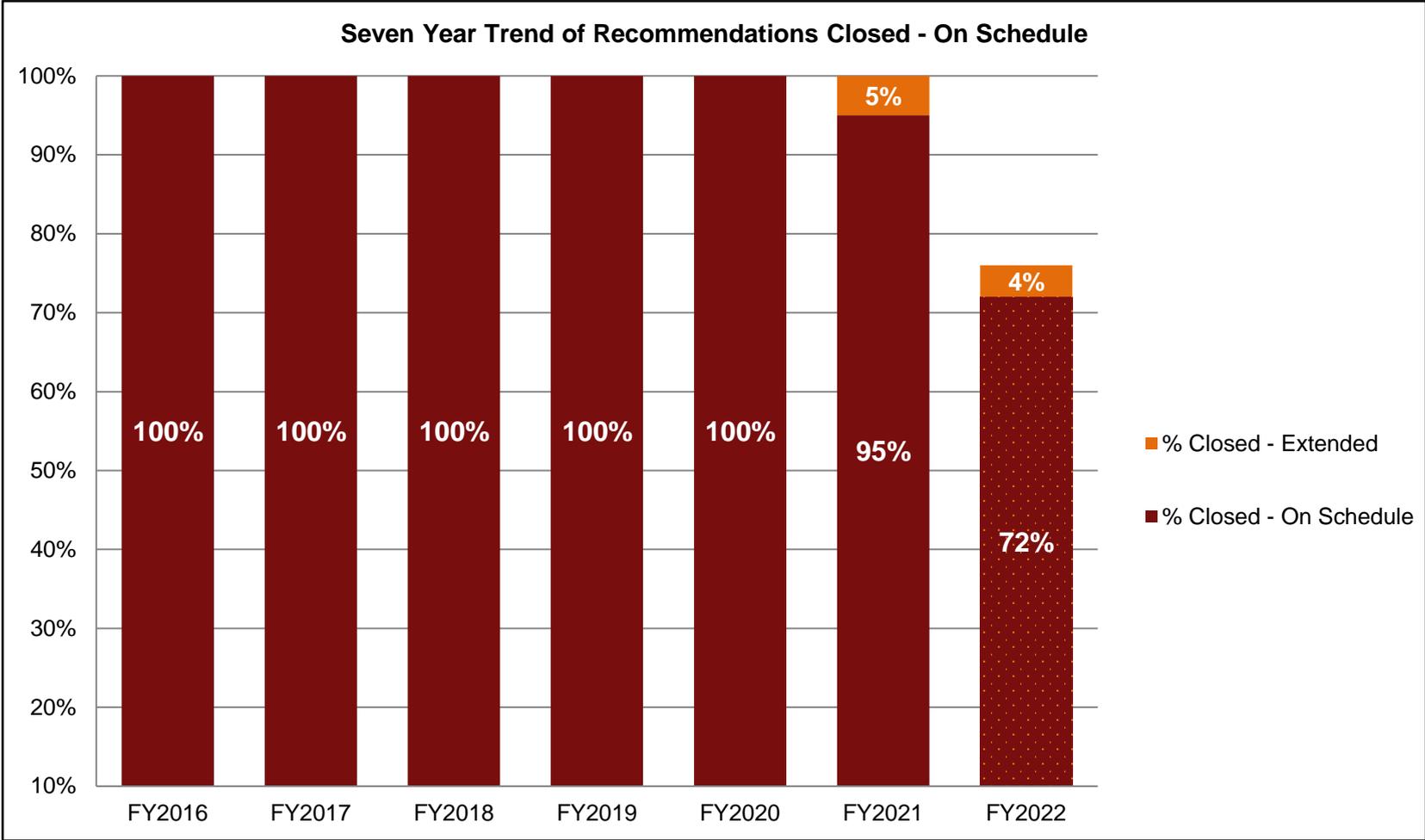
For Open Detail Report: "current calendar quarter" is used to refer to the current working quarter instead of the quarter being reported on.

ATTACHMENT C

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE

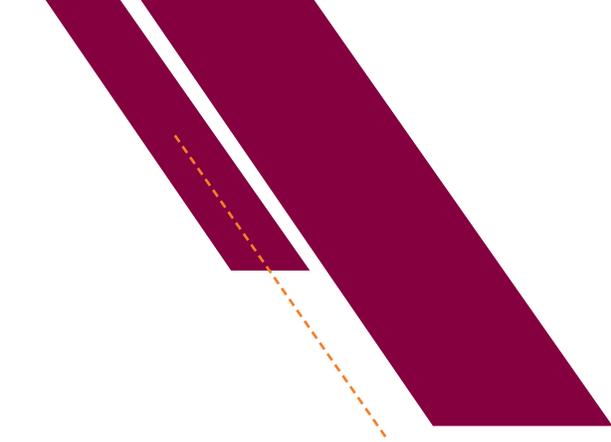
March 31, 2022



Report on Open Internal Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE
JUNE 2022





Follow-Up Process



Management is responsible for completing actions that mitigate risk.

Ultimately, management must own both the identified risks and the actions necessary to appropriately mitigate the risks.

Auditors are required to follow up on risk mitigation plans.

The Institute of Internal Auditors Standards states that auditors must “establish a system to monitor the disposition of results communicated to management.”

A partnership exists to manage the follow up process.

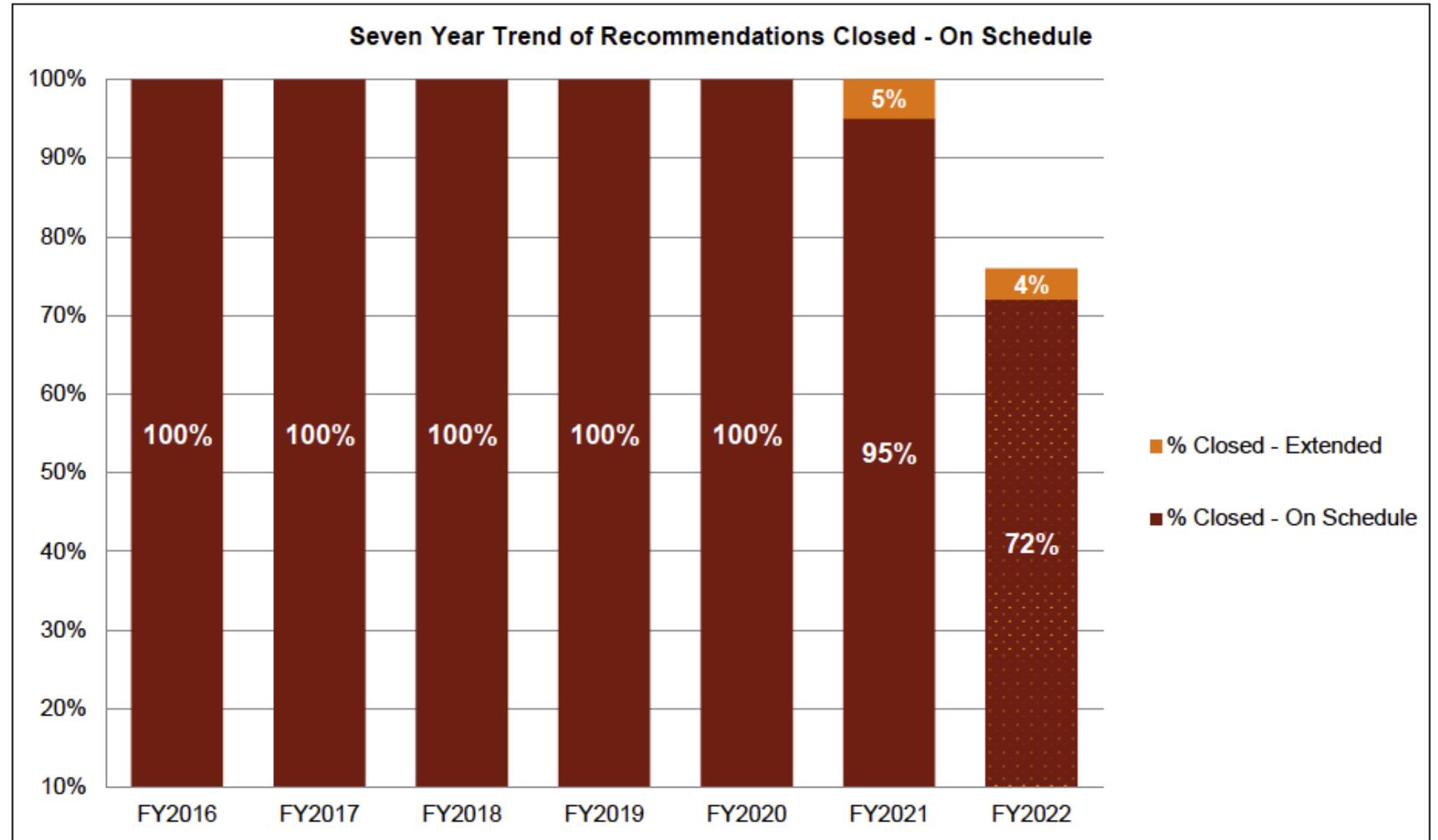
At Virginia Tech, Internal Audit and the Office of the Vice President for Finance work together to track, manage, and ensure completion of mitigation plans.

A goal of on-time mitigation has been established.

The Board of Visitors receives reports on issues that rated “medium” or “high” in importance. The university has strived to close 95% of all board-tracked audit issues on time.



As of March 31, 2022



Current Challenges

Disruption of normal business activities due to the pandemic has started to impact some areas of audit follow up. Colleges and senior management areas continue to:

- Wrestle with the implications of the change in standards surrounding elevated or administrative privileges to individual end points.
- Figure out how to best manage to Minimum Security Standards in a decentralized environment.
- Balance ongoing compliance requirements (i.e., scholarship utilization reporting) with urgent needs of the day (i.e., faculty hiring) while operating with higher-than-average turnover in administrative positions.

150
years 1872-2022

Questions?



Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 6, 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
Athletics	Effective
Dining Services	Improvements are Recommended
School of Architecture + Design	Improvements are Recommended
Service Centers	Effective
Vendor Contract Administration	Improvements are Recommended
Vice President for Campus Planning, Infrastructure, and Facilities Policy Compliance Review	Improvements are Recommended
Reports for Discussion	Rating
Research: Foreign Gifts and Contracts	Significant Improvements are Needed
Vice President for Outreach and International Affairs Policy Compliance Review	Significant Improvements are Needed

Summary of Audit Ratings

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

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

Definitions of each assessment option

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

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

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

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

RECOMMENDATION:

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

June 6, 2022

Audit Plan for Fiscal Year 2022-23

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 6, 2022

The Office of Audit, Risk, and Compliance (OARC) presents the Audit Plan for Fiscal Year 2022-23 to the Compliance, Audit, and Risk Committee for review and approval. An annual risk assessment was conducted to identify the entities that should receive audit attention in fiscal year 2022-23 and a core audit plan was developed in coordination with the university's ERM initiative.

For fiscal year 2022-23, 31 audit projects and seven management advisory services are proposed, with approximately 75 percent of OARC's available resources committed to the completion of planned projects. A description of each project is provided within the audit plan. OARC's goal will be to complete 85 percent of the audit plan. The internal audit plan may be modified based on the external audit environment or changes in regulations, management, or resources.

RECOMMENDATION:

That the Audit Plan for Fiscal Year 2022-23 be approved by the Compliance, Audit, and Risk Committee.

June 6, 2022



Office of Audit, Risk, and Compliance
Fiscal Year 2022-23 Audit Plan
June 6, 2022

OVERVIEW

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

RISK ASSESSMENT PROCESS

Enterprise Risk Assessment (ERM)

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

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

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

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

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

OARC Audit Planning Risk Assessment

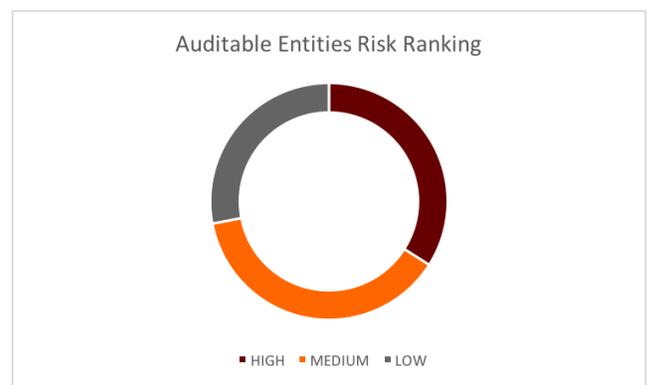
University departments and administrative operations were grouped into approximately 175 auditable entities or responsibility centers based on common missions and the existing organizational structure. For each auditable entity, OARC reviewed financial data, including expenditures, revenues, cash receipts,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

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

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

Elements considered within these factors included:

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



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

IT Risk Assessment

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

The IT risk assessment is driven by the Center for Internet Security's Critical Security Controls and Virginia Tech's Minimum Security Standards, which lay the IT security foundation for the university. OARC considers these controls and the relative risk of the decentralized computing environment as it identifies the topical audits in the plan. Careful consideration is made to ensure coverage includes administrative, academic, and research computing.

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

CORE AUDIT PLAN

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

The critical areas for core audit plan inclusion are:

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

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

FISCAL YEAR 2022-23 AUDIT PLAN

The audit plan focuses on delivering value to Virginia Tech with an emphasis on the following risk areas: strategic, operational, financial, compliance, and IT. If new topics emerge during the audit plan period that require more immediate attention, reconfiguration of the plan can be undertaken to accommodate these changes. The fiscal year 2022-23 audit plan includes 38 projects, and OARC’s goal is to complete 85 percent of the audit plan. As each audit is undertaken, risks will be re-evaluated to ensure proper audit coverage with consideration of confidentiality, integrity, and availability. Annual expenditures and revenues referenced below reflect fiscal year 2020-21 data unless otherwise noted.

Risk-Based Assurance

Planned Engagement	Overview	Risk Area
Aerospace & Ocean Engineering	The Kevin T. Crofton Department of Aerospace & Ocean Engineering, within the College of Engineering, offers a “foundation of versatility” through its unusual approach to understanding and exploiting the similarities between two seemingly disparate fields. The department had expenditures of \$19.7 million, including \$9.9 million of sponsored research in fiscal year 2020-21. The last audit of this department was in 2014.	Operational – Academic
Capital Campaign Processes and Reporting	The university is in the midst of an ambitious, multi-year \$1.872 billion capital campaign. This review will look at the systems, processes, and controls in place to ensure the campaign has an appropriate level of control and accurate reporting.	Operational – Advancement
Civil and Environmental Engineering	The Charles E. Via, Jr. Department of Civil and Environmental Engineering, within the College of Engineering, is ranked among the top 10 accredited civil and environmental engineering departments in the United States and is one of the largest programs in the United States. The department currently has 55 full-time faculty, 700 undergraduates, and 315 graduate students. The department had expenditures of \$27.8 million, including \$12.9 million of sponsored research in fiscal year 2020-21. The last audit of this department was in 2015.	Operational – Academic
College of Natural Resources and Environment	The College of Natural Resources and Environment is comprised of four academic departments: Fish and Wildlife Conservation, Forest Resources and Environmental Conservation, Geography, and Sustainable Biomaterials. Together, the departments had expenditures of \$30.4 million, including \$13.4 million of sponsored research in fiscal year 2020-21. This college has not been previously reviewed.	Operational – Academic
Controller’s Office: General Accounting	The Controller’s Office General Accounting section supports the Banner Finance help line and provides training for new employees in the areas of Banner Finance navigation, general accounting query, and finance web reporting. The section also performs audits of departmental journal entry transfers and is responsible for Banner Finance daily batch updating, month-end close, and year-end close. Additionally, the section is responsible for reconciling the university’s bank accounts, reconciling the Banner Finance system to the state’s accounting system, and various other reconciliations. This area was last reviewed in 2016.	Operational – Financial Management
Data Analytics: Compliance Monitoring	Building on the recently completed data analytic work focused on research activity, this project will continue efforts to refine analytics to identify and proactively monitor for common research compliance issues at both the grant, principal investigator, and department level.	Compliance – Research

Planned Engagement	Overview	Risk Area
Data Analytics: Electronic Systems Approvals	The university is increasingly leveraging electronic approvals in many disparate systems. This project will review a sample of critical systems and the electronic approvals utilized to ensure certain basic internal controls (i.e., segregation of duties) are being appropriately maintained.	Compliance – Financial Management
Data Analytics: Leave and Time Reporting	Continuing our drive to look at larger data sets across larger populations of records, this project will look for non-compliance with university leave and time reporting processes in a comprehensive manner. It will leverage data from differing systems to ensure robust time and attendance records are being appropriately maintained.	Compliance – Financial Management
Data Analytics: Possible Fraudulent Transactions	With the move to remote and hybrid work operations, several standard internal controls have been altered or are no longer applicable. This review will be a data-driven review looking for inappropriate transactions.	Compliance – Financial Management
Endowed Chair Funds Utilization	Endowed chairs, professorships, and fellowships are established by a donor who provides an endowment to support the salary and/or operating funds of the professor. Utilization of funds is driven by a donor agreement and is a joint responsibility of the chair holder, department, and college. This review will look at processes deployed by the university to monitor for endowment chair usage in the decentralized university environment. This was last reviewed in 2018.	Operational – Academic
Environmental Health and Safety	Environmental Health and Safety provides institutional support and oversight for departments in maintaining regulatory requirements of laboratory safety and chemical hygiene. Department personnel perform routine inspections of areas both on and off campus. Additionally, the department provides training mandated by many federal and state agencies. The department was last reviewed in 2015.	Operational – Campus Safety and Security
Gramm-Leach-Bliley Act Compliance	The Gramm-Leach-Bliley Act (GLBA) is a law that applies to financial institutions and includes privacy and information security provisions that are designed to protect consumer financial data. This law applies to how the university collects, stores, and uses student financial records (e.g., records regarding tuition payments and/or financial aid) containing personally identifiable information. GLBA regulations include both a Privacy Rule and a Safeguards Rule, both of which are enforced by the Federal Trade Commission for higher education institutions. The activity was last reviewed in 2010.	Compliance – Financial Management
Housing and Residence Life	Housing and Residence Life, a unit within the Division of Student Affairs, oversees the residential learning environment for 10,000 on-campus students across 46 residence halls. The department maintains a full-service support environment, including facility operations, occupancy management, and conference operations. This department was last reviewed in 2014.	Operational – Student Services
Human Resources: Employee Administration*	Employee Administration is a wide-ranging activity within the Division of Human Resources that includes: benefits, new employee orientation, records management, service center, systems, retirement, and worker's compensation. A component of Human Resources is included in the audit plan each year.	Operational – Human Resources
IT: Advanced Research Computing	Advanced Research Computing, within the Division of Information Technology, provides centralized research computing infrastructure and support to the university community. Resources include high-performance computing systems, large-scale data storage, visualization facilities, and software. The facilities are available to all faculty and students across disciplines. This department has never been audited as a separate unit.	Operational – Information Technology

Planned Engagement	Overview	Risk Area
IT: Cybersecurity Incident Response	Incident response is a structured process organizations use to identify and deal with cybersecurity incidents. Response includes several stages, including preparation for incidents, detection and analysis of a security incident, containment, eradication, full recovery, and post-incident analysis and learning. Incident response is led by the Information Technology Security Office. This review will assess the current policies, procedures, and recent outcomes of the university's incident response posture. This activity has never been audited.	Operational – Information Technology
IT: ERP Systems	ERP, or enterprise resource planning, systems are a type of software that allow an organization to manage its day-to-day activities. Common ERP systems include accounting, procurement, and student systems. This review will take a common controls-centric look to ensure high-risk ERP systems are being appropriately managed. This activity has never been audited as a standalone activity.	Operational – Information Technology
Licensing and Trademarks	The university holds rights to various licensed and trademarked items. This review will include the processes and procedures used to manage the marks and ensure their ongoing protection. This was last reviewed in 2009.	Operational
Research: Cost Sharing*	Cost sharing is the portion of a project or program cost that is not reimbursed by the sponsor. In proposal or an award, cost sharing represents a commitment by the university. Cost sharing can be both mandatory, where the sponsor requires cost sharing as a condition of the award, and voluntary, where the sponsor does not require cost sharing as a condition of the award, but the university offers cost sharing in the proposed budget to be more competitive. Compliance with federal cost accounting standards requires that cost sharing expenses be treated in a consistent manner in proposal preparation, award negotiation, and the accounting of these expenses in the financial reports to sponsors. This activity was last reviewed in 2015.	Compliance – Research
Research: Foreign Influence	The federal government continues to scrutinize researchers and their potential ties to foreign nations. The university has deployed more training, resources, and disclosure requirements. This review includes processes deployed to inform our employees of their responsibilities and the effectiveness of the disclosure review processes. Components of this activity were last reviewed in 2022.	Compliance – Research
Research: SBIR/STTR Grant Compliance	The Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs are highly competitive programs that encourage small businesses to engage in Federal research with the potential for commercialization. Through a competitive awards-based program, SBIR and STTR programs enable small businesses to explore their technological potential and provide the incentive to profit from their commercialization. The STTR program requires the small business to formally collaborate with a research institution. The university maintains several of these relationships, which contain unique research compliance risks. These programs have never been individually reviewed.	Compliance – Research
School of Plant and Environmental Sciences	The School of Plant and Environmental Sciences, within the College of Agriculture and Life Sciences, seeks to train the next generation of professionals in the fields of plant breeding and genetics, agronomic and horticultural crop production, plant protection, soil and water systems management, agricultural technologies, environmental restoration, and agro-environmental stewardship. The School currently has 95 faculty, 350 undergraduates, and 120 graduate students. The	Operational – Academic

Planned Engagement	Overview	Risk Area
	School had expenditures of \$20.4 million, including \$6.2 million of sponsored research in fiscal year 2020-21. The School was last reviewed in 2019.	
University Registrar	The Office of the University Registrar provides many services, including academic records maintenance, for more than 37,000 current students across 280 undergraduate and graduate degree programs. Other areas of responsibility include data stewardship; data integrity; ensuring compliance with all agency, state, and federal regulations; and development of semester course offerings. The last dedicated review of this office was in 2019.	Operational – Enrollment Services
University Scholarships and Financial Aid*	The Office of University Scholarships and Financial Aid (USFA) supports the university's student access, enrollment, and retention goals by providing the financial means to encourage economic, social, cultural, and academic diversity in the student body. USFA provided or monitored approximately \$548 million in student financial assistance. A complete audit of the various activities within USFA is performed over a four-year period.	Compliance – Enrollment Services
Virginia Cooperative Extension - Southwest District	Virginia Cooperative Extension is an educational outreach program of Virginia's land-grant universities, Virginia Tech and Virginia State University, and is a part of the National Institute for Food and Agriculture, an agency of the United States Department of Agriculture. The Southwest District covers 21 counties and had \$4.3 million in expenditures in fiscal year 2020-21. This district was last reviewed in 2013	Compliance – Financial Management
VT Electric Service	Launched in 1893, VT Electrical Service is the electric utility provider for the Blacksburg campus and about 6,000 residential and commercial customers in the Town of Blacksburg. In fiscal year 2020-21, the service had \$31.3 million in expenditures on \$10.7 million in cash receipts. This activity was last reviewed in 2015.	Operational – Financial Management

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

University Policy Compliance Reviews

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

Planned Engagement	Overview	Risk Area
Athletics	The department of Athletics sponsors 22 NCAA Division I sports. In fiscal year 2020-21, Athletics had \$88 million in expenses on \$93 million in operating revenue. The last policy compliance review was in 2018.	Operational
College of Engineering	The College of Engineering is the largest and most comprehensive engineering program in the state of Virginia with 384 tenure and tenure track faculty across 18 areas of undergraduate and graduate study, teaching approximately 12,000 students. The college had \$243 million in expenditures and \$106 million in grants and contract expenditures in fiscal year 2020-21. The last policy compliance review in this area was in 2018.	Operational
Senior Vice President for Research and Innovation	The Office of Research and Innovation enriches, supports, cultivates, and champions research, innovation, creative activities, and scholarship that seek to make the world a better place. The office oversees a research portfolio of more than \$550 million	Operational

Planned Engagement	Overview	Risk Area
	that ranks in the top 50 in national rankings. The last policy compliance review of this area was in 2018.	
Vice President and Executive Director of the Innovation Campus	Virginia Tech is creating a bold, new vision for graduate education in computer science and computer engineering. The Innovation Campus—located in the Potomac Yard area of Alexandria, Virginia—will be both a place and a culture that unlocks the power of diverse people and ideas to solve the world’s most pressing problems through technology. As a new unit, this area has not been previously reviewed.	Operational
Vice President for Advancement	The Vice President for Advancement is responsible for securing resources that will enhance the academic quality of the institution and promoting public understanding of and support for Virginia Tech. The division had \$27 million in expenditures in fiscal year 2020-21. The last policy compliance review of this area was in 2018.	Operational

Management Advisory Services

Planned Engagement	Overview	Risk Area
Athletics Data Privacy	Athletics maintains separate records on student-athletes that are high risk. This advisory review will seek to inventory the various types of data, review the processes and procedures used to secure the data, and ensure the university Minimum Security Standards are being deployed appropriately.	Compliance – Information Technology
Effort Reporting System	Effort reports, or personnel activity reports, are the mechanism the university has deployed to show compliance with federal regulations and sponsoring organization conditions regarding compensation charged to sponsored research awards. The university is deploying a new electronic system to capture effort reporting that replaces a current manual process. This advisory will include reviewing the system implementation, the training and guidance provided, and updates to relevant policies to ensure the university is fully addressing this critical compliance risk.	Compliance– Financial Management and Research
Graduate School Information Technology	At the request of the Dean of the Graduate School, this advisory review will look at the operating practices of the School’s information technology group, the manner in which it conducts its business, and how the School is deploying its information technology resources	Operational – Information Technology
Faculty Research Incentive Program	The Faculty Research Incentive Program, administered by the Office of Research and Innovation, provides faculty members who are principal or co-principal investigators and whose base salaries are supported by E&G funds an annual one-time research incentive payment. This review will consider the processes and procedures over these awards and ensure salary funds are appropriately utilized.	Operational – Financial Management and Research
HERD Data Processes	The National Science Foundation’s Higher Education Research and Development (HERD) survey is the primary source of information on research and development expenditures at U.S. colleges and universities. The survey collects information on research expenditures by field of research and source of funds and gathers information on types of research, expenses, and headcounts of personnel. The survey is an annual census of institutions. At the university, the survey is a collaboration of processes that is spearheaded by the Controller’s Office. This advisory review will look at processes and procedures used to compile and review the survey for accuracy prior to its annual submission.	Operational – Financial Management

Planned Engagement	Overview	Risk Area
Remote Working Compliance	The rapid pivot to remote working environments adds increasing complexity to various compliance areas, including payroll and benefits. This advisory project will review the actions taken by the institution to manage these risks and look at aggregating additional data to ensure we are meeting this challenging area.	Compliance
Steger Center Financial Controls	Located in Riva San Vitale in southern Switzerland, the Steger Center for International Scholarship serves as the university's European center and provides support for its programs in the region. Home to several study abroad programs for undergraduate and graduate students, the Steger Center also offers opportunities for faculty and staff members to develop semester-long and short-term programs. At the request of the Vice President for Outreach and International Affairs, this advisory review will include financial and university policy compliance areas.	Operational – ·Off-Campus Locations

Special Projects and Annual Audit Activities

Activity	Overview
Special Projects	Investigate fraud, waste, and abuse allegations.
Annual Audit Activities (Follow-up, Inventory)	Conduct follow-up audit procedures to ensure that management is implementing controls as described within their responses to audit report recommendations.
External Audit Coordination	Manage and serve as the liaison for all external audit services, including contracted and regulatory-imposed audits.

AUDIT RESOURCES

The fiscal year 2022-23 audit plan is based on professional staffing of 13 full-time equivalents (FTEs). This plan includes a small adjustment to reflect historic trends of some turnover within the fiscal year. Staffing will continue to be augmented by the continuation of the student internship program in which three Virginia Tech students are employed.

Approximately 75 percent of OARC's available resources are committed to the completion of planned audit projects, management advisory reviews, and investigations. The annual audit plan is designed to provide appropriate coverage utilizing a variety of audit methodologies, including audits of individual units, functional and process audits, university-wide reviews, and information system projects. OARC conducts follow-up audit procedures throughout the year to ensure that management is implementing controls as described within their responses to audit report recommendations.

Audit resources are allocated as follows:

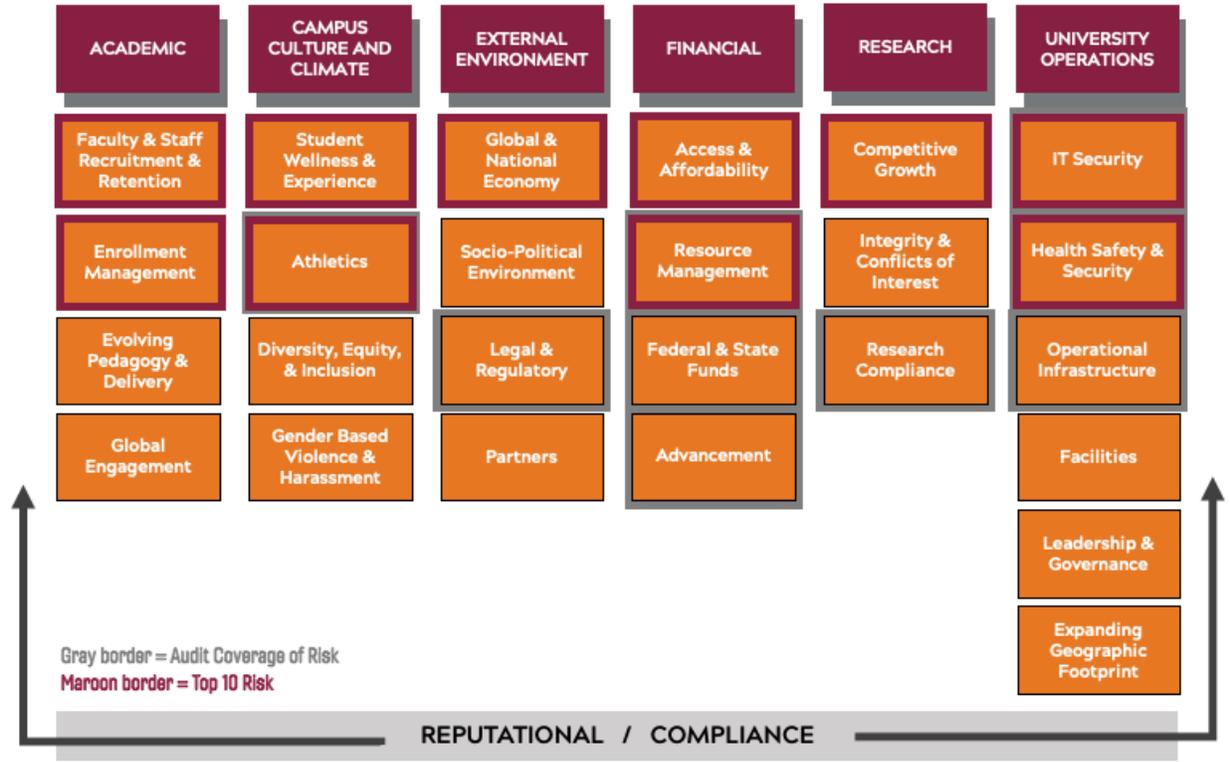
- 54 percent of OARC's available resources are committed to the completion of planned audit projects and follow-up audit procedures.
- 13 percent to accommodate requests from management and consultations with university departments.
- 7 percent to conduct investigations into fraud, waste, and abuse allegations.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

AUDIT PLAN MAPPED TO ERM

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

Enterprise Risk Landscape

May 2021



Overview

The annual risk assessment process informs and guides the audit plan development.

OARC conducts:

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



Risk Assessment Process

Designed as an ongoing and iterative process, the annual risk assessment takes into account many factors.

OARC Planning
Risk Assessment

IT Risk
Assessment



Institutional
Compliance Program

ERM Risk
Landscape



Core Audit Plan

The annual audit plan includes several critical areas to ensure a consistent focus on certain core university functions

Academic Units

Auxiliary Enterprises and Athletics

Campus Safety and Security

Enrollment Services

Facilities and Operations

Financial Management

Human Resources

Information Technology

Off-Campus Locations

Research

Student Services

Risk-based Audit Projects

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

- Aerospace & Ocean Engineering
- Capital Campaign Processes and Reporting
- Civil and Environmental Engineering
- College of Natural Resources and Environment
- Controller's Office: General Accounting
- Data Analytics: Compliance Monitoring
- Data Analytics: Electronic Systems Approvals
- Data Analytics: Leave and Time Reporting
- Data Analytics: Possible Fraudulent Transactions
- Endowed Chair Funds Utilization
- Environmental Health and Safety
- Gramm-Leach-Bliley Act Compliance
- Housing and Residence Life
- Human Resources: Employee Administration
- IT: Advanced Research Computing
- IT: Cybersecurity Incident Response
- IT: ERP Systems
- Licensing and Trademarks
- Research: Cost Sharing
- Research: Foreign Influence
- Research: SBIR/STTR Grant Compliance
- School of Plant and Environmental Sciences
- University Registrar
- University Scholarships and Financial Aid
- Virginia Cooperative Extension - Southwest District
- VT Electric Service

Policy Compliance Reviews

These surveys review major aspects of a senior management area's administrative processes using internal control questionnaires and limited testing to provide broad coverage regarding compliance with certain policies.

- Athletics
- College of Engineering
- Senior Vice President for Research and Innovation
- Vice President and Executive Director of the Innovation Campus
- Vice President for Advancement

Management Advisory Services

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

- Athletics Data Privacy
- Effort Reporting System
- Faculty Research Incentive Program
- Graduate School Information Technology
- HERD Data Processes
- Remote Working Compliance
- Steger Center Financial Controls



Audit Resources

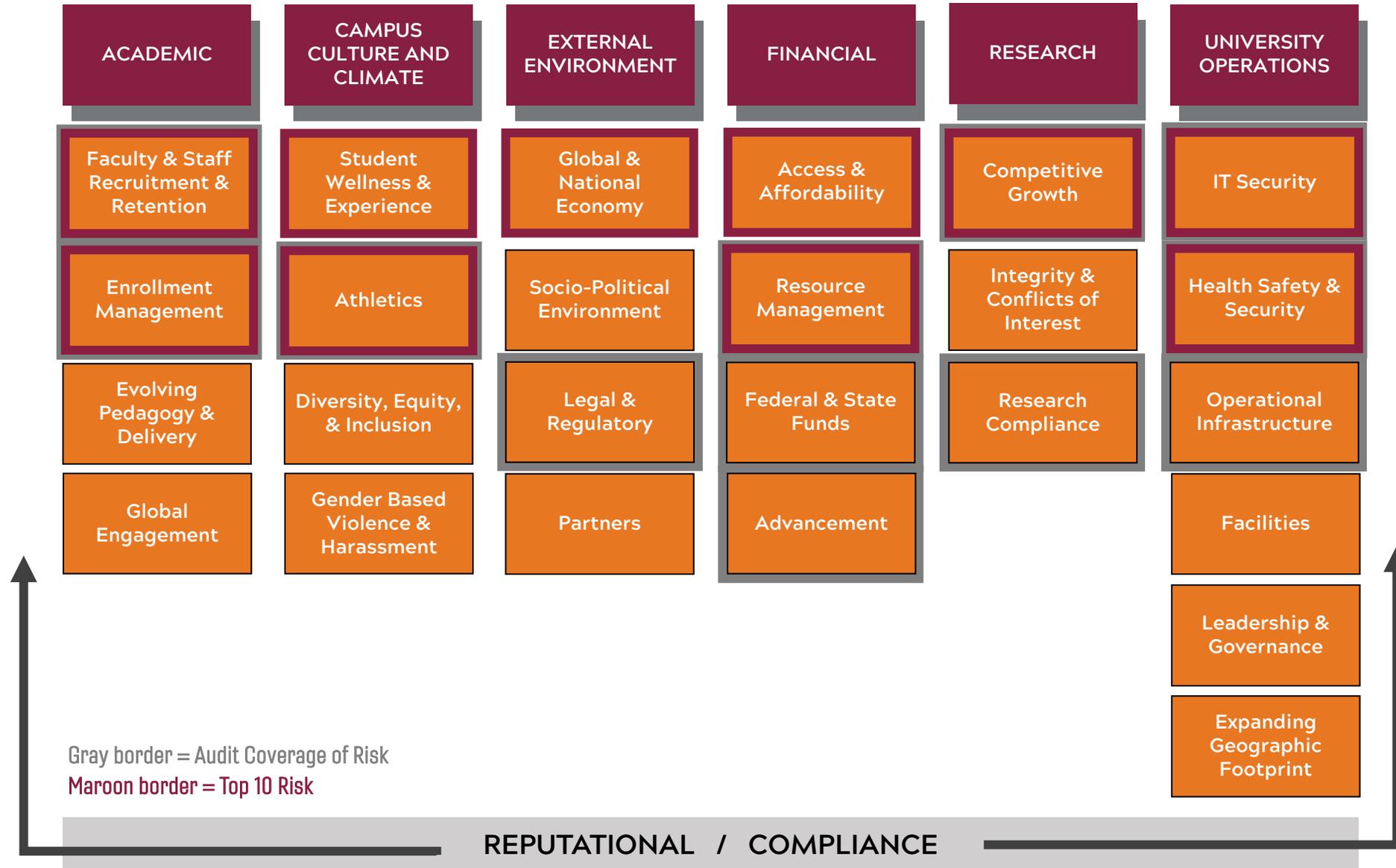
- 13 FTEs – professional audit staff
- 3 part-time Virginia Tech students

Resource Allocations

- 54% - completion of audit projects and follow up
- 13% - accommodate management requests
- 7% - conduct investigations
- 11% - professional development and administration
- 15% - compensated absences (annual, sick, holiday)

Enterprise Risk Landscape

May 2021





VIRGINIA TECH™