Committee Minutes

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

March 19, 2020

Open Session

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

Other Board Members:  Greta Harris

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

Guests:  Henri Gandreau (Roanoke Times)

1. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.

2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda, with the exception of the Internal Audit Report for VCE: Northern District, which was removed from the Consent Agenda by Letitia Long and discussed separately.

   a. **Minutes for the November 17, 2019 Meeting:** The Committee reviewed and approved the minutes of the November 17, 2019 meeting.

   b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university’s update of responses to all previously issued internal audit reports. As of September 30, 2019, the university had 14 open recommendations. Two audit comments were issued during the second quarter of the fiscal year. As of December 31, 2019, the university had addressed 10 comments, leaving six open recommendations in progress.

   c. **Audit Plan Status Report:** The committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) had completed 32 percent of its audit plan, and 65 percent was complete or underway, in accordance with the fiscal year 2019-20 annual audit plan.
d. **Internal Audit Reports:** The following internal audit reports were issued by the Office of Audit, Risk, and Compliance (OARC) since the November 17, 2019 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management’s implementation of agreed upon improvements for previously issued audit recommendations.

i. **Chemical Engineering:** The audit received a rating of improvements are recommended. An audit recommendation was issued to management where opportunities for further improvements were noted in the area of lab safety training oversight. Additionally, a low-priority recommendation of a less significant nature was noted with respect to international travel.

ii. **Graduate Education:** The audit received a rating of improvements are recommended. An audit recommendation was issued to management where opportunities for further improvements were noted in the area of graduate application fees. A low-priority recommendation of a less significant nature was noted regarding the plan of study notification process.

iii. **Human Resources: Payroll:** The audit received a rating of effective. No audit recommendations were issued.

iv. **University Scholarships and Financial Aid:** The audit received a rating of effective. Low-priority recommendations of a less significant nature were noted regarding the locking of student records after verification and the retention of student notification letters sent when changes were made to financial aid packages.

v. **Vice President for Information Technology Policy Compliance Review:** 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 expenditures, fixed assets, and information technology.

e. **Auditor of Public Accounts Financial Statement Audit and Management Letter:** The Committee received a report on the Auditor of Public Accounts (APA) audit of the university’s financial statements and management letter for the fiscal year ended June 30, 2019. During the audit, the APA found the financial statements were presented fairly in all material respects, and there were no internal control findings requiring management’s attention. The APA
identified one instance of noncompliance related to the process of identifying individuals in a position of trust.

f. **Auditor of Public Accounts Intercollegiate Athletics Programs Report:**
The Committee received a report on the APA 2019 Intercollegiate Athletics review for fiscal year 2019. The APA performed certain agreed-upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Programs for fiscal year ended June 30, 2019 is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. During the APA review, no matters were brought to the APA’s attention that would lead them to believe the amounts of the Schedule of Revenues and Expenses should be adjusted. This review did not constitute an audit and therefore no opinion was issued.

g. **Report on Audits of University-Related Corporations:** The university-related corporations include 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 was required to provide audited annual financial statements, management letters from external auditors, and management’s responses to the university’s president on an annual basis. Each corporation is also required to submit an annual certification stating that all procedures outlined in the resolution have been met. All corporations were in full compliance with the Board of Visitors’ requirements regarding audits.

3. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the November 17, 2019 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management’s implementation of agreed upon improvements for previously issued audit recommendations.

a. **VCE: Northern District:** 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 4-H background checks, funds handling, and record retention.

b. **IT: Log Management:** The audit received a rating of improvements are recommended. Audit recommendations were issued to management where an observation was noted that the implementation of university-wide
information technology (IT) log management tools created challenges in effectively managing and monitoring IT logs. Additionally, low-priority recommendations of a less significant nature were noted regarding compliance with the Standard for Information Technology Logging for three systems.

4. **ERM and ICP Program Updates:** The Committee received an update on the Enterprise Risk Management and Institutional Compliance programs. An update on the new iteration of ERM, along with a revised enterprise risk landscape and heat map, was shared with the committee. ICP developments with the university-wide compliance matrix and associated risk assessments were also shared with the committee.

5. **Discussion on Public Safety:** The Assistant Vice President for Emergency Management discussed university plans to protect public safety related to the COVID-19 pandemic.

6. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

Closed Session

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

**Other Board Members:** Greta Harris

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

**Compliance, Audit, and Risk Closed Session**

1. **Motion for Closed Session:** Motion to begin closed session.

2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.

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

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE
3:00 p.m.

May 21, 2020

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

Closed Session

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

Other Board Members: Chris Petersen, Preston White

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

Compliance, Audit, and Risk Closed Session

1. Motion for Closed Session: Motion to begin closed session.

2. Internal Audit Reports: The following confidential internal audit reports were issued by the Office of Audit, Risk, and Compliance (OARC) since the March 19, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. OARC conducts follow-up on management’s implementation of agreed upon improvements for previously issued audit recommendations.

   a. Parking and Transportation: The audit received a rating of improvements are recommended. Audit recommendations were issued to management
where opportunities for further improvements were noted in the areas of funds handling and reconciliation procedures and monthly fuel inventory leak check monitoring. Additionally, a low-priority recommendation of a less significant nature was noted regarding the oversight of drivers’ licenses.

b. College of Science Policy Compliance: The audit received a rating of significant improvements are needed. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of fiscal responsibility, wage payroll, leave reporting, funds handling, information technology, and emergency preparedness.

3. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.

4. **Annual Performance Review of the Executive Director of Audit, Risk, and Compliance:** The Committee provided an annual performance review to the Executive Director of Audit, Risk, and Compliance.

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

**Open Session**

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

**Other Board Members:** Chris Petersen, Preston White

**Representatives to the Board:** John Ferris, Tammie Smith

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

In addition, 60 members of the university community and public viewed a live stream of the videoconference on YouTube Live.
1. **Motion to Reconvene in Open Session:** Motion to begin open session.

2. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.

3. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.

   a. **Minutes for the March 19, 2020 Meeting:** The Committee reviewed and approved the minutes of the March 19, 2020 meeting.

   b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university’s update of responses to all previously issued internal audit reports. As of December 31, 2019, the university had six open recommendations. Four audit comments were issued during the third quarter of the fiscal year. As of March 31, 2020, the university has addressed one comment, leaving nine open recommendations in progress.

   c. **Audit Plan Status Report:** The Committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) had completed 60 percent of its audit plan in accordance with the fiscal year 2019-20 annual audit plan.

   d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the March 19, 2020 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management’s implementation of agreed upon improvements for previously issued audit recommendations.

      i. **IT: Banner Applications:** The audit received a rating of effective. A low-priority recommendation of a less significant nature was noted regarding configuration of the Docker cluster that supports Banner 9.

      ii. **College of Natural Resources and Environment Policy Compliance Review:** The audit received a rating of improvements are recommended. Audit recommendations were issued to management where opportunities for further improvement were noted in the areas of leave reporting, funds handling, and information technology.
e. **ERM and ICP Program Updates:** The Committee reviewed an update on the Enterprise Risk Management (ERM) program and Institutional Compliance program (ICP). The new iteration of ERM, along with the revised enterprise risk landscape and heat map, focused on the top ten risks. As part of the ICP, distributed university-wide compliance owners have completed 80 percent of associated risk assessments, but delays have occurred due to the pandemic.

4. **Annual External Audit Scope Discussion with the Auditor of Public Accounts:** The Committee met with the Auditor of Public Accounts (APA) for a discussion of the scope of the audit of the 2019-20 financial statements and the APA’s plans for conducting and completing the audit.

5. **Audit Plan for Fiscal Year 2020-21:** The Committee reviewed and approved the annual audit plan for fiscal year 2020-21. OARC conducted the annual risk assessment after reviewing financial and operational data and seeking input from senior management. In addition, a university-wide information technology risk assessment and audit plan was created in accordance with industry standards. For fiscal year 2020-21, the audit plan includes more than 25 audit projects, with approximately 76 percent of available resources committed to the completion of planned projects.

6. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

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