

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

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Compliance, Audit, and Risk Closed Session

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

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