

Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE The Inn at Virginia Tech, Latham A/B

August 19, 2025

Open Session

Committee Members Present: Ryan McCarthy (Chair), Starlette Johnson, Jim Miller, Margaret Ann Smith

Other Board Members Present: John Rocovich (Rector), Sandy Davis, Nancy Dye, Ted Hanson, Bill Holtzman, Robby Moser, J. Pearson, Jeanne Stosser, Justin Lemkul, Marlena Lester, Amber Hagan, Katie Drinkwater, Thomas Feely

Virginia Tech Personnel: Simon Allen, Janice Austin, Mac Babb, Laura Belmonte, Myra Blanco, Jasmine Boyd, Eric Brooks, Cyril Clarke, Al Cooper, Erica Cooper, Ali Cross, Meaghan Davidson, Debbie Day, Corey Earles, Abbey Rowe Erwin, Juan Espinoza, Ron Fricker, Mike Friedlander, Martha Glass, Suzanne Griffin, Rebecca Halsey, Luke Hayes, Chelsea Haines, Kay Heidbreder, Frances Keene, Chris Kiel, Alex Kinnaman, Sharon Kurek, Andrew Marinik, Hud McClanahan, Nancy Meacham, Justin Noble, Shane-Justin Nuuhiwa, Kelly Oaks, Amy Orders, Kim O'Rourke, Mark Owczarski, Lauren Pollard, Paul Richter, Julie Ross, Timothy Sands, Amy Sebring, Brennan Shepard, Jaida Smith, Michael Staples, Michael Stowe, John Talerico, John Tarter, Don Taylor, Dwyn Taylor, Monecia Taylor, Nick Tolar, Tom Wamsley, Melinda West, Lisa Wilkes, Tiffany Willis, Chris Wise, Andy Woodall

Other Attendees: Ian Friend

1. **Welcome and Introductions:** The chair of the Compliance, Audit, and Risk Committee opened with welcoming remarks and introductions at 10:48am.
2. **Consent Agenda:** The Committee approved and accepted the items listed on the Consent Agenda.
 - a. **Minutes from the June 2, 2025 Meeting:** The Committee reviewed and approved the minutes of the previous 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. This report was provided to update the Compliance, Audit, and Risk Committee on the status of outstanding recommendations from compliance reviews and audit reports, as part of the Committee's responsibility to review management's responses to significant potential issues, internal audit's recommendations, and the projected timetable to correct the identified issues in the internal control system. 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 of March 31, 2025, the university had ten open recommendations. One audit comment was issued during the fourth quarter of the fiscal year. As of June 30, 2025, the university had addressed five comments, leaving six open recommendations in progress.

- c. **Audit Plan Status Report:** The Committee reviewed the Audit Plan Status Report as a part of their responsibility for oversight of the internal audit program. As of the August meeting, OARC completed 80 percent of its audit plan, with 100 percent underway, in accordance with the fiscal year 2024-25 annual audit plan.
- d. **Internal Audit Reports:** The following internal audit report was issued by OARC since the June 2, 2025 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. **Athletics Ticket Office:** The audit received a rating of improvements are recommended. An observation was noted regarding complimentary tickets. Low priority observations of a less significant nature were noted regarding payment card industry (PCI) training and faculty and staff ticket taxation.
- e. **Status Update on the Audit of the University's Financial Statements:** This report provided the current status of the external audit of the university's financial statements for fiscal year 2024-25, as part of the

Committee's oversight of the Auditor of Public Accounts' (APA) audit process. This status update report represents a written midpoint update for the Committee in between two presentations by the APA: the initial discussion of the scope of the audit at the June meeting and the presentation of the audit's results at the November meeting.

3. **Compliance, Audit, and Risk (CAR) Committee Overview:** The Committee received a comprehensive overview on the charge and fiduciary responsibilities of the CAR Committee, presented by Sharon Kurek, Vice President for Audit, Risk, and Compliance & Chief Risk Officer. This briefing emphasized the Committee's responsibilities for overseeing Virginia Tech's internal control framework, enterprise risk management (ERM) program, audit and compliance functions, and institutional ethics.

The presentation also introduced OARC, who assists the Committee and management in the effective discharge of their fiduciary responsibilities through assessing the effectiveness of the internal control environment. OARC's mission, to enhance and protect organizational value by providing strategic insight and promoting compliance across the university, is accomplished through three core functions: ERM, Internal Audit, and Institutional Compliance.

Specific action items that the Committee is responsible for include approving the charters, approving the audit plan, reviewing audit results, and supporting risk and compliance efforts. The Committee received an overview about the expectations detailed in the recently updated Global Internal Audit Standards issued by the Institute of Internal Auditors (IIA) and adopted statewide through directives from the Office of the State Inspector General.

Discussion items on the CAR agendas play a vital role in the Committee's oversight of risk exposure and mitigation strategies. The Committee will regularly receive presentations from the Chief Risk Officer or other risk and compliance leaders on key risks to the institution, providing important context to aid in the board's fiduciary responsibilities. Occasionally, confidential discussions occur when aligned with topics protected for closed session, most commonly related to specific personnel performance or security vulnerabilities.

This overview reinforced the critical role the CAR Committee plays in ensuring sound governance, risk awareness, and ethical conduct throughout the university's operations.

4. **OARC Annual Report for Fiscal Year 2024-25:** The Committee reviewed the annual report for OARC. This report contains highlights from the past fiscal year's activities in the ERM, institutional compliance, and internal audit programs. The report outlines key assurance, advisory, compliance, and risk activities aligned with the office's strategic vision.

The report highlights a maturing ERM function, which incorporates cross-unit risk assessments and a revised institutional risk landscape aligned with Virginia Tech's strategic priorities. Through these efforts, the university has elevated visibility into key risk domains and improved coordination across the governance structure. As part of its IIA-required reporting, the Chief Audit Executive confirmed that no unacceptable risk responses were observed or left unaddressed by senior management. In conjunction, OARC's strategic plan provides a framework for operational excellence, ethical culture, innovation, and stakeholder trust that supports the board's fiduciary and oversight responsibilities.

During the reporting period, 80% of the approved audit plan was completed (24 of 30 engagements), including advisory projects and policy compliance reviews. Internal Audit achieved a client satisfaction rating of 89% and closed 87 management corrective actions. The audit team remained independent and objective, reporting no restrictions on scope or impairment to its function. Additionally, the internal audit function continues to operate in conformance with IIA Standards, as evidenced by the 2021–22 external quality assessment (rated "generally conforms") and the internal self-assessment discussed next on this meeting's agenda.

The Committee accepted this report, which documenting their review of the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships as required by the Committee's charter. Receiving the report also satisfied the IIA's Global Internal Audit Standards by addressing the required governance-level communications.

5. **Quality Assurance and Improvement Program Internal Assessment:** The Compliance, Audit, and Risk Committee reviewed the results of the periodic internal self-assessment conducted by OARC as part of its Quality Assurance and Improvement Program (QAIP), in accordance with the IIA Global Internal Audit Standards (GIAS). This internal quality assurance review (QAR) assessed Internal Audit's conformance with all 15 IIA principles and related standards using the 2024 GIAS and Quality Assessment Manual. The assessment covered audit engagements from fiscal years 2023–24 and 2024-25 through May 1, 2025, and

included detailed evaluations of policies, procedures, documentation, and staff qualifications.

The review concluded that Internal Audit fully conforms with the GIAS, earning the highest possible rating of “Full Achievement.” The assessment confirmed that Internal Audit continues to deliver risk-based, objective assurance and advisory services, supported by a competent and professional staff, effective audit planning, and strong engagement with management and the Board

In addition to confirming overall conformance, the self-assessment identified four improvement opportunities that will strengthen alignment with specific IIA standards: (1) formalizing ethics training for all auditors, (2) implementing periodic access reviews for AuditBoard and SharePoint, (3) enhancing risk assessments to include management-defined success criteria, and (4) establishing consistent documentation of CAE approvals and delegations. Action plans to address these areas have been developed with implementation targeted for October 1, 2025. These enhancements reflect OARC’s ongoing commitment to continuous improvement and proactive governance, ensuring Internal Audit remains a high-performing, trusted function in support of Virginia Tech’s mission. The Committee accepted this report.

6. **Internal Audit Reports:** The following internal audit report was issued by OARC since the June 2, 2025 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. The Committee accepted the report.
 - a. **Recreational Sports:** The audit received a rating of significant improvements are needed. Observations were noted regarding electronic storage of injury information, conformance with the Sport Club handbook, inventory processes, and segregation of duties in the Golf Course Shop. Low priority observations of a less significant nature were noted regarding training records management and sport clubs travel.
7. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings and adjourned to Closed Session.

Closed Session

Committee Members Present: Ryan McCarthy (Chair), Starlette Johnson, Jim Miller, Margaret Ann Smith

Other Board Members Present: John Rocovich (Rector), Sandy Davis, Nancy Dye, Ted Hanson, Bill Holtzman, Robby Moser, J. Pearson, Jeanne Stosser

Virginia Tech Personnel: Simon Allen, Cyril Clarke, Corey Earles, Rebecca Halsey, Kay Heidbreder, Ron Fricker, Frances Keene, Chris Kiel, Sharon Kurek, Justin Noble, Kim O'Rourke, Timothy Sands, Amy Sebring, Brennan Shepard, Dwyn Taylor

1. **Motion to Begin Closed Session:** Committee member Jim Miller moved to begin closed session at 11:34am.
2. **Consent Agenda:** The Committee approved and accepted the items listed on the Consent Agenda.
 - a. Internal Audit Reports: The following confidential internal audit report was issued by the Office of Audit, Risk, and Compliance (OARC) since the June board meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - i. College of Liberal Arts and Human Sciences Policy Compliance Review: The audit received a rating of improvements are recommended. Observations were noted regarding leave reporting, P-14 appointments, I-9 verifications, expenditures, funds handling, information technology, state vehicle management, and Family Education Rights and Privacy Act.
3. **Discussion on Legal Compliance Risk:** The Committee discussed legal and compliance risks related to a concern.
4. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
5. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President and Chief Audit Executive met with the

Committee to discuss employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation will involve discussion of the performance of specific individuals.

6. **Motion to End Closed Session:** Committee member Margaret Ann Smith moved to end closed session at 12:40pm.

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech, Latham A/B

August 19, 2025

11:15 am

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion to Begin Closed Session	Committee Member
2. Consent Agenda	Committee Chair
a. Internal Audit Reports	
i. College of Liberal Arts and Human Sciences Policy Compliance Review	
3. Discussion on Legal Compliance Risk	Kay Heidbreder Amy Sebring
4. Update on Fraud, Waste, and Abuse Cases	Sharon Kurek
5. Discussion with the Vice President for Audit, Risk, and Compliance & Chief Risk Officer	Sharon Kurek
6. Motion to End Closed Session	Committee Member

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech, Latham A/B
August 19, 2025
10:30 am

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Welcome and Introductions	Committee Chair
2. Consent Agenda	Committee Chair
a. Minutes from the June 2, 2025 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Athletics Ticket Office	
e. Status Update of the Audit of the University's Financial Statements	
3. Compliance, Audit, and Risk Committee Overview	Sharon Kurek
4. OARC Annual Report for Fiscal Year 2024-25	Sharon Kurek
5. Quality Assurance and Improvement Program Internal Assessment	Justin Noble
6. Internal Audit Reports	Justin Noble
a. Recreational Sports	
7. Discussion of Future Topics	Committee Chair

Consent Agenda
COMPLIANCE, AUDIT, AND RISK COMMITTEE
August 19, 2025

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

- a. Approval of Minutes of the June 2, 2025 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
 - i. Athletics Ticket Office
- e. Status Update of the Audit of the University's Financial Statements

Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 2, 2025

Open Session

Committee Members Present: Anna James (Chair), Dave Calhoun, Starlette Johnson, Ryan McCarthy, Jim Miller, John Rocovich

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Nancy Dye, Bill Holtzman, Don Horsley, Tish Long, J. Pearson, Jeanne Stosser, Rachel Miles, Janice Austin, LaTawnya Burleson, William Poland, Leslie Orellana

Virginia Tech Personnel: Simon Allen, Lauren Augustine, Eric Brooks, Brock Burroughs, Kristie Caddick, Cyril Clarke, Al Cooper, Deborah Day, Katherine Drinkwater, Heather Ducote, Corey Earles, Juan Espinoza, Bryan Garey, Suzanne Griffin, Rebekah Gunn, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Elizabeth Hooper, Frances Keene, Sharon Kurek, Lisa Lee, Laurel Miner, Justin Noble, Kim O'Rourke, Mark Owczarski, Sharon Pitt, Jon Porter, David Raymond, Tanya Rogers, Timothy Sands, Amy Sebring, Brennan Shepard, Dan Sui, Aimee Surprenant, John Talerico, John Tarter, Dwyn Taylor, Mollie Taylor, Melinda West, Chris Yianilos

Other Attendees: Megan Richard

1. **Welcome and Acceptance of Agenda:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks and started the meeting at 4:19 pm.
2. **Consent Agenda:** The Committee approved and accepted the items listed on the Consent Agenda.
 - a. **Minutes from the March 25, 2025 Meeting:** The Committee reviewed and approved the minutes of the March 25, 2025 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, 2024, the university had 13 open recommendations. Seven audit comments were issued during the

third quarter of the fiscal year. As of March 31, 2025, the university had addressed ten comments, leaving ten 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) has completed 57 percent of its audit plan, and 100 percent is underway, in accordance with the fiscal year 2024-25 annual audit plan.
- d. **Internal Audit Reports:** The following internal audit report was issued by OARC since the March 25, 2025 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. The Committee accepted the report.
 - i. Graduate School Policy Compliance Review: The audit received a rating of improvements are recommended. Low priority observations of a less significant nature were noted regarding P-14 appointments, I-9 verification, and state vehicle management.
- e. **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 (VTIC); and Virginia Tech India Research and Education Forum (VTIREF). 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. 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. Additionally of note, in June 2024, the Board for VT Services, Inc. approved dissolving the entity and transferring all assets and operations to the University by December 31, 2025.
- f. **2025 General Assembly Legislative Report:** This report provided an update on recent state legislative changes that impact the Committee's responsibility for oversight of compliance and risk. Relevant higher education areas impacted include admission and transfer; agriculture,

environment, and energy; benefits and personnel; mental health; procurement; reporting and oversight; student health; and technology. Of particular relevance to the Board of Visitors' operations, HB2452 requires public institutions of higher education in the Commonwealth to develop minimal uniform standards for (i) providing the public with real-time access to the meetings of their governing boards and board committees, (ii) archiving the meeting recordings, and (iii) taking meeting minutes, with implementation no later than July 1, 2026. The provisions above will not become effective unless reenacted by the 2026 Session of the General Assembly.

- g. **Review and Approval of Charters:** The Office of Audit, Risk, and Compliance (OARC) presented the Charter for the Office of Audit, Risk, and Compliance for review and approval in accordance with professional standards. OARC recommended modifications to the office charter that reflect current titles and organizational structure.
3. **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 2024-25 financial statements and the APA's plans for conducting and completing the audit.
 4. **The Federal Landscape:** The Committee received a presentation from the Vice President for Government Relations on risks emerging from the current federal landscape and its potential to impact the university's operations, including discussion on the proposed President's budget, proposed facilities and administrative rates, and other related policy proposals.
 5. **Enterprise Risk Management Update:** The Committee received an update of the Enterprise Risk Management (ERM) program activity during fiscal year 2024-25, including the updated enterprise risk landscape delineated by the university's tripartite mission and support environments, the heat map with a focus on the top ten risks, and a chart of how the risks have shifted over the last year. The mapping of the enterprise risk landscape showed the alignment of risks with the two main university goals, the Virginia Tech Advantage and Virginia Tech Global Distinction. Other activities of the ERM program included conducting a tabletop exercise on research security and compliance scenarios; facilitating an ERM exercise with President's Council on risk tolerance, appetite, mitigations, and opportunity risks in the evolving regulatory landscape; and developing a comprehensive risk register for the university.

6. **Audit Plan for Fiscal Year 2025-26:** The Chief Audit Executive presented the Audit Plan for Fiscal Year 2025-26 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 2025-26 and a core audit plan was developed in coordination with the university's Enterprise Risk Management initiative. For fiscal year 2025-26, 30 audit projects and four management advisory services are proposed, with approximately 77 percent of OARC's available resources committed to the completion of planned projects. A description of each project was 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 proposed audit plan.
7. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

Closed Session

Committee Members Present: Anna James (Chair), Dave Calhoun, Starlette Johnson, Ryan McCarthy, Jim Miller, John Rocovich

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Nancy Dye, Bill Holtzman, Don Horsley, Tish Long, J. Pearson, Jeanne Stosser

Virginia Tech Personnel: Simon Allen, Cyril Clarke, Bryan Garey, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Lisa Lee, Justin Noble, Kim O'Rourke, Sharon Pitt, David Raymond, Timothy Sands, Amy Sebring, Dan Sui, John Talerico

1. **Motion to Begin Closed Session:** Committee member Dave Calhoun moved to begin closed session at 5:14 pm.
2. **Consent Agenda:** The Committee approved and accepted the items listed on the Consent Agenda.
 - a. **Internal Audit Reports:** The following confidential internal audit report was issued by the Office of Audit, Risk, and Compliance (OARC) since the November 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. **National Security Institute:** The audit received a rating of improvements are recommended. An observation was noted regarding lab safety training. A low priority recommendation of a less significant nature was noted regarding information technology.
 - ii. **College of Natural Resources and Environment Policy Compliance Review:** The audit received a rating of improvements are recommended. Low priority observations of a less significant nature were noted regarding I-9 verification, expenditures, key control, information technology, and state vehicle management.
3. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
4. **Discussion on the Research Security Landscape:** The Chief Research Security Officer (CRSO) discussed Virginia Tech's research security program and the institution's risk and compliance strategies with evolving federal regulations. As part of this discussion, the CRSO provided a threat briefing, addressed Virginia Tech's current research security risks, shared risk mitigation strategies, and provided case study examples that have emerged as a result of the research security program.
5. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President did not meet with the Committee one-on-one due to time constraints.
6. **Motion to End Closed Session:** Committee member Starlette Johnson moved to end closed session at 5:31 pm.

Update of Responses to Open Internal Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2025

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

The report includes outstanding recommendations from compliance reviews and audit reports. Consistent with the report presented at the June Board meeting, the report of open recommendations includes three attachments:

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open medium and high priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 100 percent on-schedule rate for fiscal year 2025 reflects closing 18 of 18 recommendations by the original target date.

The report presented at the June 2, 2025 meeting covered audit reports reviewed and accepted through March 31, 2025 and included 10 open medium and high priority recommendations. Activity for the quarter ending June 30, 2025 resulted in the following:

Open recommendations as of March 31, 2025	10
Add: medium and high priority recommendations accepted June 2, 2025	1
Subtract: recommendations addressed since March 31, 2025	5
Remaining open recommendations as of June 30, 2025	<u>6</u>

While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Management has closed one additional action plan as of July 25, 2025. All other 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****June 30, 2025**

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
Aug 05, 2024	Chemistry	24-1693	2	1	-	-	-	1	1
Feb 17, 2025	Student Immigration Services	25-1752	2	1	-	-	-	1	1
Mar 06, 2025	Vice President for Information Technology	25-1769	1	-	-	-	-	1	1
Mar 07, 2025	Electrical and Computer Engineering	25-1749	3	1	-	-	-	2	2
May 01, 2025	VTNSI	25-1756	1	-	-	-	-	1	1
Totals:			9	3	-	-	-	6	6

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2025

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 / Current		
May 01, 2025	1	25-1756	VTNSI	Laboratory Safety Training	Medium		Jul 01, 2025		1	
Aug 05, 2024	2	24-1693	Chemistry	Key Control	Medium		Jul 30, 2025		1	
Mar 06, 2025	3	25-1769	Vice President for Information Technology	Information Technology	Medium		Oct 31, 2025		2	
Feb 17, 2025	4	25-1752	Student Immigration Services	Form I-17 Requires Updates	Medium		Nov 01, 2025		2	
Mar 07, 2025	5	25-1749	Electrical and Computer Engineering	Laboratory Safety Training	Medium		Jan 01, 2026		2	
Mar 07, 2025	6	25-1749	Electrical and Computer Engineering	Timely Service Center Billing	Medium		Jan 01, 2026		2	

Follow Up Status

- 1 Management confirmed during follow up discussions with 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.
- 2 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.

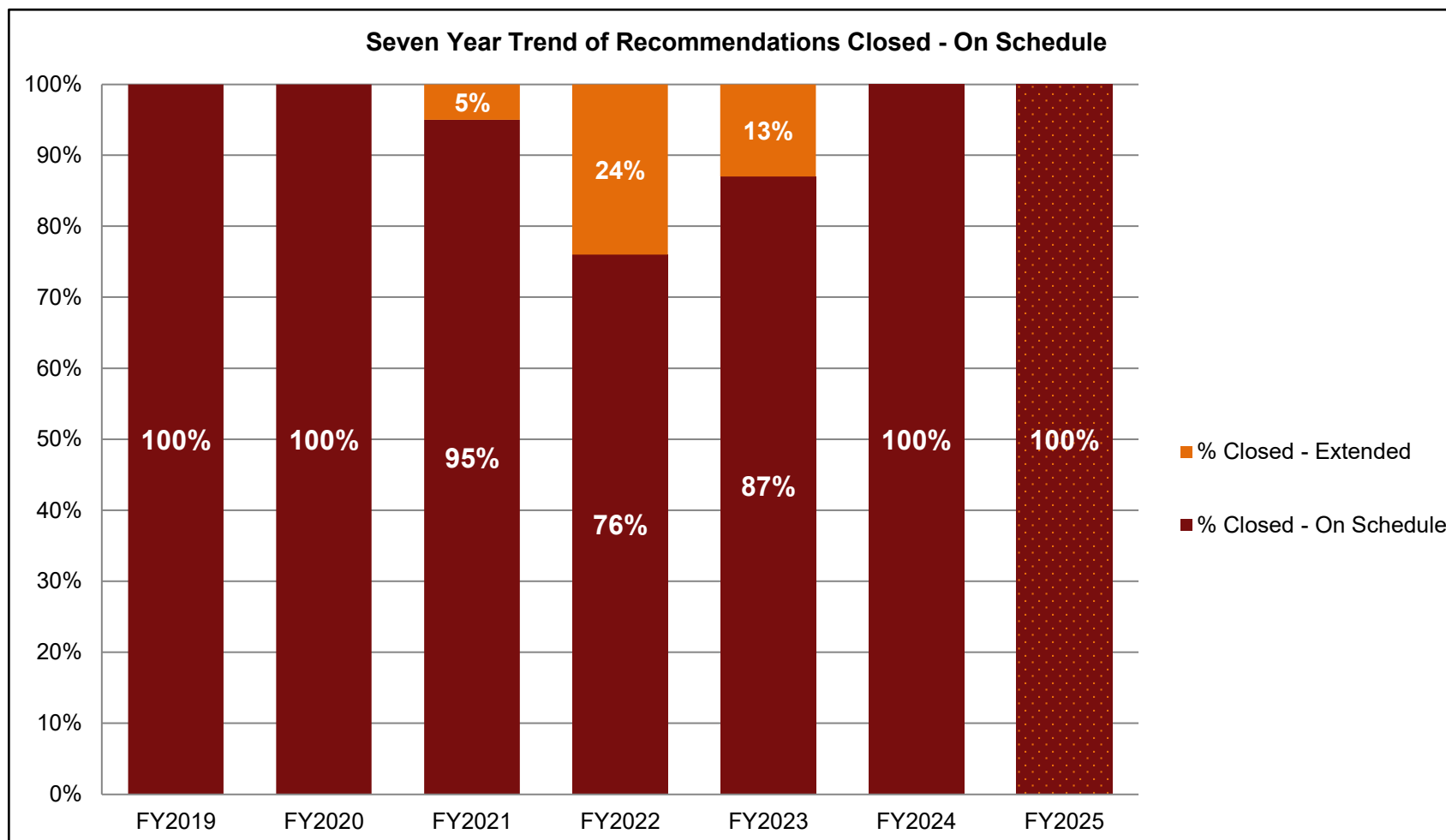
For Open Detail Report: "current calendar quarter" is used to refer to the current working quarter instead of the quarter being reported on.

ATTACHMENT C

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2025



Audit Plan Status Report

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 19, 2025

Audit Plan Update

Audits were performed in accordance with the fiscal year 2024-25 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the June board meeting, seven planned projects have been completed including one policy compliance review, two risk-based audits, and four advisory reviews. The advisory reviews included the following:

- Athletics IT: OARC completed its assistance and provided management with a summary of activities undertaken by Athletics to strengthen its information technology general controls.
- Data Analytics-Research Compliance Dashboard: OARC established an internal dashboard that allows for in-depth review of common compliance “red flags” on federal grants.
- Environmental Health and Safety: OARC contracted with an outside firm to provide preliminary risk assessment and potential audit program approaches for future engagements.
- Use of State Vehicles: OARC provided management with a summary view of university-wide compliance with a required form for consideration of future business process changes.

Six projects are currently underway, including:

- Four risk-based projects: Human Resources: Benefits, IT Security Operations Center, School of Plant and Environmental Sciences, and Subrecipient Monitoring.
- Two advisory projects: Affiliated Corporations: VTT and Central Funds.

Lastly, the Research Accounting Processes – HERD advisory engagement was deferred into the fiscal year 2025-26 audit plan as management has delayed their planned review. The Use of State Vehicle advisory, mentioned above, was added and completed since the June meeting.

In fiscal year 2024-25, OARC completed 80 percent of its audit plan as depicted on the following page.

FY 2024-25 Completion of Audit Plan

Audits	
Total # of Audits Planned	30
Total # of Supplemental Audits	4
Total # of Carry Forwards	6
Total # of Planned Audits Canceled or Deferred	10
Total Audits in Plan as Amended	30
Total Audits Completed	24
Audits - Percentage Complete	80%
Audits - Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 19, 2025

Background

This report provides a summary of the following reviews and their ratings, as well as the full rating system definitions. 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 Ticket Office	Improvements are Recommended
Report for Discussion	Rating
Recreational Sports	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.

August 19, 2025

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 19, 2025

The Auditor of Public Accounts (APA) began the audit of the university's financial statements for fiscal year 2024-25 with the entrance conference on May 1, 2025. The APA is currently in the initial stage of the audit where they review transactions and test internal controls over the university's financial processes. Through July 2025, the audit seems to be progressing as planned, and the APA has not provided any audit comments or recommendations for improvements. At this time, we are not aware of any issues that would prevent the successful completion of the fiscal year 2024-25 audit by the targeted deadline of early November 2025.

COMPLIANCE, AUDIT, AND RISK COMMITTEE

OVERVIEW OF COMMITTEE RESPONSIBILITIES

Sharon M. Kurek, CPA, CCEP, CFE, MBA
Vice President for Audit, Risk, and Compliance &
Chief Risk Officer

PURPOSE

The CAR Committee exists to help the Board fulfill its fiduciary responsibilities by providing oversight in key areas:

1. Internal Control Framework
2. Enterprise Risk Management (ERM)
3. External and Internal Audit
 - Reviewing audits and providing guidance on auditing concerns to the full Board
4. Institutional Compliance
 - Oversight of university compliance with all federal, state, and local laws and executive orders; and policies promulgated by academic and athletic accrediting bodies, regulatory agencies, funding agencies, and the State Council of Higher Education for Virginia
5. Ethics and Business Conduct

Your role is to ensure our systems and policies support sound governance and effective risk oversight.

GOVERNANCE STRUCTURE



CAR Committee Charter



OARC Charter



Code of VA,
OSIG guidance,
Professional Standards

KEY RESPONSIBILITIES AT A GLANCE

Action Items:

- Review and approve charters annually (CAR Committee & OARC Charter)
- Approve the annual audit plan
- Review significant audit results and management responses
- Evaluate the independence and performance of audit leadership

Items related to Oversight:

- Internal control systems, including those over IT and financial reporting
- External audits of financial statements
- Risk mitigation monitoring
- Ethics and compliance reporting

OFFICE OF AUDIT, RISK, AND COMPLIANCE

**ERM:**

Identification and management of key risks

**Compliance:**

Oversight of university-wide compliance obligations

**Internal Audit:**

Independent assurance and advisory services

- Assists the CAR Committee and management in the effective discharge of their fiduciary responsibilities through assessing the effectiveness of the internal control environment
- Enhances value through providing strategic insight, enabling informed decisions, and promoting integrity and compliance
- Protects the university by independently and objectively identifying business risks and connects with key leaders and stakeholders to evaluate risk-mitigation strategies.

COMMITTEE OPERATIONS



The Committee traditionally meets four times a year



Agendas are developed in partnership with the Committee Chair and the Chief Risk Officer



Closed sessions, consistent with state law, are scheduled for confidential matters, including private meetings with auditors

COMPLIANCE, AUDIT, & RISK COMMITTEE

ANNUAL CYCLE OF AGENDA ITEMS

AUGUST/SEPTEMBER	NOVEMBER	MARCH/APRIL	JUNE
<ul style="list-style-type: none"> OARC Annual Report External Financial Statement Audit Update 	<ul style="list-style-type: none"> Approve Charters External Financial Statement Audit Results 	<ul style="list-style-type: none"> External Financial Statement Audit Report Intercollegiate Athletics Program Report Discussion with Chief Audit Executive <i>(Closed Session)</i> 	<ul style="list-style-type: none"> Approve Audit Plan Discussion with External Auditor Audits of University-Related Corporations
EVERY MEETING			AS NEEDED
CLOSED SESSION	OPEN SESSION		<ul style="list-style-type: none"> External Reviews and Special Reports OARC Quality Assurance and Improvement Program <i>(Periodic Self-Assessment and External Quality Assessment, every 5 yrs)</i>
<ul style="list-style-type: none"> Update on Fraud, Waste, and Abuse Cases Discussion with VPARC & CRO 	<ul style="list-style-type: none"> Open Internal Audit Comments Audit Plan Status Report Internal Audit Reports 	<ul style="list-style-type: none"> Enterprise Risk Management (ERM) Program updates Institutional Compliance Program (ICP) updates 	



The CAR committee plays a critical role in ensuring that our systems and policies promote sound governance, effective risk oversight, and ethical conduct throughout the university's operations.





Enabling

Informed

Decisions

Annual Report

For the Fiscal Year Ended June 30, 2025






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OARC Mission, Vision, and Strategic Goals






Mission: To enhance value through providing strategic insight, enabling informed decisions, and promoting integrity and compliance

Vision: To earn the trust and partnership of the VT community as we jointly navigate the complex landscape

 Operational Excellence	 Trust & Partnerships	 Strategic Value	 Culture & Integrity	 Knowledge & Innovation
Embed a spirit of continuous improvement with a goal of uncompromising quality through all programs. Identify and deploy best practices, data-driven decision making, and process improvement mindsets to enhance the delivery of top-tier assurance, compliance, and advisory services.	Build a foundation of consistent communication, transparency , integrity , and reliability in all interactions. Foster empathy and understanding of different perspectives to help cultivate mutual respect and collaboration with a goal of establishing enduring relationships built on trust.	Create alignment with institutional strategic objectives to enable informed decisions and promote integrity and compliance. Work to enhance a balanced risk management program with an aim of overall excellence.	Champion both an institutional culture and workplace that upholds and models ethical conduct . Do so in a way that embraces diverse viewpoints, fosters professional growth, recognizes excellence, and thrives through the collective individual contributions.	Join knowledge and innovation together to drive progress and transform both university and office operations. Through the accumulation of information, skills, and expertise, develop ideas and processes that provide assurance, improve efficiency, and create value.

Implementing Strategic Vision and Adding Value

Fiscal year 2024-25 marked the first year of implementation of the new Office of Audit, Risk, and Compliance (OARC) Strategic Plan, in which the office articulated overarching strategic themes and program-level goals for each of OARC's functions. After doing this foundational work in fiscal year 2024, OARC has successfully started working towards objectives identified to mature and strengthen our enterprise risk management, internal audit, and institutional compliance programs, continuing to help Virginia Tech effectively manage and mitigate its extensive risk profile. The following chart shows a representation of goals from each function mapped to the strategic themes guiding our work.

 Operational Excellence	 Trust & Partnerships	 Strategic Value	 Culture & Integrity	 Knowledge & Innovation
<ul style="list-style-type: none"> • Evolve a comprehensive understanding of risk university-wide • Use ERM to inform next-level engagement with stakeholders and audit planning approach • Serve and support priority compliance areas • Establish and deploy an agile audit framework • Improve audit follow-up processes through enhanced technology deployment • Update operating policies, manuals, and processes to align with new professional standards 	<ul style="list-style-type: none"> • Foster purposeful connections with colleagues, leadership, and BOV • Utilize governance structure as a connective hub for communication on top risk and compliance areas • Facilitate greater alignment between risk and compliance owners, governance committees, & OARC to ensure optimal mitigation efforts • Connect, support, and educate compliance partner community 	<ul style="list-style-type: none"> • Provide insights on enterprise and emerging risks to enhance executive decision-making • Develop and monitor KPIs & KRIs to understand impact, actions, and progress • Understand correlations and elevate cross-unit risks with high-impact, high-velocity results • Convene ad hoc task forces as sensitive or volatile risks arise • Ensure robust participation is established in future ERP system development/ deployment 	<ul style="list-style-type: none"> • Promote a risk-aware and ethical culture • Establish individualized career pathing methodologies and determine training needs • Contribute compliance and ethics perspectives in policy creation and review • Engage campus stakeholders to encourage a values-based approach in connecting ethical principles with compliance 	<ul style="list-style-type: none"> • Explore and pilot opportunities to deploy continuous assurance AI methodologies • Complete the integration of the cross-program technology solution and deploy to campus stakeholders • Define the visuals that leadership values most and identify data needed to produce them • Create risk-based dashboarding • Pilot and implement a self-assessment tool for compliance areas

State of Control Environment

The university's assurance functions within OARC continues to be a significant element of the university's overall control structure and a positive influence on the control environment. During fiscal year 2024-25, OARC examined and tested the operations and systems of internal control within a number of university departments to assist management and the Board of Visitors in the discharge of their oversight and fiduciary responsibilities.

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

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

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



FY 2024-25 Highlights

Enterprise Risk Management (ERM)

- Developed a comprehensive risk register for the university
- Conducted ERM exercises related to research compliance and the changing regulatory landscape
- Created a new view of the risk landscape that visualizes the comparative risk escalation/de-escalation from the previous year

Institutional Compliance Program (ICP)

- Led a working group through benchmarking, deliberation, and proposal of a Conflict of Interest and Commitment program for consideration by executive leadership
- Provided assistance on specific needs of high priority compliance areas, including those related to federal regulatory changes
- Continued personal data privacy review

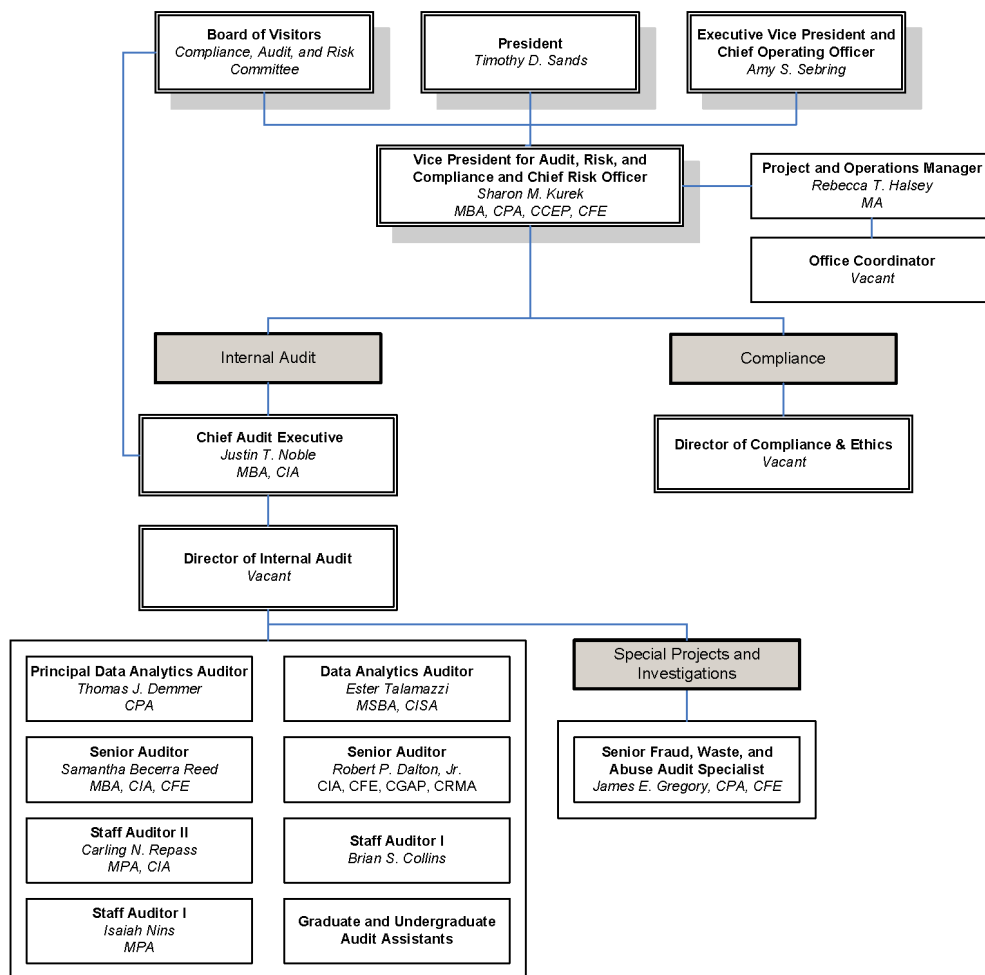
Internal Audit

- 80% of audit plan completed (24 engagements)
- 17 fraud, waste, or abuse cases initiated
- 4.46 out of 5 (89%) on client satisfaction surveys
- 87 management action plans closed



Staffing and Resources

During Summer 2024, we successfully onboarded a senior auditor and a graduate assistant, and recently successfully hired another senior auditor in Summer 2025. Throughout FY25, the audit team has engaged an external consultant in co-sourced audits in the IT space. With two OARC leaders moving onto other areas of the university and Virginia Tech Foundation, OARC is currently recruiting for the Director of Compliance & Ethics, Director of Internal Audit, as well as a part-time Office Coordinator.



Organizational Structure
August 2025

Credential Legend:

CPA	Certified Public Accountant
CIA	Certified Internal Auditor
CCEP	Certified Compliance & Ethics Professional
CFE	Certified Fraud Examiner
CRMA	Certified in Risk Management Assurance
MA	Master of Arts
MBA	Master of Business Administration
MPA	Master of Public Administration
MPL	Master of Policy Leadership
MSBA	Master of Science in Business Administration

Professional Service

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

- Association of College and University Auditors (ACUA)
 - Sharon M. Kurek served as a mentor to two colleagues who were recently promoted to Chief Audit Executive/Officer at their institutions through the ACUA mentor program, as well as the ACUA liaison to University Risk Management and Insurance Association (URMIA).
 - Justin T. Noble served on the NCAA Task Force, as the ACUA liaison to National Association of College and University Business Officers (NACUBO), a mentor to ACUA Board Member at Large, and was a speaker at Audit Interactive.
- Institute for Internal Auditors Southwest Virginia Chapter
 - Justin T. Noble served on the Board of Governors, served as the vice president/president elect, and invited to speak at the Virginia Training Academy.
 - Carling N. Repass served on the Board of Governors and was elected as the incoming vice president/president elect.
- Additional Service
 - Sharon M. Kurek was invited to speak at the SEC Roundtable at the University of Tennessee.
 - Sharon M. Kurek and Justin T. Noble served on quality assurance review teams for peers to evaluate their conformance with professional standards.

Professional Qualifications

OARC is proud of its staff and the depth of experience on the team. OARC staff has more than 162 years of combined experience in audit, risk, and compliance professions. Additionally, the staff has over 66 years of service to Virginia Tech. OARC maintains an extensive background with expertise in such high-risk areas in higher education as athletics and research.

162

years of professional
audit, risk, and
compliance experience

OARC also takes pride in the number of professional certifications held by our staff. This year, Samantha Becerra Reed earned her Certified Internal Auditor (CIA) designation and Ester Talamazzi obtained her Certified Information Systems Auditor (CISA) designation.

Certification and Advanced Degrees

Professional Certifications			
1	Certified Compliance and Ethics Professional (CCEP)	4	Certified Internal Auditor (CIA)
4	Certified Fraud Examiners (CFE)	3	Certified Public Accountants (CPA)
1	Certified Governmental Auditing Professional (CGAP)	1	Certified in Risk Management Assurance (CRMA)
1	Certified Information Systems Auditor (CISA)		
Advanced Degrees			
3	Master of Business Administration (MBA)	2	Master of Science or Arts (Business Analytics, Political Science)
2	Master of Public Administration (MPA)		

Resourcing

The table below compares OARC's expenditures from fiscal year 2024-25 to fiscal year 2023-24. The majority of our expenses continue to support salaries and benefits, making up 82 percent of OARC expenditures. Consulting services remain a large portion of our expenditures this year, with three significant engagements aiding the office. A consulting agreement with Gartner allowed OARC to leverage their extensive research library and content experts; a contract with a law firm continued scoping out the foundation of a personal data privacy program; and an agreement with Deloitte assisted with the reimplementation of two AuditBoard modules, which will support OARC's ability to leverage a connected risk view across all three programs. OARC began its pilot program of co-sourcing IT audits this year, which will continue into next fiscal year. Software costs have largely stabilized with a multi-year contract for the new AuditBoard system, which is an integrated GRC software solution for audit, risk, and compliance. Training expenses returned to the office's typical level this year. Overall, the fiscal year 2024-25 expenditures remained consistent with fiscal year 2023-24 spending.

Analysis of Expenditures

Category	FY 2024-25	FY 2023-24
Salaries and Benefits	\$1,987,320	\$2,250,608
Consulting Services	263,853	82,664
External Audit Services	34,705	0
Furniture & Equipment	336	7,077
Operating Expenses	23,597	33,626
Personnel Expenses & Recruitment	3,141	22,089
Software	76,542	81,171
Training	49,827	35,244
Total	\$2,439,321	\$2,512,479

Enterprise Risk Management Program

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

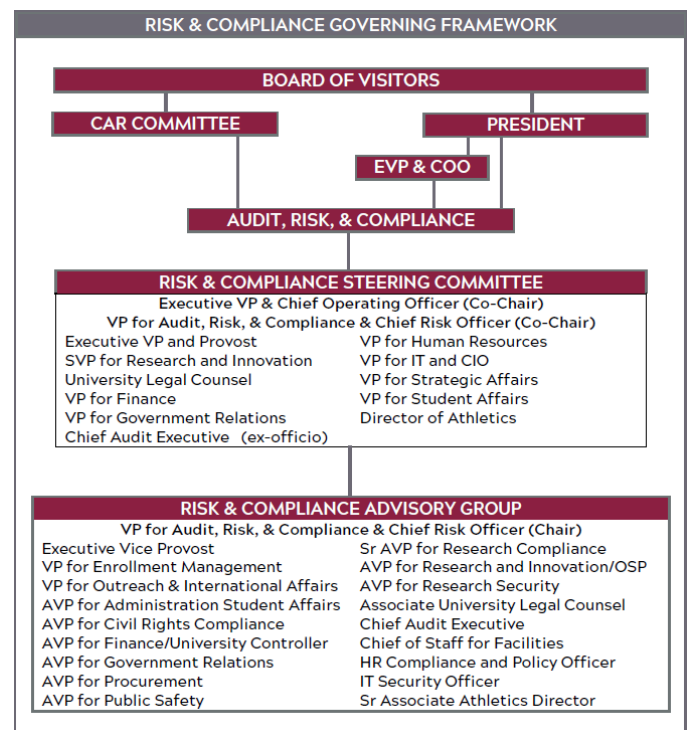
ERM-related activities that took place in fiscal year 2024-25, both planned and *ad hoc*, included:

- Conducted a tabletop exercise with the Risk & Compliance Steering Committee and research stakeholders on research security and compliance scenarios
- Led an ERM exercise with President's Council on risk tolerance, appetite, mitigations, and opportunity risks in evolving regulatory landscape
- Developed a comprehensive risk register for the university across risk, audit, compliance, and ARMICS programs
 - In process of implementing technology solution to visualize connected risk view and assist risk owners in monitoring and mitigation
- Refreshed the OARC strategic plan, articulating program-level goals for the next three years, including:
 - Developing risk-level KRIs, KPIs, and mitigation strategies with risk owners
 - Utilizing GRC platform for dashboarding capabilities

Governance Framework

We implemented the new Risk & Compliance Governance Framework last year and continued regular meetings throughout this year. Each committee participated in the annual risk assessment discussions and served as critical communication hubs for important risk areas. The Steering and Advisory Committees:

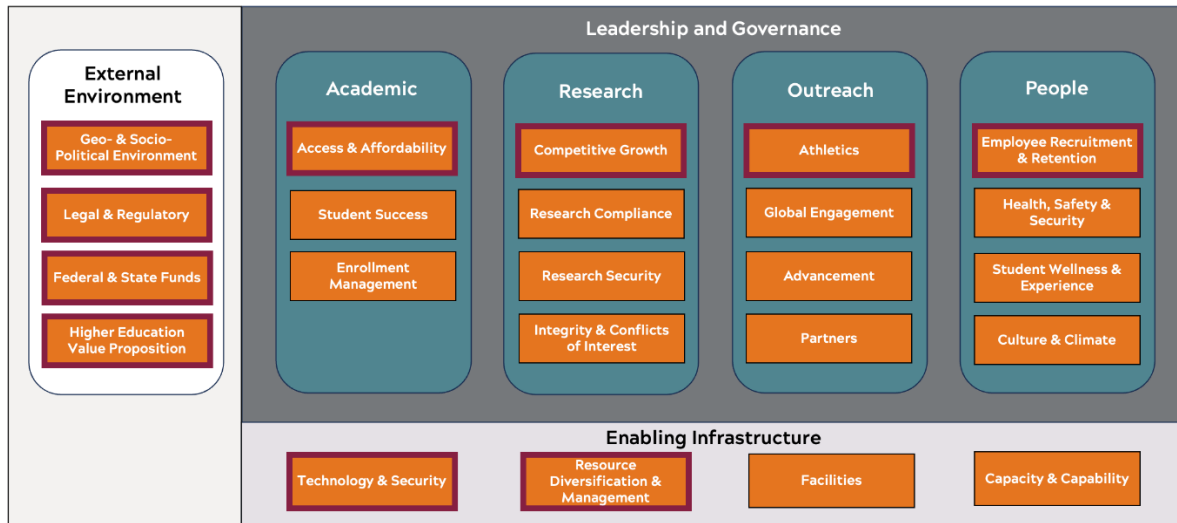
- Support the implementation and execution of the ERM and ICP programs
- Provide oversight and insight for strategic decision making and effective resource allocation
- Help to set program priorities and promote an institution-wide perspective related to risk and compliance



Enterprise Risk Landscape and Heat Map

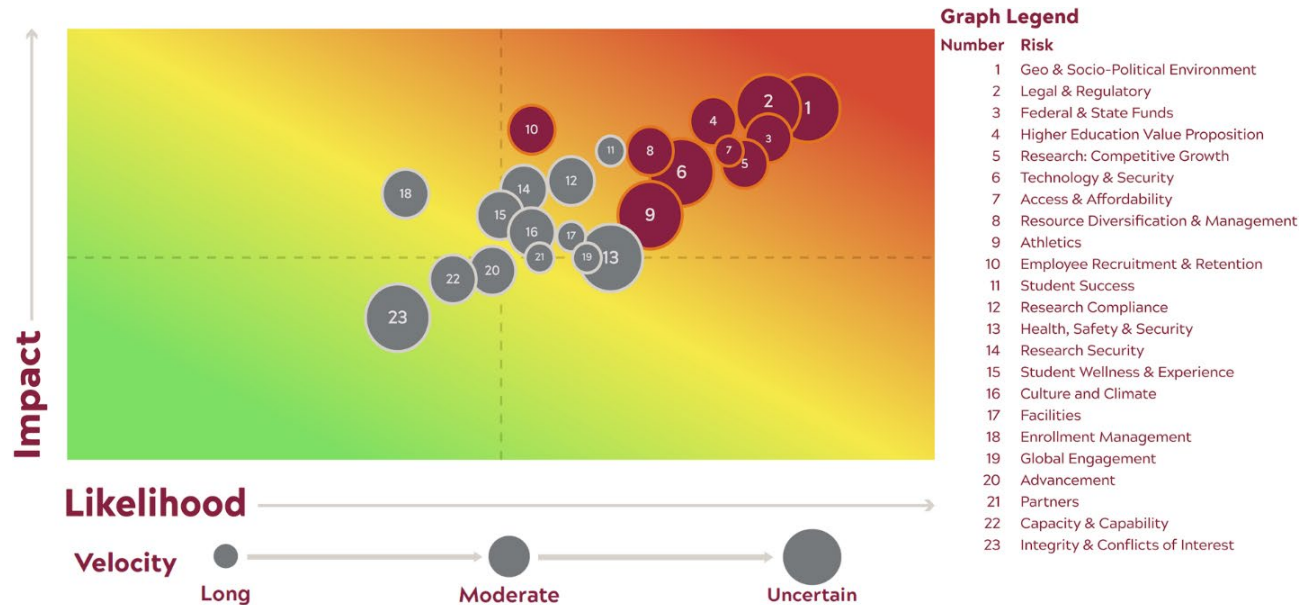
The enterprise risk landscape, delineated by the university's tripartite mission and support environments, was updated and the heat map provided a visualization of institutional risk with a focus on the top ten risks.

Enterprise Risk Landscape



Maroon border = Top 10 Risk

Heat Map of Enterprise Risks



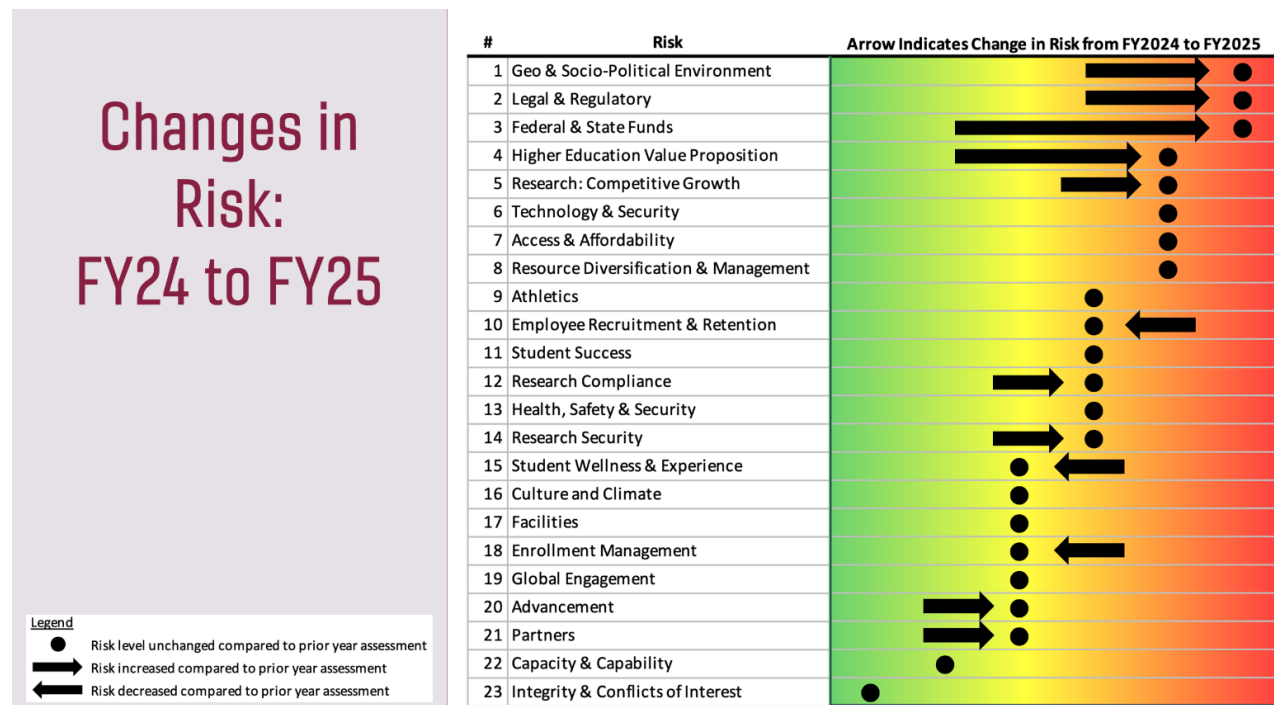
Board Engagement with Enterprise Risks

20 of 24

enterprise risks
discussed with the
board in the past 2

OARC is pleased to see **continued engagement** with the enterprise risk management program across the Board of Visitors committees and the executive leadership team. Since the formation of the formal ERM program and introduction of the university's Enterprise Risk Landscape, over 180 presentations and discussions highlighting ERM risk areas took place across the Board of Visitors' committees, with 36 occurring in this fiscal year. The CAR Committee has requested coverage of risks so that they receive updates on the top ten risks annually and on all enterprise risks over a two-year cycle.

This year, the CAR Committee requested a new view of the risk landscape that would highlight the changes in the environment. The graphic below shows how each enterprise risk has escalated or deescalated compared to last year's assessment.



Connecting ERM with Strategy

The ERM program has been focused this past year on activities that will lay the foundation of risk mitigation and monitoring in the future. The plan for the upcoming year will be to build out data on the top enterprise risks in collaboration with the risk owners, including articulating risk-level key risk indications (KRIs) and key performance indicators (KPIs). Once those are developed, a future state goal is to utilize the dashboarding capabilities of our GRC platform for more data-informed decision-making.

Institutional Compliance Program

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

“One hallmark of an effective compliance program is its capacity to improve and evolve.”

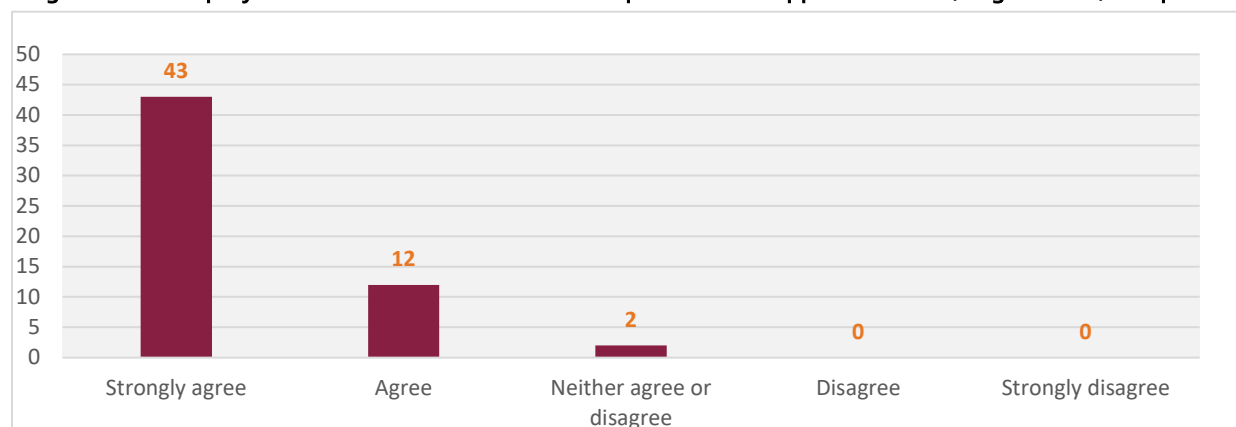
-USDOJ Evaluation of Corporate Compliance Programs, March 2023

In fiscal year 2024-25, ICP activities included:

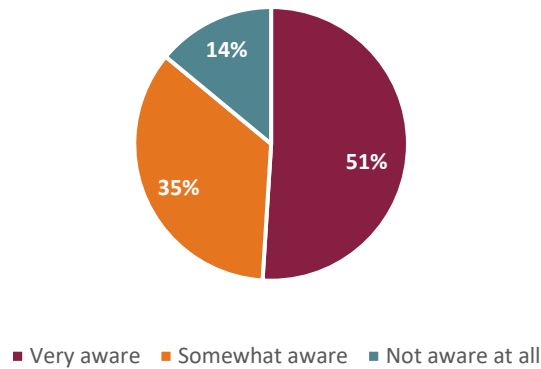
- Led a working group through benchmarking, deliberation, and proposal of a Conflict of Interest and Commitment program for consideration by executive leadership (Approved July 2025)
- Convened two meetings of the Risk & Compliance Advisory Group
- Provided assistance on specific needs of high priority compliance areas, including those related to federal regulatory changes
- Continued personal data privacy review following process for engagement of third-party expertise
- Continued role and responsibilities of state agency Regulatory Coordinator for Virginia Tech
- Served on Research & Innovation Council, Policy Advisory Committee, and Title IX Policy & Practice Group
- Currently recruiting for our new Director of Compliance & Ethics, after the Chief Compliance Officer's departure in December 2024.

From leadership surveys conducted in Spring 2025 (see charts below), OARC measured the perception of Virginia Tech's ethical culture and awareness of the Hokie Hotline reporting mechanism.

Virginia Tech employees do their best to ensure compliance with applicable laws, regulations, and policies.



Leadership Awareness of the Hokie Hotline



Fraud, Waste, and Abuse

OARC conducts reviews of all state hotline and internal complaints alleging fraud, waste, and abuse. During fiscal year 2024-25, OARC:

- Investigated 16 cases, including 15 internal and one state hotline complaint
- Closed three cases from prior fiscal years and 14 from fiscal year 2024-25

For the 17 cases completed:

- Zero of one state hotline cases were substantiated
- Seven of 16 (44%) internally reported cases were substantiated

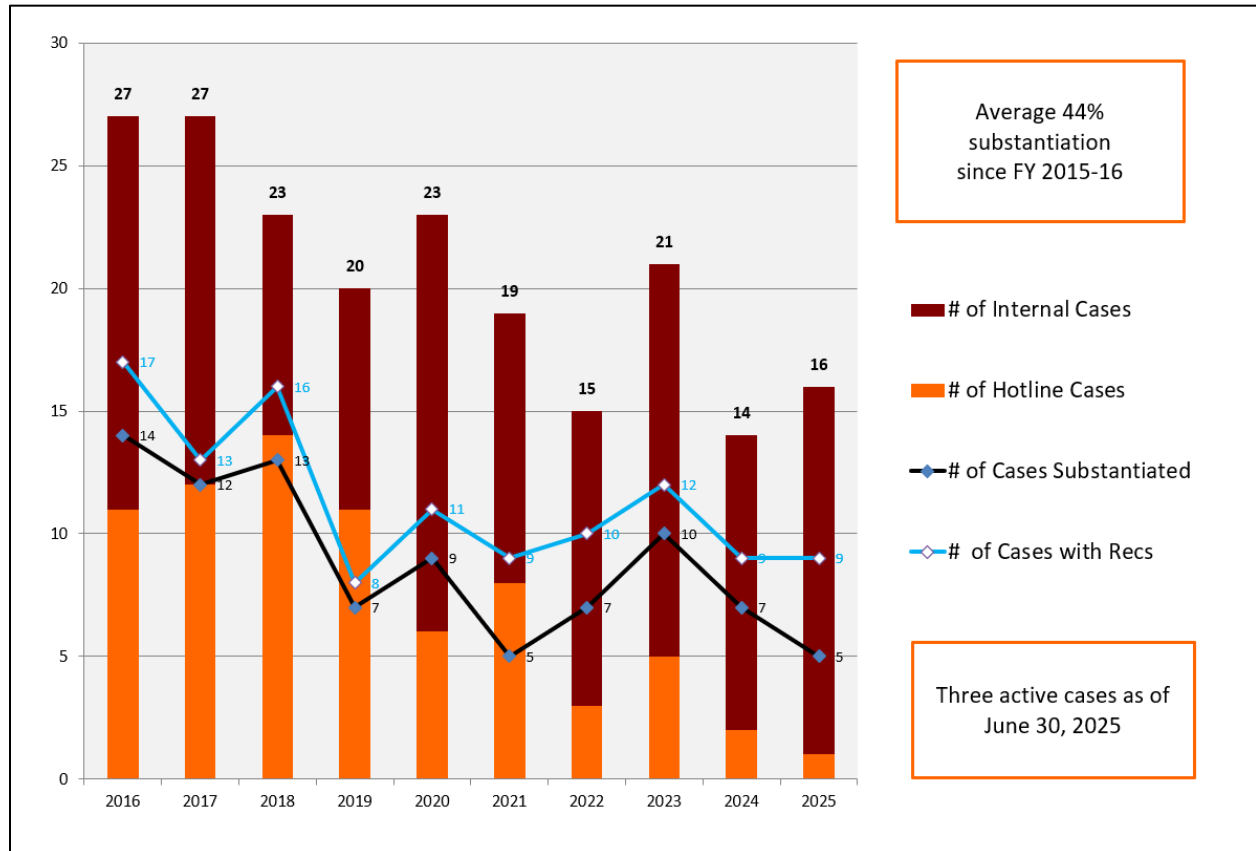
Since fiscal year 2015-16, approximately 58 percent of internally reported allegations have been substantiated, and 18 percent of state hotline cases have been substantiated, for a combined weighted average of 44 percent.

OARC maintains a fraud, waste, and abuse hotline service (“Hokie Hotline”) that offers an easy, safe, secure, and anonymous platform to accept tips and complaints from all sources about potential fraud, waste, abuse, and noncompliance at the university. Six of the 17 internally investigated complaints mentioned above were received via the Hokie Hotline.



Since fiscal year 2015-16, approximately 74 percent of the allegations investigated by OARC have fallen within five general categories: improper use of university resources; abuse of authority; conflict of interest; misfeasance and waste; and leave or time abuse.

Historical Case Volume by Fiscal Year



Internal Audit

Internal Audit continued its role as the assurance and advisory arm within the university. Value-added engagements through traditional audits, a limited number of advisory activities, and providing insight through formal and informal means were hallmarks throughout the year. As depicted below, fiscal year 2024-25 began with 30 proposed engagements. A combination of changing risks, including the continued effects of staff vacancies and parental leave, led to the cancelation or deferment of ten audits. Coupled with four supplemental advisory reviews and six carry forward engagements, OARC ended the year with 30 planned audits, of which the team completed 24 as of this report. This results in an 80 percent completion rate for fiscal year 2024-25. [Appendix A](#) shows the status of each audit in the fiscal year 2024-25 audit plan.

Audit Plan Status

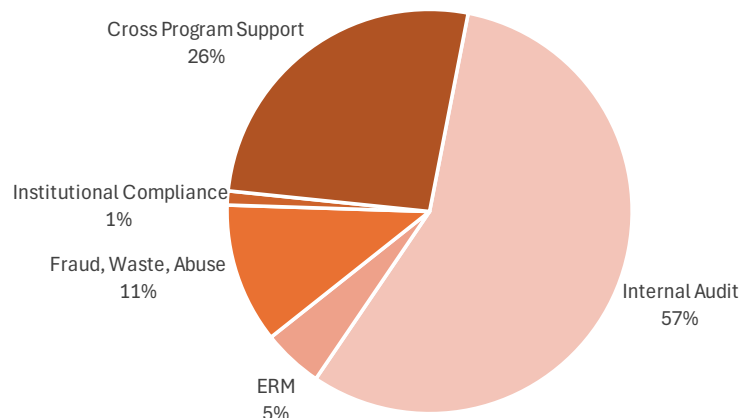
Audits	
Total # of Audits Planned	30
Total # of Supplemental Audits	4
Total # of Carry Forwards	6
Total # of Planned Audits Deferred and/or Canceled	10
Total Audits in Plan as Amended	30
Total Audits Completed	24
Audits – Percentage Complete	80%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Effort

Of the 22,988 hours logged by OARC last year, 63% was charged directly to executing our core mission. The remaining 37% was spent on office administration, computer support, training, and compensated absences.

Of 14,524 core-mission hours, OARC spent:

- 57% on Internal Audit
- 26% on cross-program support (annual risk assessment, planning, and supervision)
- 11% of Fraud, Waste, and Abuse investigations
- 5% on ERM
- 1% on Institutional Compliance



Follow Up Activities and Management Corrective Actions

OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations. Each audit recommendation—and its associated management corrective action—is

87

management
corrective
actions were
closed

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

Of the 61 management corrective actions generated during fiscal year 2024-25 engagements, OARC categorized two (3%) as high priority. High-priority management corrective actions include those that are systemic or have a broad impact; have contributed to a significant investigation finding; are reportable conditions under professional literature; create health or safety concerns; involve senior officials; create exposures to fines, penalties, or refunds; or are otherwise judged as significant control issues. Open management corrective action plans at fiscal yearend have been outstanding an average of 140 days. Audits for fiscal year 2024-25 resulted in recommendations with ratings of high, medium, or low management corrective actions as follows:

Beginning # of management corrective actions	40
Management corrective actions added	61
Management corrective actions closed	87
Current # of open management corrective actions	14

Results of Surveys for Evaluating Internal Audit Services

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

Audit Team

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

Audit Performance

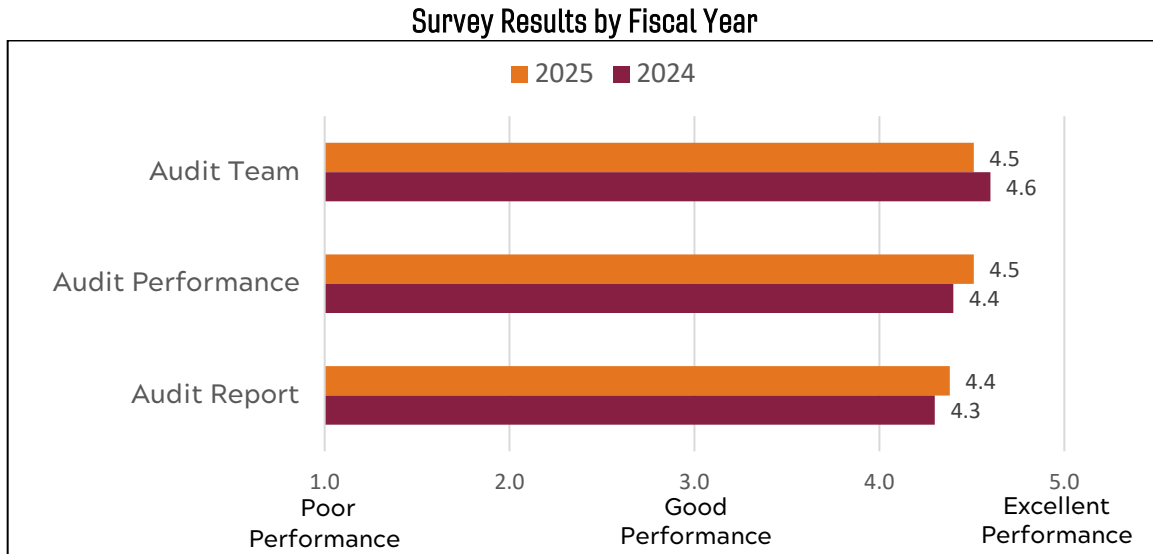
Discussed preliminary audit objectives, scope, and timing of audit; solicited and considered management concerns and suggestions in audit; and minimized disruption of auditee's daily activities as much as possible.

89%

client
satisfaction

Audit Report

Written clearly; contained adequate explanations for observations; and recommendations improved or added value to auditee's departmental operation.



Overall, **client ratings were favorable**. Attaining a cumulative average score of 4.46 on a 5-point scale exceeded OARC's goal of a 4.0 rating on survey feedback and resulted in 89% client satisfaction.

"It's always useful to follow standards for best practices to make sure we continue providing an excellent quality program. I thank the team for the promptness of their feedback as well as making the audit process run smoothly and thoroughly. We appreciated the professionalism and clarity in the process."

Quality Assurance and Improvement Program

In accordance with requirements set forth by the Institute of Internal Auditors' Global Internal Audit Standards, Internal Audit maintains a comprehensive Quality Assurance and Improvement Program. This program includes ongoing monitoring, periodic self-assessments, and an independent external assessment that should be conducted at a minimum of every five years. The on-going monitoring program consists of four elements: the supervisory review of project working papers, quality assurance reviews of individual audits, the pre-issuance review of reports, and periodic assessments of the quality control system. A self-assessment was conducted during the current fiscal year and shared with executive leadership and the Board of Visitors during the August 2025 Compliance, Audit, and Risk committee meeting. An external assessment of OARC was completed by Baker Tilly during fiscal year 2021-22, when the internal audit function received the **highest rating possible of "generally conforms."**

Appendix A: FY 2024-25 Audit Plan Status

The chart below outlines the status of the fiscal year 2024-25 audit plan, as amended.

FY 2024-25 Audit Plan Status

Audit Project	Risk Ranking	BOV Mtg
Risk-Based Audits		
ADA Compliance (<i>Carryforward from FY24</i>)	Medium	Canceled
Aerospace and Ocean Engineering (<i>Carryforward from FY24</i>)	High	November 2024
Affiliated Corporations: Virginia Tech Transportation, LLC	Low	Ongoing
Athletics	High	August 2025
Bursar	High	Canceled
Data Analytics: Subscription Services	Medium	Canceled
Electrical and Computer Engineering	High	March 2025
Environmental Health and Safety (<i>Co-Sourced</i>)	High	August 2025
HR: Benefits	High	Ongoing
Immigration Services	High	March 2025
IT: Cloud Services	Medium	Canceled
IT: Network Infrastructure & Services	Medium	Canceled
IT: Security Operations Center (<i>Co-Sourced</i>)	High	Ongoing
National Security Institute	Medium	June 2025
Programs for Minors	Medium	March 2025
Real Estate Management (<i>Carryforward from FY24</i>)	Medium	November 2024
Recreational Sports	Medium	August 2025
Research: Cost Sharing	High	Canceled
School of Plant and Environmental Sciences	High	Ongoing
Sponsored Programs – Pre-Award (<i>Carryforward from FY24</i>)	High	November 2024
Subrecipient Monitoring	Medium	Ongoing
Undergraduate Admissions	Medium	March 2025
University Building Official	Medium	November 2024
VT India	Medium	Canceled
Policy Compliance Reviews		
Agricultural Research and Extension Centers (<i>selected</i>)		March 2025
College of Agricultural and Life Sciences (<i>Carryforward from FY24</i>)		November 2024
College of Natural Resources and Environment		June 2025
Graduate School		June 2025
VP for Information Technology		March 2025

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

- Athletics IT Security – This engagement documented Athletics' efforts to strengthen its information technology general controls in conformance with university policies and standards.
- Corps of Cadets Armory – This engagement reviewed the controls in the Corp of Cadets Armory and provided suggestions on increased review.
- Data Analytics: Research Compliance Dashboard – This engagement finalized the initial steps to create internal dashboarding for common federal research compliance red flags to assist in future assurance and compliance analysis.
- Data Analytics: Safety Management System – This engagement summarized training compliance data and elevated to management data integrity issues for consideration while development and deployment of a new safety management system is underway.
- Sponsored Programs: Final Report Submissions – This engagement summarized required final report submissions compliance and elevated to management considerations for process monitoring.
- Use of State Vehicles – This engagement summarized university-wide compliance data and elevated a common compliance risk for process update consideration.

Appendix B: IIA Standards Disclosures

Per Charter: The internal audit function conducts its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Executive will report annually to the CAR Committee and senior management regarding Internal Audit's conformance with the Global Internal Audit Standards, including maintaining its independence and objectivity, which will be assessed through an ongoing quality assurance and improvement program.

 The Institute of Internal Auditors <i>Elevating Impact</i>		 International Professional Practices Framework® (IPPF)	
Domain I Purpose of Internal Audit			
Domain II Ethics and Professionalism			
Principle 1 Demonstrate Integrity		Principle 4 Exercise Due Professional Care	
Standard 1.1 Honesty and Professional Courage		S4.1 Conformance with the Global Internal Audit Standards	
S1.2 Organization's Ethical Expectations		S4.2 Due Professional Care	
S1.3 Legal and Ethical Behavior		S4.3 Professional Skepticism	
Principle 2 Maintain Objectivity		Principle 5 Maintain Confidentiality	
S2.1 Individual Objectivity		S5.1 Use of Information	
S2.2 Safeguarding Objectivity		S5.2 Protection of Information	
S2.3 Disclosing Impairments to Objectivity			
Principle 3 Demonstrate Competency			
S3.1 Competency			
S3.2 Continuing Professional Development			
Domain III Governing the Internal Audit Function			
Principle 6 Authorized by the Board		Principle 8 Overseen by the Board	
S6.1 Internal Audit Mandate		S8.1 Board Interaction	
S6.2 Internal Audit Charter		S8.2 Resources	
S6.3 Board and Senior Management Support		S8.3 Quality	
Principle 7 Positioned Independently		S8.4 External Quality Assessment	
S7.1 Organizational Independence			
S7.2 Chief Audit Executive Qualifications			

Domain IV Managing the Internal Audit Function			
Principle 9 Plan Strategically		Principle 11 Communicate Effectively	
S9.1	Understanding Governance, Risk Management, and Control Processes	S11.1	Building Relationships and Communicating with Stakeholders
S9.2	Internal Audit Strategy	S11.2	Effective Communication
S9.3	Methodologies	S11.3	Communicating Results
S9.4	Internal Audit Plan	S11.4	Errors and Omissions
S9.5	Coordination and Reliance	S11.5	Communicating the Acceptance of Risks
Principle 10 Manage Resources		Principle 12 Enhance Quality	
S10.1	Financial Resource Management	S12.1	Internal Quality Assessment
S10.2	Human Resources Management	S12.2	Performance Management
S10.3	Technological Resources	S12.3	Oversee and Improve Performance
Domain V Performing Internal Audit Services			
Principle 13 Plan Engagements Effectively		Principle 14 Conduct Engagement Work	
S13.1	Engagement Communication	S14.1	Gathering Information for Analyses and Evaluation
S13.2	Engagement Risk Assessment	S14.2	Analyses and Potential Engagement Findings
S13.3	Engagement Objective and Scope	S14.3	Evaluation of Findings
S13.4	Evaluation Criteria	S14.4	Recommendations and Action Plans
S13.5	Engagement Resources	S14.5	Engagement Conclusions
S13.6	Work Program	S14.6	Engagement Documentation
Principle 15 Communicate Engagement Results and Monitor Action Plans			
S15.1	Final Engagement Communication		
S15.2	Confirming the Implementation of Recommendations or Action Plans		

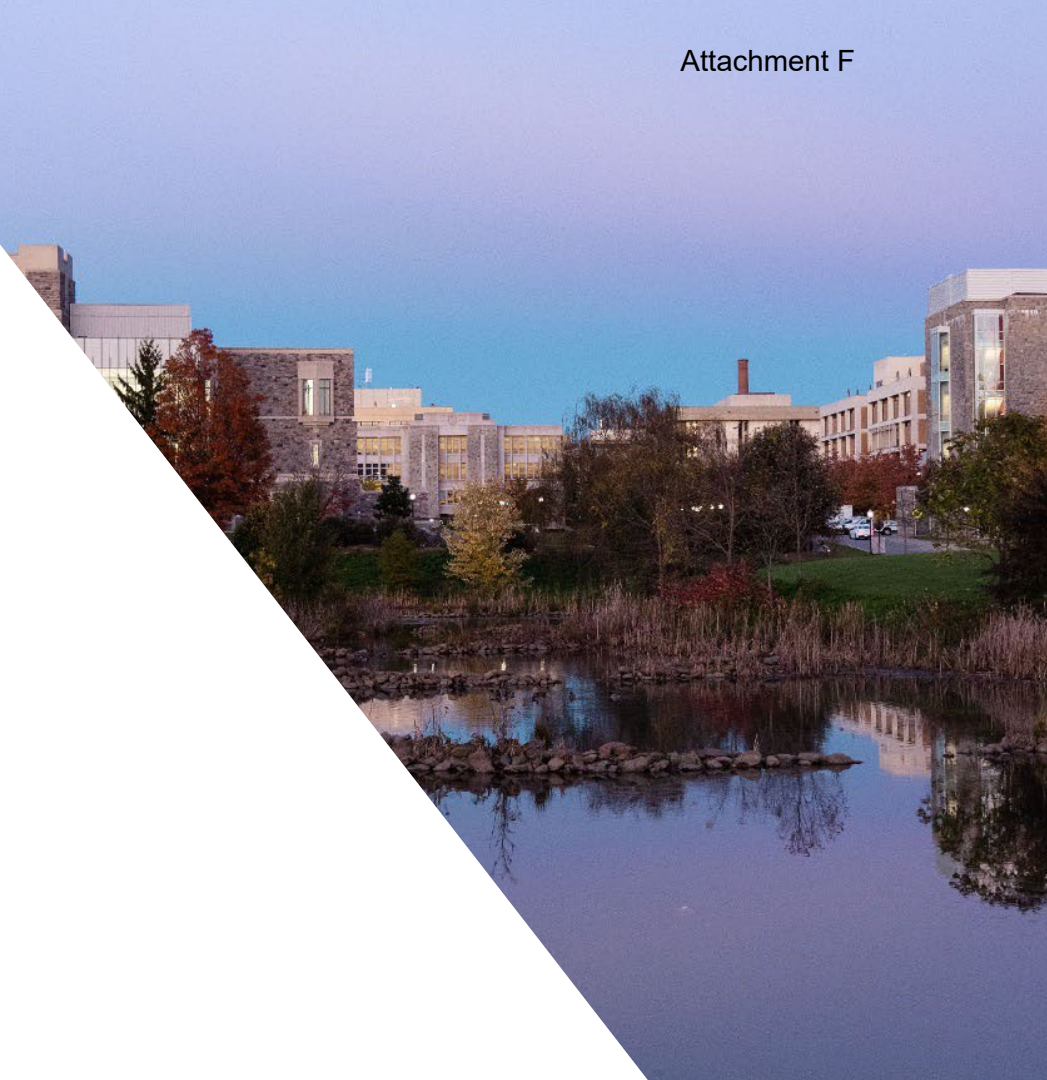


OFFICE OF AUDIT, RISK,
AND COMPLIANCE
VIRGINIA TECH.

ANNUAL REPORT

Sharon M. Kurek, CPA, CCEP, CFE, MBA
Vice President for Audit, Risk, and Compliance &
Chief Risk Officer






August 19, 2025





Mission: To enhance value through providing strategic insight, enabling informed decisions, and promoting integrity and compliance

Vision: To earn the trust and partnership of the VT community as we jointly navigate the complex landscape

 Operational Excellence	 Trust & Partnerships	 Strategic Value	 Culture & Integrity	 Knowledge & Innovation
<ul style="list-style-type: none"> • Evolve a comprehensive understanding of risk university-wide • Use ERM to inform next-level engagement with stakeholders and audit planning approach • Serve and support priority compliance areas • Establish and deploy an agile audit framework • Improve audit follow-up processes through enhanced technology deployment • Update operating policies, manuals, and processes to align with new professional standards 	<ul style="list-style-type: none"> • Foster purposeful connections with colleagues, leadership, and BOV • Utilize governance structure as a connective hub for communication on top risk and compliance areas • Facilitate greater alignment between risk and compliance owners, governance committees, & OARC to ensure optimal mitigation efforts • Connect, support, and educate compliance partner community 	<ul style="list-style-type: none"> • Provide insights on enterprise and emerging risks to enhance executive decision-making • Develop and monitor KPIs & KRIs to understand impact, actions, and progress • Understand correlations and elevate cross-unit risks with high-impact, high-velocity results • Convene ad hoc task forces as sensitive or volatile risks arise • Ensure robust participation is established in future ERP system development/ deployment 	<ul style="list-style-type: none"> • Promote a risk-aware and ethical culture • Establish individualized career pathing methodologies and determine training needs • Contribute compliance and ethics perspectives in policy creation and review • Engage campus stakeholders to encourage a values-based approach in connecting ethical principles with compliance 	<ul style="list-style-type: none"> • Explore and pilot opportunities to deploy continuous assurance AI methodologies • Complete the integration of the cross-program technology solution and deploy to campus stakeholders • Define the visuals that leadership values most and identify data needed to produce them • Create risk-based dashboarding • Pilot and implement a self-assessment tool for compliance areas

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

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

Overall, management:

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

Enterprise Risk Management

- Developed a comprehensive risk register for the university
- Conducted ERM exercises related to research compliance and the changing regulatory landscape
- Created a new view of the risk landscape that visualizes the comparative risk escalation/de-escalation from the previous year

Updated risk
visuals and
register

Provided
assistance on
priority
compliance
areas

89%
client
satisfaction

Institutional Compliance Program:

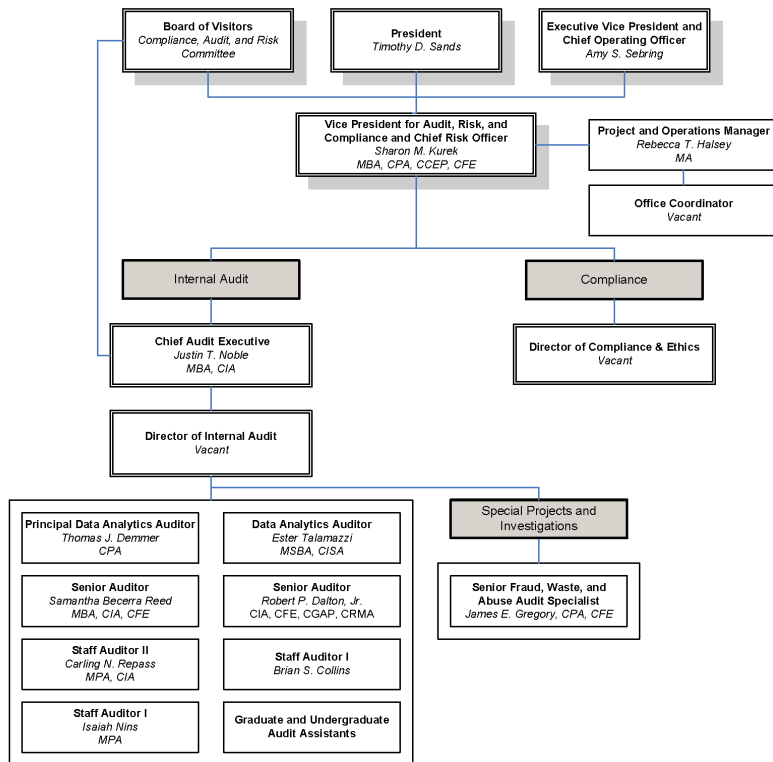
- Led a working group through benchmarking, deliberation, and proposal of a Conflict of Interest and Commitment program for consideration by executive leadership
- Provided assistance on specific needs of high priority compliance areas, including those related to federal regulatory changes
- Continued personal data privacy review

Internal Audit:

- 80% of audit plan completed (24 engagements)
- 17 fraud, waste, or abuse cases initiated
- 4.46 out of 5 (89%) on client satisfaction surveys
- 87 management action plans closed



OFFICE OF AUDIT, RISK, AND COMPLIANCE VIRGINIA TECH.



Certification and Advanced Degrees

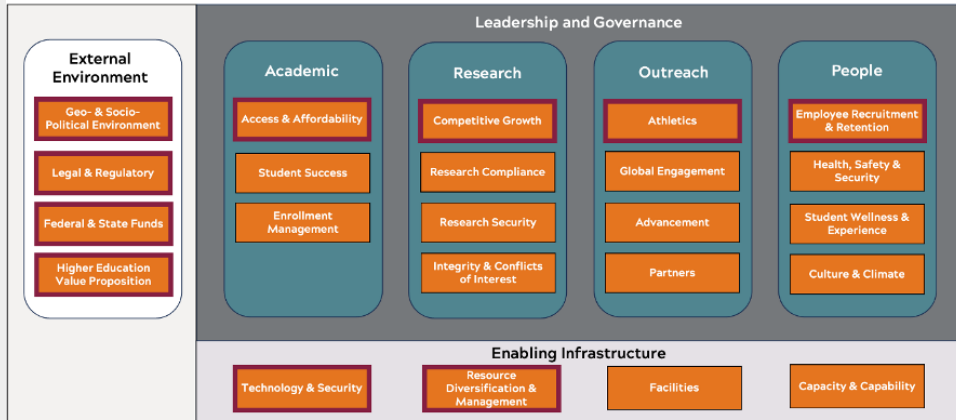
Professional Certifications			
1	Certified Compliance and Ethics Professional (CCEP)	4	Certified Internal Auditor (CIA)
4	Certified Fraud Examiners (CFE)	3	Certified Public Accountants (CPA)
1	Certified Governmental Auditing Professional (CGAP)	1	Certified in Risk Management Assurance (CRMA)
1	Certified Information Systems Auditor (CISA)		
Advanced Degrees			
3	Master of Business Administration (MBA)	2	Master of Science or Arts (Business Analytics, Political Science)
2	Master of Public Administration (MPA)		

162
years of
professional
audit, risk, and
compliance
experience

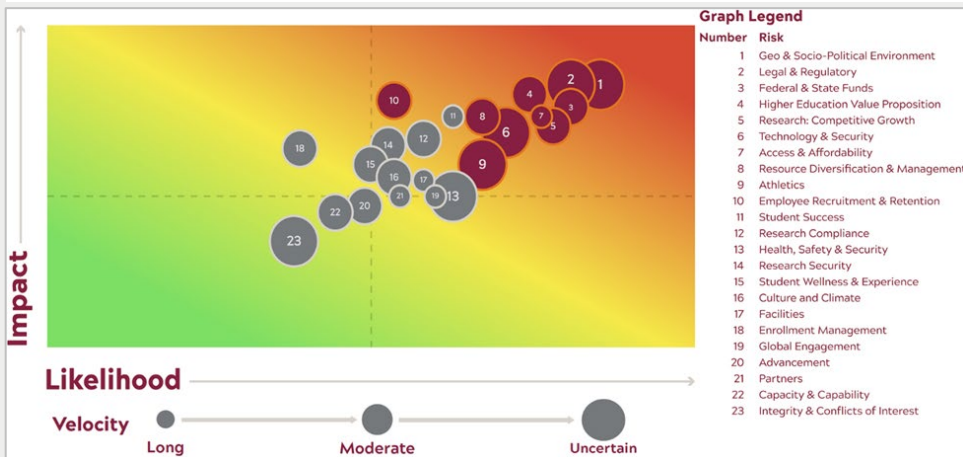
>66
years of
Virginia Tech
experience

Analysis of Expenditures

Category	FY 2024-25	FY 2023-24
Salaries and Benefits	\$1,987,320	\$2,250,608
Consulting Services	263,853	82,664
External Audit Services	34,705	0
Furniture & Equipment	336	7,077
Operating Expenses	23,597	33,626
Personnel Expenses & Recruitment	3,141	22,089
Software	76,542	81,171
Training	49,827	35,244
Total	\$2,439,321	\$2,512,479



Maroon border = Top 10 Risk



ERM-related activities include:

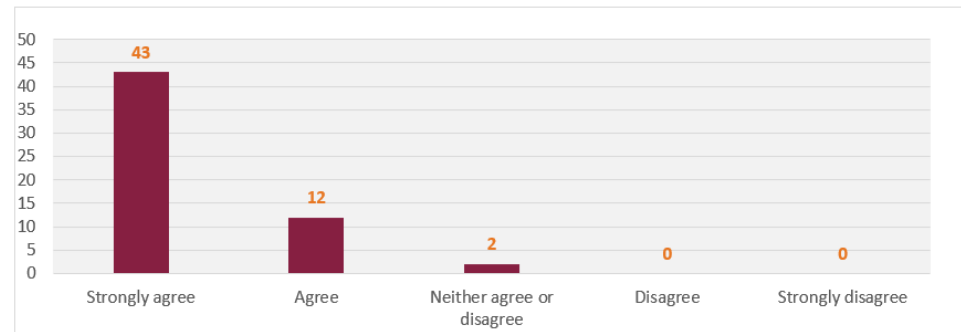
- Conducted a **tabletop exercise** on research security and compliance scenarios
- Led an ERM exercise with President's Council on **risk tolerance, appetite, mitigations, and opportunity risks** in evolving regulatory landscape
- Developed a **comprehensive risk register** for the university across risk, audit, compliance, and ARMICS programs
- Engaged **all Board of Visitor committees** on ERM topics
- Introduced a **new visualization** of the change in risk between current and previous years

Other highlights include:

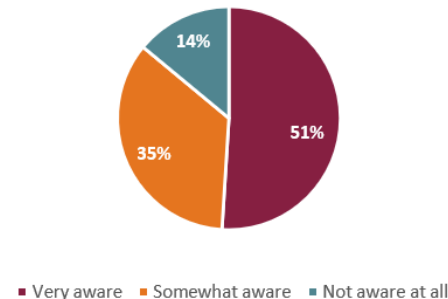
- Led a working group through benchmarking, deliberation, and proposal of a Conflict of Interest and Commitment program for consideration by executive leadership
- Continued personal data privacy review
- Provided assistance on specific needs of high priority compliance areas, including those related to federal regulatory changes
- Continued role and responsibilities of state agency Regulatory Coordinator
- Served on Research & Innovation Council, Policy Advisory Committee, and Title IX Policy & Practice Group

Leadership Survey: Perception of Virginia Tech's ethical culture and awareness of the Hokie Hotline reporting mechanism

Virginia Tech employees do their best to ensure compliance with applicable laws, regulations, and policies.

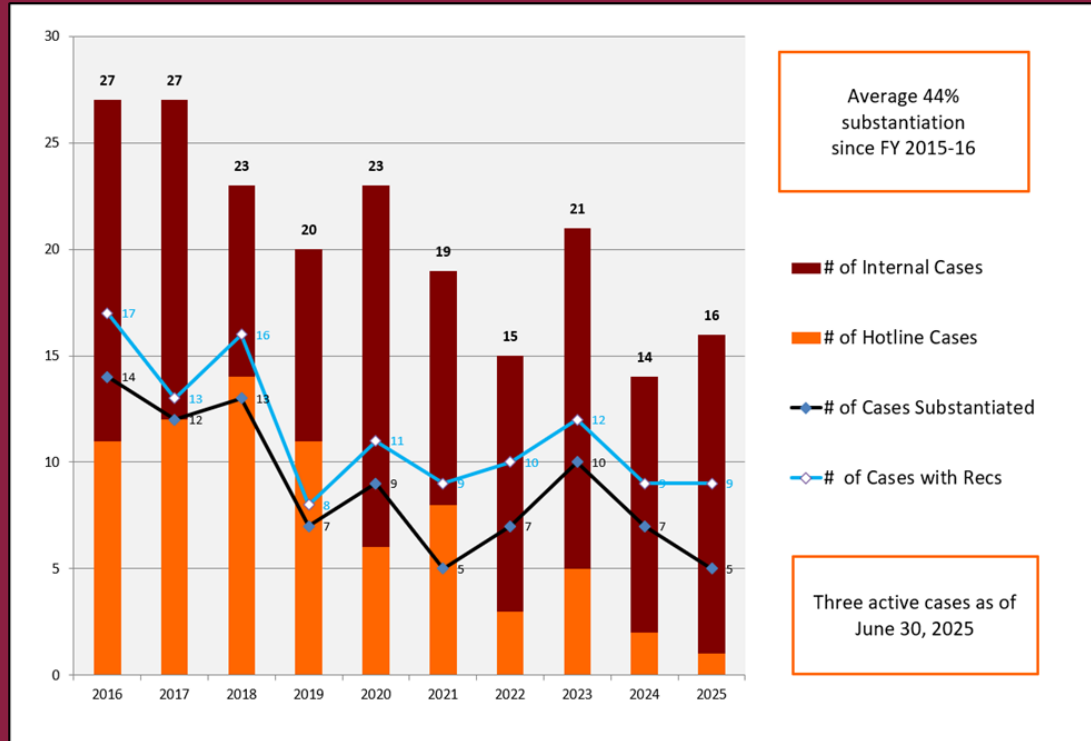


Leadership Awareness of the Hokie Hotline





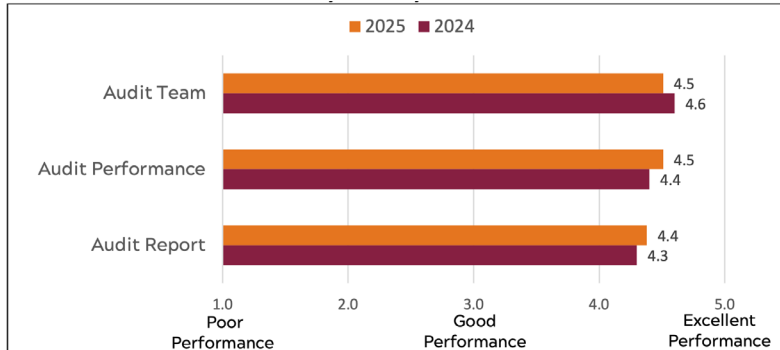
H O K I E H O T L I N E



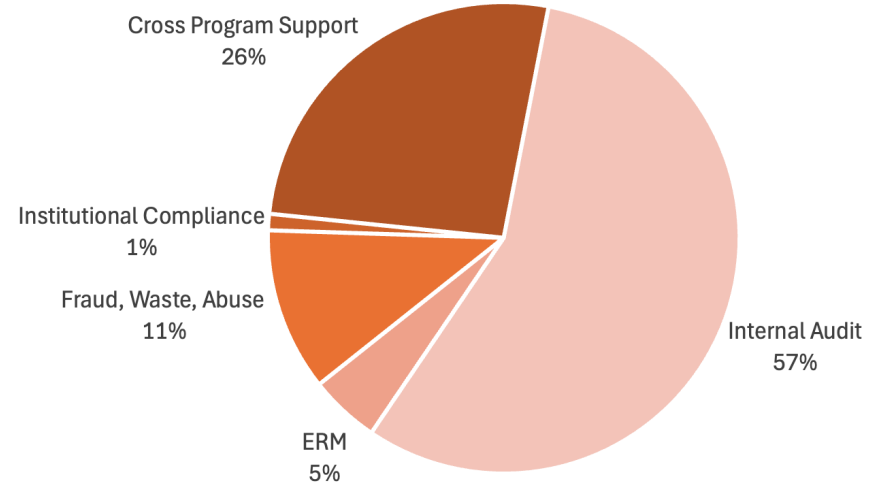
Audit Plan Status

Audits	
Total # of Audits Planned	30
Total # of Supplemental Audits	4
Total # of Carry Forwards	6
Total # of Planned Audits Deferred and/or Canceled	10
Total Audits in Plan as Amended	30
Total Audits Completed	24
Audits – Percentage Complete	80%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Client Satisfaction Survey Results



Distribution of Direct Hours



Management Corrective Action Summary

Beginning # of management corrective actions	40
Management corrective actions added	61
Management corrective actions closed	87
Current # of open management corrective actions	14



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

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



QUESTIONS?

Virginia Tech

Internal Quality Assurance Review

Quality Assurance and Improvement Program

July 28, 2025



OFFICE OF AUDIT, RISK,
AND COMPLIANCE
VIRGINIA TECH.

Engagement Overview

Objectives

The objectives of this internal quality assurance review (QAR) were to:

- ❖ Determine whether Internal Audit (IA), within the Office of Audit, Risk, and Compliance, is in conformance with the Global Internal Audit Standards (GIAS) promulgated by the Institute of Internal Auditors (IIA).
- ❖ Assess the quality of ongoing performance and identify opportunities to improve IA policies, procedures, and processes.

Scope

The scope of this QAR included fiscal year 2023–24 and 2024–25 audit engagements completed as of May 1, 2025 and all IA policies, procedures, and processes.

Methodology

This QAR was conducted using the GIAS (2024) and the *Quality Assessment Manual for the Internal Audit Activity* (2024) published by the Internal Audit Foundation.¹ To accomplish the objectives, the following activities were performed:

- ❖ Reviewed the mandatory elements of the GIAS.
- ❖ Reviewed previous internal and external quality assurance reports and actions taken in response to recommendations.
- ❖ Obtained and reviewed information provided by IA relevant to this QAR, including audit charter, audit manual, organizational chart, risk assessments, audit plans, etc.
- ❖ Reviewed Board of Visitors Compliance, Audit, and Risk Committee charter, meeting minutes, and submitted meeting materials.
- ❖ Selected and reviewed a random sample of six engagements.
- ❖ Reviewed continuing professional education credits for audit staff personnel.
- ❖ Interviewed the Chief Audit Executive (CAE).

¹ The Internal Audit Foundation is a nonprofit organization operated by the IIA.

Results and Recommendations

IA has **fully achieved** conformance with GIAS. The *Quality Assessment Manual* provides a four-point rating scale: “Full Achievement,” “General Achievement,” “Partial Achievement,” and “Nonachievement.”² According to the manual, “Full Achievement” is the highest rating and indicates the internal audit function is fully achieving all 15 principles and the Purpose of Internal Auditing.

IA effectively executes its mission of enhancing and protecting organizational value by providing risk-based and objective assurance, advice, and insight. Audit staff personnel are competent, professional, and eager to learn; audit reports are, overall, accurate and objective; and IA management is fully engaged with both audit staff personnel and university leadership.

Overall, IA has established a solid foundation on which it can continue to build to ensure it is operating effectively and efficiently. During the course of this QAR, the below opportunities were identified to improve IA policies, procedures, and processes.

I. Ethics Training

Applicable Standard

- Standard 1.1, Honesty and Professional Courage

IA currently does not have a formal process to ensure consistent ethics training for all auditors. While a formal process to ensure ethics training is not required, this opportunity for improvement will further support the intent of the standard.

Standard 1.1, Honesty and Professional Courage, states that internal auditors must perform their work with honesty and professional courage. Further, according to the IIA’s implementation guidance, auditors should enhance their understanding of honesty and professional courage by pursuing ethics-related continuing professional education.

Currently, auditors with professional certifications, such as the CIA, CPA, or CISA, are required by their certifying bodies to complete regular ethics training to maintain their credentials. However, auditors without certifications are not subject to this requirement, creating an inconsistency in ethics education across the office.

Establishing ethics training as a universal office standard, regardless of certification status, will ensure auditors are knowledgeable of ethical requirements, including honesty and professional courage.

² During 2024, the IIA published the new GIAS. As part of the new standards, a change in the assessment rating system was implemented. Previously, a three-point rating scale of “Generally Conforms,” “Partially Conforms,” and “Does Not Conform” were utilized. The new four-point scale includes two levels each for “passing” and “not passing.”

Recommendation:

Management should consider requiring all auditors to obtain ethics education and adopt an annual attestation process in which auditors formally acknowledge their commitment to the university's ethical expectations and their responsibilities as audit professionals.

Management Action Plan:

The CAE will add a requirement to the audit manual for all auditors to obtain and document, through regular office procedures, annual ethics training.

Justin T. Noble, Chief Audit Executive, is responsible for implementing this action plan by October 1, 2025.

II. Access Rights Review

Applicable Standard

- Standard 5.2, Protection of Information

Access rights in AuditBoard and SharePoint are not regularly reviewed, creating a risk of inappropriate access to sensitive information. Standard 5.2, Protection of Information, states internal auditors must manage the risk of exposing or disclosing information inadvertently.

The increased use of AuditBoard and SharePoint has resulted in more users outside of IA being manually assigned access roles to specific parts of these systems for engagement-related purposes. As this user base continues to grow, periodic review is necessary to ensure that access remains appropriate and sensitive information is adequately protected.

Recommendation:

Management should establish a formal process to periodically review user access rights in AuditBoard and SharePoint to ensure access is limited to authorized individuals based on current roles and responsibilities.

Management Action Plan:

Annual access reviews will be conducted at the start of each fiscal year. The CAE will work with the Business And Management Systems office to obtain SharePoint data. Additionally, the CAE will conduct reviews of users and groups within AuditBoard.

Justin T. Noble, Chief Audit Executive, is responsible for implementing this action plan by October 1, 2025.

III. Evaluation of Management Criteria

Applicable Standard

- Standard 13.2, Engagement Risk Assessment

The current engagement risk assessment process does not include identifying the criteria management uses to measure success. Standard 13.2, Engagement Risk Assessment, states internal auditors must identify the criteria that management uses to measure whether the activity is achieving its objectives. As this requirement was not part of the previous standards, incorporating this process during the planning phase will ensure alignment with current requirements.

Currently, the IA risk assessment process does not explicitly incorporate the identification and documentation of the criteria used by management to evaluate success of the activity under review as this is now required under the current standards. The current risk assessment methodology identifies risk and control design but does not include a formal step to determine or assess the criteria management uses to measure achievement of objectives.

Recommendation:

Management should develop a process to identify and document the criteria management uses to measure success as part of the engagement risk assessment process. This should include identifying a consistent approach for assessing and documenting the criteria management uses to evaluate whether the activity is achieving its objectives.

Management Action Plan:

The CAE will update planning templates in AuditBoard to ensure the consistent approach and documentation of management's criteria. It is important to note that in many instances management may not be forthcoming or provide their criteria; however, templates and documentation will be enhanced to ensure auditor consideration.

Justin T. Noble, Chief Audit Executive, is responsible for implementing this action plan by October 1, 2025.

IV. CAE Documented Approvals

Applicable Standards

- Standard 13.3, Engagement Objectives and Scope
- Standard 14.6, Engagement Documentation

The CAE's approval of the engagement objectives, scope, and audit steps within AuditBoard is not consistent. This results in a lack of clear evidence of compliance with the standards.

Standard 13.3, Engagement Objectives and Scope, requires the CAE to approve the engagement objectives and scope, including any changes that occur during the engagement. Although this process is reviewed during the end of planning meeting, there is no formal sign-off or documented approval by the CAE in AuditBoard.

Similarly, Standard 14.6, Engagement Documentation, requires the CAE to review and approve engagement documentation to ensure sufficient, appropriate evidence exists to support the engagement results and demonstrate conformance with professional standards. Currently, review authority is typically delegated to the engagement reviewer, and the CAE is involved in reviewing all key audit issues and quality assurance communications. However, there is no formal documentation of this review or delegation of review authority within the audit manual and AuditBoard.

Although current practices generally align with the intent of both standards, an opportunity exists to strengthen the process and ensure full conformance through clearer documentation. Establishing clear sign-off points for the CAE and explicitly documenting any delegation of review authority will ensure alignment with these standards and enhance the transparency, consistency, and accountability of the engagement review process.

Recommendation:

Management should consider formalizing the CAE's approval of engagement objectives, scope, and documentation within the audit manual and AuditBoard.

Management Action Plan:

The CAE will clarify and formalize the actions and steps taken to ensure appropriate scope, objectives, and engagement documentation is obtained and maintained. This documentation will be outlined in the audit manual and, where appropriate, in the AuditBoard templates. Where necessary, delegations of these activities to appropriate staff will be noted.

Justin T. Noble, Chief Audit Executive, is responsible for implementing this action plan by October 1, 2025.

Internal Quality Assurance Review
July 2025

Quality Assurance Evaluation Summary—Major/Supporting Standards		FA	GA	PA	NA
DI	Purpose of Internal Audit	X			
DII	Ethics and Professionalism	X			
P1	Demonstrate Integrity	X			
S1.1	Honesty and Professional Courage		X		
S1.2	Organization's Ethical Expectations	X			
S1.3	Legal and Ethical Behavior	X			
P2	Maintain Objectivity	X			
S2.1	Individual Objectivity	X			
S2.2	Safeguarding Objectivity	X			
S2.3	Disclosing Impairments to Objectivity	X			
P3	Demonstrate Competency	X			
S3.1	Competency	X			
S3.2	Continuing Professional Development	X			
P4	Exercise Due Professional Care	X			
S4.1	Conformance with the Global Internal Audit Standards	X			
S4.2	Due Professional Care	X			
S4.3	Professional Skepticism	X			
P5	Maintain Confidentiality	X			
S5.1	Use of Information	X			
S5.2	Protection of Information		X		
DIII	Governing the Internal Audit Function	X			
P6	Authorized by the Board	X			
S6.1	Internal Audit Mandate	X			
S6.2	Internal Audit Charter	X			
S6.3	Board and Senior Management Support	X			
P7	Positioned Independently	X			
S7.1	Organizational Independence	X			
S7.2	Chief Audit Executive Qualifications	X			
P8	Overseen by the Board	X			
S8.1	Board Interaction	X			
S8.2	Resources	X			
S8.3	Quality	X			
S8.4	External Quality Assessment	X			
DIV	Managing the Internal Audit Function	X			
P9	Plan Strategically	X			
S9.1	Understanding Governance, Risk Management, and Control Processes	X			
S9.2	Internal Audit Strategy	X			
S9.3	Methodologies	X			
S9.4	Internal Audit Plan	X			
S9.5	Coordination and Reliance	X			
P10	Manage Resources	X			
S10.1	Financial Resource Management	X			
S10.2	Human Resources Management	X			
S10.3	Technological Resources	X			
P11	Communicate Effectively	X			
S11.1	Building Relationships and Communicating with Stakeholders	X			
S11.2	Effective Communication	X			
S11.3	Communicating Results	X			
S11.4	Errors and Omissions	X			
S11.5	Communicating the Acceptance of Risks	X			
P12	Enhance Quality	X			
S12.1	Internal Quality Assessment	X			
S12.2	Performance Management	X			
S12.3	Oversee and Improve Performance	X			
DV	Performing Internal Audit Services	X			
P13	Plan Engagements Effectively	X			
S13.1	Engagement Communication	X			
S13.2	Engagement Risk Assessment		X		
S13.3	Engagement Objective and Scope		X		
S13.4	Evaluation Criteria	X			

Internal Quality Assurance Review
July 2025

Quality Assurance Evaluation Summary—Major/Supporting Standards		FA	GA	PA	NA
S13.5	Engagement Resources	X			
S13.6	Work Program	X			
P14	Conduct Engagement Work	X			
S14.1	Gathering Information for Analyses and Evaluation	X			
S14.2	Analyses and Potential Engagement Findings	X			
S14.3	Evaluation of Findings	X			
S14.4	Recommendations and Action Plans	X			
S14.5	Engagement Conclusions	X			
S14.6	Engagement Documentation		X		
P15	Communicate Engagement Results and Monitor Action Plans	X			
S15.1	Final Engagement Communication	X			
S15.2	Confirming the Implementation of Recommendations or Action Plans	X			

D = Domain

P = Principle

S = Standard

FA = Full Achievement

GA = General Achievement

PA = Partial Achievement

NA = Nonachievement

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 19, 2025

Background

This report provides a summary of the following reviews and their ratings, as well as the full rating system definitions. 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 Ticket Office	Improvements are Recommended
Report for Discussion	Rating
Recreational Sports	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.

August 19, 2025