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Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE
Fralin Biomedical Research Institute, Room G102 A/B
August 28, 2023
8:45 am

</div>

Closed Session

Committee Members Present: Chris Petersen (Acting Chair), Carrie Chenery, Nancy Dye, Tish Long

Committee Members Absent: Dave Calhoun, Jeff Veatch

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Don Horsley

Virginia Tech Personnel: Cyril Clarke, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Ken Miller, Justin Noble, Kim O'Rourke, Timothy Sands, Amy Sebring, Dan Sui, Don Taylor

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

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

3. **Discussion on Legal Compliance Risk:** The Committee discussed legal and compliance risks related to an investigation.

4. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President discussed 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.

5. **Motion to End Closed Session:** Motion to end closed session.

Open Session

Committee Members Present: Carrie Chenery, Nancy Dye, Tish Long, Chris Petersen (Acting Chair), Jeff Veatch

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Don Horsley

Representatives to the Board Present: Janice Austin (Administrative and Professional Faculty Representative), LaTawnya Burleson (Staff Representative), Emily Tirrell (Graduate and Professional Student Representative), Will Storey (Undergraduate Student Representative)

Virginia Tech Personnel: Lynsay Belshe, Eric Brooks, Brock Burroughs, Cyril Clarke, Al Cooper, Corey Earles, Mike Friedlander, Clifton Gaines, Bryan Garey, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Luisa Havens Gerardo, Kay Heidbreder, Elizabeth Hooper, Sharon Kurek, Elizabeth McClanahan, Ken Miller, Justin Noble, Kim O'Rourke, Mark Owczarski, Paul Richter, Timothy Sands, Amy Sebring, Brennan Shepard, Dan Sui, Don Taylor, Rob Viers, Tracy Vosburgh, Melinda West, Chris Yianilos

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

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

   a. **Minutes from the June 5, 2023 Meeting:** The Committee reviewed and approved the minutes of the June 5, 2023 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 March 31, 2023, the university had 18 open recommendations. Four audit comments were issued during the fourth quarter of the fiscal year. As of June 30, 2023, the university had addressed seven comments, leaving 15 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 89 percent of its audit plan, and 100 percent is underway, in accordance with the fiscal year 2022-23 annual audit plan.

   d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the June 5, 2023 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.   College of Natural Resources and Environment: The audit received a rating of improvements are recommended. Observations were noted regarding lab safety training and labor cost transfers. Low-priority recommendations of a less significant nature were noted regarding effort reporting and compliance with the university's award management system for uploading final technical reports.

    ii.   Housing Services: The audit received an effective rating.

    iii.   SBIR/STTR Grant Compliance: The audit received an effective rating.

    iv.   University Scholarships and Financial Aid: The audit received an effective rating.

e. **Status Update on the Audit of the University's Financial Statements:** This report provided the current status of the audit of the university's financial statements for fiscal year 2022-23.

f. **Legislative Update:** This report provided an update on recent legislative changes that impact the Committee's responsibility for oversight of compliance and risk.

3. **Enrollment Management Landscape:** The Committee received a presentation on the enrollment management landscape as it relates to the university's enterprise risk management. Vice Provost Luisa Havens Gerardo discussed the complexities of enrollment management, including the financial, reputational, operational, compliance, and market demographic risks, as well as the university's risk mitigation strategies implemented by enrollment management. With the large-scale demographic shifts happening in Virginia, main feeder states, and across the country, the institution's enrollment management strategy will continue to be of high importance in the coming decade.

4. **Notice Pursuant to General Assembly's Animal Research Legislation:** This report notified the Committee of the university's recent results from the U.S. Department of Agriculture Animal and Plant Health Inspection Service inspection, which included a citation for critical noncompliance under the Animal Welfare Act

in accordance with the recently amended Code of Virginia Article 13 of Chapter 65 of Title 3.2 § 3.2-6593.2. Furthermore, the university made the report publicly available along with any other relevant documents by displaying a link to access such information on the landing page of the animal testing facility's website, within 30 days of receiving the inspection report.

5. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the June 5, 2023 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

    a. Data Analytics: Administrative Operations: The audit received a rating of effective.

    b. Data Analytics: HokieMart Segregation of Duties: The audit received a rating of effective.

    c. Data Analytics: Procurement Card Transaction Review: The audit received a rating of effective.

    d. Human Resources: Employee Administration: The audit received a rating of significant improvements are needed. Observations were noted regarding employment eligibility verifications, data integrity, oversight of wage appointments, and security of high-risk data.

6. **OARC Annual Report for Fiscal Year 2022-23:** The Committee reviewed and accepted the annual report for OARC. This year highlighted progress in moving forward each of the office's functional areas with appointing distinct leadership and further integrating the programs to provide a holistic approach to risk management. Acceptance of this report documents the Committee's review of the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships as required by the Committee's charter.

7. **Discussion of Future Topics:** Chris Peterson made closing remarks and adjourned the meeting at 10:35 a.m..

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

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

Fralin Biomedical Research Institute, Room G102 A/B
August 28, 2023
8:45 am

<u>Agenda Item</u>	**Reporting** **Responsibility**
1. Motion to Begin Closed Session	Committee Member
2. Update on Fraud, Waste, and Abuse Cases	Sharon Kurek Ryan Hamilton
# 3. Discussion on Legal Compliance Risk	Suzanne Griffin Kay Heidbreder
4. Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer	Sharon Kurek
5. Motion to End Closed Session	Committee Member

 # Discusses Enterprise Risk Management topic(s).

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

Fralin Biomedical Research Institute, Room G102 A/B
August 28, 2023
9:15 am

<u>Agenda Item</u>	<u>Reporting</u> <u>Responsibility</u>
1. Welcome and Introductory Remarks	Committee Chair
2. Consent Agenda	Committee Chair

     a. Minutes from the June 5, 2023 Meeting

     b. Update of Responses to Open Internal Audit Comments

     c. Audit Plan Status Report

     d. Internal Audit Reports

         i. College of Natural Resources and Environment

         ii. Housing Services

         iii. SBIR/STTR Grant Compliance

         iv. University Scholarships and Financial Aid

     e. Status Update on the Audit of the University's Financial Statements

     f. Legislative Update

# 3. Enrollment Management Landscape	Luisa Havens-Gerardo
4. Notice Pursuant to General Assembly's Animal Research Legislation	Suzanne Griffin Kay Heidbreder
5. Internal Audit Reports	Justin Noble

     a. Data Analytics: Administrative Operations

     b. Data Analytics: HokieMart Segregation of Duties

     c. Data Analytics: Procurement Card Transaction Review

     d. Human Resources: Employee Administration

Agenda Item	**Reporting Responsibility**
6. OARC Annual Report	Sharon Kurek
7. Discussion of Future Topics	Committee Chair

 # Discusses Enterprise Risk Management topic(s).

Consent Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 28, 2023

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

a. Approval of Minutes of the June 5, 2023 Meeting

b. Update of Responses to Open Internal Audit Comments

c. Audit Plan Status Report

d. Internal Audit Reports

   i.   College of Natural Resources and Environment

   ii. Housing Services

   iii. SBIR/STTR Grant Compliance

   iv. University Scholarships and Financial Aid

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

f. Legislative Update

Update of Responses to Open Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2023

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 87 percent on-schedule rate for fiscal year 2023 reflects closing 26 of 30 recommendations by the original target date.

The report presented at the June 5, 2023 meeting covered audit reports reviewed and accepted through March 31, 2023 and included 18 open medium and high priority recommendations. Activity for the quarter ending June 30, 2023 resulted in the following:

Open recommendations as of March 31, 2023	18
Add: medium and high priority recommendations accepted June 5, 2023	4
Subtract: recommendations addressed since March 31, 2023	7
Remaining open recommendations as of June 30, 2023	15

While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through August 11, 2023, OARC has closed or reduced to low priority six of the 15 remaining open medium and high priority recommendations. All remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work conjointly with all units and provides assistance as needed to help with timely completion of action plans.

ATTACHMENT A

Open Recommendations by Priority Level

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2023

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
Mar 18, 2022	Mechanical Engineering	22-1586	3	1	-	2	-	-	2
May 20, 2022	Foreign Gifts and Contracts Reporting	22-1588	5	-	-	-	4	1	5
Oct 31, 2022	Virginia Tech Police Department	22-1587	3	2	-	-	1	-	1
Feb 28, 2023	IT: Advanced Research Computing	23-1638	1	-	-	-	-	1	1
Feb 28, 2023	College of Engineering	23-1651	1	-	-	-	-	1	1
Mar 03, 2023	Licensing and Trademarks	23-1641	1	-	-	-	-	1	1
May 16, 2023	Vice President and Executive Director of the Innovation Campus	23-1653	1	-	-	-	-	1	1
May 19, 2023	Athletics	23-1650	3	-	-	-	1	2	3
Totals:			18	3	-	2	6	7	15

Presentation Date: August 28, 2023

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2023

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		
Mar 18, 2022	1	22-1586	Mechanical Engineering	Administrative Privileges	Medium		Feb 01, 2023	Oct 02, 2023	1	
Mar 18, 2022	2	22-1586	Mechanical Engineering	Patch Management	Medium		Feb 01, 2023	Oct 02, 2023	1	
May 20, 2022	3	22-1588	Foreign Gifts and Contracts Reporting	Completeness of Reporting	High		Jul 01, 2023		2	
May 20, 2022	4	22-1588	Foreign Gifts and Contracts Reporting	Determination of Source	High		Jul 01, 2023		2	
May 20, 2022	5	22-1588	Foreign Gifts and Contracts Reporting	Foreign Contract Reporting	High		Jul 01, 2023		2	
May 20, 2022	6	22-1588	Foreign Gifts and Contracts Reporting	Formal Policy and Procedures	High		Jul 01, 2023		2	
May 20, 2022	7	22-1588	Foreign Gifts and Contracts Reporting	System of Record	Medium		Jul 01, 2023		2	
May 16, 2023	8	23-1653	Vice President and Executive Director of the Innovation Campus	Wage Payroll	Medium		Aug 01, 2023		2	
Oct 31, 2022	9	22-1587	Virginia Tech Police Department	Automated External Defibrillators	High		Sep 01, 2023		2	
May 19, 2023	10	23-1650	Athletics	State Vehicle Management	Medium		Oct 31, 2023		3	

Presentation Date: August 28, 2023

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2023

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised		
May 19, 2023	11	23-1650	Athletics	Leave Reporting	Medium		Jan 31, 2024		3	
Feb 28, 2023	12	23-1638	IT: Advanced Research Computing	Cluster Security and Management	Medium		Mar 01, 2024		3	
Mar 03, 2023	13	23-1641	Licensing and Trademarks	Monitoring Royalty Payments	Medium		Apr 01, 2024		3	
May 19, 2023	14	23-1650	Athletics	Fixed Asset Management	High		Jun 30, 2024		3	
Feb 28, 2023	15	23-1651	College of Engineering	Information Technology	Medium		Jun 30, 2024		3	

Follow Up Status

1   Management confirmed during follow up discussions with OARC that the original target date will not be met, and an extension has been granted. OARC will conduct testing after the revised due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.

2   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.

3   Target date is beyond current calendar quarter. Management has follow-up discussions with the auditor to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

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

Presentation Date: August 28, 2023

ATTACHMENT C

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2023

Seven Year Trend of Recommendations Closed - On Schedule
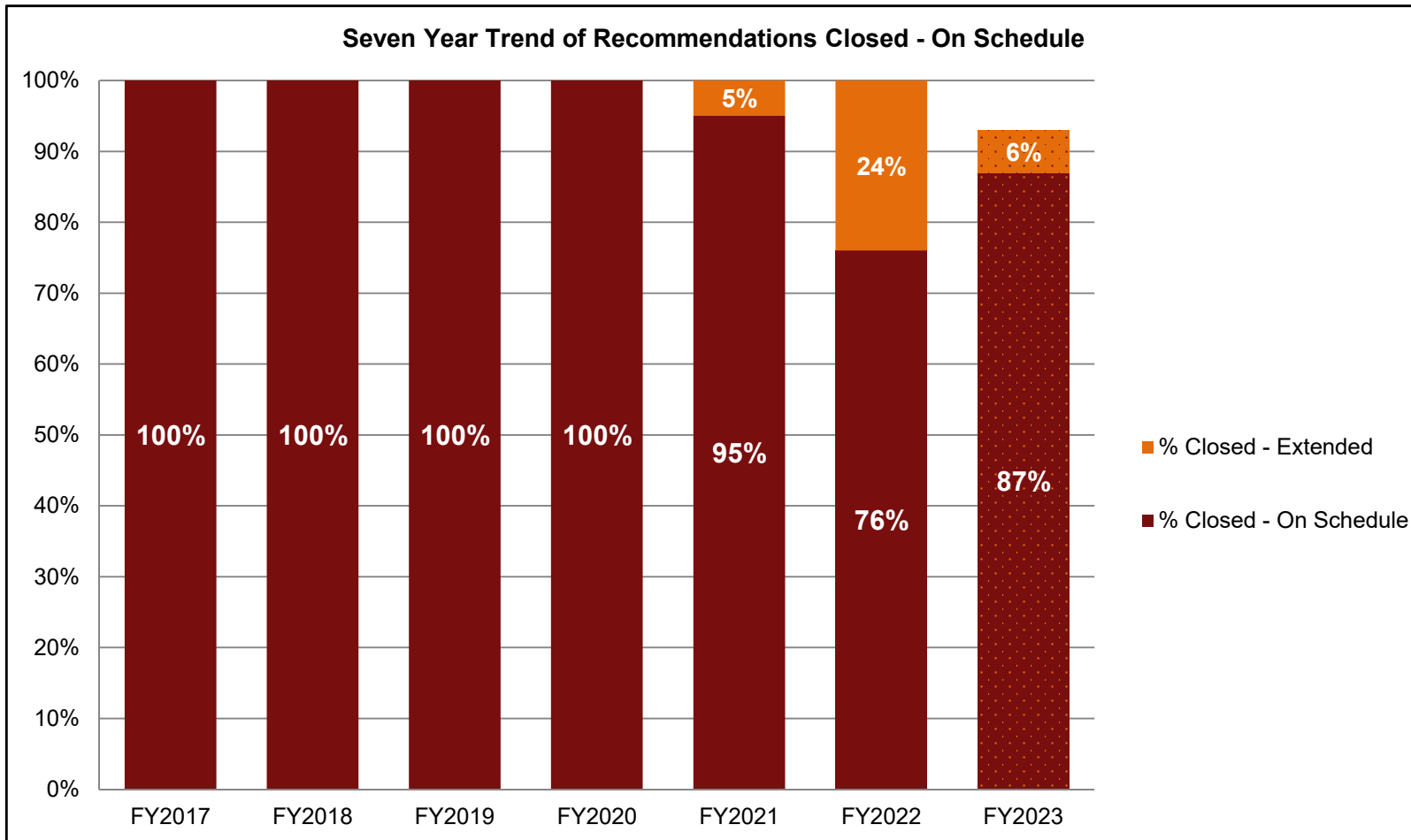
Audit Plan Status Report

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 28, 2023

Audit Plan Update

Audits were performed in accordance with the fiscal year 2022-23 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the June board meeting ten planned projects have been completed, including eight risk-based audits and two advisory engagements.

Four projects are currently underway, including:
- Three risk-based projects: Data Analytics: Leave and Time Reporting, Gramm-Leach-Bliley Act Compliance, and VT Electric Service.
- One advisory service project: Athletics Media Rights.

In fiscal year 2022-23, OARC has completed 89 percent of its audit plan as depicted below.

FY 2022-23 Completion of Audit Plan

Audits	
Total # of **Audits** Planned	38
Total # of Supplemental **Audits**	3
Total # of Carry Forwards	4
Total # of Planned **Audits** Canceled or Deferred	10
Total **Audits** in Plan as Amended	35
Total **Audits** Completed	31
Audits - Percentage Complete	89%
Audits - Percentage Complete or Underway	100%

Note: Includes Policy Compliance Reviews and Advisory Services

Presentation Date: August 28, 2023

Internal Audit Reports

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 28, 2023

Background

This report provides a summary of audit ratings issued this period and the full rating system definitions. The following reviews have been completed during this reporting period. The Office of Audit, Risk, and Compliance has made a concerted effort to ensure progress on the annual audit plan.

Consent Agenda Reports	Rating
College of Natural Resources and Environment	Improvements are Recommended
Housing Services	Effective
SBIR/STTR Grant Compliance	Effective
University Scholarships and Financial Aid	Effective
Report for Discussion	**Rating**
Data Analytics: Administrative Operations	Effective
Data Analytics: HokieMart Segregation of Duties	Effective
Data Analytics: Procurement Card Transaction Review	Effective
Human Resources: Employee Administration	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.

<u>Definitions of each assessment option</u>

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.

<u>**RECOMMENDATION**</u>**:**

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

August 28, 2023

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 11, 2023

The Auditor of Public Accounts (APA) began the audit of the university's financial statements for fiscal year 2022-23 with the entrance conference on May 4, 2023. 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 early July 2022, 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 2022-23 audit by the targeted deadline of early November 2023.

2023 Legislative Update

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 11, 2023

HB 1403 Higher educational institutions, certain public; provision of university housing at no cost, etc. – (This is already law via the Appropriations Act.)
Anne Ferrell Tata
Certain public institutions of higher education; provision of university housing at no cost to certain students during scheduled intersessions. Requires any public institution of higher education that maintains and operates university housing during scheduled intersessions to provide access to such housing at no cost to any student who is eligible for a certain tuition and fee grant based on his placement in foster care at age 18 and satisfaction of several other enumerated criteria, provided that the student (i) is a registered student for the immediately following academic term and (ii) meets the definitions and conditions of the federal McKinney-Vento Homeless Assistance Act, as amended.

HB 1555/SB 1373 Institutions of higher education; human trafficking awareness and prevention training required.
Emily M. Brewer, Jill Holtzman Vogel
Institutions of higher education; human trafficking awareness and prevention training required. Directs the governing board of each public institution of higher education to develop and implement policies requiring a trauma-informed human trafficking awareness and prevention training program be provided to and completed by all first-year students as a part of such institution's first-year orientation program. The bill also directs the State Council of Higher Education for Virginia to encourage private institutions of higher education to develop and implement policies to provide such a human trafficking awareness and prevention training program as a part of their first-year orientation programs.

HB 1738 Virginia Freedom of Information Act; state public bodies; meetings; virtual public access.
Betsy B. Carr
Provides that all state public bodies may provide public access to meetings through electronic communication means and may provide the public with the opportunity to comment at such meetings through the use of such electronic communication means when public comment is customarily received.

HB 1844/SB 1024 Virginia Public Records Act; confidentiality of certain archived records.
Kim A. Taylor, John J. Bell
Virginia Public Records Act; confidentiality of certain archived records. Provides that medical and educational records made confidential by law shall remain so after being archived by the Library of Virginia.

HB 1911/SB 1002 State and Local Government Conflict of Interests Act; certain gifts prohibited; foreign countries.
Amanda E. Batten, John A. Cosgrove, Jr.
Prohibits officers and employees of state and local governments from receiving a gift with a value exceeding $100 for which the fair market value or a gift of greater or equal value has not been provided or exchanged from foreign countries of concern, defined in the bill.

HB 1916/SB 910 Public institutions of higher education; threat assessment teams; powers and duties.
Amanda E. Batten, Stephen D. Newman
Makes several changes to the powers and duties of the threat assessment team at each public institution of higher education, including requiring, upon a preliminary determination that an individual poses an articulable and significant threat of violence to others, each such team to (i) obtain any available criminal history record information and health records for such individual; (ii) notify in writing within 24 hours upon making such preliminary determination (a) the campus police department, (b) local law enforcement for the city or county in which the public institution of higher education is located, local law enforcement for the city or county in which the individual resides, and, if known to the threat assessment team, local law enforcement for the city or county in which the individual is located, and (c) the local attorney for the Commonwealth in any jurisdiction where the threat assessment team has notified local law enforcement; and (iii) disclose any specific threat of violence posed by the individual as part of such notification, and permitting each such team to invite nonmember representatives from campus to participate in individual cases.

HB 2007 Virginia Freedom of Information Act; posting of fee policy.
Danica A. Roem
Virginia Freedom of Information Act; posting of fee policy. Requires a public body to make available upon request and post on its website or otherwise publish a written policy (i) explaining how the public body assesses charges for accessing or searching for requested records and (ii) noting the current fee charged, if any, by the public body for accessing and searching for the requested records.

HB 2133 State Fire Marshal; authority.
Tony O. Wilt
State Fire Marshal; authority. Clarifies that the State Fire Marshal, or his designee, is the authority having jurisdiction over state-owned buildings, properties, or structures for purposes of fire safety and fire prevention in accordance with the Virginia Statewide Fire Prevention Code.

HB 2348/SB 1271 Animal testing facilities; public notification.
Michael J. Webert, Jennifer B. Boysko
Requires an animal testing facility, as defined in the bill, to make certain inspection reports publicly available by displaying a link to access such reports on the home page or landing page of the animal testing facility's website or, if such animal testing facility does not have a website, making such information available by means of a press release or other similar publication. The bill requires any animal testing facility operated by an institution of higher

education that receives a citation for critical noncompliance, as defined in the bill, under the Animal Welfare Act or regulations adopted thereunder, to notify the leadership of such institution including the president, dean, and board of visitors or board of trustees. The provisions of the bill do not apply to any federal facility or privately owned licensed veterinary practice.

HB 2393 Coastal resilience policy; research university collaborative.
M Keith Hodges

Authorizes the Secretary of Natural and Historic Resources and all relevant agencies, when setting coastal resilience policies, to seek input and consultation from any of the Commonwealth's research university collaboratives, including the Virginia Coastal Policy Center, Virginia Sea Grant, Virginia Cooperative Extension, and Institute for Coastal Adaptation and Resilience. The bill permits the Secretary and all relevant agencies to utilize such research university collaborative's expertise, research, and data analysis for the implementation of water management techniques and coastal resilience strategies.

SB 1280 Public institutions of higher education; degree programs; integration of internship or work-based learning experiences; policies.
Siobhan S. Dunnavant

Directs the governing board of each public institution of higher education to develop policies requiring three of the total credit hours required for the completion of a bachelor's degree to be earned through participation in an internship or work-based learning experience that is integrated into a student's degree program so as not to extend the time to complete the degree. The bill also directs the State Council of Higher Education for Virginia (SCHEV) to convene a work group to make recommendations on the development and implementation of the policies required pursuant to the bill and directs SCHEV to recommend an effective date for the implementation of such policies. The bill requires the work group to submit its recommendations to the Chairmen of the House Committee on Education and the Senate Committee on Education and Health by November 1, 2024.

SB 1459 Administration of state government; prohibited applications and websites.
Ryan T. McDougle

Prohibits any employee or agent of any public body or person or entity contracting with any such public body from downloading or using any application, including TikTok or WeChat, or accessing any website developed by ByteDance Ltd. or Tencent Holdings Ltd. (i) on any government-issued device or government-owned or government-leased equipment, including mobile phones, desktop computers, laptop computers, tablets, or other devices capable of connecting to the Internet, or (ii) while connected to any wired or wireless Internet network owned, operated, or maintained by the Commonwealth.

Enterprise Risk: Enrollment Management

Luisa M. Havens Gerardo, Ph.D.
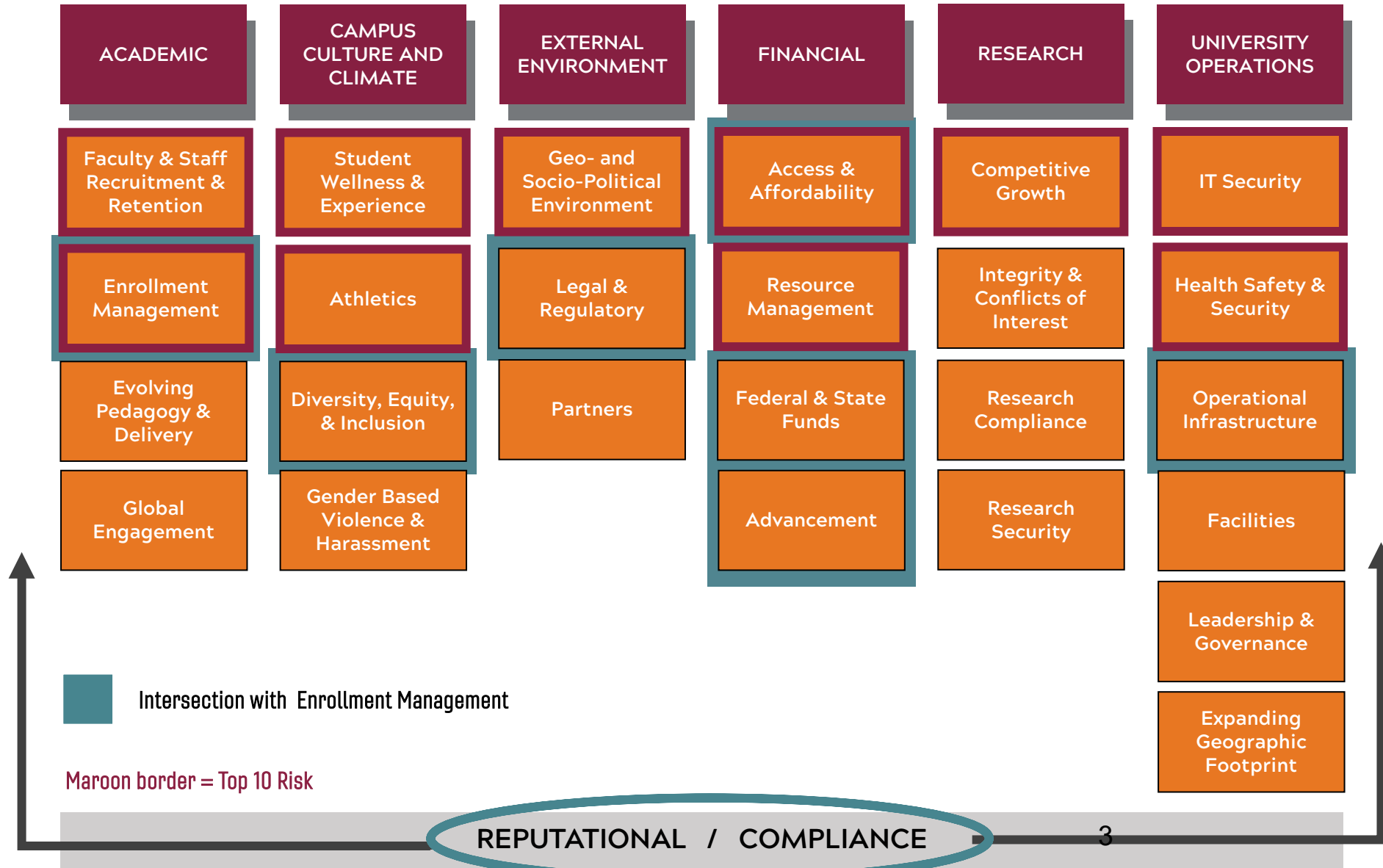Vice Provost – Enrollment Management

Enrollment Management

- the strategic planning and implementation of various initiatives and practices to identify, recruit, admit, enroll, retain and support students to graduation in higher education institutions

- a range of functions such as marketing, data analytics, admissions, financial aid, student support services, and retention efforts

Enterprise Risk Landscape

June 2023

ACADEMIC	CAMPUS CULTURE AND CLIMATE	EXTERNAL ENVIRONMENT	FINANCIAL	RESEARCH	UNIVERSITY OPERATIONS
Faculty & Staff Recruitment & Retention	Student Wellness & Experience	Geo- and Socio-Political Environment	Access & Affordability	Competitive Growth	IT Security
Enrollment Management	Athletics	Legal & Regulatory	Resource Management	Integrity & Conflicts of Interest	Health Safety & Security
Evolving Pedagogy & Delivery	Diversity, Equity, & Inclusion	Partners	Federal & State Funds	Research Compliance	Operational Infrastructure
Global Engagement	Gender Based Violence & Harassment		Advancement	Research Security	Facilities
					Leadership & Governance
					Expanding Geographic Footprint

Intersection with Enrollment Management

Maroon border = Top 10 Risk

REPUTATIONAL / COMPLIANCE

3

Why is enrollment management considered an enterprise risk?

ENROLLMENT MANAGEMENT AS ENTERPRISE RISK

Financial Risk: Enrollment directly affects the financial health of educational institutions

Reputational Risk: The success and reputation of an educational institution are closely tied to its ability to attract, retain and graduate students

ENROLLMENT MANAGEMENT AS ENTERPRISE RISK

Operational Risk: Managing enrollment involves coordinating various operational aspects such as admissions processes, class scheduling, student support services, and financial aid processing and awarding

Compliance/ Regulatory Risk: Educational institutions are subject to various compliance and regulatory requirements related to admissions, financial aid, student privacy, and federal and state reporting

ENROLLMENT MANAGEMENT AS ENTERPRISE RISK

Demographic and Market Risk:

Managing enrollment involves coordinating various operational aspects such as admissions processes, class scheduling, student support services, and financial aid processing and awarding

Demographic and Market Data

Shading indicates relative decrease 🔵 or increase 🟠

Source: https://knocking.wiche.edu/dashboards/trends-across-states/

Demographic and Market Data

2019 Class		Projected Percent Change — Percent Change, Class of 2019 to 2024	Projected Percent Change — Percent Change, Class of 2019 to 2029	Projected Percent Change — Percent Change, Class of 2019 to 2034	
97K	VA	+2	-2	-6	
					-5,800
69K	MD	+11	+13	+12	
					+8,280
113K	NJ	+3	0	-4	
					-4,520
115K	NC	+2	-2	-1	
					-1,150
144K	PA	+1	-1	-3	
					-4,320
214K	NY	-2	-7	-9	
					-19,260

Shading indicates relative decrease ● or increase ●

9

Source: https://knocking.wiche.edu/dashboards/trends-across-states/
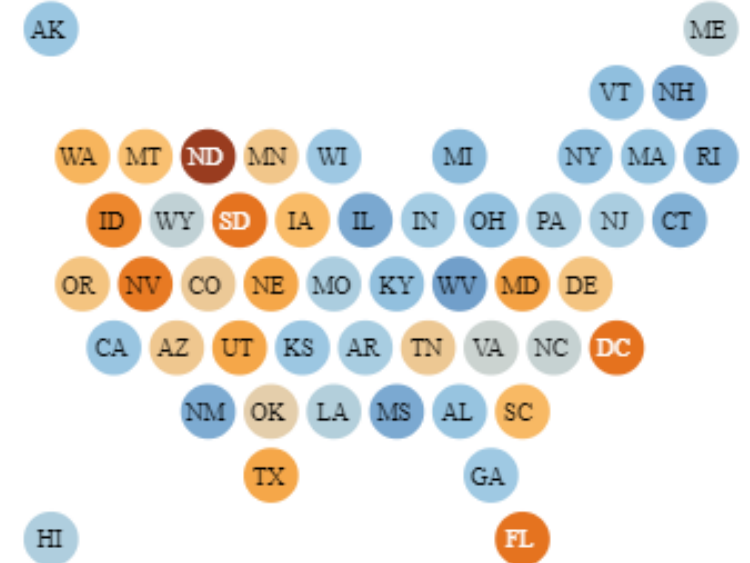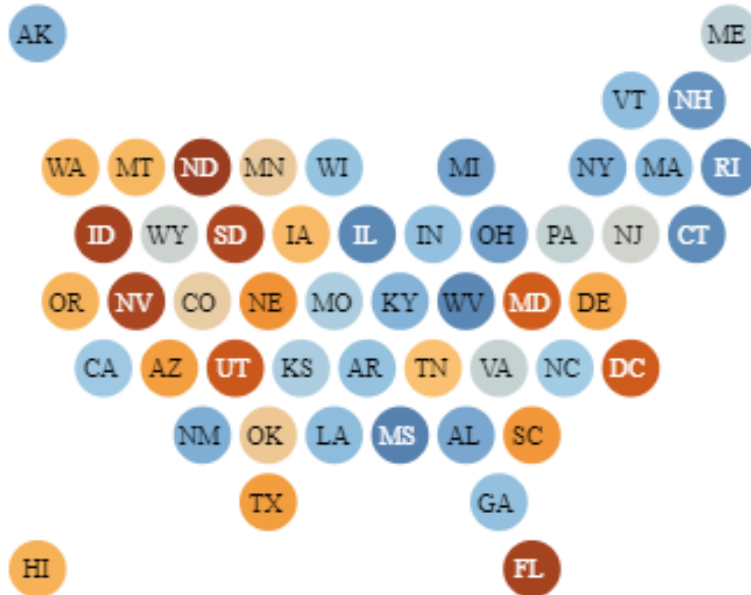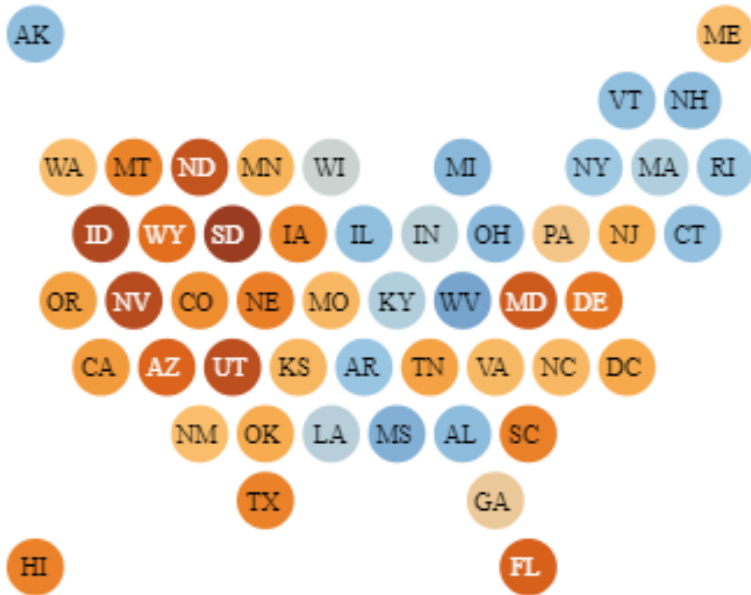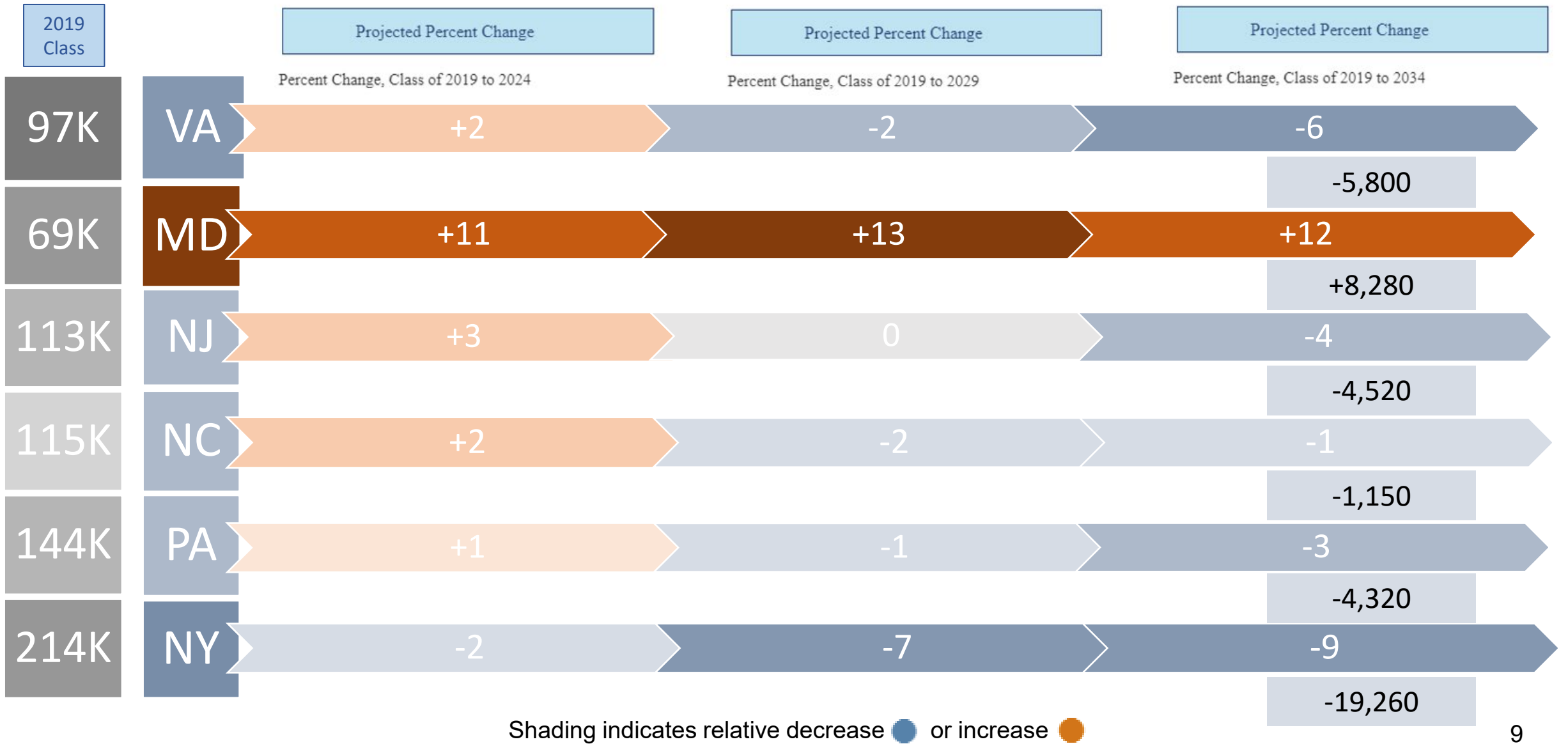
Examples of risk mitigation strategies implemented by enrollment management

ENROLLMENT MANAGEMENT RISK MITIGATION STRATEGIES

Diversify Recruitment Efforts:

- Leveraging multiple channels
- Optimizing our pool of prospects by using a data-informed approach to reach a wider pool of students both nationally and internationally
- Creating and implementing a data-informed recruitment territory management strategy with three distinct goals: maintenance, expansion and exploration

Enrollment Analytics:

- Utilizing data analysis and forecasting techniques to monitor enrollment trends and anticipate potential risks

ENROLLMENT MANAGEMENT RISK MITIGATION STRATEGIES

Financial Aid Optimization:

- Developing effective financial aid strategies to support students and their success is a major tool in developing sustainable enrollment management strategies

Student Retention Programs:

- Implementing comprehensive student support and retention programs to increase student satisfaction and persistence ensures the most efficient approach to optimizing enrollments

ENROLLMENT MANAGEMENT RISK MITIGATION STRATEGIES

Continuous Evaluation and Improvement:

- EM regularly evaluates enrollment management processes and outcomes to identify areas for improvement

Market Research and Competitor Analysis:

- EM stays informed about market dynamics and monitor competitor activities to understand the preferences, needs, and expectations of prospective students

Questions?

VT | RESEARCH AND INNOVATION
VIRGINIA TECH.

Daniel Sui
Senior Vice President and
Chief Research and Innovation Officer
Burruss Hall, Suite 340
800 Drillfield Drive
Blacksburg, Virginia 24061
P: (540) 231-6077 F: (540) 231-4384
research.vt.edu

TO: Timothy D. Sands, President
         M. Daniel Givens, Dean of Virginia-Maryland College of Veterinary Medicine
         Virginia Tech Board of Visitors, Chair of Compliance, Audit, and Risk Committee

FROM: Daniel Sui, Senior Vice President and Chief Research and Innovation Officer
         Virginia Tech Institutional Official

DATE: August 8, 2023

SUBJECT: Notice pursuant to General Assembly's Animal Research Legislation

Pursuant to Va. Code Ann. § 3.2-6593.2.D (2023), effective July 1, 2023, an institution of higher education in the Commonwealth that receives a citation for critical noncompliance under the federal Animal Welfare Act shall notify the institution's leadership including the president, dean, and board of visitors.

Accordingly, please be advised that a citation for critical noncompliance under the Animal Welfare Act was issued to Virginia Tech on July 6, 2023 by the U.S. Department of Agriculture Animal and Plant Health Inspection Service.

Attached please find (1) a copy of the citation and (2) a copy of the response submitted by the university.

For your information, Va. Code Ann. § 3.2-6593.2. also requires that any animal testing facility make inspection reports publicly available within 30 days of receiving an inspection report. The university displayed a link to access the July 6, 2023 inspection report on its website on August 1, 2023.

C: Cyril Clarke, Executive Vice President and Provost
       Kay Heidbreder, University Legal Counsel
       Sharon M. Kurek, Vice President for Audit, Risk, and Compliance and Chief Risk Officer
       Kim O'Rourke, Vice President for Policy and Governance

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
An equal opportunity, affirmative action institution

USDA

United States Department of Agriculture
Animal and Plant Health Inspection Service

Inspection Report

V A POLYTECHNIC INSTITUTE & STATE UNIVERSITY

300 TURNER STREET N.W., SUITE 4120
BLACKSBURG, VA 24061

Customer ID: **492**

Certificate: **52-R-0012**

Site: 001

VIRGINIA TECH

Type: ROUTINE INSPECTION

Date: 05-JUL-2023

2.32(b)   **Critical**

Personnel qualifications.

Inadequate training of animal husbandry staff regarding monitoring the health of gerbils led to three gerbils dying and two gerbils becoming ill and requiring supportive care. A total of 28 gerbils arrived on site March 28, 2023 and were weighed and evaluated by a clinical veterinarian. All gerbils appeared healthy upon arrival. During their acclimation period, husbandry staff were responsible for daily observations of each animal to ensure they were healthy. On April 4, 2023, research staff came in to perform initial weights for the study and found one female and one male gerbil dead in their cages. One male gerbil was severely ill and immediately euthanized, and two female gerbils required immediate supportive care and ultimately recovered. The following day, all husbandry staff underwent extensive training on April 5, 2023 which addressed daily monitoring and clinical signs of disease to look for in gerbils. The IACUC investigation into this adverse event concluded that prior to the adverse event, the husbandry staff were inadequately trained to recognize abnormal behaviors and health in gerbils. Additionally, not all husbandry staff that provided care during this time frame had received hands-on training for this species.

Appropriate training of all personnel responsible for the husbandry and health of a species is critical to ensure that daily observations are performed adequately and can recognize signs of distress or disease in animals quickly to implement interventions.

Correct by July 7, 2023 by ensuring that adequate training and instruction is made available and that the qualifications of personnel are reviewed with sufficient frequency to maintain adequate animal welfare and ensure compliance with sections 2.31 and 2.32 of the Animal Welfare Act.

This inspection and exit interview were conducted with multiple facility representatives.

Additional Inspectors:

Kristina D'Apice, VETERINARY MEDICAL OFFICER

Prepared By: RACHEL PEREZ-BAUM

USDA, APHIS, Animal Care

Title: VETERINARY MEDICAL
OFFICER

Date:
06-JUL-2023

Received by Title: IACUC Representative

Date:
06-JUL-2023

United States Department of Agriculture
Animal and Plant Health Inspection Service

Customer: 492
Inspection Date: 05-Jul-2023

Species Inspected

Cust No	Cert No	Site	Site Name	Inspection
492	52-R-0012	001	VIRGINIA TECH	05-JUL-2023

Count	Scientific Name	Common Name
000000	*Meriones unguiculatus*	MONGOLIAN GERBIL
000029	*Equus caballus*	DOMESTIC HORSE
000041	*Sus scrofa domestica*	DOMESTIC PIG / POTBELLY PIG / MICRO PIG
000048	*Cavia porcellus*	DOMESTIC GUINEA PIG
000004	*Mesocricetus auratus*	SYRIAN / GOLDEN HAMSTER
000122	**Total**	

RESEARCH AND INNOVATION
VIRGINIA TECH.

Daniel Sui
Senior Vice President and
Chief Research and Innovation Officer
Burruss Hall, Suite 340
800 Drillfield Drive
Blacksburg, Virginia 24061
P: (540) 231-6077 F: (540) 231-4384
research.vt.edu

July 7, 2023

Robert M. Gibbens, D.V.M.
Animal Care
Animal and Plant Health Inspection Service
U.S. Department of Agriculture
2150 Centre Avenue, Building B, Mailstop
#3W11 Fort Collins, CO 80526-8117

RE: Corrective actions

Dear Dr. Gibbens,

During the recent USDA-APHIS-AC inspection held at Virginia Tech (Virginia Polytechnic Institute & State University, Registration# 52-R-0012, Customer# 492) on July 5-6, 2023, the VMOs, Drs. Perez-Baum and D'Apice, cited our institution for the following issue in the inspection report (dated July 5, 2023):

2.32(b) Critical

Personnel qualifications.

Inadequate training of animal husbandry staff regarding monitoring the health of gerbils led to three gerbils dying and two gerbils becoming ill and requiring supportive care. A total of 28 gerbils arrived on site March 28, 2023 and were weighed and evaluated by a clinical veterinarian. All gerbils appeared healthy upon arrival. During their acclimation period, husbandry staff were responsible for daily observations of each animal to ensure they were healthy. On April 4, 2023, research staff came in to perform initial weights for the study and found one female and one male gerbil dead in their cages. One male gerbil was severely ill and immediately euthanized, and two female gerbils required immediate supportive care and ultimately recovered. The following day, all husbandry staff underwent extensive training on April 5, 2023 which addressed daily monitoring and clinical signs of disease to look for in gerbils. The IACUC investigation into this adverse event concluded that prior to the adverse event, the husbandry staff were inadequately trained to recognize abnormal behaviors and health in gerbils. Additionally, not all husbandry staff that provided care during this time frame had received hands-on training for this species.

Appropriate training of all personnel responsible for the husbandry and health of a species is critical to ensure that daily observations are performed adequately and can recognize signs of distress or disease in animals quickly to implement interventions.

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY
An equal opportunity, affirmative action institution

Correct by July 7, 2023 by ensuring that adequate training and instruction is made available and that the qualifications of personnel are reviewed with sufficient frequency to maintain adequate animal welfare and ensure compliance with sections 2.31 and 2.32 of the Animal Welfare Act.

Corrective measures instituted:

ARCD management has been developing an enhanced training program with a rolling implementation for USDA regulated species. The enhanced training program consists of the development of guidance document training forms called DOPS (Direct Observation of Procedures and Skills), that act as reference documents for approved ARCD trainers on topics that must be covered to show a trainee is versed in that particular topic. DOPS are harmonized across the Animal Care and Resources Division, and upon completion of the enhanced training, trainee documentation is completed through the ARCD staff training form.

Since May 2023, retraining under the enhanced training program, including husbandry, health, behavior and handling, has been completed and documented for ARCD staff in two species. Implementation of the enhanced training for additional species is in the process of being scheduled.

Extensive hands-on retraining of ARCD personnel on the daily observation for normal activity, behavior, health and well-being was provided on April 5, 2023 as stated in the inspection report dated July 5, 2023. Gerbils are intermittently housed at Virginia Tech. Gerbil training using the DOPS process will be implemented with the next delivery and include
1. Supervisor scheduling and performing the husbandry training the day gerbils arrive;
2. Supervisor scheduling the veterinarian to perform the health/behavior/handling training; and
3. Veterinarian performing the health/behavior/handling training, the day gerbils arrive.

Virginia Tech is committed to protecting the welfare of animals, we appreciate the opportunity to correct this citation and respectfully request the correspondence is documented in our record.

If you have any questions, please do not hesitate to contact me.

Sincerely,

Daniel Sui, Ph.D.
Senior Vice President for Research & Innovation
Virginia Tech Institutional Official

Internal Audit Reports

COMPLIANCE, AUDIT, AND RISK COMMITTEE

August 28, 2023

Background

This report provides a summary of audit ratings issued this period and the full rating system definitions. The following reviews have been completed during this reporting period. The Office of Audit, Risk, and Compliance has made a concerted effort to ensure progress on the annual audit plan.

Consent Agenda Reports	Rating
College of Natural Resources and Environment	Improvements are Recommended
Housing Services	Effective
SBIR/STTR Grant Compliance	Effective
University Scholarships and Financial Aid	Effective
Report for Discussion	**Rating**
Data Analytics: Administrative Operations	Effective
Data Analytics: HokieMart Segregation of Duties	Effective
Data Analytics: Procurement Card Transaction Review	Effective
Human Resources: Employee Administration	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 28, 2023

Enabling

Informed

Decisions

VT | AUDIT, RISK, AND COMPLIANCE
VIRGINIA TECH.

Annual Report

For the Fiscal Year Ended June 30, 2023

Table of Contents

A Year of Progress and Alignment

The Office of Audit, Risk, and Compliance has been engaged in a comprehensive process with the Board of Visitors and university leadership to evaluate the future of the office and its charge, following up on recommendations from an independent Quality Assessment Review (QAR) in fall 2021. Fiscal year 2022-23 was marked with action towards realizing these recommendations in each of the office's functional areas and further integrating them to provide a holistic approach to risk management. OARC welcomed the first University Compliance Officer (UCO), Suzanne Griffin, in September 2022. Upon a successful onboarding and integration of the UCO into the institutional culture, OARC celebrated the elevation and further articulation of the office functions with the promotion of Sharon Kurek to Vice President for Audit, Risk, and Compliance and Chief Risk Officer, Justin Noble to Chief Audit Executive, and Suzanne Griffin to Chief Compliance Officer. Ensuring that the audit, risk, and compliance functions have a seat at the table will launch OARC into fiscal year 2023-24 on an upward trajectory, continuing to help Virginia Tech effectively manage and mitigate its extensive risk profile.

Mission Statement

The Office of Audit, Risk, and Compliance (OARC) performs comprehensive assurance services through independent internal audits, advisory activities, the university risk management process, and the institutional compliance program. OARC helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. OARC's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight as follows:

> Assurance
>
> Advice
>
> Insight

1. Audit: Provide independent, objective assurance and advisory activities designed to add value and improve university operations.

2. Enterprise Risk Management: Provide oversight of the enterprise risk management (ERM) program by identifying, assessing, and managing risk by working with risk owners within the ERM process.

3. Compliance: Provide oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.

Protected & Connected

OARC **protects** the university by independently and objectively identifying business risks and **connects** with key leaders and stakeholders to evaluate risk-mitigation strategies.

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 2022-23, 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 fiduciary responsibilities.

As a result of the audit, advisory, investigative, and compliance work performed, no deficiencies representing significant control weaknesses were identified; however, a number of other areas requiring improvement were noted. The scope of audit work was not limited in any way by management or others, nor were there any instances where OARC 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 audit 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 audit, advisory, investigative, and compliance 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 2022-23 Highlights

Enterprise Risk Management (ERM)

- Appointed the first Chief Risk Officer in university's history
- Refreshed the university's enterprise risk landscape
- Updated "top ten" focus areas
- Engaged all Board of Visitor committees on ERM topics

Whole-of-leadership engagement

Institutional Compliance Program (ICP)

- Successfully onboarded inaugural university compliance officer
- Increased engagement with campus-wide compliance owners
- Refreshed messaging for Hokie Hotline

Chief Compliance Officer Onboarded

Internal Audit

- 89% of audit plan completed (31 engagements)
- 21 fraud, waste, or abuse cases initiated
- 4.6 out of 5 (92%) on client satisfaction surveys
- 58 management action plans closed

92% client satisfaction

Staffing and Resources

During the fiscal year, we successfully onboarded two new staff auditors, two graduate assistants, two undergraduate student wage employees, and the inaugural university compliance officer, as well as promoted two of our own employees for exemplary work and acquisition of professional licenses. The office also celebrated the elevation and reorganization of the office leadership, with the promotion of Sharon Kurek to Vice President for Audit, Risk, and Compliance and Chief Risk Officer, Justin Noble to Chief Audit Executive, and Suzanne Griffin to Chief Compliance Officer. The office recently completed a search for staff/senior auditor and will be welcoming one new staff auditor as well as transitioning a Staff IT auditor to the open investigator role in the fall.

OFFICE OF AUDIT, RISK, AND COMPLIANCE
VIRGINIA TECH™

Board of Visitors
Compliance, Audit, and Risk Committee

President
Timothy D. Sands

Executive Vice President and Chief Operating Officer
Amy S. Sebring

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

Internal Audit

Compliance

Chief Audit Executive
Justin T. Noble
MBA, CIA

Project and Operations Manager
Rebecca T. Halsey
MA

Chief Compliance Officer
Suzanne R. Griffin
J.D., CCEP

Assistant Director
Ryan S. Hamilton
MPL, CIA, CFE

Principal Data Analytics Auditor
Thomas J. Demmer
CPA

IT Audit Manager
Michael A. Dean
MPA, CIA, CISA, CGAP, PMP

Special Projects and Investigations

Staff Auditor II
Carling N. Repass
MPA, CIA

Data Analytics Auditor
Ester Talamazzi
MSBA

Senior Fraud, Waste, and Abuse Audit Specialist
James E. Gregory, CPA, CFE

Staff Auditor I
Brian S. Collins

Staff IT Auditor I
Don Chen
MSBA

Senior Audit Specialist
Patricia L. Rodgers

Staff Auditor I
Isaiah Nins
MPA

Auditor
Vacant

Staff IT Auditor I
RJ Nagel

Graduate and Undergraduate Audit Assistants

Organizational Structure
August 2023

Credential Legend:
CPA   Certified Public Accountant
CIA   Certified Internal Auditor
CISA   Certified Information Systems Auditor
CCEP   Certified Compliance & Ethics Professional
CFE   Certified Fraud Examiner
CGAP   Certified Government Auditing Professional
J.D.   Juris Doctor
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
PMP   Project Management Professional

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 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), and was a speaker at ACUA Audit Interactive and AuditCon.
- Institute for Internal Auditors Southwest Virginia Chapter
    - Justin T. Noble served on the Board of Governors.
- Sharon M. Kurek was invited to speak at and was a facilitator at the Power5 CAE Roundtable annual meeting, and Justin T. Noble was invited to speak at Audit + Beyond.

Professional Qualifications

OARC is proud of its staff and the depth of experience in the team. OARC staff has more than 156 years of combined experience in audit, risk, and compliance professions. Additionally, the staff has over 65 years of service to Virginia Tech. OARC maintains an extensive background with expertise in such high-risk areas in higher education as athletics, information technology, and research.

156
years of professional audit, risk, and compliance experience

OARC also takes pride in the number of professional certifications held by our staff. This year, Carling Repass earned her Certified Internal Auditor (CIA) license, and Suzanne Griffin obtained her Certified Compliance and Ethics Professional (CCEP) designation.

Certification and Advanced Degrees

Professional Certifications			
3	Certified Public Accountants (CPA)	2	Certified Compliance and Ethics Professional (CCEP)
3	Certified Fraud Examiners (CFE)	1	Certified Government Auditing Professional (CGAP)
4	Certified Internal Auditor (CIA)	1	Project Management Professional (PMP)
1	Certified Information Systems Auditor (CISA)		
Advanced Degrees			
1	Juris Doctor (JD)	1	Master of Policy Leadership (MPL)
2	Master of Business Administration (MBA)	2	Master of Public Administration (MPA)
1	Master of Architecture (MArch)	3	Master of Science or Arts (Business Analytics, Political Science)

Resourcing

The table below compares OARC's expenditures from fiscal year 2022-23 to fiscal year 2021-22. The majority of our expenses continue to support salaries and benefits, with almost 82 percent of OARC expenditures. Furniture and equipment costs increased from the previous year with the office's need to redesign existing office spaces, converting a reception area to a workspace. Due to available carryover funds and several new team members, training expenses increased as OARC leadership invested heavily in the newer staff's professional development. Due to a combination of vacancies on the audit team, as well as a strategic decision to leverage content experts for a research security assessment, OARC incurred significant expenses for external firm engagement this fiscal year. Software costs have largely stabilized with a multi-year contract for the new AuditBoard system which provides an integrated software solution for audit, risk and compliance. Overall, the fiscal year 2022-23 expenditures increased from fiscal year 2021-22 spending, as the office addressed the needs of both its staff and the larger university environment.

Analysis of Expenditures

	FY 2021-22	FY 2022-23
Salaries and Benefits	$ 1,703,247	$ 2,052,667
Furniture & Equipment	6,934	55,918
External Firm Engagement	54,163	182,614
Operating Expenses	32,532	55,845
Personnel Expenses & Recruitment	23,356	17,696
Software	106,451	80,282
Training	34,323	68,533
Total	$ 1,961,006	$ 2,513,555

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 2022-23, both planned and *ad hoc,* included:
- Deploying an updated risk landscape.
- Refreshing the 'top ten risks'.
- Engaging all Board of Visitor committees on ERM topics.
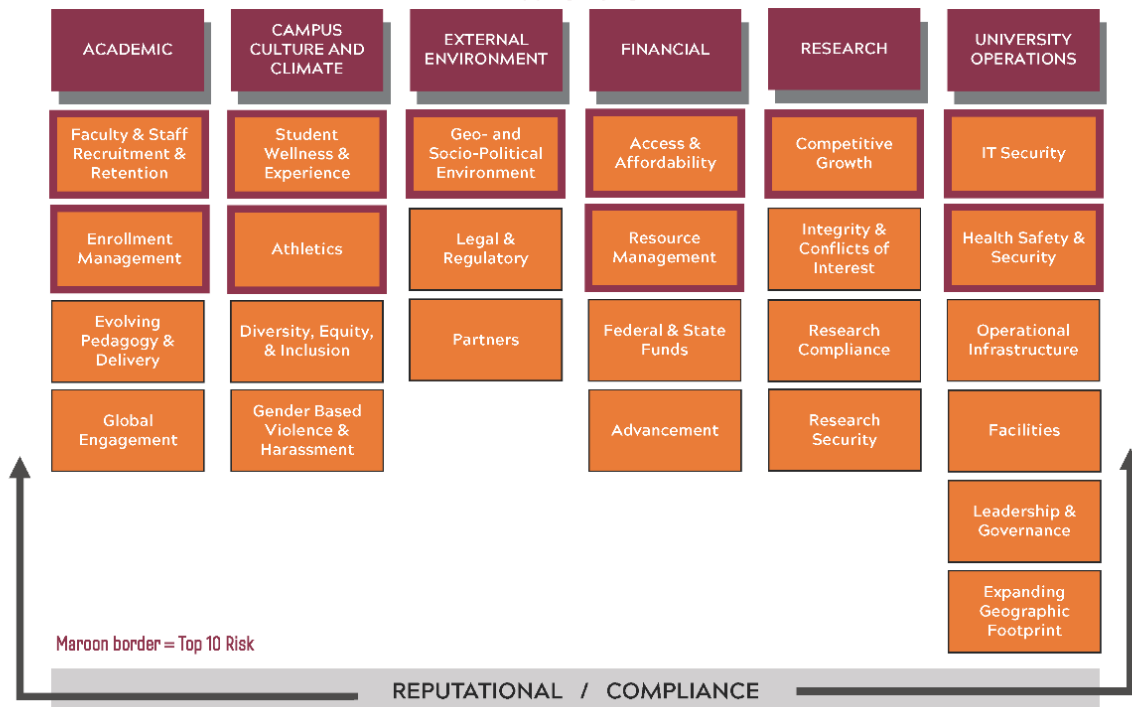
OARC is pleased to see continued engagement with the identified enterprise risks across the Board of Visitors committees and the executive leadership team. On multiple occasions during the past year, executive and senior leadership mentioned how the issues facing the institution were contemplated through the ERM process. Additionally, OARC is encouraged by the continued broadening of coverage in presentations to the Board of Visitors on ERM risks. Since the formation of the formal ERM program and introduction of the university's Enterprise Risk Landscape, 49 presentations and discussions highlighting ERM risk areas took place across the Board of Visitors' committees. The 25 enterprise risks are depicted in the following graphic with the size corresponding to number of discussions.

24 of 25

enterprise risks discussed with the board

Following the recent changes to the ERM and Compliance programs, OARC engaged with institutional leaders to refresh the Risk and Compliance Governance Framework, articulating the roles and responsibilities for all components of governance. The updated charter outlines membership for the new committee structure, which will be implemented in fiscal year 2023-24.

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 2022-23, ICP activities included:
- Onboarding of inaugural university compliance officer.
- Evaluation of current state of ICP relative to effective compliance program elements.
- Identification of elements to prioritize for refresh and focus to further enhance the effectiveness of ICP.
- Support of campus compliance risk owners on discrete compliance issues as well as process improvement opportunities.
- Discussions on compliance areas with campus leaders including as part of annual risk assessment.
- Developed annual ICP work plan for fiscal year 2023-24.
- Increased knowledge base and professional networks in priority compliance areas.
- Refresh of Hokie Hotline (anonymous compliance concern reporting hotline) web presence to enhance messaging on community responsibility for a culture of integrity.
- From leadership annual risk assessments conducted in Spring 2023, established the perception of Virginia Tech's ethical culture and awareness of the Hokie Hotline reporting mechanism, with a goal of improving results in future years by delivering on ICP work plan:

Virginia Tech Promotes a Culture of Compliance & Ethics

Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
25	21	3	1	0

Awareness of the Hokie Hotline

Very aware ■ Somewhat aware ■ Not aware at all
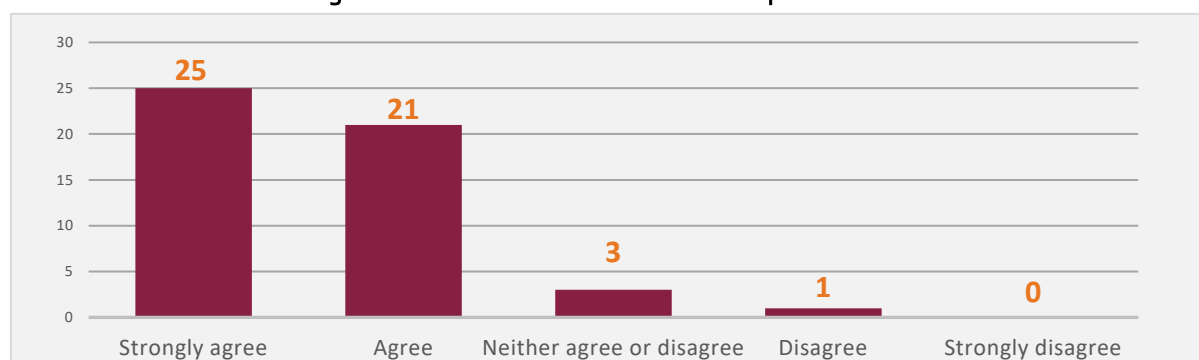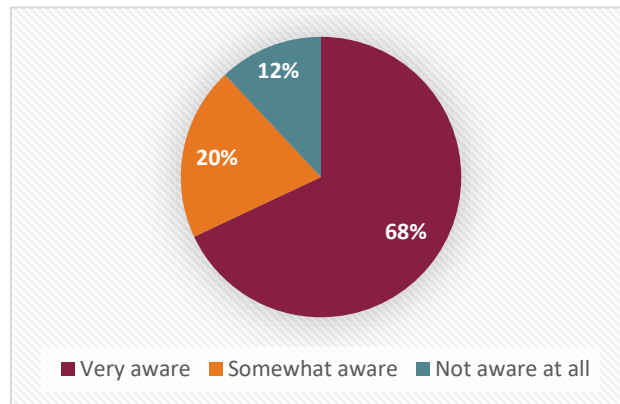
Fraud, Waste, and Abuse

OARC conducts reviews of all state hotline and internal complaints alleging fraud, waste, and abuse. During fiscal year 2022-23, OARC:

- Investigated 21 cases, including 16 internal and five state hotline complaints.
- Closed seven cases from prior fiscal years and 12 from fiscal year 2022-23.

For the 19 cases completed:

- Zero of four state hotline cases were substantiated.
- Five of 15 (33%) internally reported cases were substantiated.

Since fiscal year 2013-14, approximately 53 percent of internally reported allegations have been substantiated, and 18 percent of state hotline cases have historically been substantiated, for a combined weighted average of 39 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. Four of the 16 internally investigated complaints mentioned above were received via the Hokie Hotline.

Since fiscal year 2013-14, approximately 73 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
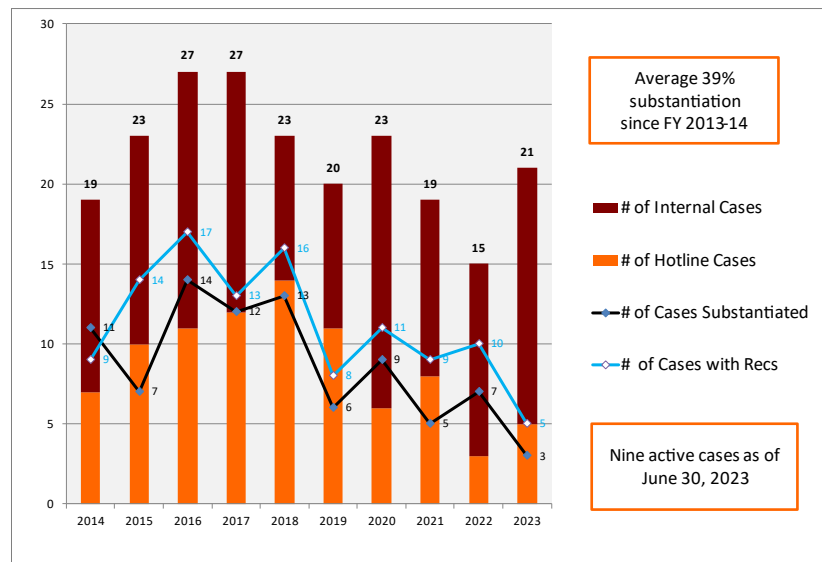
Internal Audit

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 2022-23 began with 38 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 three supplemental advisory review and four carry forward engagements, OARC ended the year with 35 planned audits, of which the team completed 31 as of this report. This results in an 89 percent completion rate for fiscal year 2022-23. Appendix A shows the status of each audit in the fiscal year 2022-23 audit plan.

Audits	
Total # of Audits Planned	38
Total # of Supplemental Audits	3
Total # of Carry Forwards	4
Total # of Planned Audits Deferred and/or Canceled	10
Total Audits in Plan as Amended	**35**
Total Audits Completed	31
Audits – Percentage Complete	89%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Effort

Of the 22,900 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 14,500 core-mission hours, OARC spent :
- 70% on Internal Audit engagements
- 14% on cross-program support (annual risk assessment, planning, and supervision)
- 9% on Institutional Compliance activities
- 6% of Fraud, Waste, and Abuse investigations
- 1% on ERM support

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 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.

58 management corrective actions were closed

Of the 53 management corrective actions generated during fiscal year 2022-23 engagements, OARC categorized five as high priority (9%). 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 year-end have been outstanding an average of 425 days. Audits for fiscal year 2022-23 resulted in recommendations with ratings of high, medium, or low management corrective actions as follows:

|	
Beginning # of management corrective actions	55
Management corrective actions added	53
Management corrective actions closed	58
Current # of open management corrective actions	50

Results of Surveys for Evaluating OARC 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:

92%

client satisfaction

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

FY 2022-23 Survey Results
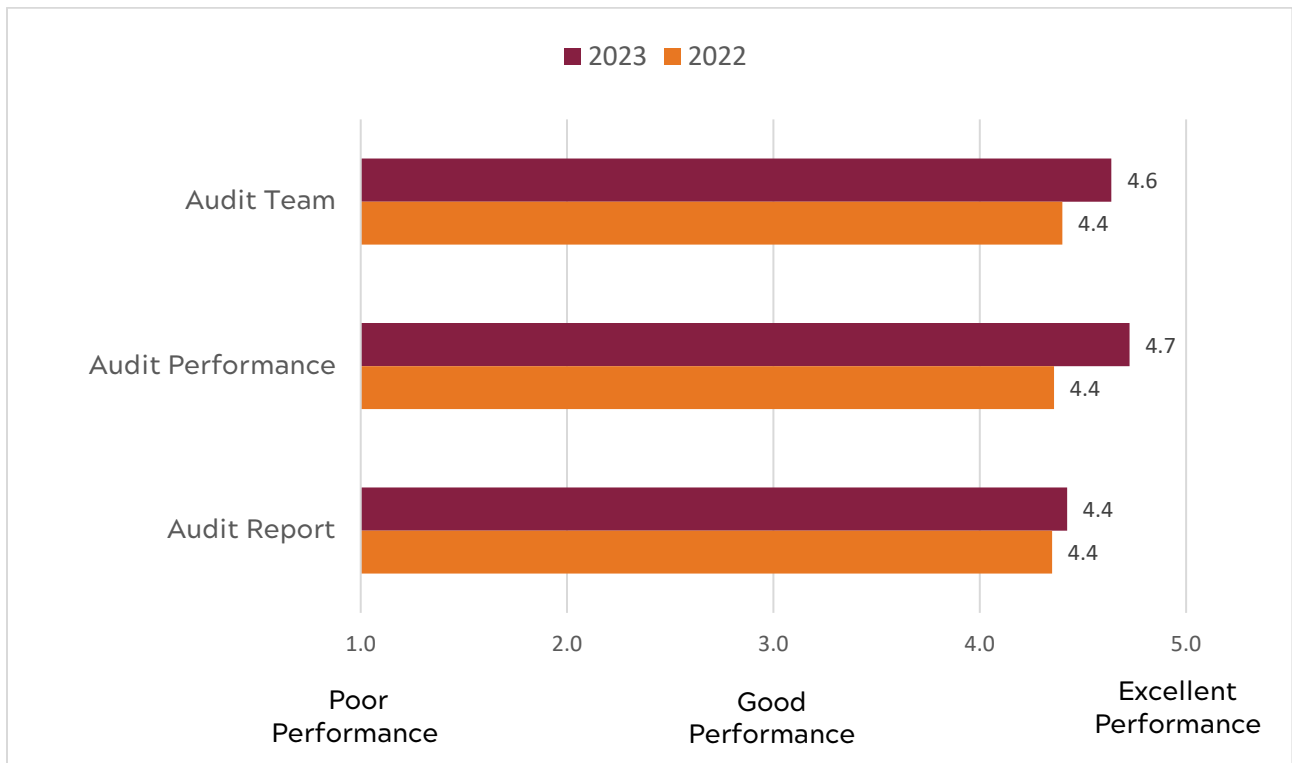
Overall, customer ratings were highly favorable. Attaining a cumulative average score of 4.6 on a 5-point scale exceeded OARC's goal of a 4.0 rating on survey feedback and resulted in 92% client satisfaction.

"The audit was very thorough and touched on several things we needed to pay more attention to. Overall, it was very useful to our organization."

Quality Assurance and Improvement Program

In accordance with requirements set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, 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.

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." A formalized self-assessment will be conducted during fiscal year 2024-25.

Appendix A: FY 2022-23 Audit Plan Status

The chart below outlines the status of the fiscal year 2022-23 audit plan, as amended.

FY 2022-23 Audit Plan Status

Audit Project	Risk Ranking	BOV Mtg
Risk-Based Audits		
Aerospace & Ocean Engineering	Medium	Deferred
Capital Campaign Processes and Reporting	High	Deferred
Civil and Environmental Engineering	High	March 2023
College of Natural Resources and Environment	Medium	August 2023
Controller's Office: General Accounting	High	June 2023
Data Analytics: Administrative Operations (from FY22)	Medium	August 2023
Data Analytics: Compliance Monitoring	Medium	Cancelled
Data Analytics: HokieMart Segregation of Duties	High	August 2023
Data Analytics: Leave and Time Reporting	High	Carry Forward
Data Analytics: Purchasing Card Transactions	High	August 2023
Endowed Chair Funds Utilization	High	June 2023
Environmental Health and Safety	High	Deferred
Gramm-Leach-Bliley Act Compliance	Medium	Carry Forward
Housing and Residence Life	High	August 2023
Human Resources: Employee Administration*	High	August 2023
IT: Advanced Research Computing	High	March 2023
IT: Cybersecurity Incident Response	High	March 2023
IT: ERP Systems	High	Cancelled
Licensing and Trademarks	Medium	March 2023
Research: Cost Sharing*	High	Cancelled
Research: Foreign Influence*	High	June 2023
Research: SBIR/STTR Grant Compliance	High	August 2023
School of Plant and Environmental Sciences	High	Deferred
University Registrar	High	March 2023
University Scholarships and Financial Aid* (from FY22)	High	Nov 2022
University Scholarships and Financial Aid*	High	August 2023
Virginia Cooperative Extension – Southwest District	High	March 2023
VT Electric Service	High	Carry Forward
VT Police Department (from FY22)	High	Nov 2022
* Annual Audit on Different Components		

Audit Project	Risk Ranking	BOV Mtg
Policy Compliance Reviews		
Athletics		June 2023
College of Engineering		March 2023
SVP for Research and Innovation		Nov 2022
VP and Executive Director of the Innovation Campus		June 2023
SVP for Advancement		June 2023

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

- Course Modality – This review conducted analytical procedures to determine if the course modality listed in the university's course catalogue was accurate.
- Effort Reporting System – This review provided assurance that the university's newly deployed effort reporting system had effectively deployed certain internal controls and that information was populating to effort reports accurately.
- Faculty Research Incentive Program – This review sought to ensure that the program was meeting its objectives, was operating consistent with certain laws and regulations, and identify opportunities to improve the program.
- Graduate Assistant Workload – This review sought to determine whether graduate teaching assistant work assignments were in compliance with university guidance and assess communication processes used to disseminate graduate teaching assistant workload expectations.
- Graduate School Information Technology – This review provided the Graduate School management with information regarding the IT positions deployed, a deeper dive into school-managed architecture and software, and an analysis of software applications.
- School of Public and International Affairs – This review conducted a financial review of activity at the Richmond campus including compliance with certain contractual requirements and university compliance with university hiring guidelines.
- Steger Center Financial Controls – This review was conducted to assist management with the financial and operational controls at the Center and the processes utilized for monitoring and reimbursement through the university.

Appendix B: IIA Standards Disclosures

Per Charter:

The internal audit function will conduct its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, Code of Ethics, and *International Standards for the Professional Practice of Internal Auditing*.

MANDATORY GUIDANCE	
Core Principles	• Demonstrates integrity. • Demonstrates competence and due professional care. • Is objective and free from undue influence (independent). • Aligns with the strategies, objectives, and risks of the organization. • Is appropriately positioned and adequately resourced. • Demonstrates quality and continuous improvement. • Communicates effectively. • Provides risk-based assurance. • Is insightful, proactive, and future-focused. • Promotes organizational improvement.
Definition of Internal Auditing	Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
Code of Ethics	Internal auditors are expected to apply and uphold the following principles: • Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment. • Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. • Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so. • Competency – Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.
International Standards for the Professional Practice of Internal Auditing	**Attribute Standards (1000 through 1300)** 1000 Purpose, Authority, and Responsibility 1100 Independence and Objectivity 1200 Proficiency and Due Professional Care 1300 Quality Assurance and Improvement Program **Performance Standards (2000 through 2600)** 2000 Managing the Internal Audit Activity 2100 Nature of Work 2200 Engagement Planning 2300 Performing the Engagement 2400 Communicating Results 2500 Monitoring Progress 2600 Communicating the Acceptance of Risks

ANNUAL REPORT

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

August 28, 2023

Mission Statement

The Office of Audit, Risk, and Compliance (OARC) performs performs comprehensive assurance services through independent internal audits, advisory activities, the university risk management process, and the institutional compliance program. OARC helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. OARC's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight as follows:

- Audit: Provide independent, objective assurance and advisory activities designed to add value and improve university operations

- Enterprise Risk Management: Provide oversight of the enterprise risk management program by identifying, assessing, and managing risk by working with risk owners within the ERM process

- Compliance: Provide oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners

STATE OF CONTROL ENVIRONMENT

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

FY 2022-23 Highlights

Enterprise Risk Management

- Appointed the first Chief Risk Officer
- Refreshed the university's enterprise risk landscape
- Updated the "top ten" focus areas
- Engaged all Board of Visitor committees on ERM topics

ERM "top ten" updated

Chief Compliance Officer onboarded

92% client satisfaction

Institutional Compliance Program:

- Successfully onboarded inaugural compliance officer
- Increased engagement with campus-wide compliance owners
- Refreshed messaging for Hokie Hotline

Internal Audit:

- 89% of audit plan completed (31 engagements)
- 21 fraud, waste, or abuse cases initiated
- 4.6 out of 5 (92%) on client satisfaction surveys
- 58 management action plans closed

Certification and Advanced Degrees

	Professional Certifications			
3	Certified Public Accountants (CPA)	2	Certified Compliance and Ethics Professional (CCEP)
3	Certified Fraud Examiners (CFE)	1	Certified Government Auditing Professional (CGAP)
4	Certified Internal Auditor (CIA)	1	Project Management Professional (PMP)
1	Certified Information Systems Auditor (CISA)		
	Advanced Degrees			
1	Juris Doctor (JD)	1	Master of Policy Leadership (MPL)
2	Master of Business Administration (MBA)	2	Master of Public Administration (MPA)
1	Master of Architecture (MArch)	3	Master of Science or Arts (Business Analytics, Political Science)

156 years of professional audit, risk, and compliance experience

>65 years of Virginia Tech experience

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RESOURCING

Analysis of Expenditures

	FY 2021-22	FY 2022-23
Salaries and Benefits	$ 1,703,247	$ 2,052,667
Furniture & Equipment	6,934	55,918
External Firm Engagement	54,163	182,614
Operating Expenses	32,532	55,845
Personnel Expenses & Recruitment	23,356	17,696
Software	106,451	80,282
Training	34,323	68,533
Total	$ 1,961,006	$ 2,513,555

Enterprise Risk Management

VIRGINIA TECH
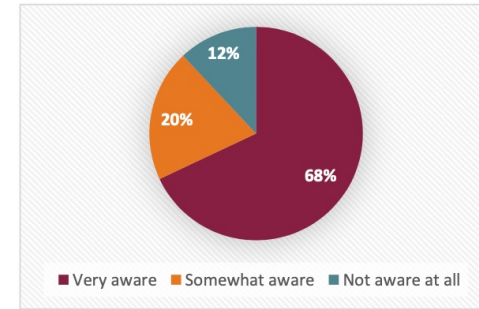
Other highlights include:

- Identification of elements to prioritize for refresh and focus to further enhance the effectiveness of ICP.

- Developed annual ICP work plan for fiscal year 2023-24.

- From leadership survey in Spring 2023, established the perception of Virginia Tech's ethical culture and awareness of the Hokie Hotline reporting mechanism.

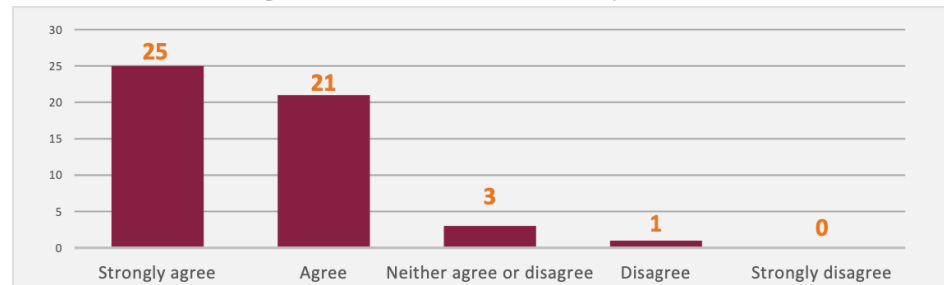"One hallmark of an effective compliance program is its capacity to improve and evolve."

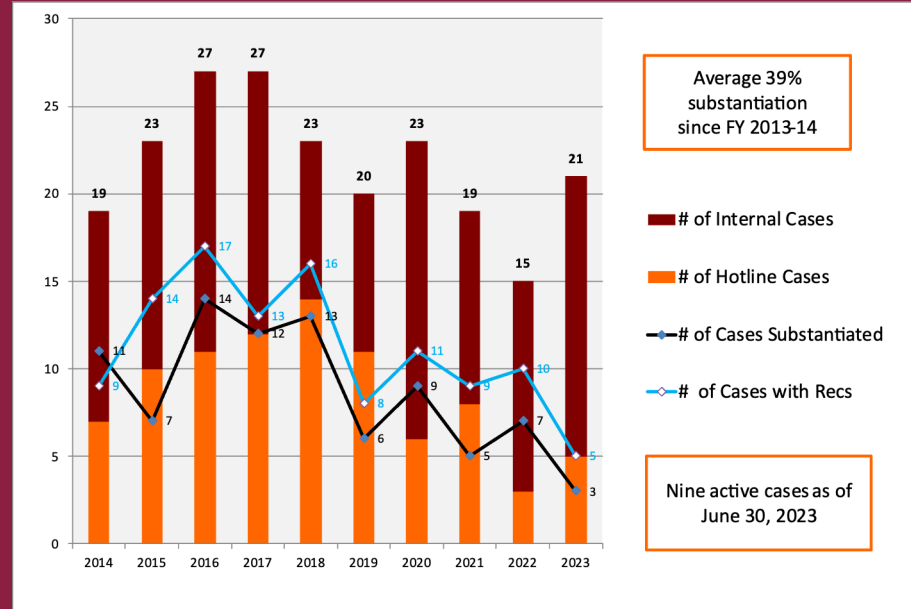-USDOJ Evaluation of Corporate Compliance Programs, March 2023

8 ELEMENTS OF AN EFFECTIVE COMPLIANCE PROGRAM

| High-level personnel exercising oversight | Written policies and procedures | Training and Education | Lines of Communication |
| Well publicized disciplinary guidelines | Internal compliance monitoring | Response to detected offenses | Perform periodic compliance risk assessments |

Awareness of the Hokie Hotline

- Very aware: 68%
- Somewhat aware: 20%
- Not aware at all: 12%

Virginia Tech Promotes a Culture of Compliance & Ethics

Strongly agree	Agree	Neither agree or disagree	Disagree	Strongly disagree
25	21	3	1	0

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FRAUD, WASTE, AND ABUSE

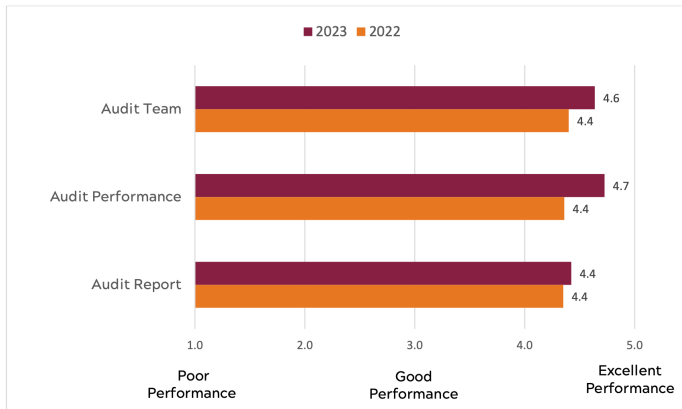# FY 2022-23 AUDIT PLAN METRICS
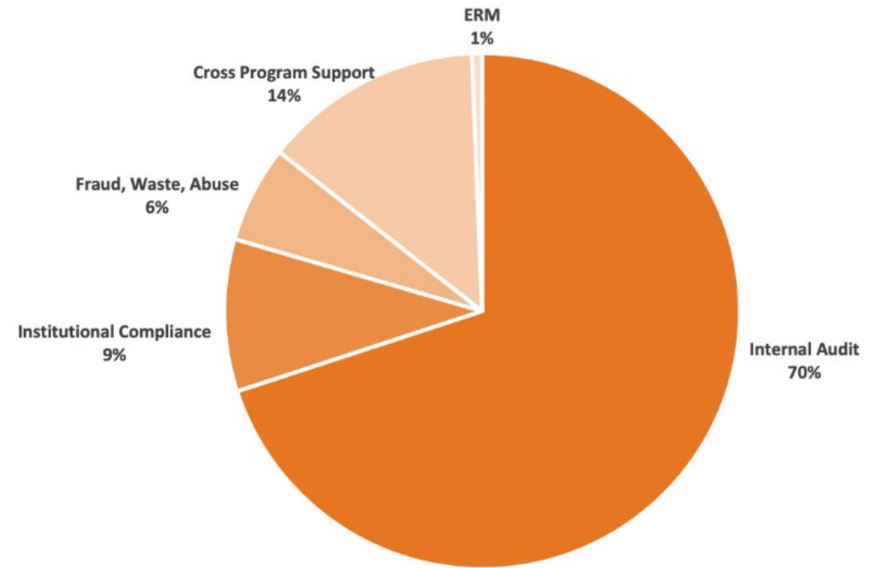
Audit Plan Status

Audits	
Total # of Audits Planned	38
Total # of Supplemental Audits	3
Total # of Carry Forwards	4
Total # of Planned Audits Deferred and/or Canceled	10
Total Audits in Plan as Amended	35
Total Audits Completed	31
Audits – Percentage Complete	89%
Audits – Percentage Complete or Underway	100%

Note: Includes Policy Compliance Reviews and Advisory Services

Client Satisfaction Survey Results

Distribution of Direct Hours

- ERM 1%
- Cross Program Support 14%
- Fraud, Waste, Abuse 6%
- Institutional Compliance 9%
- Internal Audit 70%

Management Corrective Action Summary

Beginning # of management corrective actions	55
Management corrective actions added	53
Management corrective actions closed	58
Current # of open management corrective actions	50

IIA REQUIREMENTS

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

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QUESTIONS?