

## **Minutes**

### **COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**New Classroom Building, Room 260**

**June 10, 2024**

**9:30 am**

#### **Closed Session**

**Committee Members Present:** Dave Calhoun (chair), Carrie Chenery, Nancy Dye, Tish Long (via Zoom), Chris Petersen, Jeff Veatch

**Other Board Members Present:** Ed Baine (Rector), Sandy Davis, Greta Harris, Don Horsley, John Rocovich

**Virginia Tech Personnel:** Simon Allen, Cyril Clarke, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Justin Noble, Kim O'Rourke, Timothy Sands, Amy Sebring

1. **Motion to Begin Closed Session:** Committee member Chris Petersen moved to begin closed session at 9:38 am.
2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
3. **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 involved discussion of the performance of specific individuals.
4. **Motion to End Closed Session:** Committee member Jeff Veatch moved to end closed session at 9:58 am.

## **Open Session**

**Committee Members Present:** Dave Calhoun (chair), Carrie Chenery, Nancy Dye, Tish Long (via Zoom), Chris Petersen, Jeff Veatch

**Other Board Members Present:** Ed Baine (Rector), Sandy Davis, Greta Harris, Don Horsley, John Rocovich, Janice Austin, LaTawnya Burleson, Joe Merola, Will Storey, Emily Tirrell

**Virginia Tech Personnel:** Simon Allen, Lynsay Belshe, Eric Brooks, Cyril Clarke, Al Cooper, Corey Earles, Martha Glass, Ellington Graves, Suzanne Griffin, Derek Gwinn, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Frances Keene, Sharon Kurek, Mike Mulhare, Justin Noble, Leslie Orellana, Kim O'Rourke, Sharon Pitt, William Poland, Paul Richter, Timothy Sands, Amy Sebring, Brennan Shepard, John Talerico, John Tarter, Rob Viers, Tracy Vosburgh, Melinda West

**Guests:** Megan Richard

1. **Welcome and Acceptance of Agenda:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks and asked for acceptance of the Open Session agenda.
2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
  - a. **Minutes from the April 8, 2024 Meeting:** The Committee reviewed and approved the minutes of the April 8, 2024 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, 2023, the university had 11 open recommendations. Nine audit comments were issued during the third quarter of the fiscal year. As of March 31, 2024, the university had addressed four comments, leaving 16 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 63 percent of its audit plan, and 94 percent is underway, in accordance with the fiscal year 2023-24 annual audit plan.

- d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the April 8, 2024 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. Capital Campaign Processes and Reporting: The audit received an effective rating.
  - ii. Institute for Critical Technology and Applied Sciences: The audit received a rating of improvements are recommended. Low-priority recommendations of a less significant nature were noted related to service center billing and lab safety training.
  - iii. Parking Services: Permitting Processes: The audit received a rating of improvements are recommended. Low-priority recommendations of a less significant nature were noted related to use of license plate recognition (LPR) technology, voided parking permit processes, and Parking Services' rules and regulations.
  - iv. IT: Internally Developed Software: The objective of the advisory engagement was to determine whether governance and controls over internally developed software were adequate and if best practices were deployed.
  - v. IT: Inventory and Classification: The objective of the advisory engagement was to determine whether the 2023 inventory and classification efforts were suitably designed to support completeness and accuracy.
- e. **Auditor of Public Accounts Intercollegiate Athletics Program Report:** The Committee received a report on the Auditor of Public Accounts (APA) Intercollegiate Athletics review for fiscal year 2023. The APA performed certain agreed upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Programs for fiscal year ended June 30, 2023 is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. The review did not constitute an audit and therefore no opinion was issued.

- f. **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, except for VTIC whose audit has not yet been completed due to complexities related to the creation of a new subsidiary mid-year, Swiss Corporation (VT Swiss SA).
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 2023-24 financial statements and the APA's plans for conducting and completing the audit.
4. **Overview of Athletics Compliance:** The Committee received an overview of athletics compliance and the changes in the external landscape, as related to the institution's enterprise risks.
5. **Enterprise Risk Management Update:** The Committee received an update of the Enterprise Risk Management (ERM) program activity during fiscal year 2023-24, including the refreshed governance structure, the updated enterprise risk landscape delineated by the university's tripartite mission and support environments, and the heat map with a focus on the top ten risks. The mapping of the enterprise risk landscape shows the alignment of risks with the two main university goals, the Virginia Tech Advantage and Virginia Tech Global Distinction.
6. **Audit Plan for Fiscal Year 2024-25:** OARC presented the Audit Plan for Fiscal Year 2024-25 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 2024-25 and a core audit plan was developed in coordination with the university's ERM initiative. For fiscal year 2024-25, 24 audit projects and 6 management advisory services are proposed, with approximately 75 percent of OARC's available resources committed to the



completion of planned projects. A description of each project is provided within the audit plan. OARC's goal will be to complete 85 percent of the audit plan. The internal audit plan may be modified based on the external audit environment or changes in regulations, management, or resources. Committee member Long inquired of Internal Audit's use of artificial intelligence in audit processes and urged the exploration of its potential utility in both the internal auditing space and in all areas of the university's business processes. The committee approved the proposed audit plan.

7. **Compliance Plan for Fiscal Year 2024-25:** OARC presented the Compliance Plan for Fiscal Year 2024-25 to the Compliance, Audit, and Risk Committee for review and approval. As part of the process for developing the proposed plan, both a leadership survey and discussions with leadership were conducted to identify priority compliance risk areas for focus and to gain leadership insights. The proposed institutional compliance program plan for 2024-25 focuses on priority compliance risk areas in support of Virginia Tech's pursuit of its strategic goals. In addition, the plan correlates programmatic activities with the elements of an effective compliance program. The committee approved the proposed compliance plan.
8. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

**Closed Session Agenda**

**COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**New Classroom Building, Room 260**

**June 10, 2024**

**9:30 am**

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

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

## Open Session Agenda

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 10, 2024

10:00 am

<b><u>Agenda Item</u></b>	<b><u>Reporting Responsibility</u></b>
1. Welcome and Acceptance of Agenda	David Calhoun
2. Consent Agenda	David Calhoun
a. Minutes from the April 8, 2024 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Capital Campaign Processes and Reporting	
ii. Institute for Critical Technology and Applied Science	
iii. Parking Services: Permitting Processes	
iv. IT: Internally Developed Software	
v. IT: Inventory and Classification	
e. Auditor of Public Accounts Intercollegiate Athletics Program Report	
f. Report on Audits of University-Related Corporations	
3. Annual External Audit Scope Discussion with the Auditor of Public Accounts	Megan Richard Jonathan South
<b>#</b> 4. Overview of Athletics Compliance	Derek Gwinn
<b>#</b> 5. Enterprise Risk Management Update	Sharon Kurek
6. Audit Plan for Fiscal Year 2024-25	Justin Noble
7. Compliance Plan for Fiscal Year 2024-25	Suzanne Griffin
8. Discussion of Future Topics	David Calhoun
<b># Discusses Enterprise Risk Management topic(s).</b>	

**Consent Agenda**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**  
**June 10, 2024**

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

- a. Approval of Minutes of the April 8, 2024 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
  - i. Capital Campaign Processes and Reporting
  - ii. Institute for Critical Technology and Applied Sciences
  - iii. Parking Services: Permitting Processes
  - iv. IT: Internally Developed Software
  - v. IT: Inventory and Classification
- e. Auditor of Public Accounts Intercollegiate Athletics Program Report
- f. Report on Audits of University-Related Corporations

## Update of Responses to Open Internal Audit Comments

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

**March 31, 2024**

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

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

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open medium and high priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 100 percent on-schedule rate for fiscal year 2024 reflects closing 13 of 13 recommendations by the original target date.

The report presented at the April 8, 2024 meeting covered audit reports reviewed and accepted through December 31, 2023 and included 11 open medium and high priority recommendations. Activity for the quarter ending March 31, 2024 resulted in the following:

Open recommendations as of December 31, 2023	11
Add: medium and high priority recommendations accepted April 8, 2024	9
Subtract: recommendations addressed since December 31, 2023	4
Remaining open recommendations as of March 31, 2024	<u>16</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. Through May 20, 2024, OARC has closed six of the 16 remaining open medium and high priority recommendations. 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

March 31, 2024

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
Feb 28, 2023	College of Engineering	23-1651	1	-	-	-	-	1	1
Mar 03, 2023	Licensing and Trademarks	23-1641	1	-	-	-	-	1	1
May 19, 2023	Athletics	23-1650	3	2	-	-	1	-	1
Jul 06, 2023	Human Resources Administration	23-1637	4	1	-	-	2	1	3
Oct 20, 2023	Virginia Tech Electric Service	23-1649	1	-	-	-	-	1	1
Mar 05, 2024	College of Veterinary Medicine	24-1715	4	-	-	-	-	4	4
Mar 18, 2024	Commonwealth Cyber Initiative	24-1694	1	-	-	-	-	1	1
Mar 21, 2024	Sponsored Equipment and Supply Purchases	24-1696	1	-	-	-	-	1	1
Mar 22, 2024	Gramm-Leach-Bliley Act Compliance	23-1635	1	-	-	-	-	1	1
Mar 22, 2024	Facilities Management	24-1699	1	-	-	-	-	1	1
Mar 25, 2024	IT Policy Compliance Review: Athletics	24-1706B	1	-	-	-	1	-	1
<b>Totals:</b>			<b>19</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>12</b>	<b>16</b>

**ATTACHMENT B****Open Audit Recommendations****COMPLIANCE, AUDIT, AND RISK COMMITTEE****March 31, 2024**

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		
Mar 03, 2023	1	23-1641	Licensing and Trademarks	Monitoring Royalty Payments	Medium		Apr 01, 2024		1	
Mar 18, 2024	2	24-1694	Commonwealth Cyber Initiative	Seed Grant Reporting Requirements	Medium		Apr 30, 2024		1	
Mar 05, 2024	3	24-1715	College of Veterinary Medicine	Leave Reporting	Medium		May 01, 2024		1	
Mar 05, 2024	4	24-1715	College of Veterinary Medicine	Expenditures	Medium		May 01, 2024		1	
Mar 05, 2024	5	24-1715	College of Veterinary Medicine	Information Technology	Medium		May 01, 2024		1	
Jul 06, 2023	6	23-1637	Human Resources Administration	Employment Eligibility Verification	High		May 31, 2024		1	
Jul 06, 2023	7	23-1637	Human Resources Administration	Wage Appointments	Medium		May 31, 2024		1	
Mar 22, 2024	8	23-1635	Gramm-Leach-Bliley Act Compliance	GLBA Service Provider Management	Medium		Jun 30, 2024		1	
Jul 06, 2023	9	23-1637	Human Resources Administration	Data Integrity	High		Jun 30, 2024		1	
Oct 20, 2023	10	23-1649	Virginia Tech Electric Service	Information Technology Controls	Medium		Jun 30, 2024		1	
May 19, 2023	11	23-1650	Athletics	Fixed Asset Management	High		Jun 30, 2024		1	
Feb 28, 2023	12	23-1651	College of Engineering	Information Technology	Medium		Jun 30, 2024		1	
Mar 21, 2024	13	24-1696	Sponsored Equipment and Supply Purchases	Purchases Near or After Award Expiration	Medium		Jun 30, 2024		1	

**ATTACHMENT B****Open Audit Recommendations****COMPLIANCE, AUDIT, AND RISK COMMITTEE****March 31, 2024**

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		
Mar 22, 2024	14	24-1699	Facilities Management	DSA Warehouse Inventory	Medium		Sep 15, 2024		2	
Mar 25, 2024	15	24-1706B	IT Policy Compliance Review: Athletics	Information Technology Controls	High		Apr 01, 2025		2	
Mar 05, 2024	16	24-1715	College of Veterinary Medicine	Fixed Asset Management	Medium		May 01, 2025		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.

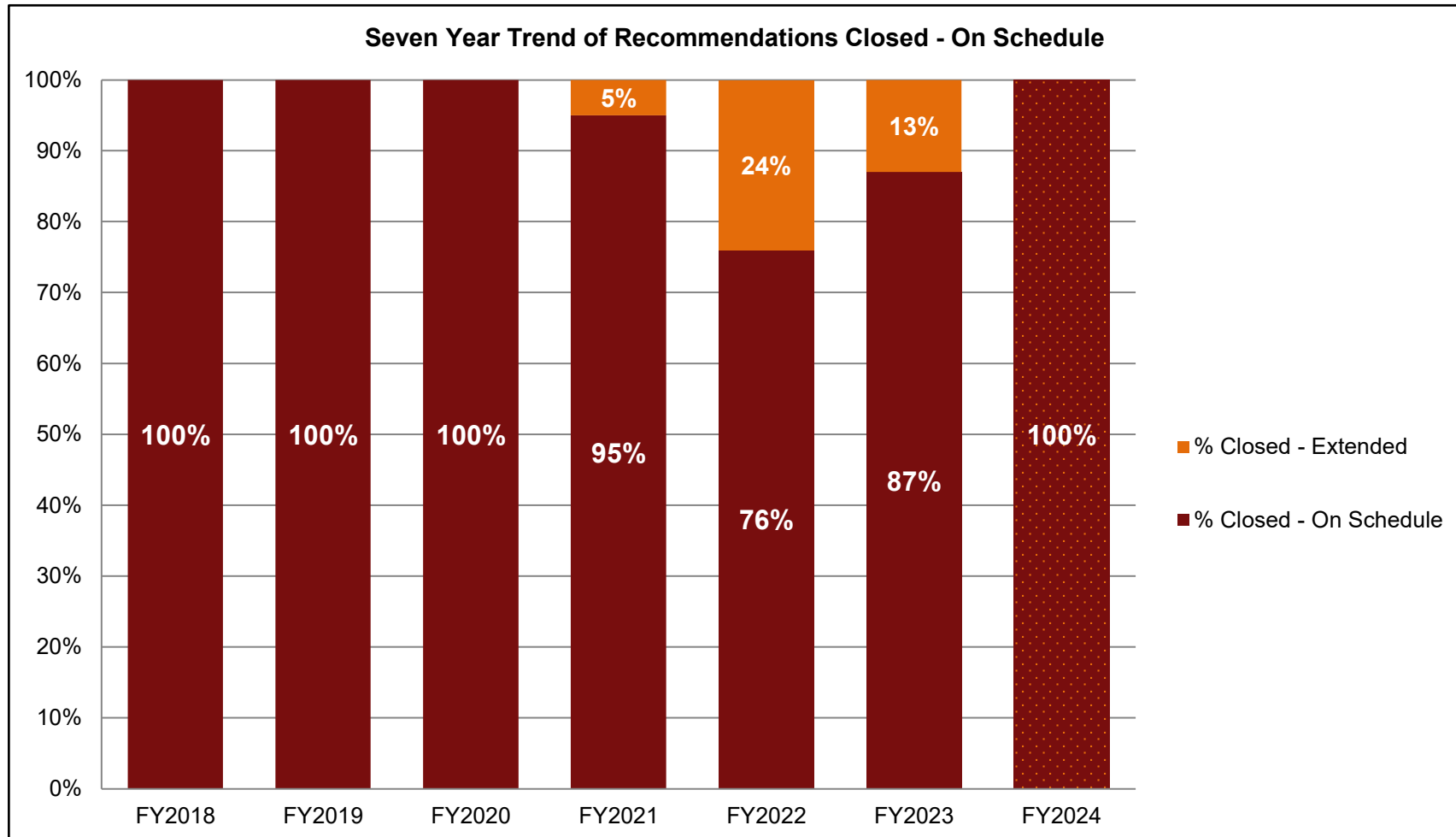


## ATTACHMENT C

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

## COMPLIANCE, AUDIT, AND RISK COMMITTEE

March 31, 2024



## **Audit Plan Status Report**

### **COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**June 10, 2024**

#### **Audit Plan Update**

Audits were performed in accordance with the fiscal year 2023-24 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the April board meeting six planned projects have been completed including three risk-based audits and three advisory engagements. The first advisory project was an agreed upon procedures review of grant program activity within the Center for European and Transatlantic Studies, which was added to the audit plan and completed since the April board meeting. Next, a management requested review of internally developed software was completed. Finally, a planned risk-based review of IT inventory and classification was changed to an advisory project and completed in the period.

Ten projects are currently underway, including:

- Six risk-based projects: Aerospace and Ocean Engineering, Chemistry, Data Analytics: Travel Compliance Monitoring, Real Estate Management, Sponsored Programs - Pre Award/Contracts, and Student Wellness and Counseling.
- Three policy compliance reviews: College of Agricultural and Life Sciences, College of Architecture, Arts, and Design, and Vice President for Student Affairs.
- One advisory project: Athletics IT Security & Data Privacy.

Further, five planned engagements have been deferred or canceled since the April board meeting. Environmental Health and Safety was deferred while the procurement process is completed. Global Education Office was deferred with an anticipated comprehensive review of immigration services on next year's audit plan. The advisory review regarding Remote Working Compliance was canceled as the Institutional Compliance program is taking the lead for the office on these efforts. School of Plant and Environmental Sciences was deferred based on available staff time. Finally, an advisory review of high-risk drug inventory and oversight was canceled to be combined with the previous scope of work in the Environmental Health and Safety review.

In fiscal year 2023-24, OARC has completed 63 percent of its audit plan as depicted below.

**FY 2023-24 Completion of Audit Plan**

<b>Audits</b>	
Total # of <b>Audits</b> Planned	33
Total # of Supplemental <b>Audits</b>	3
Total # of Carry Forwards	4
Total # of Planned <b>Audits</b> Canceled or Deferred	8
Total <b>Audits</b> in Plan as Amended	32
Total <b>Audits</b> Completed	20
<b>Audits</b> - Percentage Complete	63%
<b>Audits</b> - Percentage Complete or Underway	94%
Note: Includes Policy Compliance Reviews and Advisory Services	

**Internal Audit Reports**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**June 10, 2024**

**Background**

This report provides a summary of engagements completed during this period, including both advisory and risk-based reviews. For risk-based engagements, the rating system definitions are included below.

<b>Risk-Based Engagement Reports</b>	<b>Rating</b>
Capital Campaign Processes and Reporting	Effective
Institute for Critical Technology and Applied Science	Improvements are Recommended
Parking Services: Permitting Processes	Improvements are Recommended

Advisory reviews are conducted in areas either requested by management or on processes where a full risk-based engagement isn't necessary to achieve the desired evaluation or improvements. Advisory engagement reports are provided to the Compliance, Audit, and Risk Committee at the discretion of the Chief Audit Executive and where the engagement addresses enterprise-wide or significant strategic risk areas.

<b>Advisory Engagement Reports</b>	<b>Objective</b>
IT: Internally Developed Software	Determine whether governance and controls over internally developed software were adequate and if best practices were deployed.
IT: Inventory and Classification	Determine whether the 2023 inventory and classification efforts were suitably designed to support completeness and accuracy.
<b>Reports Completed but not included in Report to the Committee</b>	
Center for European and Transatlantic Studies	Perform a sponsor-required end of grant agreed upon procedure financial review.

## Summary of Ratings

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

### Definitions of each assessment option

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

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

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

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

### **RECOMMENDATION:**

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

June 10, 2024



# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2023

Auditor of Public Accounts  
Staci A. Henshaw, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

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Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

April 17, 2024

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

Board of Visitors  
Virginia Polytechnic Institute and State University

Timothy D. Sands  
President, Virginia Polytechnic Institute and State University

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures enumerated below on the **Virginia Polytechnic Institute and State University's** (University) Statement of Revenues and Expenses of Intercollegiate Athletics Programs (Statement) for the year ended June 30, 2023. University management is responsible for the Statement and its compliance with National Collegiate Athletic Association (NCAA) requirements.

University management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of evaluating whether the Statement is in compliance with NCAA Constitution 20.2.4.17.1, for the year ended June 30, 2023. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

### Agreed-Upon Procedures Related to the Statement of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to certain items. For the purpose of this report, and as defined in the agreed-upon procedures, revenue and expense reporting categories require detailed testing if they are greater than or equal to four percent of total revenues or total expenses, as applicable. Based on this defined threshold, we have not performed detailed testing on the following items:



Revenue Reporting Categories:

- Direct institutional support
- Indirect institutional support
- Guarantees
- In-kind
- NCAA distributions
- Conference distributions (non-media or bowl)
- Program, novelty, parking, and concession sales
- Royalties, licensing, advertisement and sponsorships
- Sports camp revenues
- Athletics-Restricted endowment and investment income
- Other operating revenue

Expense Reporting Categories:

- Guarantees
- Severance payments
- Recruiting
- Sports equipment, uniforms and supplies
- Fundraising, marketing and promotions
- Sport camp expenses
- Spirit groups
- Athletic facilities leases and rental fees
- Athletic facilities debt service
- Indirect institutional support
- Medical expenses and insurance
- Memberships and dues
- Student-Athlete meals

For purposes of performing these procedures, no exceptions were reported for differences of less than one-tenth of one percent (0.10%) of revenues and expenses, as applicable. We have not investigated any differences and/or reconciling items below the reporting threshold while performing these agreed-upon procedures. We did not perform any procedures over reporting items with zero balances, which have been excluded from the Statement herein. The procedures we performed and associated findings are as follows:

Internal Controls

1. We reviewed the relationship of internal control over intercollegiate athletics programs to internal control reviewed in connection with our audit of the University's financial statements. In addition, we identified and reviewed those controls unique to the Intercollegiate Athletics Department, which were not reviewed in connection with our audit of the University's financial statements.

2. Intercollegiate Athletics Department management provided a current organizational chart. We also made certain inquiries of management regarding control consciousness, the use of internal audit in the department, competence of personnel, protection of records and equipment, and controls regarding information systems with the Information Technology Department.
3. Intercollegiate Athletics Department management provided us with their process for gathering information on the nature and extent of affiliated and outside organizational activity for or on behalf of the University's intercollegiate athletics programs. We tested these procedures as noted below.

#### **Affiliated and Outside Organizations**

4. Intercollegiate Athletics Department management identified all related affiliated and outside organizations and provided us with copies of audited financial statements for each such organization for the reporting period.
5. Intercollegiate Athletics Department management prepared and provided to us a summary of revenues and expenses for or on behalf of the University's intercollegiate athletics programs by affiliated and outside organizations included in the Statement.
6. Intercollegiate Athletics Department management provided to us any additional reports regarding internal control matters identified during the audits of affiliated and outside organizations performed by independent public accountants. We were not made aware of any internal control findings.

#### **Statement of Revenues and Expenses of Intercollegiate Athletics Programs**

7. Intercollegiate Athletics Department management provided to us the Statement of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2023, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Statement, traced the amounts on the Statement to management's trial balance worksheets, and agreed the amounts in management's trial balance worksheets to the Intercollegiate Athletics Department's accounts in the accounting records. Certain adjustments to the Statement were necessary to conform to NCAA reporting guidance. We discussed the nature of adjusting journal entries with management and are satisfied that the adjustments are appropriate.
8. We compared each major revenue and expense account over ten percent of total revenues or total expenses, respectively, to prior period amounts and budget estimates. Variances exceeding ten percent of prior period amounts or budget estimates are explained below:

<u>Line Item</u>	<u>Explanation</u>
Media Rights	The increase of \$4.18 million or 11.09 percent is attributable to an increase in Atlantic Coast Conference (ACC) media revenue funding.
Coaching salaries, benefits, and bonuses paid by the University and related entities	An increase of \$2.6 million or 12.26 percent is due to several contract negotiations that increased certain coaches' salaries for program success, other contractual increases and market adjustments, and a five percent statewide increase effective for non-contractual assistant coaches.
Support Staff/Administrative salaries, benefits, and bonuses paid by the University and related entities	An increase of \$2.0 million or 10.86 percent is due to a five percent statewide increase and coaching contractual increases that included increased salary pools for support staff.

### Revenues

9. We reviewed two monthly ticket sales reconciliations performed for accuracy and proper review and approval. We performed a recalculation of ticket sales revenue for football and men's basketball by comparing the number of tickets sold, attendance, and sale price from the third-party ticketing system to total revenue recorded in the Statement. We determined the reconciliations reviewed to be accurate and properly approved. Revenue in the Statement was higher by \$3.1 million for football and \$1.2 million for basketball due to secondary ticket sales, handling and processing fees, and other adjusting entries.
10. We obtained documentation of the University's methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Statement to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found a difference of \$1.1 million which we attribute to the methodology used to estimate student fee revenue compared to actual distributions of student fees to the department.
11. Intercollegiate Athletics Department management provided us with a listing of all contributions of moneys, goods or services received directly by its intercollegiate athletics programs from any affiliated or outside organization, agency or group of individuals that constitutes ten percent or more of all contributions received during the reporting period. Except for contributions received from the Virginia Tech Foundation (VTF), an affiliated organization, we noted no individual contribution which constituted more than ten percent of total contributions received for intercollegiate athletics programs. We reviewed contributions from VTF, which exceeded ten percent of all contributions, and agreed them to supporting documentation. After adjusting contributions revenue in the Statement by \$182,680, we determined contributions to be accurately reported in the Statement.

12. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to media rights. We gained an understanding of the relevant terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation with no reportable differences.
13. Intercollegiate Athletics Department management provided us with a listing and copies of all agreements related to participation in revenues from tournaments, conference distributions, and NCAA distributions. We inspected the terms of the agreements and agreed selected amounts to proper posting in the accounting records and supporting documentation with no reportable differences.

### **Expenses**

14. Intercollegiate Athletics Department management provided us a listing of student aid recipients during the reporting period. Since the University did not use the NCAA Compliance Assistant software to prepare athletic aid detail, we selected 60 individual student athletes across all sports and obtained the students' account detail from the University's student information system. We agreed each student's information to the information reported in the NCAA Membership Financial Reporting System. We identified two students with variances of \$400 and 51 students with variances of \$800 which are attributable to reporting estimated book fees and supplies for one or two terms, respectively. We also ensured that the total aid amount for each sport agreed to amounts reported as financial aid in the student accounting system and performed a check of selected students' information as reported in the NCAA Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies and noted no reportable differences.
15. Intercollegiate Athletics Department management provided us with a listing of coaches, support staff, and administrative personnel employed and paid by the University during the reporting period. We selected five coaches, including football and men's and women's basketball coaches, and five support and administrative personnel and compared amounts paid during the fiscal year from the payroll accounting system to their contract or other employment agreement document. We found that recorded expenses equaled amounts paid as salary and bonuses and were in agreement with approved contracts or other documentation with no reportable differences.
16. We obtained the Intercollegiate Athletics Department's written recruiting and team travel policies from Intercollegiate Athletics Department management and documented an understanding of those policies. We compared these policies to existing University and NCAA policies and noted substantial agreement of those policies.
17. We selected a sample of five disbursements each for team travel, game expenses, direct overhead and administrative expenses, and other operating expenses. We compared and agreed the selected operating expenses to adequate supporting documentation. We found all reviewed amounts to be properly approved, reasonable to intercollegiate athletics, and properly recorded in the accounting records with no reportable differences.

18. We obtained a listing of debt service payments for athletics facilities for the reporting year. We selected a sample of three debt service payments included in the Statement, as well as the two highest payments, and agreed them to supporting documentation with no reportable differences.
19. We obtained an understanding of the University's methodology for charging indirect cost to the athletic department. We evaluated indirect cost charges for reasonableness and noted proper reporting of these charges in the Statement with no reportable differences.

#### **Other Reporting Items**

20. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Statement and agreed total annual maturities and total outstanding athletic-related debt to supporting documentation with no reportable differences.
21. We agreed total outstanding institutional debt to supporting debt schedules and the University's audited financial statements with no reportable differences.
22. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the University with no reportable differences.
23. We agreed the fair value of institutional endowments to supporting documentation and the audited financial statements of the University's Foundation with no reportable differences.
24. We obtained a schedule of athletics-related capital expenditures made during the period. We selected a sample of five transactions to validate existence and accuracy of recording and recalculated totals with no reportable differences.

#### **Additional Procedures**

25. We compared the sports sponsored by the University, as reported in the NCAA Membership Financial Reporting System, to the Calculation of Revenue Distribution Equivalencies Report (CRDE) from the ARMS software for the University. We noted agreement of the sports reported.
26. We compared total current year grants-in-aid revenue distribution equivalencies to total prior year reported equivalencies per the NCAA Membership Financial Report submission and noted variations exceeding four percent when compared to prior year. The 7.14 percent decrease in grants-in-aid revenue distribution equivalencies was the result of reporting errors in the prior fiscal year that overstated football athletic aid equivalencies coupled with a current year decrease in exhausted eligibility and medical equivalencies for football and track and field and cross-country.
27. We obtained the University's Sports Sponsorship and Demographics Forms Report for the reporting year. We validated that the countable sports identified by the institution met

the minimum requirements for number of contests and minimum number of participants as defined in NCAA Bylaw 20.10.6.3. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.

28. We compared the current number of sports sponsored to the prior year total reported in the University's NCAA Membership Financial Report submission and noted no variations when compared to prior year.
29. We obtained a listing of student athletes receiving Pell grant awards from the University's student information system and agreed the total value of these Pell grants to the amount reported in the NCAA Membership Financial Reporting System. We noted agreement of the amounts reported.
30. We compared the total number of Pell grant awards in the current year to the number reported in the prior year NCAA Membership Financial Report submission. We noted no variations greater than 20 grants when compared with the prior year.

We were engaged by University management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States. We were not engaged to and did not conduct an audit, examination, or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Statement of Revenues and Expenses of Intercollegiate Athletics Programs or any of the accounts or items referred to above. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the University and its management and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record, and its distribution is not limited.

Staci A. Henshaw  
AUDITOR OF PUBLIC ACCOUNTS

JMF/vks

VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY  
STATEMENT OF REVENUES AND EXPENSES OF  
INTERCOLLEGIATE ATHLETICS PROGRAMS  
For the year ended June 30, 2023

	Football	Men's Basketball	Women's Basketball	Men's Other Sports	Women's Other Sports	Non-Program Specific	Total
<b>Operating revenues:</b>							
Ticket sales	\$ 15,031,058	\$ 3,116,891	\$ 323,009	\$ 123,742	\$ 77	\$ -	\$ 18,594,777
Student fees	-	-	-	-	2,689,151	10,896,789	13,585,940
Direct institutional support	-	-	-	-	-	600,000	600,000
Indirect institutional support	-	-	-	-	-	1,548,987	1,548,987
Guarantees	425,000	30,000	-	9,000	1,500	-	465,500
Contributions	8,363,411	353,053	486,831	1,625,263	647,401	15,851,775	27,327,734
In-Kind	113,621	101,466	3,000	44,506	9,489	9,027	281,109
Media rights	31,549,857	9,289,839	581,616	182,000	264,500	-	41,867,812
NCAA distributions	-	1,947,680	-	-	-	2,316,435	4,264,115
Conference distributions (non-media and non-football bowl)	167,054	183,847	-	-	-	-	350,901
Conference distributions of football bowl generated revenue	7,871,466	-	-	-	-	-	7,871,466
Program, novelty, parking, and concession sales	1,449,418	91,687	43,546	56,507	17,233	29,686	1,688,077
Royalties, licensing, advertisement and sponsorships	1,218,064	60,000	60,000	309,053	208,250	1,444,173	3,299,540
Sports camp revenues	101,648	-	-	-	-	-	101,648
Athletics-Restricted endowment and investment income	-	-	-	-	-	4,130,176	4,130,176
Other operating revenue	2,695,573	-	-	2,744	12,646	833,334	3,544,297
Total operating revenues	68,986,170	15,174,463	1,498,002	2,352,815	3,850,247	37,660,382	129,522,079
<b>Operating expenses:</b>							
Athletic student aid	4,209,834	794,810	716,399	3,431,188	5,100,637	1,777,872	16,030,740
Guarantees	550,000	253,443	105,000	220,981	18,218	-	1,147,642
Coaching salaries, benefits, and bonuses paid by the university and related entities	11,310,966	3,771,676	1,634,453	3,950,721	3,464,617	-	24,132,433
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	3,418,516	1,024,806	817,193	587,334	364,735	14,623,697	20,836,281
Severance payments	362,452	-	-	14,565	7,956	77,548	462,521
Recruiting	1,385,264	363,775	127,318	273,590	253,975	-	2,403,922
Team travel	1,107,040	555,670	638,635	1,311,154	1,330,632	5	4,943,136
Sports equipment, uniforms, and supplies	786,892	79,185	89,634	827,546	723,771	51,125	2,558,153
Game expenses	2,318,917	745,318	654,818	471,223	327,454	650,718	5,168,448
Fundraising, marketing and promotion	254,664	78,061	33,267	67,076	52,656	1,516,040	2,001,764
Sport camp expenses	155,087	-	-	-	-	-	155,087
Spirit groups	-	12,156	44,348	12,500	12,500	269,967	351,471
Athletic facilities leases and rental fees	-	-	450	125,682	126,240	-	252,372
Athletic facilities debt service	-	-	-	589,649	589,649	2,934,788	4,114,086
Direct overhead and administrative expenses	1,267,779	1,171,326	135,404	1,525,436	323,184	5,175,138	9,598,267
Indirect cost paid to the institution by athletics	66,301	-	-	-	-	6,318,080	6,384,381
Indirect institutional support	-	-	-	-	-	1,548,987	1,548,987
Medical expenses and insurance	298,575	29,910	30,026	277,621	297,558	679,412	1,613,102
Memberships and dues	1,944	1,790	150	23,086	22,640	25,871	75,481
Student-Athlete meals (non-travel)	1,145,237	196,836	89,934	867,608	791,216	162,058	3,252,889
Other operating expenses	3,805,822	380,936	177,026	577,021	310,798	4,664,567	9,916,170
Total operating expenses	32,445,290	9,459,698	5,294,055	15,153,981	14,118,436	40,475,873	116,947,333
Excess (deficiency) of revenues over (under) expenses	\$ 36,540,880	\$ 5,714,765	\$ (3,796,053)	\$ (12,801,166)	\$ (10,268,189)	\$ (2,815,491)	\$ 12,574,746
<b>Other Reporting Items:</b>							
Total athletics-related debt							\$ 94,668,000
Total institutional debt							\$ 795,600,000
Value of athletics-dedicated endowments							\$ 72,843,420
Value of institutional endowments							\$ 1,792,103,974
Total athletics-related capital expenditures							\$ 5,254,000

The accompanying Notes to the Statement of Revenues and Expenses of Intercollegiate Athletics Programs are an integral part of this Statement.

**VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY**  
**NOTES TO STATEMENT OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

**1. BASIS OF PRESENTATION**

The accompanying Statement of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Statement is to present a summary of revenues and expenses of the intercollegiate athletic programs of the University for the year ended June 30, 2023. The Statement includes those intercollegiate athletics revenues and expenses made on behalf of the University's athletics programs by outside organizations not under the accounting control of the University. Because the Statement presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position, changes in financial position, or cash flows for the year then ended. Revenues and expenses directly identifiable with each category of sport presented are reported accordingly. Revenues and expenses not directly identifiable to a specific sport are reported under the category "Non-Program Specific."

**2. AFFILIATED ORGANIZATIONS**

The University received \$31,081,246 from the Virginia Tech Foundation, Inc. Approximately \$16,030,740 of these funds were used for grant-in-aid scholarships for student athletes. These amounts received are included in the accompanying Statement as follows: \$27,327,734 is included in the Contributions line item and \$3,753,512 is included in the Athletics-Restricted Endowment and Investment Income line item.

**3. LONG-TERM DEBT, LONG-TERM LEASES, AND SBITAs**

Externally-funded debt

The University, on behalf of the intercollegiate athletics program, has obtained debt financing for capital improvement projects as needed. These debts consist of Section 9(d) revenue bonds issued by the University and will be repaid by the program using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2023 (in dollars):



Project	Maturity	Principal
Indoor Practice Facility		
Series 2015B, 9(d) revenue bond	2035	\$ 510,000
Series 2021, 9(d) revenue bond	2036	40,000
Lane Stadium - West Side Expansion		
Series 2021, 9(d) refunding revenue bond	2041	21,825,000
Lane Stadium - South End Zone		
Series 2021, 9(d) refunding revenue bond	2041	7,055,000
Hahn Hurst Basketball Practice Center		
Series 2021, 9(d) refunding revenue bond	2041	6,075,000
		<u>\$ 35,505,000</u>

#### Internally-funded debt

The University has internally loaned the intercollegiate athletics program funds for capital improvement projects as needed. These debts will be repaid by the program using operating revenues and private fundraising proceeds. Outstanding principal as of June 30, 2023 (in dollars):

Project	Maturity	Principal
Student Athletic Performance Center	2029	\$ 2,839,000
ACC Media Studio	2031	8,397,000
Creativity & Innovation District	2041	19,358,000
Baseball Stadium and Rector Field House	2045	26,258,000
		<u>\$ 56,852,000</u>

#### Long-term lease payable

The University, on behalf of the intercollegiate athletics program, has entered into a long-term lease with the Town of Christiansburg for the use of the town's aquatic center ending in 2035. The lease will be paid by the program using operating revenues and private fundraising proceeds. As of June 30, 2023, the outstanding principal on this lease was \$1,343,000.

#### Subscription-based Information Technology Agreements (SBITAs)

The University, on behalf of the intercollegiate athletic program, has entered into multiple SBITAs to support the program's operations with various end dates. The SBITAs will be paid by the program using operating revenues and private fundraising proceeds. As of June 30, 2023, the outstanding principal for SBITAs was \$968,000.

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2023, is presented as follows (in dollars):

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 5,363,000	\$ 1,646,000	\$ 7,009,000
2025	5,670,000	1,575,000	7,245,000
2026	5,443,000	1,493,000	6,936,000
2027	5,443,000	1,414,000	6,857,000
2028	5,616,000	1,340,000	6,956,000
2029-2033	22,158,000	5,346,000	27,504,000
2034-2038	20,613,000	3,431,000	24,044,000
2039-2043	19,936,000	1,388,000	21,324,000
2044-2045	4,426,000	94,000	4,520,000
	<u>\$ 94,668,000</u>	<u>\$ 17,727,000</u>	<u>\$ 112,395,000</u>

#### 4. UNIVERSITY ADMINISTRATION FEE

As with all auxiliary enterprises, the University charges the Athletic Department an administrative fee. During the fiscal year, the Athletic Department paid \$6,384,381 to the University. This amount is included in the Indirect Cost Paid to the Institution by Athletics line item in the Football and Non-Program Specific categories.

#### 5. CAPITAL ASSETS

Capital assets consisting of buildings, infrastructure, and equipment are stated at appraised historical cost or actual cost where determinable. Construction in progress (CIP) is capitalized at actual cost as expenses are incurred. All gifts of capital assets are recorded at acquisition value as of the donation date.

Intangible right-to-use assets consisting of the right-to-use buildings and Subscription-based Information Technology Arrangements (SBITAs) are stated at the net present value of future minimum lease payments at the commencement of the lease or subscription term. Intangible right-to-use assets are recognized when the net present value of future minimum lease or subscription payments is \$50,000 or greater.

Equipment is capitalized when the unit acquisition cost is \$2,000 or greater and the estimated useful life is one year or more. Software is capitalized when the acquisition and/or the development costs exceed \$100,000. Renovation costs are capitalized when expenses total more than \$100,000, the asset value significantly increases, or the useful life is significantly extended. Routine repairs and maintenance are charged to operating expense in the year the expense is incurred.

Depreciation is computed using the straight-line method over the useful life of the assets. The useful life is 40 to 60 years for buildings, ten to 50 years for infrastructure and land improvements, and three to 30 years for fixed and movable equipment. Right-to-use lease assets are amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

The beginning balance has been restated for the implementation of GASB Statement 96, *Subscription Based Information Technology Arrangements*. A summary of changes in capital assets follows for the year ending June 30, 2023 (*all dollars in thousands*):

	Beginning Balance (Restated)	Additions	Retirements	Ending Balance
<b>Depreciable capital assets</b>				
Buildings	\$ 233,664	\$ 3,970	\$ -	\$ 237,634
Moveable equipment	15,978	702	533	16,147
Software	313	-	-	313
Fixed equipment	14,712	205	-	14,917
Infrastructure	22,896	187	-	23,080
Right to use leases – buildings	1,976	-	-	1,976
Right to use assets – SBITAs	1,248	299	110	1,437
Total depreciable capital assets, at cost	290,787	5,360	643	295,504
<b>Less accumulated depreciation</b>				
Buildings	73,268	5,221	-	78,489
Moveable equipment	8,941	1,380	510	9,811
Software	304	9	-	313
Fixed equipment	6,842	670	-	7,512
Infrastructure	18,676	648	-	19,324
Right to use leases – buildings	279	139	-	418
Right to use assets – SBITAs	259	343	110	492
Total accumulated depreciation and amortization	108,569	8,410	620	116,359
Total depreciable capital assets, net of accumulated depreciation and amortization	182,218	(3,050)	23	179,145
<b>Non-depreciable capital assets</b>				
Construction in progress	4,514	3,830	3,936	4,408
Total non-depreciable capital assets	4,514	3,830	3,936	4,408
Total capital assets, net of accumulated depreciation and amortization	\$ 186,732	\$ 780	\$ 3,959	\$ 183,553

**Report on Audits of University-Related Corporations**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**  
**May 16, 2024**

Attachment G

In accordance with the resolution passed by the Finance and Audit Committee on April 25, 1985, and as amended on November 13, 1995 and March 31, 2008, each university-related corporation is required to provide the University's President audited annual financial statements, management letters from the external auditors, management's responses thereto, and an annual certification that all procedures outlined in the resolution have been met. These financial statements, management letters, and management responses have been reviewed as of June 30, 2023, and found to meet the standards set forth in the audit resolution, except as noted below.

**VIRGINIA TECH CORPORATIONS**  
**COMPLIANCE WITH AUDIT RESOLUTION FOR FISCAL YEAR 2023**

<b>Corporation</b>	<b>Audited Financial Statement</b>	<b>Management Letter</b>	<b>Response to Management Letter</b>	<b>External Auditor Length of Service</b>	<b>Certification Letter</b>
VT Applied Research Corporation	✓	*	*	Ω	✓
VT Foundation, Inc.	✓	*	*	Ω	✓
VT Intellectual Properties, Inc.	✓	*	*	Ω	✓
VT Services, Inc.	✓	*	*	Ω	✓
VT Innovations Corporation	In Progress	In Progress	In Progress	In Progress	In Progress
VT India Research and Education Forum <sup>1</sup>	✓	*	*	Ω	✓

\* No material recommendations resulted from the audit.

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

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

**Virginia Tech**  
**Board of Visitors – Compliance, Audit, and Risk Committee**  
**Entrance Conference Agenda**  
**June 10, 2024**

**1. Introductions**

**Audit Team:**

- Megan Richard, Project Manager
- Shaye Doherty, Audit In-Charge
- Jimmy Quesenberry, Student Financial Aid Reviewer

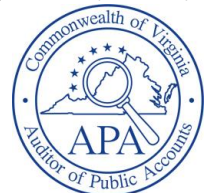
Audit Period – July 1, 2023 through June 30, 2024

Planned Audit Timing – May 2024 through November 2024

Audit Deadline – November 18-19, 2024 BOV Meeting

**2. Audit Objectives, Audit Plan and Audit Roles:**

- a. **Discussion of Auditor of Public Accounts (APA) audit team and resources** – Project Manager, In-charge Auditor, and Staff. Any specialists if required on the audit.
- b. **Audit timing** – We will begin fieldwork in May and conclude in early November to provide support for the Commonwealth of Virginia's Annual Comprehensive Financial Report (ACFR). Our Audit will cover the audit period July 1, 2023 through June 30, 2024. We anticipate exiting with the Board of Visitors at its regularly scheduled meeting in November.
- c. **Audit objectives** – Our audit objectives are to determine if the financial statements present fairly the financial position, changes in financial position, and cash flows for the period in conformity with accounting principles generally accepted in the United States of America. We will also determine if disclosures in the financial statements are adequate and fairly stated, whether management has appropriately reviewed the financial statements, whether adequate internal controls exist over material account balances and transactions, and whether the agency is in compliance with applicable laws, regulations, and provisions of contracts or grant agreements. These objectives will enable us to provide an opinion to the university's financial statements that will be included with the financial statements that are distributed by the university. We will also issue a report on internal controls and compliance that will include any findings or recommendations that we may issue as a result of the audit. We will follow up on any recommendations included in the prior year report to determine whether the institution has addressed any previously communicated deficiencies, as applicable. NCAA Agreed Upon Procedures will be performed annually. We will complete agreed-upon procedures and issue a report that includes a schedule of financial activity related to intercollegiate athletics. This report is due to the University by January 15<sup>th</sup> and will be published and distributed in February or March.
- d. **Commonwealth single audit support** – Federal funding received by institutions in the Commonwealth of Virginia is subject to the Single Audit Act. Code of Federal Regulations, Title 2,



Section 200 described the requirements for compliance and the associated audit requirements. The Student Financial Aid cluster is considered a major program under the audit requirements of 2 CFR 200 for fiscal year 2024. If applicable, to the extent that the institution expends any HEERF funding received by the end of the fiscal year, these expenses may be subject to audit. Any recommendations or noncompliance meeting reporting thresholds will be included in the institution's audit report and the Commonwealth Single Audit report. Follow up testing will be performed to ensure previously communicated deficiencies related to Student Financial Aid have been resolved.

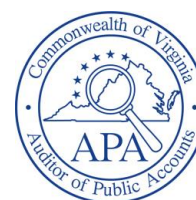
- e. **Overview of the relationship between APA, internal audit, and foundation auditors** – The APA is the Commonwealth of Virginia's independent external auditor responsible for annual financial statement audits of public agencies and institutions, and various other required audits. The APA reports to the Virginia General Assembly. Internal Audit is responsible for the institution's audit workplan as approved by the institution's Board of Visitors. Foundation auditors are responsible for the financial statement audits of the various foundations. We make reference to the work of these auditors in our financial statement opinion, but we generally do not take responsibility for the work of these auditors. Most foundations are presented as discretely presented component units in the institution's financial statements.

### 3. Discussion of Risk with Board Members

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

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

### 4. Terms of the Engagement (See Attached Summary)



## Terms of the Engagement

### *Responsibilities during the audit process:*

### **Auditor's (APA) Responsibilities**

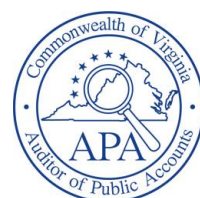
#### Overall Audit Objectives

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audit contained in the *Government Auditing Standards*. The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion(s) about whether your financial statements are fairly presented, in all material respects, in conformity with U.S generally accepted accounting principles. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Governmental Auditing Standards* will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Accounting Principles generally accepted in the United States of America, as promulgated by the Governmental Accounting Standards Board (GASB) require that certain information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We will apply certain limited procedures to the required supplementary information (RSI) in accordance with GAAS, which will consist of inquiries of management about the methods of preparing the RSI and comparing the RSI for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the following RSI based on these limited procedures:

- Management Discussion and Analysis (MD&A)
- The Schedule of Virginia Tech's Share of Net Pension Liability
- The Schedule of Virginia Tech's Pension Contributions
- The Schedule of Virginia Tech's Share of OPEB Liability (Asset)
- The Schedule of Virginia Tech's Share of OPEB Contributions
- The Notes to the Required Supplementary Information

Supplementary information other than RSI is presented for the purpose of additional analysis and is not a required part of the basic financial statements. For the following supplementary information, we will subject the information to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the



basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

- Virginia Tech Foundation, Inc. (Optional Supplementary Information)
- Affiliated Corp. Financial Highlights (Optional Supplementary Information)
- Consolidating Schedules (Optional Supplementary Information)

For the following other information, we will read the information for indications of material inconsistencies with the basic financial statements or the auditor's understanding, and material misstatements of fact or information that is otherwise misleading. We will not express an opinion or provide any assurance on the following other information:

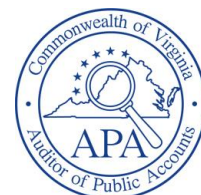
- University Highlights
- Financial Highlights
- Message from the Senior Vice President and Chief Business Officer

#### Audit Procedures - General

As part of an audit conducted in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they require auditors to provide reasonable assurance of detecting waste or abuse. An audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial activity.

We will also conclude, based on the audit evidence obtained whether there are conditions or events considered in the aggregate, which raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.





*Audit Procedures - Internal Control and Compliance*

We will obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we will express no such opinion. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate in writing to management and those charged with governance any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance, and we will not express such an opinion.

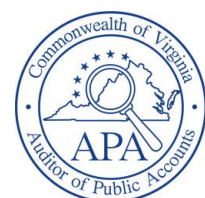
*Audit Procedures – Group Audits*

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

*Audit Procedures – Risk of Material Misstatement, Non-Compliance, and Significant Risks*

Our audit will identify and assess the risk of material misstatement and non-compliance of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement or material non-compliance resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control. Significant risks represent events or transactions where inherent risk of material misstatement or material non-compliance is elevated due to the likelihood and magnitude of potential misstatement or non-compliance. Based on our existing understanding of the University and its environment, and preliminary planning procedures performed as of the date of this memo, we have identified the following significant risks requiring special audit attention:

- Management Override of Control – management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is, nevertheless present at all entities.
- Improper Revenue Recognition – Recognition of revenue in the proper period and amount is inherently risky and may be subject to manipulation, particularly when accounting for long-term contractual arrangements with other entities and federal grants.



- Complexity of Governmental Accounting – Recent, complex accounting standards pertaining to accounting for Leases, Public Private Partnerships, Subscription-Based Information Technology Arrangements (SBITAs) which may not be properly identified or considered by management in preparing the financial statements, resulting in improper financial reporting.

Audit planning and risk assessment is an iterative process throughout the audit. Therefore, we will communicate any additional significant risks identified throughout fieldwork that may warrant the attention of management and those charged with governance if and when those circumstances arise.

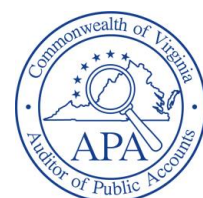
#### Communication with Those Charged with Governance

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

### **Management's Responsibilities**

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

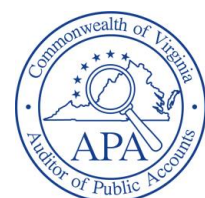
- Selection and application of accounting principles and preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- As received, forward copies of each federal audit performed on agency or institution programs or activities to the Auditor of Public Accounts as required by Chapter 1, §4-8.02a., of the 2023 Virginia Acts of Assembly, Special Session I. To forward these reports to the Auditor of Public Accounts, use APAFederal@apa.virginia.gov. If the federal report is only available in hardcopy or contains FOIA exempt information, DO NOT email the report, use this same email account to notify the Auditor of Public Accounts of the federal report and provide the contact information of the individual with the report.
- Informing the APA of any potential documents that are FOIA exempt



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

## Audit Committee

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



## Other Elements of the Audit Process

### Overall planned scope of the audit

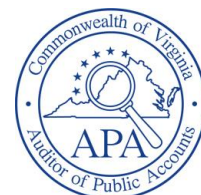
- **Approach to internal control** – We review internal controls to identify those areas where we can replace substantive testing with transactional testing. We look for management to have written formal policies and procedures and check for the implementation of those procedures.
- **Concept of materiality**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

### Identification of potential fraud risks

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

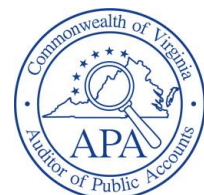
### Audit Reporting

We will issue a written report upon completion of our audit of the University's financial statements. We will make reference to the Component Auditor's audit of Virginia Tech Foundation, Inc. in our report on the University's financial statements. Our report will be addressed to the board of directors of the University. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will



discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

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







**VIRGINIA TECH**  
**ATHLETICS**

# **Overview of Athletics Compliance**

**June 2024**

## **Agenda:**

Current Compliance Overview  
New Areas of Risk  
Mitigation Strategies

# Compliance Office Overview

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## Maintain and Demonstrate Institutional Control

### Primary Objectives

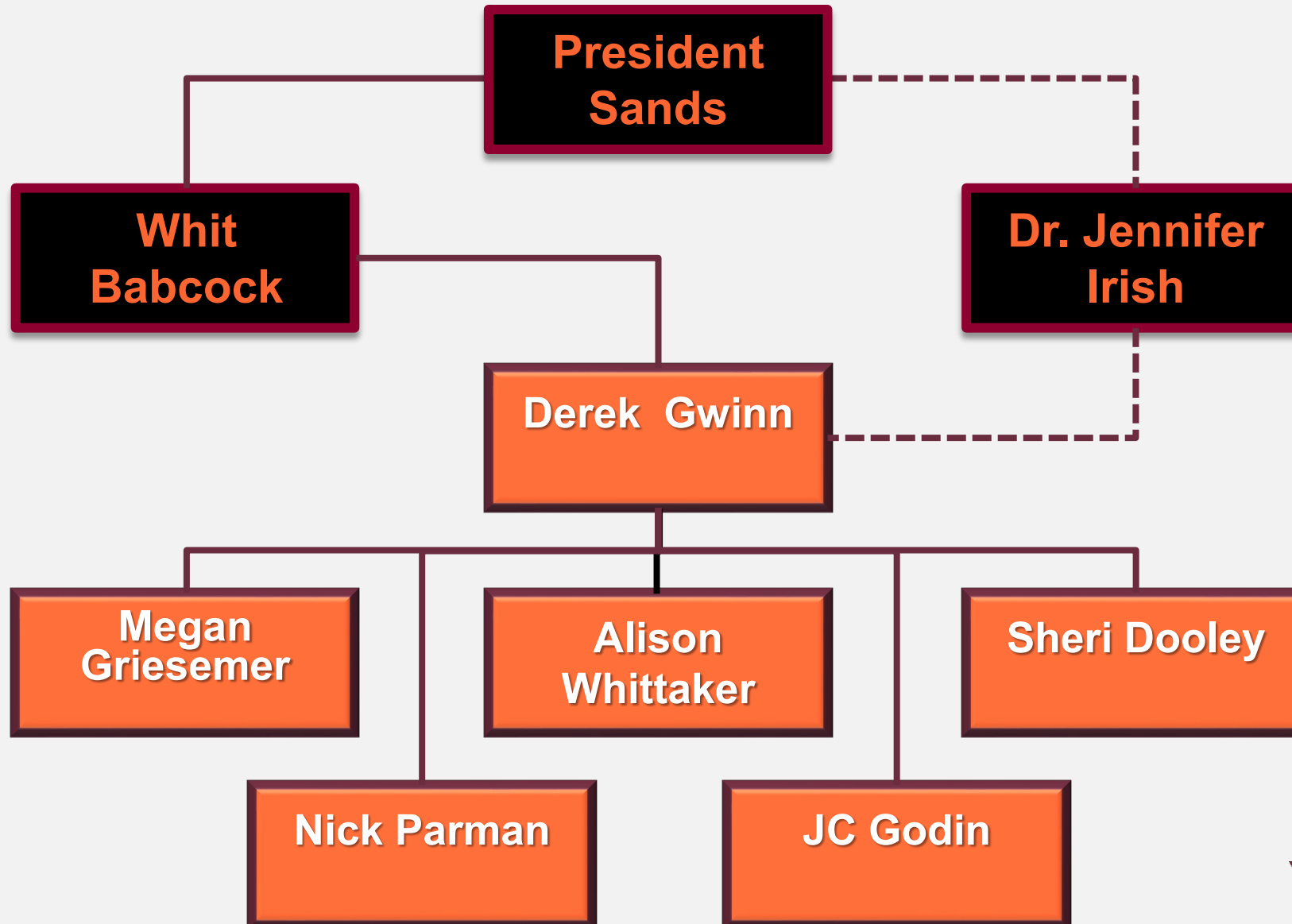
- Risk identification and management
- Effective and preventative monitoring systems
- Timely and intentional education
- Develop comprehensive policies
- Implement efficient operating systems

### Guiding Principles

- Emphasis on personal integrity and commitment to compliance in hiring process
- Consistency with engagement
- Building and maintaining relationships
- Customer service and support

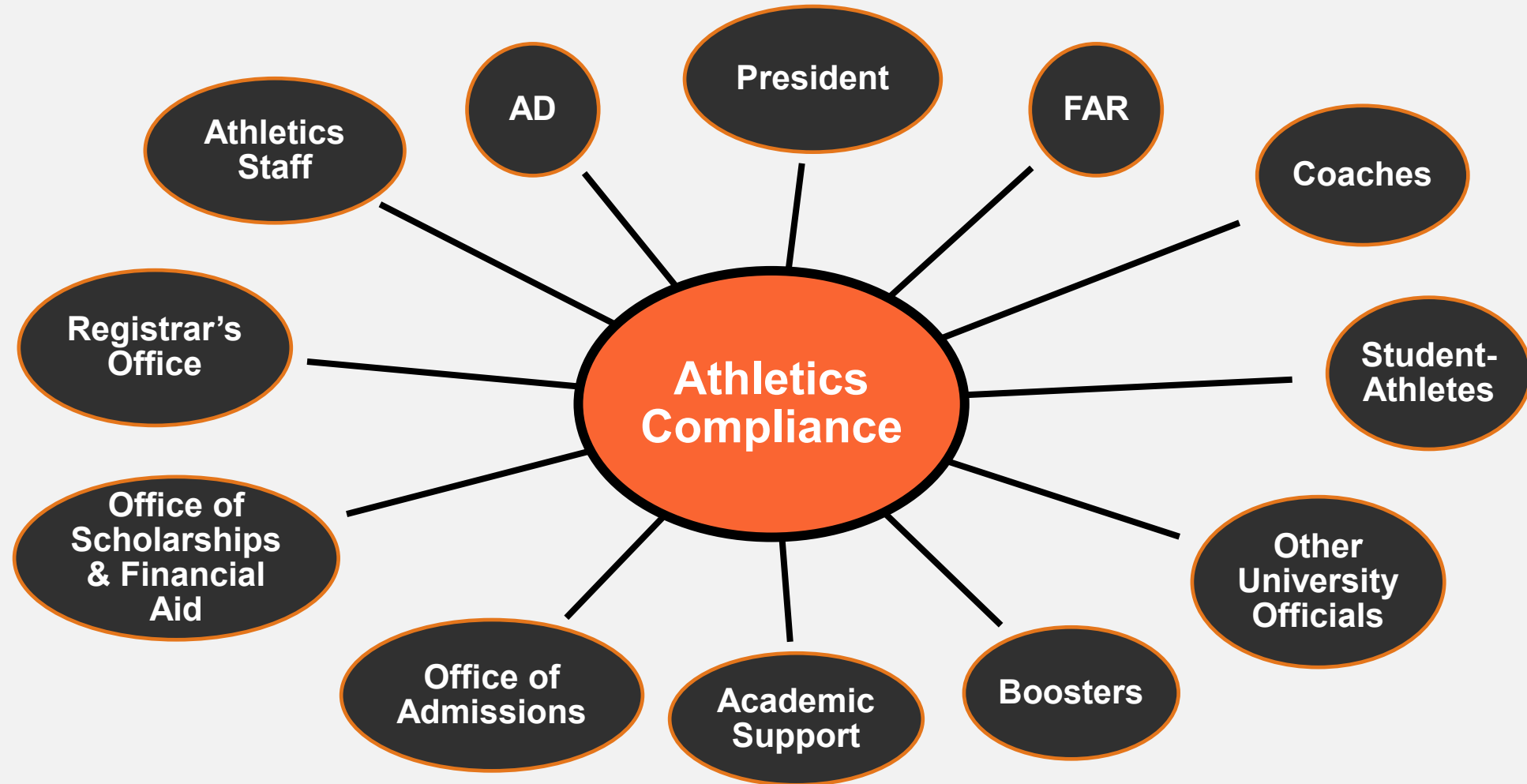
# Leadership

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# Shared Responsibility



# Areas of Responsibility



# Industry Shift

## High Risk Areas - 2016

- Extra Benefits
- Men's Basketball National Culture
- Impermissible Coaching
- High School Diploma Mills
- Impermissible Recruiting

## High Risk Areas - Today

- NIL
- Tampering (Transfer Portal)
- Sports Wagering
- NCAA Legislative Changes & Uncertainty



# Mitigation Strategies

## NIL

- Collectives
- Expectations
- Differing Applications

## Mitigation

- Hokies Exchange
- Counsel – VT and Outside
- Conference Collaboration

## Sports Wagering

- Student-Athletes
- Game Fixing
- Harassment

## Mitigation

- U.S. Integrity
- ProhiBet

## Transfer Portal

- Tampering
- Misinformation

## Mitigation

- Intentional Education
- Personnel

## Legislative Changes

- NCAA Process
- Judge issued injunctions
- Court Hearings

## Mitigation

- Frequent, thorough, intentional education
- Conference Collaboration





**VIRGINIA TECH**  
**ATHLETICS**

**THANK YOU**



June 10, 2024

# ***Enterprise Risk Management Update***

*Sharon M. Kurek, CPA, CCEP, CFE, MBA*

*Vice President for Audit, Risk, and Compliance &  
Chief Risk Officer*



# ENTERPRISE RISK MANAGEMENT

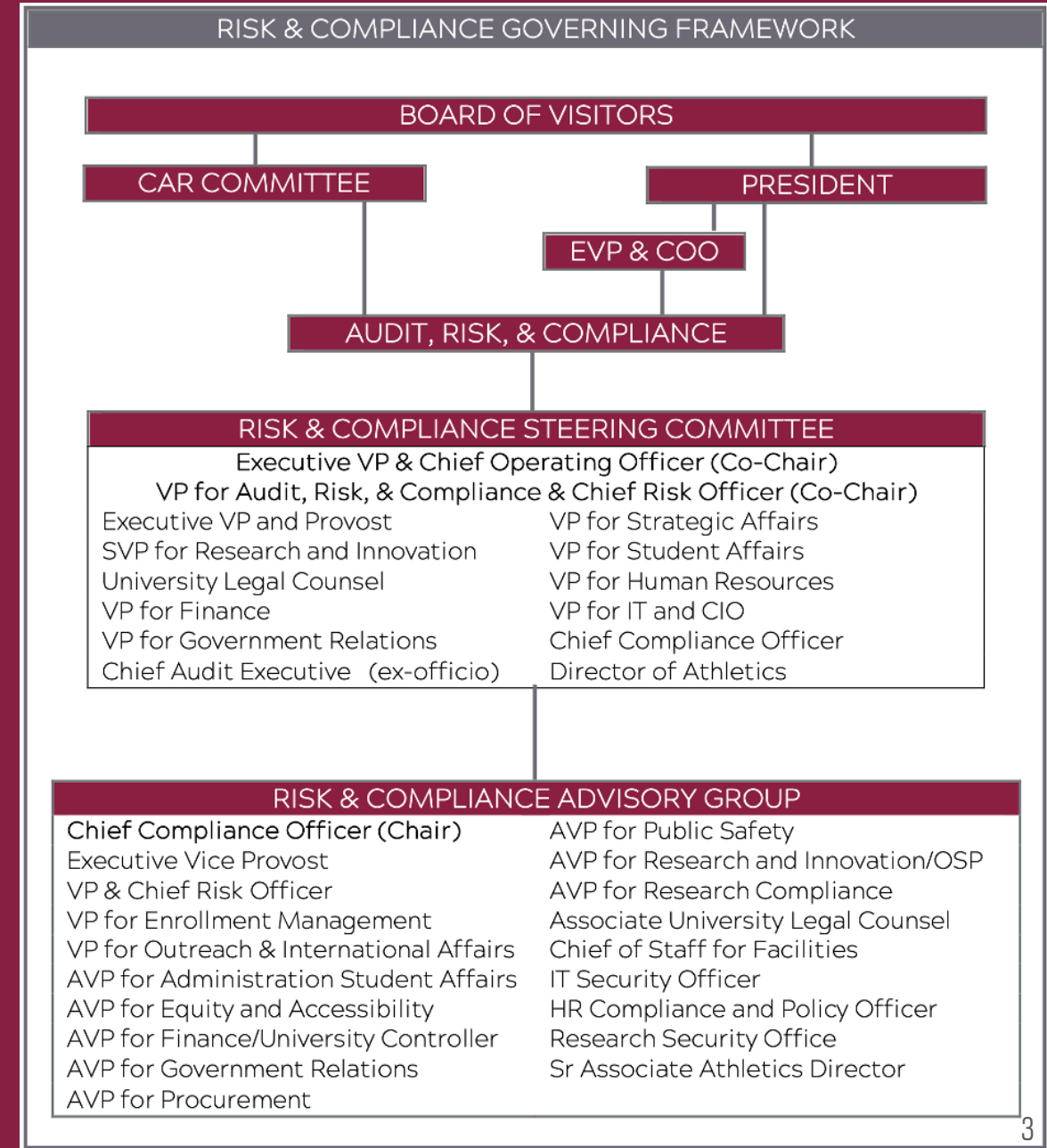
The ERM process, a key tool in setting strategic goals across the enterprise, is designed to:

- 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.

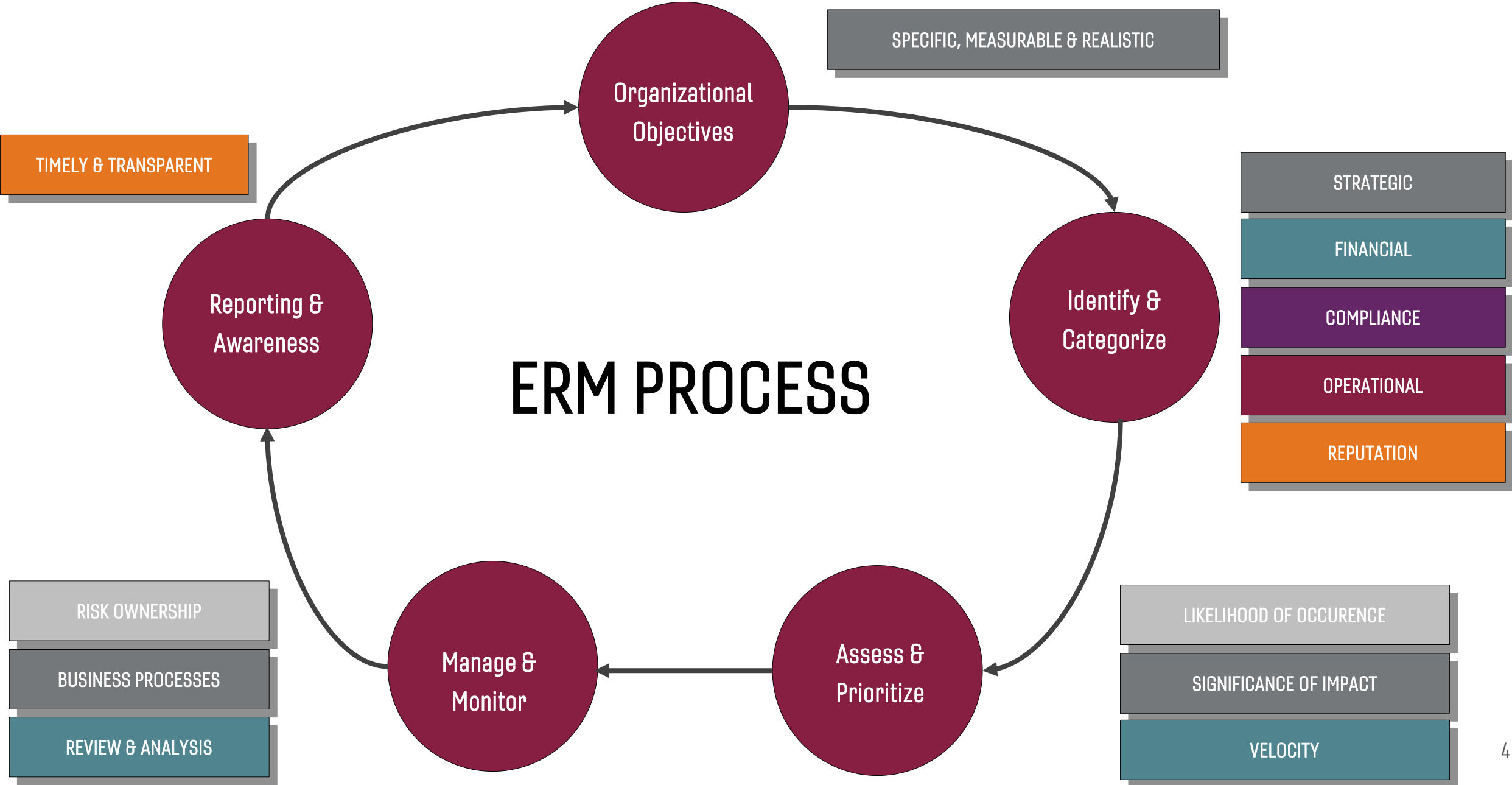
# GOVERNANCE STRUCTURE

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
- Meet quarterly

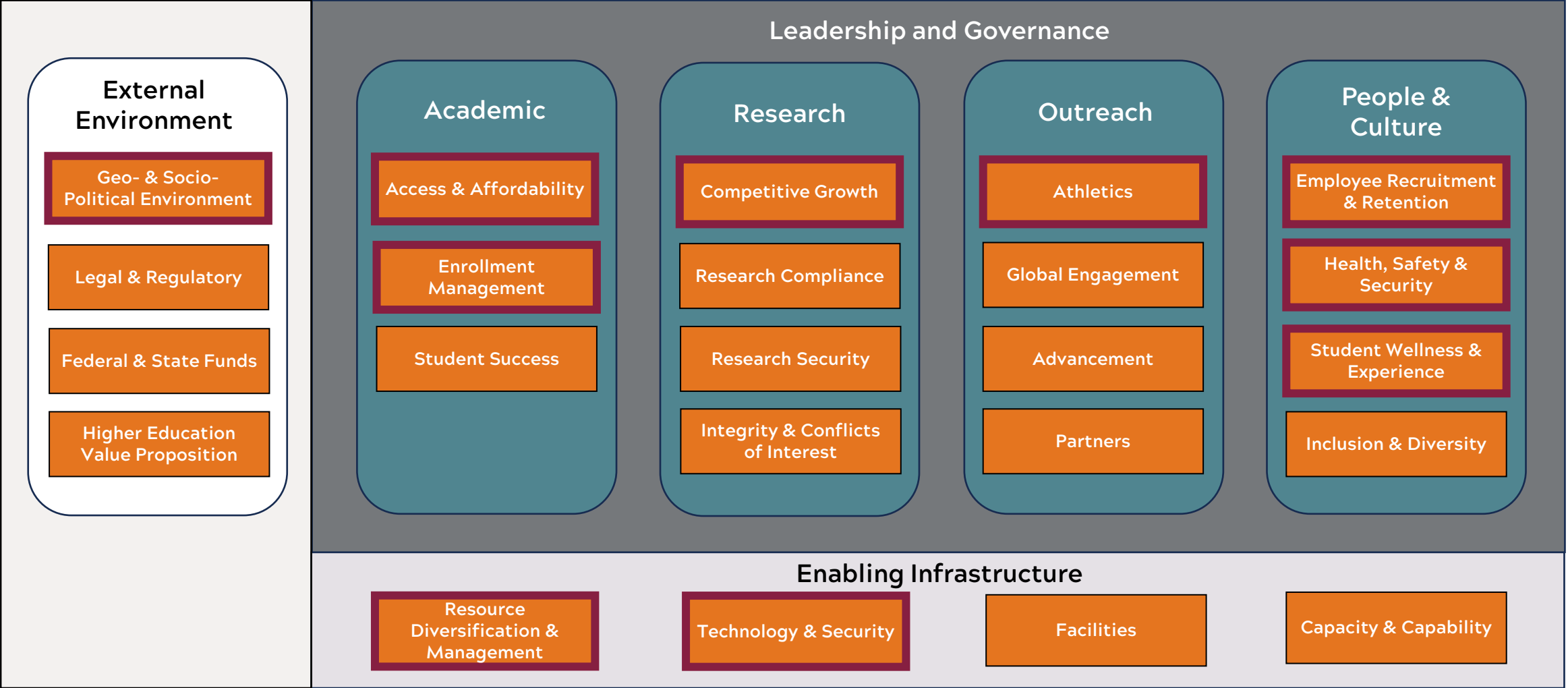






# Enterprise Risk Landscape

June 2024

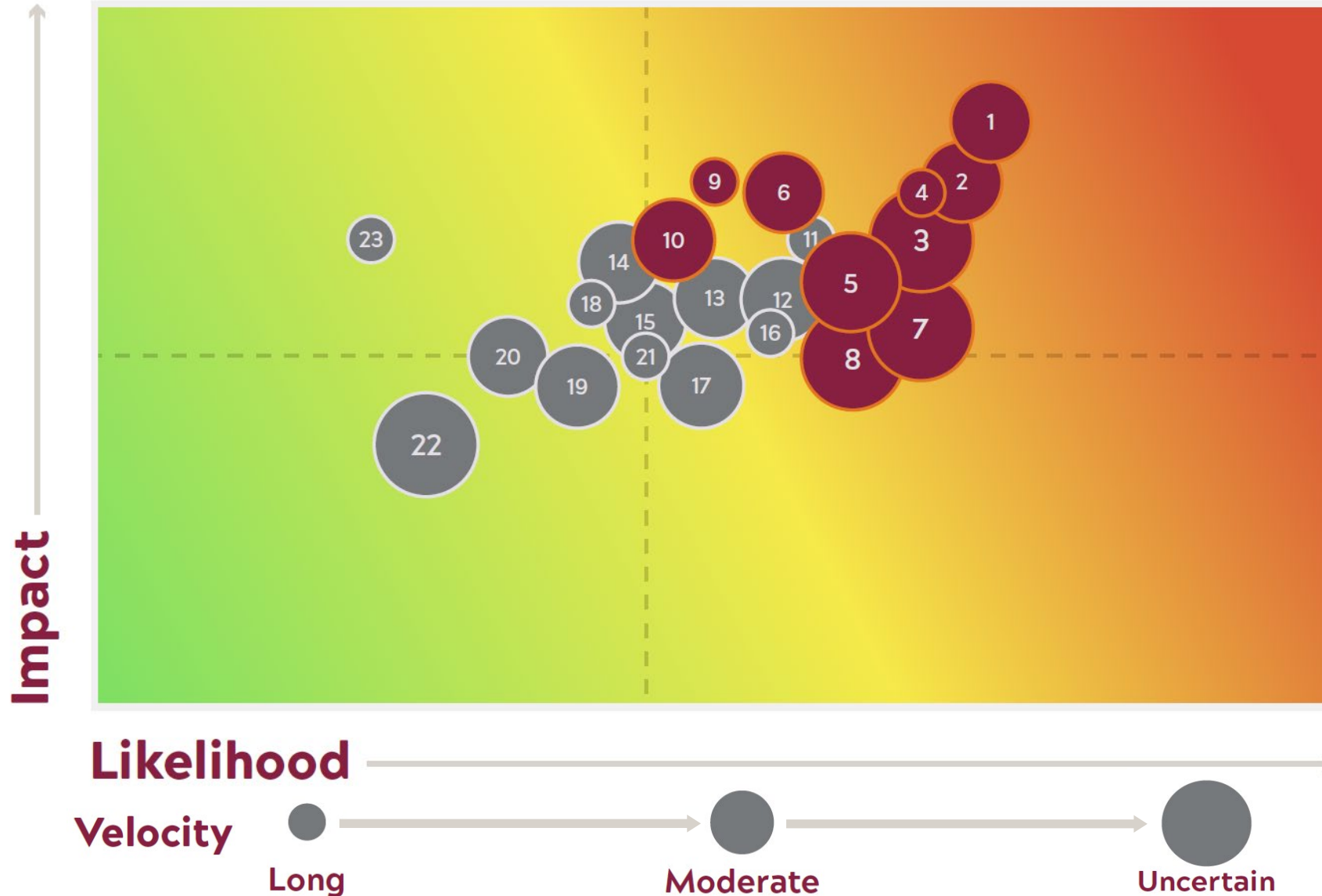


# Enterprise Risk Heat Map

June 2024

## Graph Legend

Number	Risk
1	Employee Recruitment & Retention
2	Resource Diversification & Management
3	Technology & Security
4	Access & Affordability
5	Geo & Socio-Political Environment
6	Enrollment Management
7	Athletics
8	Health, Safety & Security
9	Research: Competitive Growth
10	Student Wellness & Experience
11	Student Success
12	Legal & Regulatory
13	Research Compliance
14	Research Security
15	Inclusion & Diversity
16	Facilities
17	Capacity & Capability
18	Global Engagement
19	Federal & State Funds
20	Advancement
21	Partners
22	Integrity & Conflicts of Interest
23	Higher Education Value Proposition



# ERM Top 10 Risks – Owners & BOV Alignment

Risk Area	Risk Statement	
	Owner(s)	BOV Committee(s)
1 - Employee Recruitment & Retention	Recruit, develop, and retain high-performing and diverse talent to meet projected workforce needs in support of strategic goals	
	Clarke; Fricker; Sebring; Garey	Academic, Research, and Student Affairs + Governance and Administration
2 - Resource Diversification & Management	Diversify revenue and effectively allocate available university personnel, finances, and space in alignment with strategic goals	
	Sebring; Clarke; Allen	Finance and Resource Management
3 - Technology & Security	Modernize IT Infrastructure and address the complexities of operating and securing the hybrid model of centralized and decentralize academic, research, and administrative computing	
	Sebring; Pitt	Governance and Administration
4 - Access & Affordability	Enhance ongoing resource availability and support for educational access and affordability	
	Sebring; Clarke; Pratt	Academic, Research, and Student Affairs + Finance and Resource Management
5 - Geo- & Socio-Political Environment	Guide the university's response to external and global factors impacting its community and mission	
	Sands; Yianilos	Compliance, Audit, and Risk

# ERM Top 10 Risks – Owners & BOV Alignment

Risk Area	Risk Statement	
	Owner(s)	BOV Committee(s)
6 - Enrollment Management	Develop recruitment strategies to identify, admit, enroll, retain, and support students to graduation, while strategically managing enrollment in alignment with institutional priorities and capacity	
	Clarke; Espinoza	Academic, Research, and Student Affairs
7 - Athletics	Navigate the highly visible and complex environment of intercollegiate athletics	
	Babcock	Governance and Administration
8 - Health, Safety, & Security	Prepare for internal and/or external threats and hazards to campus health, safety, and security	
	Sebring; Mulhare	Governance and Administration
9 - Research: Competitive Growth	Grow and diversify the research portfolio by prioritizing strengths and focusing on emerging areas	
	Clarke; Sui	Academic, Research, and Student Affairs + Finance and Resource Management
10 - Student Wellness & Experience	Support student wellbeing, including their social, mental, physical, and emotional health, throughout their academic experience	
	Clarke; Keene	Academic, Research, and Student Affairs

# RISK AREA – COMMITTEE ALIGNMENT

## ***Academic, Research, and Student Affairs***

- Access & Affordability \*
- Competitive Growth \*
- Inclusion & Diversity
- Enrollment Management \*
- Employee Recruitment & Retention \*
- Global Engagement
- Integrity & Conflicts of Interest
- Student Success
- Student Wellness & Experience \*

## ***Buildings and Grounds***

- Facilities

## ***Compliance, Audit, and Risk***

- Geo- & Socio-Political Environment \*
- Legal & Regulatory
- Research Compliance
- Research Security

## ***Finance and Resource Management***

- Access & Affordability \*
- Advancement
- Competitive Growth \*
- Federal & State Funds
- Resource Diversification & Management \*

## ***Governance and Administration***

- Athletics \*
- Capacity & Capability
- Employee Recruitment & Retention \*
- Health, Safety & Security \*
- Technology & Security \*

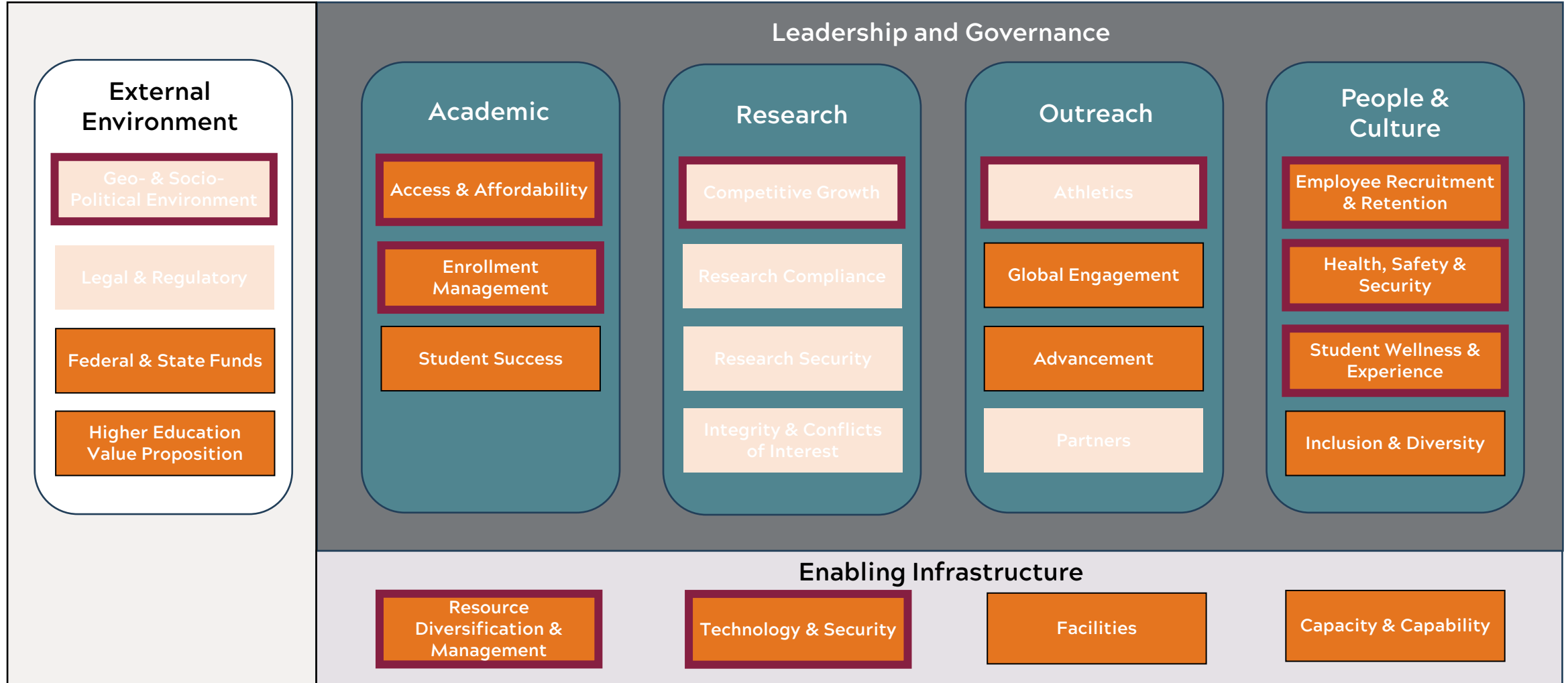
## ***Board Level***

- Higher Education Value Proposition
- Partners

Note: \* indicates a Top Ten enterprise risk

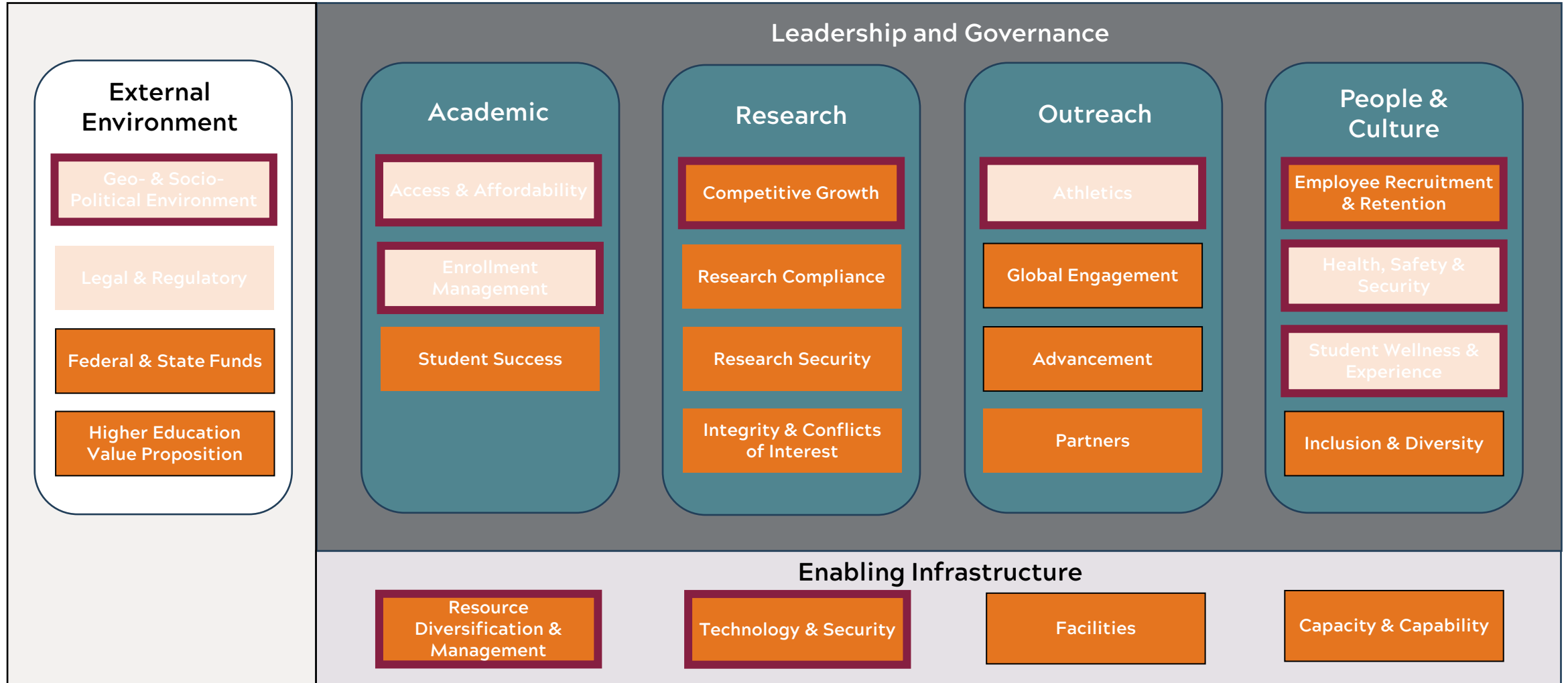
# Mapping ERM to Strategic Priorities

## Virginia Tech Advantage



# Mapping ERM to Strategic Priorities

## Virginia Tech Global Distinction





# FY 2023-24 ERM Summary

- Implemented new Risk and Compliance Governance Framework
  - Steering Committee co-chaired by EVPCOO and VPCRO
  - Advisory Committee chaired by Chief Compliance Officer
- Enhanced outreach on connected risk model to articulate synergies and differences between ERM, Compliance, and Internal Audit
- Reimagined risk assessment discussion, which helped to elevate cross-unit risks
- Refreshed risk landscape content and format to better connect risks to University strategy and priorities



**QUESTIONS?**



**Office of Audit, Risk, and Compliance**  
**Fiscal Year 2024–25 Audit Plan**  
**June 10, 2024**

## OVERVIEW

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

## RISK ASSESSMENT PROCESS

### Enterprise Risk Assessment

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

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

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

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

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

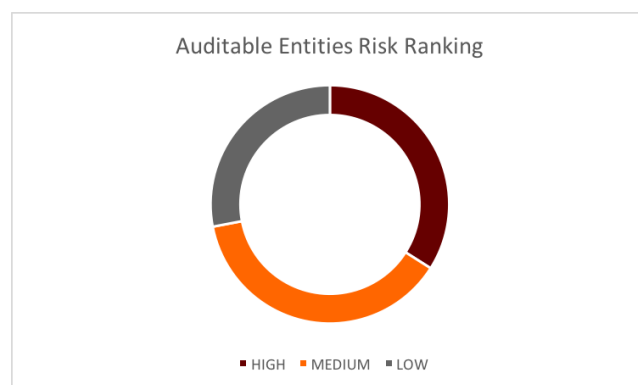
### **OARC Audit Planning Risk Assessment**

University departments and administrative operations were grouped into approximately 175 auditable entities or responsibility centers based on common missions and the existing organizational structure. For each auditable entity, OARC reviewed financial data, including expenditures, revenues, cash receipts, federal contracts and grants, and total employees. The relative risk was assessed on a judgmental basis for the following qualitative and quantitative factors.

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

Elements considered within these factors included:

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



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

### **IT Risk Assessment**

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

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

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

## **CORE AUDIT PLAN**

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

The critical areas for core audit plan inclusion are:

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

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

## FISCAL YEAR 2024–25 AUDIT PLAN

The audit plan focuses on delivering value to Virginia Tech with an emphasis on the following risk areas: strategic, operational, financial, compliance, and IT. If new topics emerge during the audit plan period that require more immediate attention, reconfiguration of the plan can be undertaken to accommodate these changes. The fiscal year 2024–25 audit plan includes 30 projects, and OARC's goal is to complete 85 percent of the audit plan. As each audit is undertaken, risks will be re-evaluated to ensure proper audit coverage with consideration of confidentiality, integrity, and availability.

### Risk-Based Assurance

Planned Engagement	Overview	Risk Area
Athletics *	The Department of Athletics, an approximately \$121.8 million enterprise, sponsors 22 athletic teams at the NCAA Division I level. A component of Athletics is included in the audit plan each year.	Compliance - Athletics
Bursar	The specific responsibilities of the Office of the University Bursar (OUB) include: providing timely and accurate billings to students and general users of the university's services and ensuring that payments and credits are received and properly applied to each customer's account in a timely manner, receipt and timely application of all other cash payments made to the university, and disbursement of payroll, all university payables, and collection of delinquent accounts and notes receivable. The last audit of the OUB was in 2019.	Financial – Financial Management
Data Analytics: Subscription Services	This review will seek to look across the various procurement avenues and analyze data looking for ongoing or continuous subscriptions, be that for technology or other services. The premise is to identify efficiencies where multiple subscriptions could be combined for savings, instances where university pricing is not being leveraged, or places where unnecessary subscriptions are being utilized. A review has not previously been completed.	Operational – Financial Management
Electrical and Computer Engineering	The Bradley Department of Electrical and Computer Engineering (ECE) is one of the country's larger ECE departments. ECE offers bachelor, masters, and doctoral degrees in electrical and computer engineering with education and research opportunities in diverse areas, including control systems, computers, communications, electronics, electromagnetics, and power. ECE was last reviewed in 2015.	Operational – Academic
Environmental Health and Safety	Environmental Health and Safety provides institutional support and oversight for departments in maintaining regulatory requirements of laboratory safety and chemical hygiene. Department personnel perform routine inspections of areas both on and off campus. Additionally, the department provides training mandated by many federal and state agencies. The department was last reviewed in 2015.	Operational – Safety and Security
Human Resources: Benefits *	Human Resources administers the Commonwealth benefits program and provides benefit management and guidance for approximately 7,500 faculty and staff. The benefits program is an integral part of the university's employee compensation package and includes health insurance, leave, legal resources, retirement plans through the Virginia Retirement System, tuition assistance, and workers compensation. This function was last reviewed in 2019.	Operational – Human Resources

Planned Engagement	Overview	Risk Area
Immigration Services	As a global land-grant university, the institution teaches and employs a diverse set of international faculty, staff, and students. To assist these individuals in navigating the complex regulatory immigration environment, the institution has established several offices to provide support and to ensure compliance requirements are being met. Various components of these efforts have previously been reviewed in 2018.	Compliance – Human Resources and Student Services
IT: Cloud Services	Cloud service provider risk encompasses concerns such as data security, compliance issues, service reliability, and vendor lock-in. The institution faces challenges related to data protection, downtime, and dependency on a single provider. To mitigate these risks, the institution conducts risk assessments and security reviews. This engagement will assess these practices and evaluate controls for ongoing oversight. This was last reviewed in 2013.	Operational – Information Technology
IT: Network Infrastructure and Services	Network Infrastructure and Services (NIS) provides and manages the university's data, voice, and video networks and related services. A component of NIS, network security, was last reviewed in 2017.	Operational – Information Technology
IT: Security Operations Center	The institution recently engaged with OmniSOC, a shared security operation center (SOC) that specializes in higher education and research institutions. OmniSOC delivers critical security alerts through ongoing monitoring 24/7. As a new risk mitigation and control strategy, it has never been reviewed.	Operational – Information Technology
National Security Institute	The National Security Institute (NSI), founded in September 2021, is aspiring to become the nation's preeminent academic organization at the center of research, technology, policy, and talent development to advance national security. As one of the university's thematic institutes, NSI will further the interdisciplinary faculty with unique research infrastructure to answer practical national security issues. This institute has never been reviewed.	Operational – Research
Programs for Minors	Educational programming and activities involving minors are integral to the institution's engagement mission. The university recognizes that ensuring the safety and well-being of minors on campus is imperative. Formed in 2020, the Office of Youth Protection, within the College of Agriculture and Life Sciences, is responsible for the oversight and operating standards for programs involving minors on campus. These processes were last reviewed in 2019.	Compliance – Safety and Security
Recreational Sports	Recreational Sports provides opportunities for students, faculty, and staff to engage in physical activities to create healthy lifestyle habits. A department within the Division of Student Affairs, Recreational Sports deploys many strategies and manages multiple facilities to meet its goals. This department was last reviewed in 2017.	Operational – Student Services
Research: Cost Sharing	Cost sharing is the portion of a project or program cost that is not reimbursed by the sponsor. In a proposal or an award, cost sharing represents a commitment by the university. Cost sharing can be both mandatory, in which the sponsor requires the sharing as a condition of the award, or voluntary, wherein it is not required by the sponsor but the university offers cost sharing to be more competitive. Compliance with federal cost accounting standards requires that cost sharing expenses be treated in a consistent and uniform manner. The last cost sharing review was in 2015.	Compliance – Research



Planned Engagement	Overview	Risk Area
School of Plant and Environmental Sciences	The School of Plant and Environmental Sciences, within the College of Agriculture and Life Sciences, seeks to train the next generation of professionals in the fields of plant breeding and genetics, agronomic and horticulture crop production, plant protection, soil and water systems management, agricultural technologies, environmental restoration, and agro-environmental stewardship. The school had an advisory review in 2019.	Operational – Academic
Subrecipient Monitoring	Federal regulations require prime recipients to monitor subawards and to assure subrecipients meet their obligations and are in compliance with federal requirements. The Office of Sponsored Programs has established policies and procedures that outline responsibilities and actions that must occur in the subrecipient processes. These controls were last reviewed in 2019.	Compliance – Research
Undergraduate Admissions	Undergraduate Admissions seeks to attract, recruit, and enroll a highly qualified, talented, and diverse student body. In addition to hosting thousands of prospective students each year, undergraduate admissions reviews over 45,000 applications through partnerships across the campus community. This department was last reviewed in 2020.	Compliance – Enrollment Services
University Building Official	The University Building Official, an office within the Division of Campus Planning, Infrastructure, and Facilities, has primary responsibility for the proper management for, and enforcement of, the Virginia Uniform Statewide Building Code to ensure that construction projects conducted on university property are completed in compliance with code, related laws, and regulations. The office serves as the primary liaison with outside regulatory agencies. This department was last reviewed in 2019.	Operational – Facilities and Operations
VT India	The institution has had a presence in South Asia countries since 2009, with research ties going back further. In 2023, the institution inaugurated a new satellite office in the IIT Madras Research Park in Chennai. The university maintains several collaborative partnerships across India. These activities have never been reviewed.	Operational – Off-Campus Locations

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

### **University Policy Compliance Reviews**

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

Planned Engagement	Risk Area
Agricultural Research and Extension Centers: Hampton Roads, Middleburg, Reynolds, Southwest Virginia, Tidewater	Operational
College of Liberal Arts and Human Sciences	Operational
College of Natural Resources and Environment	Operational
Vice President and Dean for Graduate Education	Operational
Vice President for Information Technology	Operational

### Management Advisory Services

Planned Engagement	Overview	Risk Area
Central Funds	The university maintains a series of centrally managed funds for a variety of purposes. This project will review the controls utilized to ensure appropriate oversight and use of these funds.	Operational – Financial Management
CMMC Readiness	The Department of Defense is nearing the end of a lengthy rule-making process called the Cybersecurity Maturity Model Certification (CMMC). Once implemented, the goal is to reinforce cybersecurity safeguards across sensitive unclassified information. While the exact regulatory timeline is unknown, this project will review the steps taken by the institution to prepare for this regulation.	Compliance – Information Technology
Corps of Cadets Armory	This review will ensure critical controls are included as the Corps of Cadets establishes its first armory.	Compliance – Safety and Security
Data Analytics: Research Compliance Dashboard	Over the past several years, Internal Audit has increased the depth and breadth of its research data analytics capabilities. This project seeks to formalize these efforts into routine processes and dashboards to provide a more robust and routine look at common research compliance risks.	Compliance – Research
Research Accounting Processes – HERD	The National Science Foundation's Higher Education Research and Development (HERD) survey is the primary source of information on research and development expenditures at U.S. colleges and universities. The survey collects information on research expenditures by field of research and source of funds and gathers information on types of research, expenses, and headcounts of personnel. The survey is an annual census of institutions. At the university, the survey is a collaboration of processes that is spearheaded by the Controller's Office. This review will look at processes and procedures used to compile and review the survey for accuracy.	Operational – Financial Management
Research: Post-Award Processes	The Office of Sponsored Programs has recently updated certain post-award processing efforts and has changed the way information flows across the department. This project seeks to assist management in understanding the flow of information and identify any potential effectiveness or efficiencies that can be gained within the updated processes.	Compliance - Research

### Special Projects and Annual Audit Activities

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

## AUDIT RESOURCES

The fiscal year 2024–25 audit plan is based on professional staffing of 12 full-time equivalents (FTEs). This plan includes a small adjustment to reflect historic trends of some turnover and extended family leave within the fiscal year. Staffing will continue to be augmented by the continuation of the student internship program in which two Virginia Tech students are employed.

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

Audit resources are allocated as follows:

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

## AUDIT PLAN MAPPED TO ERM

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As part of the ERM program, university leadership has identified key residual risks across six thematic areas.

This year's plan spans all six thematic areas and 11 of 23 risk areas. Specific risk areas include:

- Athletics
- Employee Recruitment & Retention
- Enrollment Management
- Facilities
- Global Engagement
- Health, Safety, & Security
- Legal & Regulatory
- Research Compliance
- Resource Diversification & Management
- Student Wellness & Experience
- Technology & Security



# Proposed Audit Plan

FISCAL YEAR 2024-25

# Overview

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

OARC conducts:

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

# Risk Assessment Process

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

OARC Planning  
Risk Assessment

IT Risk  
Assessment



Institutional  
Compliance Program

ERM Risk  
Landscape

# Core Audit Plan

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

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Academic Units

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Auxiliary Enterprises and Athletics

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Campus Safety and Security

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Enrollment Services

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Facilities and Operations

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Financial Management

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Human Resources

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Information Technology

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Off-Campus Locations

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Research

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Student Services

# Risk-based Audit Projects

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

- Athletics
- Bursar
- Data Analytics: Subscription Services
- Electrical and Computer Engineering
- Environmental Health & Safety
- Human Resources: Benefits
- Immigration Services
- IT: Cloud Services
- IT: Network Infrastructure and Services
- IT: Security Operations Center
- National Security Institute
- Programs for Minors
- Recreational Sports
- Research: Cost Sharing
- School of Plant and Environmental Sciences
- Subrecipient Monitoring
- Undergraduate Admissions
- University Building Official
- VT India



# Policy Compliance Reviews

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

- Agricultural Research and Extension Centers (limited)
- College of Liberal Arts and Human Sciences
- College of Natural Resources and Environment
- Vice President and Dean for Graduate Education
- Vice President for Information Technology

# Management Advisory Services

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

- Central Funds
- Cybersecurity Maturity Model Certification (CMMC) Readiness
- Corps of Cadets Armory
- Data Analytics: Research Compliance Dashboard
- Research Accounting Processes – HERD (ongoing)
- Research: Post-Award Processes



# Audit Resources

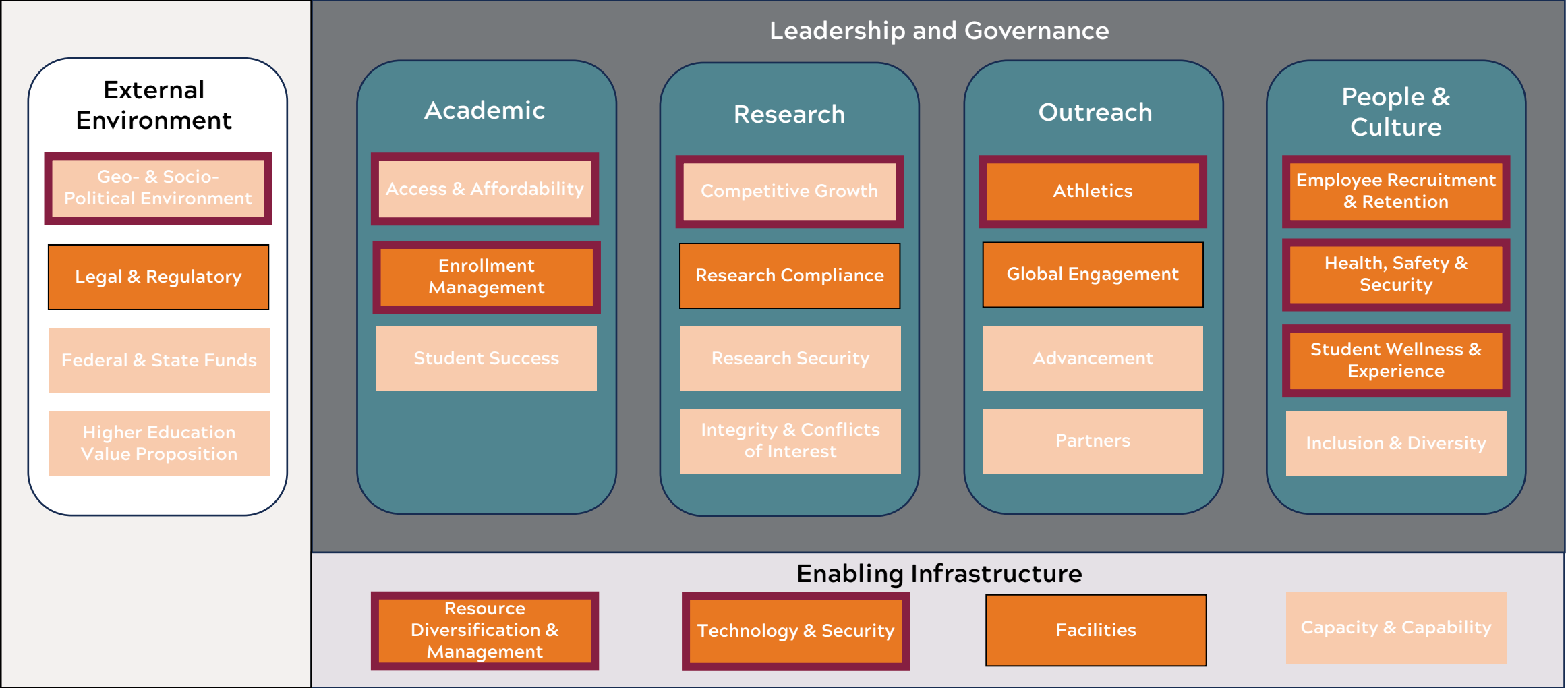
- 12 FTEs – professional audit staff
- 1 part-time student

## Resource Allocations

- 55% - completion of audit projects and follow up
- 11% - accommodate management requests
- 7% - conduct investigations
- 12% - professional development and administration
- 15% - compensated absences (annual, sick, holiday)

# Enterprise Risk Landscape

June 2024



Questions?



**VIRGINIA TECH™**



**Office of Audit, Risk, and Compliance**

**Fiscal Year 2024-25 Institutional Compliance Program Plan**

**June 10, 2024**

## OVERVIEW

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Virginia Tech is committed to integrity, a culture of compliance, and the promotion of the highest ethical standards for all employees. President Sands, with the support of the Compliance, Audit, and Risk Committee of the Board of Visitors, formed the Institutional Compliance Program (ICP) in 2017 to promote and support a working environment which reflects this commitment. The ICP was directed to act as a resource for Virginia Tech's efforts regarding compliance, to help the institution proactively meet its compliance obligations, and to manage compliance risks.

The charge of the compliance function within the Office of Audit, Risk, and Compliance is to be a resource and serve as a catalyst for the achievement of university best practices in compliance-related subject matter areas. Pursuant to the current Charter for the Office of Audit, Risk, and Compliance, institutional compliance is to provide services including, but not limited to:

- Providing 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.
- Conducting periodic risk assessments to identify potential areas of compliance vulnerability and risk, and ensuring management ownership for monitoring and managing compliance risks.
- Advising institutional compliance risk owners and decentralized compliance risk management leadership.

The structuring of formalized, enterprise-wide compliance programs followed from the U.S. Federal Sentencing Guidelines for Organizations Chapter 8B2.1 and subsequent guidance issued by the U.S. Department of Justice (USDOJ). The USDOJ continues, through written guidance and public remarks, to clarify factors representative of an effective compliance program. In other words, an effective compliance program needs to include measures designed to **prevent, detect, and correct** instances of noncompliance.

## RISK ASSESSMENT PROCESS

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### Enterprise Risk Assessment

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

- Obtaining a holistic view of the most critical risks to the achievement of Virginia Tech's mission and objectives;
- Creating a risk-aware culture, including the management of risks to an appropriate level;



- Improving focus and perspective on both internal and external risks and opportunities, including emerging risks and value drivers;
- Enhancing decision making and alignment with strategic goals; and
- Improving efficiency and optimizing allocation of resources through risk prioritization.

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

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

In connecting the ERM landscape to compliance, compliance risks encompass possible violations of laws, regulations, contract terms, professional standards, and policies, due to acts or failures to act of employees which are attributed to the university. Consequences of noncompliance can include financial, reputational, legal, damage or harm, loss of competitive advantage, and lost opportunity.

Areas of current priority compliance risks based on the ERM and compliance landscape (not ranked):

- Accounting & Tax
- Athletics
- Campus Safety
- Conflicts of Interest/Conflicts of Commitment
- Contracts & Procurement
- Enrollment Management (Admissions, Financial Aid, Registrar)
- Environmental, Health, & Occupational Safety
- Equity & Accessibility
- Human Resources (Employment, Benefits)
- IT Security
- Privacy
- Research

## OARC Institutional Compliance Program Planning

Institutional compliance describes a programmatic approach to an organization's activities that help ensure significant compliance risks are identified, addressed, and managed effectively. The compliance work plan for fiscal year 2024-25 correlates programmatic activities with the elements of an effective compliance program. In planning programmatic activities by element, the areas of priority for the ICP are visible as well as flexible should additions or adjustments be necessary.

## 8 ELEMENTS OF AN EFFECTIVE COMPLIANCE PROGRAM



Department of Justice Federal Sentencing Guidelines for Organizations (1992; amendments in 2004 and 2010)

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	DOJ GUIDANCE	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<b>High-level personnel exercising oversight</b> <ul style="list-style-type: none"> <li>Board oversight</li> <li>Executive support</li> <li>Dedicated compliance officer</li> </ul>	<i>The organization's governing authority shall be knowledgeable, and high-level personnel shall be responsible, for the compliance and ethics program.</i>	Propose annual institutional compliance program work plan to Vice President and Chief Risk Officer and Compliance, Audit, and Risk Committee of the Board of Visitors
		Coordinate with Vice President and Chief Risk Officer on joint risk and compliance status meetings on a regular basis with designated executive leaders
		Coordinate regular meetings and content for high priority compliance owners and distributed compliance owners
		Present annual report of the ICP to Compliance, Audit, and Risk Committee of the Board of Visitors

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	DOJ GUIDANCE	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<b>Written policies and procedures</b> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Standards of Conduct</li> <li>• Awareness and availability</li> </ul>	<i>The organization shall establish standards and procedures to prevent and detect criminal conduct.</i>	Actively participate on the Policy Advisory Committee to support the consideration of ethics and compliance perspectives in the discussion and to allow for proactive support of policy operationalization
		Support compliance partners and activities in priority areas such as laboratory animal research, environmental, health & safety, research security, and Title IX; lead evaluation of university-wide approach to personal data privacy and development of privacy program focused on protecting personal information and the rights of individuals
<b>Training and education</b> <ul style="list-style-type: none"> <li>• Communicate standards and expectations</li> <li>• Training</li> <li>• Education resources</li> </ul>	<i>The organization shall take reasonable steps to conduct effective training programs and disseminate information.</i>	Review and expand ethics and compliance content on OARC website
		Develop and deliver ethics and compliance education through various means and mediums centered around Virginia Tech values
		Design Ethics and Compliance Week (November 2024) campaign components
<b>Lines of communication</b> <ul style="list-style-type: none"> <li>• Accessible</li> <li>• Anonymous reporting</li> <li>• Engagement and dialogue</li> </ul>	<i>The organization shall take reasonable steps to ensure compliance and ethics program is followed, evaluate the effectiveness, allow for reporting anonymously or confidentially.</i>	Continue to raise awareness of Hokie Hotline as a resource for reporting fraud, waste, abuse, or compliance concerns
		Promote availability of OARC for discussion of ethics, integrity, and compliance related questions and concerns

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	DOJ GUIDANCE	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<b>Well publicized disciplinary guidelines</b> <ul style="list-style-type: none"> <li>Operational accountability</li> <li>Consistency in consequences</li> <li>Motivate compliance</li> </ul>	<i>The organization's compliance and ethics program shall be promoted and enforced consistently through appropriate incentives and disciplinary measures.</i>	Promote accountability and consistent discipline
		Identify and share examples of ethical outcomes/behaviors
<b>Internal compliance monitoring</b> <ul style="list-style-type: none"> <li>Review risk areas</li> <li>Monitor processes and remedies</li> <li>Follow up on identified weaknesses</li> </ul>	<i>The organization shall use reasonable efforts to exercise due diligence.</i>	Engage in regular discussions with high priority compliance risk partners, including to review and evaluate priority elements for effective compliance in the distributed compliance area
		Provide consultation and support to compliance partners in areas with significant legislative or regulatory changes impacting compliance activities
		Support policy compliance review activities including consultation and support for policy compliance review findings and corrective actions
<b>Response to detected offenses</b> <ul style="list-style-type: none"> <li>Timely investigations</li> <li>Timely response to regulators</li> <li>Appropriate remediation steps</li> </ul>	<i>The organization shall take reasonable steps to respond appropriately to criminal conduct and to prevent similar conduct.</i>	Serve as a resource for operational areas subject to regulatory inspections including with respect to findings and responses
		Engage and consult on best practices for interfacing with regulators

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	DOJ GUIDANCE	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<b>Perform periodic compliance risk assessments</b> <ul style="list-style-type: none"> <li>Continuous improvement</li> </ul>	<i>The organization shall periodically assess the risk of criminal conduct and take appropriate steps to design, implement, or modify requirements to reduce risk.</i>	Conduct annual leadership compliance survey and evaluate responses against 2023 baseline
		Review results of 2024 Climate Survey conducted by Human Resources for data that intersects with compliance and integrity culture elements for insights and information including baseline and progression
		Engage with high priority compliance area partners to pilot self assessment tool documenting compliance program effectiveness

### Special Projects

Serve as a resource available to support compliance partners and campus leaders to consult and partner on specific projects, training, and/or evaluations.

## INSTITUTIONAL COMPLIANCE PROGRAM RESOURCES

At Virginia Tech, the foundational elements of an effective compliance program are in place and the current efforts are focused on highlighting and advancing a culture of ethics and compliance, strengthening and documenting actions tied to the seven elements in high priority compliance risk areas, and working toward programmatic efficiency.

Currently staffed with one position, the Chief Compliance Officer, the fiscal year 2024-25 institutional compliance program work plan is tailored to the resources available. Outside expertise has been engaged for evaluation of the university personal data privacy review and program development which will also inform a future approach to the university's privacy compliance obligations. Should additional areas of responsibility be assigned to the Compliance function, additional resources and/or expertise may be needed to properly carry out such responsibilities.



# Proposed Institutional Compliance Program Plan

**FISCAL YEAR 2024-25**

# INSTITUTIONAL COMPLIANCE

A programmatic approach to an organization's activities that help ensure significant compliance risks are identified, addressed, and managed effectively.



PREVENT

DETECT

CORRECT

# RISK ASSESSMENT

Areas of current priority compliance risks based on the ERM and compliance landscape (not ranked):

- Accounting & Tax
- Athletics
- Campus Safety
- Conflicts of Interest/Conflicts of Commitment
- Contracts & Procurement
- Enrollment Management (Admissions, Financial Aid, Registrar)
- Environmental, Health, & Occupational Safety
- Equity & Accessibility
- Human Resources (Employment, Benefits)
- IT Security
- Privacy
- Research



# 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 & auditing

Response to detected  
offenses

Perform periodic  
compliance risk  
assessments

Department of Justice Federal Sentencing Guidelines for Organizations (1992; amendments in 2004 and 2010)

PREVENT	DETECT	CORRECT
Written Policies and Procedures	High-level Personnel Exercising Oversight	Response to Detected Offenses
Training and Education	Internal Compliance Monitoring & Auditing	Perform Periodic Compliance Risk Assessments
Lines of Communication		
Well Publicized Disciplinary Guidelines		

# FY 2024-25 INSTITUTIONAL COMPLIANCE PROGRAM PLAN



## PREVENT

- Evaluate and advance university-wide personal data privacy program



## DETECT

- Partner on policy compliance reviews and support outcomes



## CORRECT

- Develop and pilot a practical framework for compliance partners to track activities designed to Prevent, Detect, and Correct

Questions?



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