

## Committee Minutes

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 5, 2023

#### Closed Session

**Board Members Present:** Sharon Brickhouse Martin (Chair), David Calhoun, Jeff Veatch, Tish Long (Rector), Ed Baine (Vice Rector)

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

1. **Motion to Begin Closed Session:** Motion to begin closed session.
2. **Research Security Assessment:** The Office of Audit, Risk, and Compliance (OARC) outsourced the scheduled internal audit of Research: Foreign Influence to IPTalons, who conducted a Research Security Assessment under attorney-client privilege. Where applicable, management will develop action plans to effectively address the issues in the report with a reasonable implementation timeframe. OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
3. **Discussion on Legal Compliance Risk:** The Committee discussed legal and compliance risks related to an investigation.
4. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
5. **Discussion on External Audit Coordination:** The Committee discussed the university's revised approach to ensure external audits are completed timely.
6. **READ AHEAD – Summary of IT Risk Assessment Survey Results:** The Committee received a summary of the recently submitted IT risk assessment survey results on the university's alignment with the Center for Internet Security (CIS) Implementation Group 2 (IG2) for Systems Processing Sensitive Data, which increases the number of controls required of systems processing or storing moderate- and high-risk data.

7. **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.
8. **Motion to End Closed Session:** Motion to end closed session.

### **Open Session**

**Board Members Present:** Sharon Brickhouse Martin (Chair), David Calhoun, Jeff Veatch, Tish Long (Rector), Ed Baine (Vice Rector), Holly Drewry (A/P Faculty Rep), Serena Young (Staff Rep), Jamal Ross (Undergrad Student Rep)

**Virginia Tech Personnel:** Don Chen, Cyril Clarke, Al Cooper, Corey Earles, Ron Fricker, Guru Ghosh, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Chris Kiwus, Sharon Kurek, Rachel Maizel, Elizabeth McClanahan, Scott Midkiff, Ken Miller, Justin Noble, Katie Polidoro, Zo Qazi, Carling Repass, Timothy Sands, Amy Sebring, Brennan Shepard, Oliver Shuey, Will Storey, Don Taylor, Emily Tirrell, Tracy Vosburgh, Melinda West

**Guests:** Jim Quesenberry, Megan Richard, Jonathan South

1. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.
2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
  - a. **Minutes from the March 19, 2023 Meeting:** The Committee reviewed and approved the minutes of the March 19, 2023 meeting.
  - b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of December 31, 2022, the university had 18 open recommendations. Eight audit comments were issued during the third quarter of the fiscal year. As of March 31, 2023, the university had addressed eight comments, leaving 18 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 60 percent of its audit plan, and 100 percent is underway, in accordance with the fiscal year 2022-23 annual audit plan.
- d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the March 19, 2023 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
  - i. **Controller's Office: General Accounting:** The audit received an effective rating.
  - ii. **Endowed Chairs Fund Utilization:** The audit received an effective rating.
  - iii. **Senior Vice President for Advancement Policy Compliance Review:** The audit received a rating of improvements are recommended. Observations were noted regarding purchasing card procedures and fixed asset management.
  - iv. **Vice President and Executive Director of the Innovation Campus Policy Compliance Review:** The audit received a rating of improvements are recommended. Observations were noted regarding wage payroll and emergency preparedness.
- e. **Review and Approval of Charters:** The Office of Audit, Risk, and Compliance (OARC) submitted the Compliance, Audit, and Risk Committee Charter and the Charter for the Office of Audit, Risk, and Compliance for review and approval in accordance with professional standards. After conducting a review, OARC recommended modifications to the charters to update titles and reporting lines.
- f. **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 2022. 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, 2022 is in compliance with the National Collegiate

Athletic Association (NCAA) bylaws. Certain adjustments to the Schedule were necessary to conform to NCAA reporting guidance. Delays in receiving the Schedule and associated supporting documentation, as well as subsequent questions regarding specific items presented in the Schedule, prevented completion by the required deadline. In addition, Intercollegiate Athletics Department management continued to make adjustments and/or reclassifications after the January 15<sup>th</sup> deadline, some of which could not be corrected in the NCAA financial reporting system. The review did not constitute an audit and therefore no opinion was issued.

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 2022-23 financial statements and the APA's plans for conducting and completing the audit.
4. **Report on Audits of University-Related Corporations:** The Committee received an update on required 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 are in full compliance with the Board of Visitors' requirements regarding audits, except for VTIC whose audit is in the process of being completed and the VTIREF who has not rotated the external audit firm or audit team as required by the affiliation agreement.
5. **Internal Audit Reports:** The following internal audit report was issued by OARC since the March 19, 2023 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
  - a. **Athletics Policy Compliance Review:** The audit received a rating of significant improvements are needed. Observations were noted regarding wage payroll,

leave reporting, expenditures, fixed asset management, and state vehicle management. The committee requested that OARC review the planned review cycle and follow up activity in light of the continuing issues.

6. **Audit Plan for Fiscal Year 2023-24:** OARC presented the Audit Plan for Fiscal Year 2023-24 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 2023-24 and a core audit plan was developed in coordination with the university's ERM initiative. For fiscal year 2023-24, 29 audit projects and four 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.
7. **Compliance Plan for Fiscal Year 2023-24:** OARC presented the Compliance Plan for Fiscal Year 2023-24 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 2023-24 focuses on priority compliance risk areas in support of Virginia Tech's pursuit of its strategic goals. For fiscal year 2023-24, the themes of ethics and integrity will be integrated in activities and tasks building on the foundations laid in each of the seven elements of an effective compliance program. In addition, the plan includes compliance risk assessments in priority compliance risk areas.
8. **Enterprise Risk Management Update:** The Committee reviewed an update of the Enterprise Risk Management (ERM) program, including the revised enterprise risk landscape focused on the top ten risks. The revised enterprise risk landscape elevated "Geo- and Socio-Political Environment" to the top ten risks and removed "Global and National Economy", while "Research Security" was added to the landscape. The Committee commended the university for its continuous ERM process and asked OARC to consider how best to integrate the Committee's perspective and input on enterprise risks in a future meeting.
9. **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 5, 2023**

**8:30 am**

<u><b>Agenda Item</b></u>	<u><b>Reporting Responsibility</b></u>
1. Motion to Begin Closed Session	Jeff Veatch
# 2. Research Security Assessment	Justin Noble Kay Heidbreder
# 3. Discussion on Legal Compliance Risk	Suzanne Griffin Kay Heidbreder
4. Update on Fraud, Waste, and Abuse Cases	Sharon Kurek Ryan Hamilton
5. Discussion on External Audit Coordination	Sharon Kurek Amy Sebring
# 6. READ AHEAD: Summary of IT Risk Assessment Survey Results	N/A – For Informational Purposes
7. Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer	Sharon Kurek
8. Motion to End Closed Session	David Calhoun
# Discusses Enterprise Risk Management topic(s).	

## Open Session Agenda

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 5, 2023

9:45 am

<b><u>Agenda Item</u></b>	<b><u>Reporting Responsibility</u></b>
1. Welcome and Introductory Remarks	Sharon Brickhouse Martin
2. Consent Agenda	Sharon Brickhouse Martin
a. Minutes from the March 19, 2023 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Controller's Office: General Accounting	
ii. Endowed Chair Funds Utilization	
iii. Senior Vice President for Advancement Policy Compliance Review	
iv. Vice President and Executive Director of the Innovation Campus Policy Compliance Review	
e. Review and Approval of Charters	
i. Compliance, Audit, and Risk Committee Charter	
ii. Office of Audit, Risk, and Compliance Charter	
f. Auditor of Public Accounts Intercollegiate Athletics Program Report	
3. Annual External Audit Scope Discussion with the Auditor of Public Accounts	Jonathan South
4. Report on Audits of University-Related Corporations	Melinda West Ken Miller
5. Internal Audit Reports	Justin Noble
a. Athletics Policy Compliance Review	

<b><u>Agenda Item</u></b>	<b><u>Reporting Responsibility</u></b>
6. Audit Plan for Fiscal Year 2023-24	Justin Noble
7. Compliance Plan for Fiscal Year 2023-24	Suzanne Griffin
# 8. Enterprise Risk Management Update	Sharon Kurek
9. Discussion of Future Topics	Sharon Brickhouse Martin

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



**Consent Agenda**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**  
**June 5, 2023**

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

- a. Minutes from the March 19, 2023 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
  - i. Controller's Office – General Accounting
  - ii. Endowed Chairs Utilization
  - iii. Senior Vice President for Advancement Policy Compliance Review
  - iv. Vice President and Executive Director for the Innovation Campus Policy Compliance Review
- e. Review and Approval of Charters
  - i. Compliance, Audit, and Risk Committee Charter
  - ii. Office of Audit, Risk, and Compliance Charter
- f. Auditor of Public Accounts Intercollegiate Athletics Program Report

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 March 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 83 percent on-schedule rate for fiscal year 2023 reflects closing 19 of 23 recommendations by the original target date.

The report presented at the March 19, 2023 meeting covered audit reports reviewed and accepted through December 31, 2022 and included 18 open medium and high priority recommendations. Activity for the quarter ending March 31, 2023 resulted in the following:

Open recommendations as of December 31, 2022	18
Add: medium and high priority recommendations accepted March 19, 2023	8
Subtract: recommendations addressed since December 31, 2022	8
Remaining open recommendations as of March 31, 2023	<u>18</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. One additional recommendation was addressed since March 31, 2023. All remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work conjointly with all units and provides assistance as needed to help with timely completion of action plans.

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
Mar 18, 2022	Mechanical Engineering	22-1586	3	1	-	2	-	-	2
May 20, 2022	Foreign Gifts and Contracts Reporting	22-1588	5	-	-	-	4	1	5
Oct 28, 2022	Office of Research and Innovation	23-1652	1	-	-	-	-	1	1
Oct 31, 2022	Virginia Tech Police Department	22-1587	3	1	-	-	2	-	2
Feb 08, 2023	Civil and Environmental Engineering	23-1626	1	-	-	-	-	1	1
Feb 28, 2023	IT: Advanced Research Computing	23-1638	1	-	-	-	-	1	1
Feb 28, 2023	Virginia Cooperative Extension Southwest District	23-1648	2	-	-	-	-	2	2
Feb 28, 2023	College of Engineering	23-1651	1	-	-	-	-	1	1
Mar 03, 2023	IT: Cybersecurity Incident Response	23-1639	2	-	-	-	-	2	2
Mar 03, 2023	Licensing and Trademarks	23-1641	1	-	-	-	-	1	1
<b>Totals:</b>			<b>20</b>	<b>2</b>	<b>-</b>	<b>2</b>	<b>6</b>	<b>10</b>	<b>18</b>

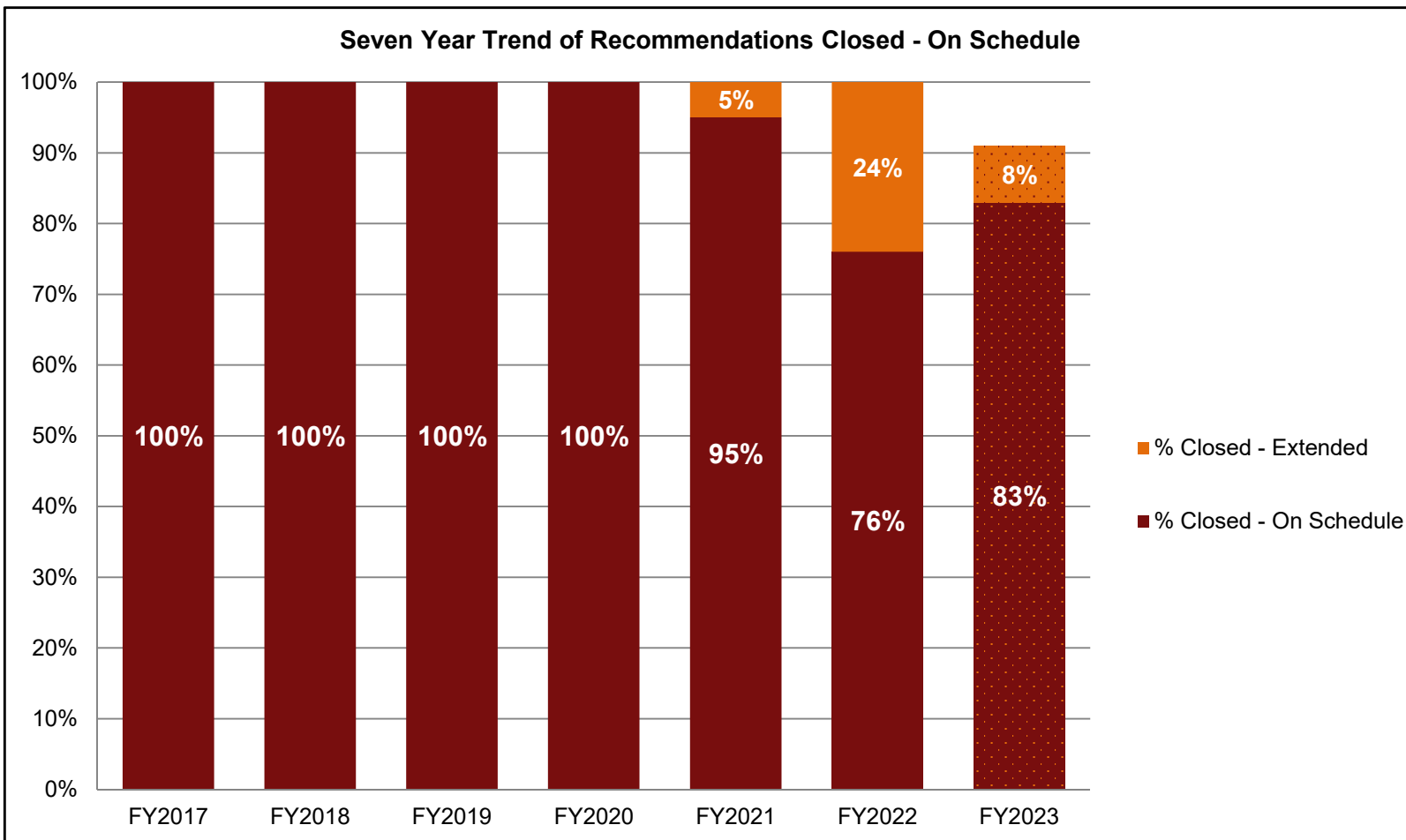
Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised / Current		
Mar 18, 2022	1	22-1586	Mechanical Engineering	Administrative Privileges	Medium		Feb 01, 2023	Oct 02, 2023	1	
Mar 18, 2022	2	22-1586	Mechanical Engineering	Patch Management	Medium		Feb 01, 2023	Oct 02, 2023	1	
Oct 31, 2022	3	22-1587	Virginia Tech Police Department	VTRS Training	High		May 01, 2023		2	
Feb 28, 2023	4	23-1648	Virginia Cooperative Extension Southwest District	Background Screenings	Medium		May 15, 2023		2	
Feb 28, 2023	5	23-1648	Virginia Cooperative Extension Southwest District	Fixed Assets Management	Medium		May 15, 2023		2	
Oct 28, 2022	6	23-1652	Office of Research and Innovation	Information Technology	Medium		Jun 30, 2023		2	
Feb 08, 2023	7	23-1626	Civil and Environmental Engineering	Laboratory Safety	Medium		Jun 30, 2023		2	
Mar 03, 2023	8	23-1639	IT: Cybersecurity Incident Response	Addressing Lessons Learned	Medium		Jun 30, 2023		2	
Mar 03, 2023	9	23-1639	IT: Cybersecurity Incident Response	Enhance Incident Response Guidelines	Medium		Jun 30, 2023		2	
May 20, 2022	10	22-1588	Foreign Gifts and Contracts Reporting	Completeness of Reporting	High		Jul 01, 2023		3	
May 20, 2022	11	22-1588	Foreign Gifts and Contracts Reporting	Determination of Source	High		Jul 01, 2023		3	
May 20, 2022	12	22-1588	Foreign Gifts and Contracts Reporting	Foreign Contract Reporting	High		Jul 01, 2023		3	
May 20, 2022	13	22-1588	Foreign Gifts and Contracts Reporting	Formal Policy and Procedures	High		Jul 01, 2023		3	

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised / Current		
May 20, 2022	14	22-1588	Foreign Gifts and Contracts Reporting	System of Record	Medium		Jul 01, 2023		3	
Oct 31, 2022	15	22-1587	Virginia Tech Police Department	Automated External Defibrillators	High		Sep 01, 2023		3	
Feb 28, 2023	16	23-1638	IT: Advanced Research Computing	Cluster Security and Management	Medium		Mar 01, 2024		3	
Mar 03, 2023	17	23-1641	Licensing and Trademarks	Monitoring Royalty Payments	Medium		Apr 01, 2024		3	
Feb 28, 2023	18	23-1651	College of Engineering	Information Technology	Medium		Jun 30, 2024		3	

Follow Up Status

- 1 Management confirmed during follow up discussions with OARC that the original target date will not be met, and an extension has been granted. OARC will conduct testing after the revised due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.
- 2 Management confirmed during follow up discussions with OARC that actions are occurring and the target date has been or will be met. OARC will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.
- 3 Target date is beyond current calendar quarter. Management has follow-up discussions with the auditor to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

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



**Audit Plan Status Report**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**June 5, 2023**

**Audit Plan Update**

Audits were performed in accordance with the fiscal year 2022-23 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the March board meeting nine planned projects have been completed, including three risk-based audits, three policy compliance reviews, and three advisory engagements. The three advisory engagements were related to the Faculty Research Incentive Program, the School of Public and International Affairs, the financial controls for the Steger Center. A new advisory services project regarding Course Modality was added to the audit plan at the Provost's request.

Fourteen projects are currently underway, including:

- Eleven risk-based projects: College of Natural Resources and the Environment, Data Analytics: Administrative Operations, Data Analytics: Electronic Systems Approvals, Data Analytics: Possible Fraudulent Transactions, Data Analytics: Leave and Time Reporting, Gramm-Leach-Bliley Act Compliance, Housing, Human Resources: Employee Administration; SBIR/STTR Grant Compliance, University Scholarships and Financial Aid, and VT Electric Service.
- Three advisory service projects: Athletics Media Rights, Course Modality, Effort Reporting System.

Further, five planned engagements have been deferred since the March board meeting. Athletics Data Privacy was deferred based on the university's IT Transformation initiatives. Capital Campaign Processes and Reporting was deferred based on available staff time. Environmental Health and Safety was deferred as we complete a procurement process to solicit outside expertise for this review. HERD Data Processes was deferred with a broadened scope in the next audit plan. Remote Working Compliance was deferred as our engagement with the leadership has been delayed.

In fiscal year 2022-23, OARC has completed 60 percent of its audit plan as depicted below.

**FY 2022-23 Completion of Audit Plan**

<b>Audits</b>	
Total # of <b>Audits</b> Planned	38
Total # of Supplemental <b>Audits</b>	3
Total # of Carry Forwards	4
Total # of Planned <b>Audits</b> Canceled or Deferred	10
Total <b>Audits</b> in Plan as Amended	35
Total <b>Audits</b> Completed	21
<b>Audits</b> - Percentage Complete	60%
<b>Audits</b> - Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	



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

**June 5, 2023**

**Background**

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

<b>Consent Agenda Reports</b>	<b>Rating</b>
Controller's Office: General Accounting	Effective
Endowed Chairs Fund Utilization	Effective
SVP for Advancement Policy Compliance Review	Improvements are Recommended
VP and Executive Director of the Innovation Campus Policy Compliance Review	Improvements are Recommended
<b>Report for Discussion</b>	<b>Rating</b>
Athletics Policy Compliance Review	Significant Improvements are Needed

**Summary of Audit Ratings**

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

Definitions of each assessment option

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

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

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

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

**RECOMMENDATION:**

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

June 5, 2023

**Review and Approval of Charters**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**June 5, 2023**

The Office of Audit, Risk, and Compliance (OARC) presents the Compliance, Audit, and Risk Committee Charter and the Charter for the Office of Audit, Risk, and Compliance for review and approval in accordance with professional standards. After conducting a review, OARC recommends modifications to the charters to update titles and reporting lines.

**RECOMMENDATION:**

That the Compliance, Audit, and Risk Committee Charter and the Charter for the Office of Audit, Risk, and Compliance be approved by the Compliance, Audit, and Risk Committee.

**VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY  
COMPLIANCE, AUDIT, AND RISK COMMITTEE OF THE BOARD OF VISITORS**

**COMPLIANCE, AUDIT, AND RISK CHARTER**

**I. PURPOSE**

The primary purpose of the Compliance, Audit, and Risk (CAR) Committee is to assist the Board of Visitors in fulfilling its fiduciary responsibilities related to oversight of:

- The university’s enterprise risk management program, as an essential part of a strong control environment, to ensure that risk appetite aligns with management’s decisions and strategy;
- Adherence to this charter, including reviewing audits conducted by the Office of Audit, Risk, and Compliance and external bodies and providing guidance on auditing concerns to the full Board;
- The institutional compliance processes that monitor compliance with all federal, state, and local laws and executive orders and policies promulgated by academic and athletic accrediting bodies, regulatory agencies, funding agencies, and the State Council of Higher Education for Virginia;
- The maintenance of effective systems of internal control, including the integrity of the university’s financial accounting and reporting practices; and
- The performance of the university’s internal and independent audit functions.

The function of the Committee is oversight. University management is responsible for (i) preparation, presentation, and integrity of the university’s financial statements, (ii) maintenance and implementation of effective policies, procedures, and controls designed to assure compliance with generally accepted accounting principles and applicable laws and regulations; and (iii) identification, assessment, monitoring, and management of significant enterprise-level risks to the university. The Office of Audit, Risk, and Compliance examines and evaluates the adequacy and effectiveness of the university’s internal control systems. The university’s external auditor, the state Auditor of Public Accounts, is responsible for planning and conducting the financial statement examination in accordance with generally accepted government auditing standards.

This document is intended to identify and document the Committee’s oversight responsibilities in order that such sound practices will continue despite the turnover of Committee members. It also outlines the regularly scheduled review activities that will ensure that the university continues to have an independent and objective internal audit function and obtains the greatest possible benefit from its external audits.

**II. MEETINGS**

By statute, the Board of Visitors must meet once a year, but traditionally holds four meetings a year, which typically includes the CAR Committee. Additional meetings may occur more frequently as circumstances warrant. The Committee Chair should discuss the agenda with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer prior

to each Committee meeting to finalize the meeting agenda and review the items to be discussed.

### **III. RESPONSIBILITIES**

In performing its oversight responsibilities, the CAR Committee shall:

#### **A. General**

1. Adopt a formal written charter that specifies the Committee's responsibilities and practices. The charter should be reviewed annually and updated as necessary.
2. Approve the charter for the Office of Audit, Risk, and Compliance. The charter should be reviewed annually and updated as necessary.
3. Maintain minutes of meetings in accordance with standard board practices.
4. Authorize audits within the Committee's scope of responsibilities.
5. Report Committee actions to the Board of Visitors with such recommendations as the Committee may deem appropriate.
6. Meet in closed session, consistent with state law, (without members of senior management present, when appropriate) with the internal or external auditors to discuss matters that the Committee believe should be discussed privately. The Vice President for Audit, Risk, and Compliance and Chief Risk Officer shall have a regularly scheduled opportunity to meet privately with the Committee at each of its committee meetings.

#### **B. Enterprise Risk Management and Internal Control**

1. Review the university's enterprise risk management (ERM) efforts including the program structure and the processes for assessing significant risk exposures and the steps management has taken to monitor and control such exposures, as well as the university's risk assessment and risk management policies.
2. Consider the effectiveness of the university's internal control systems, including those over information technology and financial reporting.
3. Understand the scope of internal and external audit reviews of internal control, and obtain reports on significant potential issues and recommendations, together with management's responses.
4. Review management's written responses to significant potential issues and recommendations of the auditors, including the timetable to correct the identified weaknesses in the internal control system.
5. Advise management that they are expected to provide a timely analysis of significant reporting issues and practices.

#### **C. External Auditors**

1. Make inquiries of management and the independent auditors regarding the scope of the external audit for the current year.
2. As necessary, discuss with the external auditors their processes for identifying and responding to key audit and internal control risks.
3. Review the coordination of internal and external audit procedures to promote an effective use of resources and ensure complete and efficient coverage of the university's risks.

4. Meet with external auditors at the completion of the financial statements audit to receive and discuss the audit report(s), and determine whether external auditors are satisfied with the disclosure and content of the financial statements, including the nature and extent of any significant changes in accounting principles.
5. Review the results and organizational response stemming from significant reviews by regulatory agencies or other external entities (non-financial statement audits).

**D. Internal Auditors**

1. Review and approve the annual audit plan and any significant changes to the plan.
2. Review the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity and reporting relationships.
3. Review completed audit reports and progress reports on executing the approved annual audit plan.
4. Review the results of the Office of Audit, Risk, and Compliance's Quality Assurance and Improvement Program (QAIP), including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the university.
5. Inquire of the Chief Audit Executive regarding any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information.
6. Confer with management in the appointment, reassignment, or dismissal of the Vice President for Audit, Risk, and Compliance and Chief Risk Officer and the Chief Audit Executive.

**E. Institutional Compliance, Ethics, and Business Conduct**

1. Support leadership by promoting and supporting a university-wide culture of ethical and lawful conduct.
2. Require management to periodically report on procedures that provide assurance that the university's mission, values, and codes of conduct are properly communicated to all employees.
3. Review the programs and policies of the university designed by management to assure compliance with applicable laws and regulations and monitor the results of the compliance efforts.
4. Monitor the university's conflict of interest policies and related procedures.



## Charter for the Office of Audit, Risk, and Compliance

### No. 3350

**Policy Effective Date:**  
2/9/1989

**Last Revision Date:**  
6/5/2023

**Policy Owner:**  
President Sands

**Policy Author:**  
(Contact Person)  
Sharon Kurek

- 1.0 Purpose**
- 2.0 Policy**
- 3.0 Procedures**
- 4.0 Definitions**
- 5.0 References**
- 6.0 Approval and Revisions**

### 1.0 Purpose

This policy outlines the policies and procedures covering the Office of Audit, Risk, and Compliance (OARC) at Virginia Polytechnic Institute and State University and serves as a charter for the department.

### 2.0 Policy

It is the policy of the Compliance, Audit, and Risk (CAR) Committee of the Board of Visitors and the management of Virginia Polytechnic Institute and State University to support the maintenance of audit, risk, and compliance functions to assist in the effective discharge of their fiduciary responsibilities in assessing the effectiveness of the internal control environment.

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

1. *Audit*: Provide independent, objective assurance and advisory activities designed to add value and improve university operations.
2. *Risk Management*: Provide oversight of the enterprise risk management (ERM) program by identifying, assessing, and managing risk by working with risk owners within the ERM process.
3. *Compliance*: Provide oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.

### 2.1 Scope of the Office of Audit, Risk, and Compliance

The scope of OARC's work is to determine whether Virginia Tech's network of risk management, internal controls, compliance activities, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Programs, plans, and strategic objectives are achieved.
- Risks are appropriately identified, managed, and considered in institutional decision making.
- Processes for the collection and administration of significant financial, managerial, and operating information provide management with accurate, reliable, and timely data.



- Compliance with policies, procedures, standards, laws, regulations, contracts, or other requirements.
- Significant legislative or regulatory changes impacting the compliance activities are recognized and addressed properly.
- Resources are acquired, managed, and protected in an economical, efficient, and effective manner.
- Integrity, quality, and continuous improvement are fostered in the university's culture and control processes.

## 2.2 Accountability

The Vice President for Audit, Risk, and Compliance and Chief Risk Officer shall be accountable to senior leadership and the CAR Committee of the Board of Visitors to:

- Supervise the leaders responsible for internal audit and compliance.
- Provide assessments on the adequacy and effectiveness of the university's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the university, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan, university compliance and risk management activities, and the sufficiency of department resources.
- Coordinate with, and provide oversight of, other compliance, control, and monitoring functions by working with subject matter experts and compliance risk owners.

## 2.3 Independence, Objectivity, and Professionalism

To provide for the objectivity of risk management and compliance efforts and the independence of the internal audit efforts to ensure the highest ethics and integrity standards:

- The Vice President for Audit, Risk, and Compliance and Chief Risk Officer reports to the President and the CAR Committee, and for day-to-day administrative oversight to the Executive Vice President and Chief Operating Officer.
- The Chief Audit Executive reports functionally to the CAR Committee and administratively to the Vice President for Audit, Risk, and Compliance and Chief Risk Officer.
- The Chief Compliance Officer reports to the Vice President for Audit, Risk, and Compliance and Chief Risk Officer and is accountable to the CAR Committee.

OARC personnel will exhibit the highest level of professional objectivity and integrity in gathering, evaluating, and communicating information about the activity or process being examined. OARC assessments will consider all relevant facts and circumstances, and OARC staff will not be influenced by their own personal interests or by others interests in forming judgments.

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





## 2.4 Authority

OARC is authorized to:

- Have unrestricted access consistent with applicable law to all university departments, information, records, reports, activities, property, manual and automated systems, and personnel that they deem necessary to carry out their responsibilities. OARC will exercise discretion in their review to assure the necessary confidentiality of matters that come to its attention.
- Have direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish OARC objectives.
- Obtain assistance for specialized services from within or outside the university in order to complete engagements.

As internal audit is an independent function, OARC staff assigned to internal audit responsibilities are not authorized to:

- Have direct operational responsibility or authority over any of the procedures, systems, or activities audited.
- Initiate or approve accounting transactions external to OARC.
- Direct the activities of any employee not employed by OARC, except to the extent such employees have been appropriately assigned to assist with OARC engagements or activities.

## 2.5 Responsibility

OARC has the responsibility to enhance and protect organizational value by:

### *General:*

- Evaluating and assessing existing significant functions and new or changing services, processes, operations, and control processes coincident with their development, implementation and/or expansion of the university.
- Conducting investigations of suspected fraudulent and non-compliant activities and appropriately notifying relevant university management, the CAR Committee, and the appropriate authorities.
- Communicating directly with the CAR Committee on any matters considered to warrant its attention as appropriate, including trends and emerging issues that could impact the university.
- Maintaining a professional staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.

### *Enterprise Risk Management:*

Enterprise Risk Management, under the direction of the Vice President for Audit, Risk, and Compliance and Chief Risk Officer, provides services including, but not limited to:

- Planning, facilitating, and overseeing the university's efforts regarding enterprise risk management (ERM) on behalf of senior management and the CAR Committee.
- Executing the periodic university risk assessment process and advising risk owners in their identification and implementation of responses to monitor and manage such risks.



## Virginia Polytechnic Institute and State University

- Ensuring risk management plans are maintained and university risk assessment results are reported to the President and the CAR Committee.

### ***Internal Audit:***

Internal Audit, under the direction of the Chief Audit Executive, provides services including, but not limited to:

- Coordinating audit activities to provide a central source of information for management and the CAR Committee regarding all audit activities and to provide comprehensive, cost-effective audit coverage for the university.
- Developing, submitting for approval, and executing a comprehensive risk-based annual audit plan.
- Issuing periodic reports recommending improvements in controls designed to increase efficiency, safeguard university resources, and ensure compliance with government laws and regulations.
- Performing advisory services, beyond its auditing services, to assist management in meeting its objectives.
- Appraising the adequacy of actions taken by management to correct significant reported internal control weaknesses and deficient conditions, and reporting this information to the CAR Committee and responsible senior manager as appropriate.
- Establishing and maintaining a Quality Assurance and Improvement Program to evaluate the operations of the department, including periodic internal self-assessments and external peer reviews at least once every five years by qualified persons who are independent of the university, the results of which will be presented to senior management and the CAR Committee.

### ***Institutional Compliance:***

Institutional Compliance, under the direction of the Chief Compliance Officer, provides 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.

## **2.6 Coordination with External Auditing Agencies**

To ensure appropriate coordination and completeness of the CAR Committee reporting responsibilities, senior managers should promptly notify OARC of any external audits or reviews. OARC will coordinate its audit efforts with those of the Auditor of Public Accounts or other external auditing agencies by participating in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary, and their combined efforts provide comprehensive, cost-effective audit coverage for the university. The Vice President for Audit, Risk, and Compliance and Chief Risk Officer will work with the appropriate members of management to determine the level of involvement of OARC, if any, in the performance of each external audit. Duplication of work will be avoided as much as possible.



## 3.0 Procedures

Principal guidance and direction on how OARC accomplishes its mission and responsibilities is provided to the staff through an office procedures manual. The manual promotes adherence to the professional standards.

## 4.0 Definitions

### **Abuse**

The excessive or improper use of a thing or policy, or employment of something in a manner contrary to the natural or legal rules for its use. Abuse includes the destruction, diversion, manipulation, misapplication, mistreatment, or misuse of university resources, as well as the extravagant or excessive use of one's position or authority. Abuse can occur in financial or nonfinancial settings.

### **Advisory Services**

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

### **Assurance**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

### **Charter**

The charter is a formal document that defines OARC's purpose, authority, and responsibility. The charter establishes the office's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

### **Code of Ethics**

The Code of Ethics of The Institute of Internal Auditors are principles relevant to the profession and practice of internal auditing, and rules of conduct that describe behavior expected of internal auditors. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

### **Compliance**

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

### **Conflict of Interest**

Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest could prejudice an individual's ability to perform his or her duties and responsibilities objectively.

### **Control**

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.



### **Control Environment**

The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control (e.g. integrity and ethical values; management's philosophy and operating style; organizational structure; and the assignment of authority and responsibility).

### **Control Processes**

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

### **Engagement**

A specific assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

### **Enterprise Risk Management**

A process applied in strategy-setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risk to be within the entity's risk tolerance, and support the achievement of entity objectives.

### **Fraud**

The intentional misrepresentation or concealment of information in order to deceive, mislead, or acquires something of value. Fraud is an intentional deception perpetrated to secure an unfair advantage or personal benefit.

### **Governance**

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. The governance process includes: promoting appropriate ethics and values within the organization; ensuring effective organizational performance management and accountability; communicating risk and control information to appropriate areas of the organization; and coordinating the activities of and communicating information among the board, external and internal auditors, and management.

### **Independence**

The freedom from conditions that threaten the ability of a function to carry out its responsibilities in an unbiased manner.

### **International Professional Practices Framework**

The conceptual framework that organizes the authoritative guidance promulgated by the Institute of Internal Auditors. Authoritative guidance is comprised of two categories including mandatory guidance (Core Principles, Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing) and strongly recommended guidance (implementation and supplemental guidance).

### **Objectivity**

An unbiased mental attitude that allows internal auditors to make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.



### **Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact, likelihood, and velocity.

### **Risk Management**

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

### **Scope**

A statement that specifies the focus, extent, and boundary of a particular engagement. The scope can be specified by defining the physical location, the organizational units that will be examined, the processes and activities that will be included, and/or the time period that will be covered.

### **Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

### **Waste**

The careless expenditure, consumption, mismanagement, use, or squandering of university resources. Waste also includes incurring unnecessary costs due to inefficient or ineffective practices, systems, or controls.

## **5.0 References**

Section 2.1-155.3 of the *Code of Virginia*, enacted in 1984.

*State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual*, Office of the State Inspector General, Commonwealth of Virginia, 2020 edition.

The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing, revised in 2016 and effective 2017.

## **6.0 Approval and Revisions**

- Revision 0  
Approved February 9, 1989, by the Director of Internal Audit, David C. Goodyear.
- Revision 1  
Annual review. Section 2.8 - changed so that reports "approved" by the Finance and Audit Committee of the Board of Visitors shall be available to the public.  
Approved March 29, 1990, by the Director of Internal Audit, David C. Goodyear.
- Revision 2  
Changes were made to eliminate minor discrepancies between the audit manual and the policy statement as presented to the Board of Visitors.



## Virginia Polytechnic Institute and State University

Approved November 3, 1995, by the Director of Internal Audit, David C. Goodyear.  
Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.

- Revision 3

Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.

Approved March 29, 2004 by the Executive Vice President and Chief Operating Officer, Minnis E. Ridenour.  
Approved March 29, 2004 by the Finance and Audit Committee of the Board of Visitors.

- Revision 4

Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors, in conjunction with the Internal Audit Department's quality assurance review.

Approved March 14, 2005 by the Executive Vice President and Chief Operating Officer, James A. Hyatt.  
Approved March 14, 2005 by the Finance and Audit Committee of the Board of Visitors.

- Revision 5 April 1, 2008:

Updates to position titles and/or responsibilities due to university reorganization.

- Revision 6

- Policy title changed from "Internal Audit Department" to "Internal Audit Charter."
- Section 2.2 revised to reflect change in Director of Internal Audit reporting relationship.
- Sections 2.5 and 2.7 revised to clarify the role of Internal Audit and the standards under which it conducts its activities.
- Section 2.9 revised to clarify the process for senior management areas submitting corrective action plans.

Approved November 7, 2011 by the university President, Charles W. Steger.  
Approved November 7, 2011 by the Finance and Audit Committee of the Board of Visitors.

- Revision 7

- Full technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies. The charter was also revised to incorporate the concept of objectivity, and to include applicable procedures and definitions.
- Policy title changed from "Internal Audit Charter" to "Charter for the University's Internal Audit Function."

Approved November 9, 2015 by the Finance and Audit Committee of the Board of Visitors and President, Timothy D. Sands.

- Revision 8

Revised to address the reorganization of the Board of Visitors' committee structure and additional responsibilities with regard to risk management and compliance. Additional revisions were made to reflect revised guidance from the Institute of Internal Auditors.

Approved November 5, 2017 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.



## Virginia Polytechnic Institute and State University

- **Revision 9**  
Revisions from technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies.  
Approved November 18, 2019 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 10**  
Revisions from technical review correcting grammatical, punctuation, and minor format inconsistencies. Additionally, section 2.9 was revised to clarify expectations on OARC's responsibility for coordinating external audits and reviews.  
Approved November 15, 2020 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 11**  
Revised to delineate the roles and responsibilities for internal audit, enterprise risk management, and the institutional compliance program. Additional revisions were made to streamline for consistency. Approved November 14, 2022 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 12**  
Updates to position titles and reporting lines due to university reorganization.  
Approved June 5, 2023 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.



## Charter for the Office of Audit, Risk, and Compliance

### No. 3350

**Policy Effective Date:**  
2/9/1989

**Last Revision Date:**  
~~11/6/145/2022~~2023

**Policy Owner:**  
President Sands

**Policy Author:**  
(Contact Person)  
Sharon Kurek

**1.0 Purpose**  
**2.0 Policy**  
**3.0 Procedures**  
**4.0 Definitions**  
**5.0 References**  
**6.0 Approval and Revisions**

### 1.0 Purpose

This policy outlines the policies and procedures covering the Office of Audit, Risk, and Compliance (OARC) at Virginia Polytechnic Institute and State University and serves as a charter for the department.

### 2.0 Policy

It is the policy of the Compliance, Audit, and Risk (CAR) Committee of the Board of Visitors and the management of Virginia Polytechnic Institute and State University to support the maintenance of audit, risk, and compliance functions to assist in the effective discharge of their fiduciary responsibilities in assessing the effectiveness of the internal control environment.

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

1. *Audit*: Provide independent, objective assurance and advisory activities designed to add value and improve university operations.
2. *Risk Management*: Provide oversight of the enterprise risk management (ERM) program by identifying, assessing, and managing risk by working with risk owners within the ERM process.
3. *Compliance*: Provide oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.

### 2.1 Scope of the Office of Audit, Risk, and Compliance

The scope of OARC's work is to determine whether Virginia Tech's network of risk management, internal controls, compliance activities, and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Programs, plans, and strategic objectives are achieved.
- Risks are appropriately identified, managed, and considered in institutional decision making.
- Processes for the collection and administration of significant financial, managerial, and operating information provide management with accurate, reliable, and timely data.





- Compliance with policies, procedures, standards, laws, regulations, contracts, or other requirements.
- Significant legislative or regulatory changes impacting the compliance activities are recognized and addressed properly.
- Resources are acquired, managed, and protected in an economical, efficient, and effective manner.
- Integrity, quality, and continuous improvement are fostered in the university's culture and control processes.

## 2.2 Accountability

The ~~Executive Director of~~ [Vice President for Audit, Risk, and Compliance](#) and [Chief Risk Officer](#) shall be accountable to senior leadership and the CAR Committee of the Board of Visitors to:

- Supervise the leaders responsible for internal audit and compliance.
- Provide assessments on the adequacy and effectiveness of the university's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the university, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan, university compliance and risk management activities, and the sufficiency of department resources.
- Coordinate with, and provide oversight of, other compliance, control, and monitoring functions by working with subject matter experts and compliance risk owners.

## 2.3 Independence, Objectivity, and Professionalism

To provide for the objectivity of risk management and compliance efforts and the independence of the internal audit efforts to ensure the highest ethics and integrity standards:

- The ~~Executive Director of~~ [Vice President for Audit, Risk, and Compliance](#) and [Chief Risk Officer](#) reports to the President and the CAR Committee, and for day-to-day administrative oversight to the Executive Vice President and Chief Operating Officer.
- The ~~Director of Internal~~ [Chief Audit Executive](#) reports functionally to the CAR Committee and administratively to the ~~Executive Director of~~ [Vice President for Audit, Risk, and Compliance](#) and [Chief Risk Officer](#).
- The ~~University~~ [Chief Compliance Officer](#) reports to the ~~Executive Director of~~ [Vice President for Audit, Risk, and Compliance](#) and [Chief Risk Officer](#) and is accountable to the CAR Committee.

OARC personnel will exhibit the highest level of professional objectivity and integrity in gathering, evaluating, and communicating information about the activity or process being examined. OARC assessments will consider all relevant facts and circumstances, and OARC staff will not be influenced by their own personal interests or by others interests in forming judgments.

The internal audit function conducts its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework including the Core Principles for the Professional Practice of Internal Auditing,



Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

## 2.4 Authority

OARC is authorized to:

- Have unrestricted access consistent with applicable law to all university departments, information, records, reports, activities, property, manual and automated systems, and personnel that they deem necessary to carry out their responsibilities. OARC will exercise discretion in their review to assure the necessary confidentiality of matters that come to its attention.
- Have direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish OARC objectives.
- Obtain assistance for specialized services from within or outside the university in order to complete engagements.

As internal audit is an independent function, OARC staff assigned to internal audit responsibilities are not authorized to:

- Have direct operational responsibility or authority over any of the procedures, systems, or activities audited.
- Initiate or approve accounting transactions external to OARC.
- Direct the activities of any employee not employed by OARC, except to the extent such employees have been appropriately assigned to assist with OARC engagements or activities.

## 2.5 Responsibility

OARC has the responsibility to enhance and protect organizational value by:

### *General:*

- Evaluating and assessing existing significant functions and new or changing services, processes, operations, and control processes coincident with their development, implementation and/or expansion of the university.
- Conducting investigations of suspected fraudulent and non-compliant activities and appropriately notifying relevant university management, the CAR Committee, and the appropriate authorities.
- Communicating directly with the CAR Committee on any matters considered to warrant its attention as appropriate, including trends and emerging issues that could impact the university.
- Maintaining a professional staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.

### *Enterprise Risk Management:*

Enterprise Risk Management, under the direction of the ~~Executive Director of~~ [Vice President for Audit, Risk, and Compliance and Chief Risk Officer](#), provides services including, but not limited to:



## Virginia Polytechnic Institute and State University

- Planning, facilitating, and overseeing the university's efforts regarding enterprise risk management (ERM) on behalf of senior management and the CAR Committee.
- Executing the periodic university risk assessment process and advising risk owners in their identification and implementation of responses to monitor and manage such risks.
- Ensuring risk management plans are maintained and university risk assessment results are reported to the President and the CAR Committee.

### ***Internal Audit:***

Internal Audit, under the direction of the ~~Director of Internal~~[Chief Audit Executive](#), provides services including, but not limited to:

- Coordinating audit activities to provide a central source of information for management and the CAR Committee regarding all audit activities and to provide comprehensive, cost-effective audit coverage for the university.
- Developing, submitting for approval, and executing a comprehensive risk-based annual audit plan.
- Issuing periodic reports recommending improvements in controls designed to increase efficiency, safeguard university resources, and ensure compliance with government laws and regulations.
- Performing advisory services, beyond its auditing services, to assist management in meeting its objectives.
- Appraising the adequacy of actions taken by management to correct significant reported internal control weaknesses and deficient conditions, and reporting this information to the CAR Committee and responsible senior manager as appropriate.
- Establishing and maintaining a Quality Assurance and Improvement Program to evaluate the operations of the department, including periodic internal self-assessments and external peer reviews at least once every five years by qualified persons who are independent of the university, the results of which will be presented to senior management and the CAR Committee.

### ***Institutional Compliance:***

Institutional Compliance, under the direction of the ~~University~~[Chief Compliance Officer](#), provides 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.

## **2.6 Coordination with External Auditing Agencies**

To ensure appropriate coordination and completeness of the CAR Committee reporting responsibilities, senior managers should promptly notify OARC of any external audits or reviews. OARC will coordinate its audit efforts with those of the Auditor of Public Accounts or other external auditing agencies by participating in the planning and definition of the scope of proposed audits so the work of all auditing groups is complementary, and their combined efforts provide comprehensive, cost-effective audit coverage for the university. The ~~Executive Director of~~[Vice](#)



[President for Audit, Risk, and Compliance](#) and [Chief Risk Officer](#) will work with the appropriate members of management to determine the level of involvement of OARC, if any, in the performance of each external audit. Duplication of work will be avoided as much as possible.

## 3.0 Procedures

Principal guidance and direction on how OARC accomplishes its mission and responsibilities is provided to the staff through an office procedures manual. The manual promotes adherence to the professional standards.

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### **Abuse**

The excessive or improper use of a thing or policy, or employment of something in a manner contrary to the natural or legal rules for its use. Abuse includes the destruction, diversion, manipulation, misapplication, mistreatment, or misuse of university resources, as well as the extravagant or excessive use of one's position or authority. Abuse can occur in financial or nonfinancial settings.

### **Advisory Services**

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

### **Assurance**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

### **Charter**

The charter is a formal document that defines OARC's purpose, authority, and responsibility. The charter establishes the office's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

### **Code of Ethics**

The Code of Ethics of The Institute of Internal Auditors are principles relevant to the profession and practice of internal auditing, and rules of conduct that describe behavior expected of internal auditors. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.

### **Compliance**

Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

### **Conflict of Interest**

Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest could prejudice an individual's ability to perform his or her duties and responsibilities objectively.



### **Control**

Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

### **Control Environment**

The attitude and actions of the board and management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control (e.g. integrity and ethical values; management's philosophy and operating style; organizational structure; and the assignment of authority and responsibility).

### **Control Processes**

The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

### **Engagement**

A specific assignment, task, or review activity, such as an internal audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

### **Enterprise Risk Management**

A process applied in strategy-setting and across the enterprise that is designed to identify potential events that may affect the entity, manage risk to be within the entity's risk tolerance, and support the achievement of entity objectives.

### **Fraud**

The intentional misrepresentation or concealment of information in order to deceive, mislead, or acquire something of value. Fraud is an intentional deception perpetrated to secure an unfair advantage or personal benefit.

### **Governance**

The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. The governance process includes: promoting appropriate ethics and values within the organization; ensuring effective organizational performance management and accountability; communicating risk and control information to appropriate areas of the organization; and coordinating the activities of and communicating information among the board, external and internal auditors, and management.

### **Independence**

The freedom from conditions that threaten the ability of a function to carry out its responsibilities in an unbiased manner.

### **International Professional Practices Framework**

The conceptual framework that organizes the authoritative guidance promulgated by the Institute of Internal Auditors. Authoritative guidance is comprised of two categories including mandatory guidance (Core Principles, Definition of Internal Auditing, Code of Ethics, and International Standards for the Professional Practice of Internal Auditing) and strongly recommended guidance (implementation and supplemental guidance).



### **Objectivity**

An unbiased mental attitude that allows internal auditors to make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

### **Risk**

The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact, likelihood, and velocity.

### **Risk Management**

A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

### **Scope**

A statement that specifies the focus, extent, and boundary of a particular engagement. The scope can be specified by defining the physical location, the organizational units that will be examined, the processes and activities that will be included, and/or the time period that will be covered.

### **Significance**

The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

### **Waste**

The careless expenditure, consumption, mismanagement, use, or squandering of university resources. Waste also includes incurring unnecessary costs due to inefficient or ineffective practices, systems, or controls.

## **5.0 References**

Section 2.1-155.3 of the *Code of Virginia*, enacted in 1984.

*State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual*, Office of the State Inspector General, Commonwealth of Virginia, 2020 edition.

The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the Definition of Internal Auditing, revised in 2016 and effective 2017.

## **6.0 Approval and Revisions**

- Revision 0  
Approved February 9, 1989, by the Director of Internal Audit, David C. Goodyear.
- Revision 1  
Annual review. Section 2.8 - changed so that reports "approved" by the Finance and Audit Committee of the Board of Visitors shall be available to the public.



## Virginia Polytechnic Institute and State University

Approved March 29, 1990, by the Director of Internal Audit, David C. Goodyear.

- Revision 2

Changes were made to eliminate minor discrepancies between the audit manual and the policy statement as presented to the Board of Visitors.

Approved November 3, 1995, by the Director of Internal Audit, David C. Goodyear.

Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.

- Revision 3

Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.

Approved March 29, 2004 by the Executive Vice President and Chief Operating Officer, Minnis E. Ridenour.

Approved March 29, 2004 by the Finance and Audit Committee of the Board of Visitors.

- Revision 4

Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors, in conjunction with the Internal Audit Department's quality assurance review.

Approved March 14, 2005 by the Executive Vice President and Chief Operating Officer, James A. Hyatt.

Approved March 14, 2005 by the Finance and Audit Committee of the Board of Visitors.

- Revision 5 April 1, 2008:

Updates to position titles and/or responsibilities due to university reorganization.

- Revision 6

- Policy title changed from "Internal Audit Department" to "Internal Audit Charter."
- Section 2.2 revised to reflect change in Director of Internal Audit reporting relationship.
- Sections 2.5 and 2.7 revised to clarify the role of Internal Audit and the standards under which it conducts its activities.
- Section 2.9 revised to clarify the process for senior management areas submitting corrective action plans.

Approved November 7, 2011 by the university President, Charles W. Steger.

Approved November 7, 2011 by the Finance and Audit Committee of the Board of Visitors.

- Revision 7

- Full technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies. The charter was also revised to incorporate the concept of objectivity, and to include applicable procedures and definitions.
- Policy title changed from "Internal Audit Charter" to "Charter for the University's Internal Audit Function."

Approved November 9, 2015 by the Finance and Audit Committee of the Board of Visitors and President, Timothy D. Sands.



## Virginia Polytechnic Institute and State University

- **Revision 8**  
Revised to address the reorganization of the Board of Visitors' committee structure and additional responsibilities with regard to risk management and compliance. Additional revisions were made to reflect revised guidance from the Institute of Internal Auditors.  
Approved November 5, 2017 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 9**  
Revisions from technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies.  
Approved November 18, 2019 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 10**  
Revisions from technical review correcting grammatical, punctuation, and minor format inconsistencies. Additionally, section 2.9 was revised to clarify expectations on OARC's responsibility for coordinating external audits and reviews.  
Approved November 15, 2020 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 11**  
Revised to delineate the roles and responsibilities for internal audit, enterprise risk management, and the institutional compliance program. Additional revisions were made to streamline for consistency. Approved November 14, 2022 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **[Revision 12](#)**  
[Updates to position titles and reporting lines due to university reorganization.](#)  
[Approved June 5, 2023 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.](#)





# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

## INTERCOLLEGIATE ATHLETICS PROGRAMS FOR THE YEAR ENDED JUNE 30, 2022

Auditor of Public Accounts

Staci A. Henshaw, CPA

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

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- TABLE OF CONTENTS -

Pages

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES	1-8
SCHEDULE	
Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	9
Notes to the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs	10-13
UNIVERSITY OFFICIALS	14



Staci A. Henshaw, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

April 7, 2023

The Honorable Glenn Youngkin  
Governor of Virginia

Joint Legislative Audit  
and Review Commission

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** (Virginia Tech) Schedule of Revenues and Expenses of Intercollegiate Athletics Programs (Schedule) for the year ended June 30, 2022. University management is responsible for the Schedule 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 Schedule is in compliance with NCAA Constitution 3.2.4.17.1, for the year ended June 30, 2022. 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 Schedule of Revenues and Expenses of Intercollegiate Athletics Programs

Procedures described below were limited to material items. For the purpose of this report, and as defined in the agreed-upon procedures, items are considered material if they exceed four percent of total revenues or total expenses, as applicable. The procedures 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 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 Schedule.
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.

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

7. Intercollegiate Athletics Department management provided to us the Schedule of Revenues and Expenses of Intercollegiate Athletics Programs for the year ended June 30, 2022, as prepared by the University and shown in this report. We recalculated the addition of the amounts in the Schedule, traced the amounts on the Schedule 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 Schedule 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. While the Agreed-Upon-Procedures specify a deadline of January 15<sup>th</sup> for the completion of our work, delays in receiving the Schedule and associated supporting documentation, as well as subsequent questions regarding specific item presented in the Schedule, prevented the

completion of these procedures by the required deadline. In addition, Intercollegiate Athletics Department management continued to make adjustments and/or reclassifications after the January 15<sup>th</sup> deadline, some of which could not be corrected in the NCAA financial reporting system.

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>
Ticket Sales	The increase of \$20.5 million or 41,938.08 percent is attributable to the fact that in the prior year, the University did not have spectators at sports events due to COVID restrictions. The current year reflects the return to normal for in-person game attendance.
Student fees	The increase of \$1.5 million or 14.55 percent is due to an increase in the athletic fee charged to students.
Contributions	The increase of \$9.5 million or 59.08 percent is attributable to not having per seat donations during the prior year since no football tickets were sold due to COVID restrictions. Additionally, in the current year, there was an increase in funds transferred from the Foundation to fund athletic program operating expenses.
Media rights	The increase of \$7.9 million or 26.81 percent is related to an increase in ACC media revenue funding.
Coaching salaries, benefits, and bonuses paid by the University and related entities	The increase of \$2.7 million or 14.76 percent is attributable increases in employee compensation and fringe benefit costs.

Support staff/administrative salaries, benefits, and bonuses paid by the University and related entities      The increase of \$2.2 million or 13.51 percent is attributable to increases in employee compensation and fringe benefit costs.

## **Revenues**

9. We reviewed a sample of 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 to total revenue recorded in the Schedule. We determined the reconciliations reviewed to be accurate and the amounts reported in the Schedule to be substantially in agreement with our recalculation.
10. We obtained documentation of the University’s methodology for allocating student fees to intercollegiate athletics programs. We compared student fees reported in the Schedule to amounts reported in the accounting records and an expected amount based on fee rates and enrollment. We found these amounts to be substantially in agreement with minor differences attributed to the methodology used for projecting student fee revenue. We obtained the amount of indirect institutional support revenue from the Schedule. The amount was deemed to be immaterial for detailed testing. We obtained the amount of game guarantee revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
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, Inc., 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 the Virginia Tech Foundation, Inc., which exceeded ten percent of all contributions, and agreed them to supporting documentation. We identified a reconciling difference of \$11,415 between the amount reported in the Schedule and the amount reported as contributions by the Virginia Tech Foundation.
12. We obtained the amount of in-kind revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
13. We obtained a summary of compensation and benefits provided by third parties as of the end of the reporting period. The amount was deemed to be immaterial for detailed testing.

14. 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.
15. We obtained the amount of NCAA distribution revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
16. We obtained the amount of conference distributions (non-media and non-football bowl) revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
17. We obtained the amount of conference distributions of football bowl generated revenue from the Schedule. We agreed to corroborative supporting documentation and found them to be in agreement.
18. We obtained the amount of program, novelty, parking, and concession sales revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
19. We obtained the amount of royalties, licensing, advertisements, and sponsorships. The amount was deemed to be immaterial for detailed testing.
20. We obtained the amount of sport camp revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
21. We obtained the amount of athletics-restricted endowment and investments income revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
22. We obtained the amount of other operating revenue from the Schedule. The amount was deemed to be immaterial for detailed testing.
23. We obtained the amount for football bowl revenue from the Schedule. The amount was deemed immaterial for detailed testing.

### **Expenses**

24. Intercollegiate Athletics Department management provided us with a listing of student aid recipients during the reporting period. Since the University used the ARMS 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 by comparing the reported amounts to amounts in the finance and student information systems. We also ensured that the total aid

amount for each sport agreed to amounts reported as financial aid in the student accounting system. We performed a check of selected students' information as reported in the NCAA Membership Financial Reporting System to ensure proper calculation of revenue distribution equivalencies.

25. We obtained the amount of guarantee expense from the Schedule. The amount was deemed to be immaterial for detailed testing.
26. 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 and tested individuals, including football and men's and women's basketball coaches, 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. After adjusting the Schedule by \$750,000 for coaches, the amounts were deemed to be accurately reported in the Schedule.
27. We obtained the amount of compensation and benefits provided by a third party. The amount was deemed immaterial for detailed testing.
28. Intercollegiate Athletics Department management provided us with a listing of severance payments made during the reporting period. We reviewed selected severance payment, comparing it to the termination letter, employment contract or other supporting documentation. After adjusting the Schedule by \$750,000, the amount was deemed to be accurately reported in the Schedule.
29. 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.
30. We selected a sample of disbursements for team travel, game expenses and direct overhead and administration from the Schedule. 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.
31. We obtained the amount of lease payments and rental fees from the Schedule. The amount was deemed immaterial for detailed testing.
32. We obtained a listing of debt service payments for athletic facilities for the reporting year. We selected a sample of debt payments included in the Schedule, including the two highest facility payments, and agreed them to supporting documentation.



33. 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 Schedule.
34. We obtained the amount of indirect institutional support. The amount was deemed to be immaterial for detailed testing.
35. We reviewed all components of the other operating expenses. We determined the amount has been reported accurately.

#### **Other Reporting Items**

36. We obtained repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. We recalculated annual maturities reported in the notes to the Schedule and agreed total annual maturities and total outstanding athletic-related debt to supporting documentation.
37. We agreed total outstanding institutional debt to supporting debt schedules and the University's audited financial statements.
38. We agreed the fair value of athletics-dedicated endowments to supporting documentation provided by the University's Foundation.
39. We agreed the fair value of institutional endowments to supporting documentation provided by the University's Foundation.
40. We obtained a schedule of athletics-related capital expenditures made during the period. We selected a sample of transactions to validate existence and accuracy of recording and recalculated totals.

#### **Additional Procedures**

41. 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 institution. We noted agreement of the sports reported.
42. 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 variance was caused by an increase attributable to football, primarily for exhausted eligibility and medical equivalencies.

43. 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 or qualified for the extraordinary blanket waiver per NCAA guidance due to the COVID-19 pandemic. We ensured that countable sports have been properly identified in the NCAA Membership Financial Reporting System for the purpose of revenue distribution calculations.
44. 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.
45. 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.
46. 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. 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 Schedule 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 Virginia Tech and its President 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

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**VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY**  
**SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
For the year ended June 30, 2022

	<b>Football</b>	<b>Men's Basketball</b>	<b>Women's Basketball</b>	<b>Men's Other Sports</b>	<b>Women's Other Sports</b>	<b>Non-Program Specific</b>	<b>Total</b>
<b>Operating revenues:</b>							
Ticket sales	\$ 18,201,919	\$ 2,154,286	\$ 150,377	\$ 117,298	\$ -	\$ -	\$ 20,623,880
Student fees	-	-	-	-	2,619,206	9,854,971	12,474,177
Indirect institutional support	-	-	-	-	-	1,718,981	1,718,981
Guarantees	100,000	-	-	-	-	-	100,000
Contributions	5,742,887	190,468	71,007	691,124	605,206	18,536,273	25,836,965
In-Kind	13,764	28,401	-	553	3,140	-	45,858
Compensation and benefits provided by a third party	-	-	-	25,000	-	-	25,000
Media rights	28,583,757	8,032,184	454,750	316,000	300,500	-	37,687,191
NCAA distributions	-	2,070,700	-	-	-	2,283,745	4,354,445
Conference distributions (non-media and non-football bowl)	784,811	471,744	-	-	-	-	1,256,555
Conference distributions of football bowl generated revenue	5,339,947	-	-	-	-	-	5,339,947
Program, novelty, parking, and concession sales	1,920,126	77,410	12,337	118,862	36,691	10,185	2,175,611
Royalties, licensing, advertisement and sponsorships	1,246,288	96,435	73,250	319,233	208,430	1,450,642	3,394,278
Sports camp revenues	39,177	-	-	-	-	45,683	84,860
Athletics-Restricted endowment and investments income	-	-	-	-	-	4,009,698	4,009,698
Other operating revenue	137,911	-	-	57,739	58,691	569,027	823,368
Football bowl revenues	1,831,875	-	-	-	-	-	1,831,875
<b>Total operating revenues</b>	<b>63,942,462</b>	<b>13,121,628</b>	<b>761,721</b>	<b>1,645,809</b>	<b>3,831,864</b>	<b>38,479,205</b>	<b>121,782,689</b>
<b>Operating expenses:</b>							
Athletic student aid	4,925,357	673,711	753,872	3,139,043	4,995,892	1,276,562	15,764,437
Guarantees	912,500	559,057	79,337	86,715	8,411	-	1,646,020
Coaching salaries, benefits, and bonuses paid by the university and related entities	9,823,850	3,674,726	1,369,070	3,399,778	3,229,574	-	21,496,998
Coaching salaries, benefits and bonuses paid by a third party	-	-	-	25,000	-	-	25,000
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	3,357,874	1,000,572	570,605	563,337	361,522	12,941,303	18,795,213
Severance payments	10,766,910	-	26,259	15,920	27,516	145,882	10,982,487
Recruiting	898,675	307,755	130,281	276,907	225,264	-	1,838,882
Team travel	1,055,873	980,881	436,198	1,030,165	1,229,142	394	4,732,653
Sports equipment, uniforms, and supplies	537,295	80,745	141,074	783,308	498,050	169,531	2,210,003
Game expenses	2,361,147	656,222	281,647	379,533	272,463	407,267	4,358,279
Fundraising, marketing and promotion	388,242	66,710	22,043	41,095	45,279	1,509,984	2,073,353
Sports camp expenses	848	-	-	-	-	-	848
Spirit groups	6,345	-	3,138	-	-	293,032	302,515
Athletic facility leases and rental fees	-	-	-	125,032	125,032	4,232	254,296
Athletic facility debt service	-	-	-	-	-	4,114,086	4,114,086
Direct overhead and administrative expenses	1,575,146	761,818	73,758	768,595	382,228	4,868,033	8,429,578
Indirect cost paid to the institution by athletics	144,599	-	-	-	-	5,791,665	5,936,264
Indirect institutional support	-	-	-	-	-	1,718,981	1,718,981
Medical expenses and insurance	251,835	23,867	29,598	273,909	257,445	666,686	1,503,340
Memberships and dues	3,740	3,175	515	20,942	20,621	25,363	74,356
Student-Athlete meals (non-travel)	1,196,499	131,357	93,234	705,866	602,710	329,491	3,059,157
Other operating expenses	1,495,826	299,787	96,602	299,390	171,365	3,286,594	5,649,564
Football bowl expenses	1,726,764	-	-	-	-	-	1,726,764
Football bowl expenses - coaching compensation/bonuses	231,435	-	-	-	-	-	231,435
<b>Total operating expenses</b>	<b>41,660,760</b>	<b>9,220,383</b>	<b>4,107,231</b>	<b>11,934,535</b>	<b>12,452,514</b>	<b>37,549,086</b>	<b>116,924,509</b>
<b>Excess (deficiency) of revenues over (under) expenses</b>	<b>\$ 22,281,702</b>	<b>\$ 3,901,245</b>	<b>\$ (3,345,510)</b>	<b>\$ (10,288,726)</b>	<b>\$ (8,620,650)</b>	<b>\$ 930,119</b>	<b>\$ 4,858,180</b>
<b>Other Reporting Items:</b>							
Total athletics-related debt							\$ 97,357,000
Total institutional debt							\$ 525,390,000
Value of athletics-dedicated endowments							\$ 68,063,593
Value of institutional endowments							\$ 1,586,446,030
Total athletics-related capital expenditures							\$ 3,272,000

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

**VIRGINIA TECH**  
**NOTES TO SCHEDULE OF REVENUES AND EXPENSES OF**  
**INTERCOLLEGIATE ATHLETICS PROGRAMS**  
**FOR THE YEAR ENDED JUNE 30, 2022**

1. BASIS OF PRESENTATION

The accompanying Schedule of Revenues and Expenses of Intercollegiate Athletic Programs has been prepared on the accrual basis of accounting. The purpose of the Schedule is to present a summary of revenues and expenses of the intercollegiate athletic programs of the University for the year ended June 30, 2022. The Schedule 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 Schedule 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 fund balances, 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 \$29,846,663 from the Virginia Tech Foundation, Inc. Approximately \$15,764,437 of these funds were used for grant-in-aid scholarships for student-athletes. These amounts received are included in the accompanying Schedule as follows: \$25,836,965 is included in the Contributions line item and \$4,009,698 is included in the Athletics Restricted Endowment and Investment Income line item.

3. LONG-TERM DEBT

Externally funded debt

The University, on behalf of the Athletic Department, has obtained debt financing for capital improvement projects as needed. These debts usually consist of Section 9(d) revenue bonds issued by the University or notes payable issued through the Virginia College Building Authority (VCBA) and will be repaid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (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 Athletic Department funds for capital improvement projects as needed. These debts will be repaid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (all dollars):

Project	Maturity	Principal
Student Athletic Performance Center	2030	\$ 3,723,000
ACC Media Studio	2031	9,335,000
Creativity & Innovation District	2041	20,286,000
Baseball Stadium and Rector Field House	2045	26,965,000
		<u>\$ 60,309,000</u>

#### Long-term lease payable

The University, on behalf of the Athletic Department, has entered into a long-term lease with the Town of Christiansburg for the use of the town's aquatic center. The lease will be paid by the department using operating revenues and private fund-raising proceeds. Outstanding principal as of June 30, 2022 (in dollars):

Lease	Maturity	Principal
Town of Christiansburg, aquatic center	2035	\$ 1,543,000

A summary of future principal and interest commitments for fiscal years subsequent to June 30, 2022, is presented as follows (all dollars):

	Principal	Interest	Total
2023	\$ 3,298,000	\$ 1,081,000	\$ 4,379,000
2024	5,070,000	1,635,000	6,705,000
2025	5,388,000	1,568,000	6,956,000
2026	5,207,000	1,490,000	6,697,000
2027	5,287,000	1,413,000	6,700,000
2028-2032	24,286,000	5,777,000	30,063,000
2033-2037	20,241,000	3,815,000	24,056,000
2038-2042	20,747,000	1,777,000	22,524,000
2043-2045	7,833,000	231,000	8,064,000
	<u>\$ 97,357,000</u>	<u>\$ 18,787,000</u>	<u>\$ 116,144,000</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 \$5,936,264 to the University. This amount is included in the Indirect Cost Paid to the Institution by Athletics line item in the Non-Program Specific category.

#### 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 are stated at the net present value of future minimum lease payments at the commencement of the lease term. Intangible right-to-use assets are recognized when the net present value of future minimum lease 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 87, Leases. A summary of changes in capital assets follows for the year ending June 30, 2022 (all dollars in thousands):

	<b>Beginning Balance (Restated)</b>	<b>Additions</b>	<b>Retirements</b>	<b>Ending Balance</b>
<b>Depreciable capital assets</b>				
Buildings	\$ 232,069	\$ 1,632	\$ 37	\$ 233,664
Moveable equipment	15,156	1,144	322	15,978
Software	313	-	-	313
Fixed equipment	14,588	124	-	14,712
Infrastructure	21,311	1,585	-	22,896
Right to use leases - buildings	1,976	-	-	1,976
Total depreciable capital assets, at cost	<u>285,413</u>	<u>4,485</u>	<u>359</u>	<u>289,539</u>
<b>Less accumulated depreciation and amortization</b>				
Buildings	68,147	5,159	38	73,268
Moveable equipment	7,965	1,404	428	8,941
Software	294	10	-	304
Fixed equipment	6,183	659	-	6,842
Infrastructure	18,001	675	-	18,676
Right to use leases - buildings	139	140	-	279
Total accumulated depreciation and amortization	<u>100,729</u>	<u>8,047</u>	<u>466</u>	<u>108,310</u>
Total depreciable capital assets, net of accumulated depreciation and amortization	<u>184,684</u>	<u>(3,562)</u>	<u>(107)</u>	<u>181,229</u>
<b>Non-depreciable capital assets</b>				
Construction in progress	<u>5,727</u>	<u>1,949</u>	<u>3,162</u>	<u>4,514</u>
Total non-depreciable capital assets	<u>5,727</u>	<u>1,949</u>	<u>3,162</u>	<u>4,514</u>
Total capital assets, net of accumulated depreciation and amortization	<u>\$ 190,411</u>	<u>\$ (1,613)</u>	<u>\$ 3,055</u>	<u>\$ 185,743</u>

## **VIRGINIA TECH**

As of June 30, 2022

### **BOARD OF VISITORS**

Letitia A. Long  
Rector

Edward H. Baine  
Vice Rector

Shelley Butler Barlow  
Carrie H. Chenery  
Greta J. Harris  
Charles T. Hill  
Anna L. James  
Sharon Brickhouse Martin

Melissa Byrne Nelson  
L. Chris Petersen  
Mehul P. Sanghani  
Horacio A. Valeiras  
Jeffrey E. Veatch  
Preston M. White

Robert Weiss, Holli Drewry  
Faculty Representatives

Serena Young  
Staff Representative

Paolo Fermin, Phil Miskovic  
Student Representatives

Kim O'Rourke  
Secretary to the Board of Visitors

### **UNIVERSITY OFFICIALS**

Timothy D. Sands  
President

Whit Babcock  
Director of Intercollegiate Athletics Programs



**Virginia Tech**  
**Board of Visitors / Compliance, Audit, and Risk Committee**  
**Entrance Conference Agenda**  
**June 5, 2023**

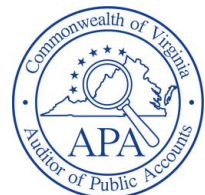
**1. Introductions**

**Audit Staff:**

- Jimmy Quesenberry, Temporary Project Manager / Audit Staff
  - Jonathan South, Auditor In-Charge
  - Chuck Schauvliege, Audit Staff
  - Jez Wood, Audit Staff
  - Jeremy Klein, Audit Staff
  - Additional Audit Staff (TBD)
  - Brent Copeland, Data Analysis Auditor
  - Danese Seabourne, ISS Supervisor
  - Jeff Rodgers, ISS Audit Staff
- Audit Period – July 1, 2022 through June 30, 2023
  - Planned Audit Timing – Late May 2023 - October 2023
  - Audit Deadline (or Anticipated Report Issuance Date) – November 5-6, 2023 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 late May and conclude in late October to provide support for the Commonwealth of Virginia’s Annual Comprehensive Financial Report (ACFR). Our Audit will cover the audit period July 1, 2022, through June 30, 2023. 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. The deadline for submission to the NCAA Financial Reporting System is January 15<sup>th</sup>. The NCAA report will be published and distributed after Auditors can determine the NCAA Schedule is accurate and compiled in accordance with NCAA Agreed Upon Procedures.

- d. **Statewide 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 Research and Development cluster is considered a major program under the audit requirements of 2 CFR 200 for fiscal year 2023, and the Student Financial Aid cluster will be considered a major program during the fiscal year 2024 audit. 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 statewide Single Audit report.
- 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



## Terms of the Engagement

### ***Responsibilities during the audit process:***

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

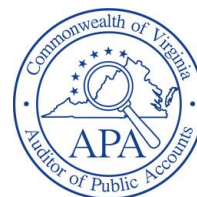
#### Overall Audit Objectives

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 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 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:

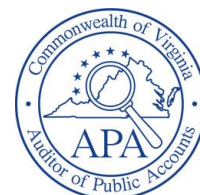
- University Highlights
- Financial Highlights
- Message from the Senior Vice President and Chief Business Officer

#### 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 financial activity.

We will also conclude, based on the audit evidence obtained whether there are conditions or events considered in the aggregate, which raises 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

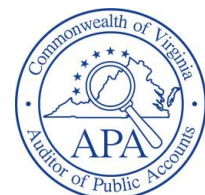
Our audit will include obtaining an understanding of the consolidated group, sufficient to assess the risks of material misstatement of financial information derived from significant components to design the nature, timing, and extent of further audit procedures, including the basis for the decision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

### Audit Procedures – Risk of Material Misstatement and Significant Risks

Our audit will identify and assess the risk of material misstatement 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 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 is elevated due to the likelihood and magnitude of potential misstatement. 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 for the proper amount is inherently risky and may be subject to manipulation, particularly when accounting for long-term contractual arrangements with other entities and federal grants.

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.



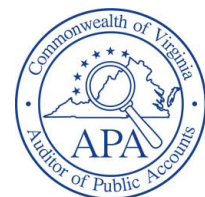
### Communication with Those Charged with Governance

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 2021 Virginia Acts of Assembly. 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.

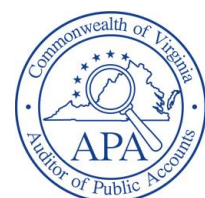
## **Audit Committee**

- 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.

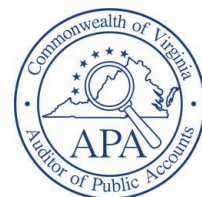
#### Identification of potential fraud risks

- **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

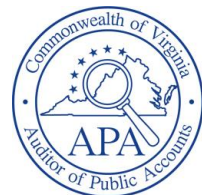
We will issue a written report upon completion of our audit of the University's financial statements. We will make reference to the Component Auditor's audit of Virginia Tech Foundation, Inc. in our report on the University's financial statements. Our report will be addressed to the board of directors 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.



**Report on Audits of University-Related Corporations**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**  
**May 19, 2023**

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, 2022, 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 2022**

<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	<b>Unavailable</b>	<b>Unavailable</b>	<b>Unavailable</b>	<b>Unavailable</b>	<b>Unavailable</b>
VT India Research and Education Forum <sup>1</sup>	✓	*	*	€	✓

\* 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.

€ Corporation has not rotated the external audit firm or audit team since 2015-16 as required by the affiliation agreement.

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

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

**June 5, 2023**

**Background**

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

<b>Consent Agenda Reports</b>	<b>Rating</b>
Controller's Office: General Accounting	Effective
Endowed Chairs Fund Utilization	Effective
SVP for Advancement Policy Compliance Review	Improvements are Recommended
VP and Executive Director of the Innovation Campus Policy Compliance Review	Improvements are Recommended
<b>Report for Discussion</b>	<b>Rating</b>
Athletics Policy Compliance Review	Significant Improvements are Needed

**Summary of Audit Ratings**

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

### Definitions of each assessment option

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

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

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

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

### **RECOMMENDATION:**

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

June 5, 2023

## **Audit Plan for Fiscal Year 2023-24**

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

**June 5, 2023**

The Office of Audit, Risk, and Compliance (OARC) presents the Audit Plan for Fiscal Year 2022-23 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 2023-24 and a core audit plan was developed in coordination with the university's ERM initiative.

For fiscal year 2023-24, 29 audit projects and 4 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.

#### **RECOMMENDATION:**

That the Audit Plan for Fiscal Year 2023-24 be approved by the Compliance, Audit, and Risk Committee.

June 5, 2023



**Office of Audit, Risk, and Compliance**  
**Fiscal Year 2023-24 Audit Plan**  
**June 5, 2023**

# OVERVIEW

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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

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## Enterprise Risk Assessment (ERM)

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**

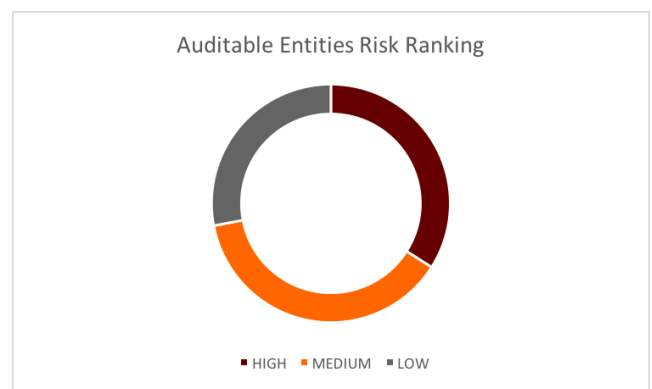
University departments and administrative operations were grouped into approximately 175 auditable entities or responsibility centers based on common missions and the existing organizational structure. For each auditable entity, OARC reviewed financial data, including expenditures, revenues, cash receipts, federal contracts and grants, and total employees.

The relative risk was assessed on a judgmental basis for the following qualitative and quantitative factors.

RISK FACTORS
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 one-on-one 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 annual reviews of selected components of entities with high external compliance risk and complex operations. These entities are University Scholarships and Financial Aid, Research, Human Resources, and Intercollegiate Athletics.

## FISCAL YEAR 2023-24 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 2023-24 audit plan includes 31 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. Annual expenditures and revenues referenced below reflect fiscal year 2021-22 data unless otherwise noted.

### Risk-Based Assurance

Planned Engagement	Overview	Risk Area
ADA Compliance	The Americans with Disabilities Act (ADA) is a federal law that prohibits discrimination against individuals with disabilities in all areas of public life, including employment, education, transportation, and public accommodations. ADA compliance requires making reasonable accommodations to ensure equal access and opportunity for individuals with disabilities. Campus-wide ADA compliance involves many offices including ADA and Accessibility Services, colleges and departments, Services for Students with Disabilities, and University Legal Counsel among others. A prior review of this activity has not been conducted.	Compliance – Human Resources and Student Services
Agricultural Research and Extension Centers	Agricultural Research and Extension Centers (ARECs) perform research on food and fiber systems, their impact on the environment, and their relation to the future needs of Virginia, the nation, and the world. Eleven ARECs are dispersed throughout the state and are geographically separated from the main campus. The expenditures for these ARECs exceed \$20 million, including \$6.6 million of sponsored research. The last audit of two of these ARECs was in 2011.	Operational – Off-Campus Locations
Aerospace & Ocean Engineering	The Kevin T. Crofton Department of Aerospace & Ocean Engineering, within the College of Engineering, offers a “foundation of versatility” through its unusual approach to understanding and exploiting the similarities between two seemingly disparate fields. The department had expenditures of \$22.3 million, including \$11.9 million of sponsored research. The last audit of this department was in 2014.	Operational – Academic
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
Capital Campaign Processes and Reporting	The university is in the midst of an ambitious, multi-year \$1.872 billion capital campaign. This review will look at the systems, processes, and controls in place to ensure the campaign has an appropriate level of control and accurate reporting.	Operational – Advancement
Chemistry	Chemistry, within the College of Science, has been taught at the university since its founding. The department is home to nationally and internationally recognized faculty, strong academic programs, and state-of-the-art facilities. The department had expenditures of \$24.6 million, including \$10.9 million in sponsored research. The last audit of this department was in 2018.	Operational – Academic
Commonwealth Cyber Initiative	The Commonwealth Cyber Initiative (CCI) was created in July 2018 when the Virginia General Assembly passed legislation establishing the CCI to “serve as an engine for research, innovation, and commercialization of cybersecurity technologies, and	Operational

Planned Engagement	Overview	Risk Area
	address the Commonwealth's need for growth of advanced and professional degrees within the cyber workforce." That legislation required Virginia Tech to develop a blueprint for development and operation of the initiative. A prior review of this activity has not been conducted.	
Controller's Office: Fixed Assets	The Fixed Assets and Equipment Inventory Services (FAEIS) section of the Controller's Office is responsible for maintaining and managing the university's official fixed asset system which includes land, buildings, improvements, fixed and moveable equipment. This area was last reviewed in 2017.	Operational – Financial Management
Data Analytics: Sponsored Equipment Purchases	Building on the recently completed data analytic work focused on research activity, this project will continue efforts to refine analytics to identify and proactively monitor for common research compliance issues at both the grant, principal investigator, and department level.	Compliance – Research
Data Analytics: Travel Compliance Monitoring	Working with an increasing large set of data, this project will take a comprehensive look at travel data for common areas of non-compliance, waste, and potential abuse.	Compliance – Financial Management
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.	
Facilities Management	Facilities management is a hybrid activity at the university with central coordination by Facilities Operations, in the Division of Campus Planning, Infrastructure, and Facilities, and certain decentralized units. In general, facilities management includes the maintenance of buildings, electrical/mechanical systems, and the grounds of both the Blacksburg and distributed locations. This review will include processes deployed by both central and distributed units. The central Facilities Operations was last reviewed in 2015.	Operational – Facilities and Operations
Global Education Office	The Global Education Office strengthens the university's mission of global engagement, discovery, and service by connecting our faculty and students to their peers abroad; inspiring and contributing to the faculty's creation and promotion of cross-cultural learning experiences; and supporting the development of our students into globally competent citizens. The department was last reviewed in 2018.	Operational – Operations
Human Resources: Hiring / On-boarding *	A critical component of new hire processing and on-boarding is the various processes necessary to ensure compliance with laws/regulations, conduct appropriate background and credential checks, and correctly classify employees for initial training. A component of Human Resources is included in the audit plan each year.	Operational – Human Resources
Institute for Critical Technology and Applied Science	The Institute for Critical Technology and Applied Science (ICTAS), one of the seven research institutes, forges partnerships across disciplinary boundaries that enhance the university's ability to embrace ambitious research opportunities in the service of society and catalyze discovery at the intersections of engineering, the humanities, and the physical, life, and social sciences. The institute had expenditures of \$11 million, including \$2.8 million in sponsored research. This institute was last reviewed in 2016.	Operational – Research

Planned Engagement	Overview	Risk Area
IT: DocuSign Controls	DocuSign eSignature provides a fast and secure way to send, track, and sign agreements anytime, anywhere, on a wide variety of devices. Deployed to campus in late 2020, DocuSign usage has greatly expanded for increasingly more complex and sensitive matters. This review will evaluate the controls environment utilized by users of this increasingly important tool. A prior review of this activity has not been conducted.	Operational – Information Technology
IT: HIPAA Security	HIPAA (Health Insurance Portability and Accountability Act) is a federal law that sets national standards to protect the privacy and security of individuals' personal health information. It also establishes rules for the use and disclosure of this information by healthcare providers, health plans, and other entities covered under the law. Recently the university has established IT infrastructure necessary to conduct HIPAA-protected research. This activity has never been audited.	Compliance – Information Technology
IT: Inventory and Classification	Recently the university completed its first comprehensive inventory and classification efforts dedicated to IT assets. This review will conduct extensive procedures to verify the veracity and accuracy of both the inventory and associated classification of the assets. This activity has never been audited as a standalone activity.	Operational – Information Technology
IT: Policy Compliance Review Approach	With the deployment of a university-wide IT asset inventory, classification, and risk assessment process, changes will need to be made to OARC's approach to IT work in policy compliance reviews. Knowing these updates were forthcoming, OARC delayed three IT related policy compliance reviews in Spring 2023. This review will establish the methodology and conduct the delayed IT reviews for Advancement, Athletics, and the Innovation Campus.	Operational – Information Technology
Real Estate Management	Real Estate Management provides assistance to the university community in the areas of leasing and property management of real estate, property acquisitions, transfers, sales, real estate easements and rights-of-way, and disposal and demolition of surplus buildings. Real Estate Management also serves as the repository of all university deeds, leases, and other real estate documents, including facility use agreements. This was last reviewed in 2016.	Operational - Facilities and Operations
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 horticultural crop production, plant protection, soil and water systems management, agricultural technologies, environmental restoration, and agro-environmental stewardship. The School had expenditures of \$22.5 million, including \$7.2 million of sponsored research. The School has never been reviewed.	Operational – Academic
Sponsored Programs – Pre Award / Contracts	The Office of Sponsored Programs (OSP) is the authorizing agent for the university for all extramurally funded activities. Pre Award has three primary functions in the proposal process including reviewing solicitations and requests for proposals for specific budget and proposal preparation instructions; preparing budgets for proposals according to Virginia Tech and sponsor guidelines; and submitting all proposals to external sponsors. This activity was last reviewed in 2010.	Compliance - Research

Planned Engagement	Overview	Risk Area
Strategic Enrollment Reporting	The university has entered into agreements with the Commonwealth regarding the enrollment and graduation of certain populations of students. This review will ensure the controls around the reporting are adequate and that accurate results are being reported to the Commonwealth. This activity has never been reviewed.	Compliance – Enrollment Services
Student Wellness and Counseling	The university has invested heavily in the wellness of its students through a multitude of offerings. Additionally, Student Affairs has recently altered its support model for on-campus students. This review will take a holistic look at both the counseling center, online counseling offerings, residential support model, and other aspects of student wellness. The last dedicated review of this office was in 2015.	Operational – Student Services
University Scholarships and Financial Aid*	The Office of University Scholarships and Financial Aid (USFA) supports the university’s student access, enrollment, and retention goals by providing the financial means to encourage economic, social, cultural, and academic diversity in the student body. USFA provided or monitored approximately \$574 million in student financial assistance. A component of USFA is included in the audit plan each year.	Compliance – Enrollment Services

\* 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	Overview	Risk Area
College of Agriculture and Life Sciences	The College of Agriculture and Life Sciences, a part of the university since its founding 150 years ago, has 12 academic programs offering a diverse range of degree programs from an associate’s degree to doctoral programs. The college had \$167 million in expenditures and \$44 million in sponsored research. The last policy compliance review was in 2019.	Operational
College of Architecture, Arts, and Design	The College of Architecture, Arts, and Design is a community of architects, designers, artists, and creators of communities who care about—and work to improve—the shared natural and built environments. The college is composed of four schools sharing a vision to understand and shape the spaces and places where they live, work and play. The college had \$31.9 million in expenditures. The last policy compliance review in 2017.	Operational
College of Veterinary Medicine	Established in 1978, the Virginia-Maryland College of Veterinary Medicine is a leading biomedical teaching and research center and the in-state veterinary college for residents of Virginia and Maryland. The college's locations include the main campus in Blacksburg, Virginia; the Animal Cancer Care and Research Center in Roanoke, Virginia; the Marion duPont Scott Equine Medical Center in Leesburg, Virginia; and the Gudelsky Veterinary Center in College Park, Maryland. The college had \$74.9 million in expenditures and \$13.7 million in sponsored research. The last policy compliance review of this area was in 2018.	Operational
Vice President for Student Affairs	The Vice President for Student Affairs’ mission is to promote student learning, life skills, and personal growth through a strong focus on holistic student development and collaborative partnerships that deliver superior service to, and care for,	Operational

Planned Engagement	Overview	Risk Area
	students in the spirit of Ut Prosim. The division had \$146 million in expenditures. The last policy compliance review of this area was in 2019.	

### **Management Advisory Services**

Planned Engagement	Overview	Risk Area
Athletics Data Privacy	Athletics maintains separate records on student-athletes that are high risk. This advisory review will seek to inventory the various types of data, review the processes and procedures used to secure the data, and ensure the university Minimum Security Standards are being deployed appropriately.	Compliance – Information Technology
High-risk Drug Inventory / Oversight	Certain substances contained within labs across the university are at a higher risk of abuse. This project will be a joint project between Institutional Compliance, distributed compliance owners, and lab personnel to understand the processes and procedures deployed to oversee and keep inventory of these drugs.	Compliance – Safety and Security
Research Accounting Processes	At the university, there is a multitude of ways utilized to calculate “research expenditures.” Each calculation is reflective of the individual agency, regulator, or partner’s requirements. This often causes confusion as to what the university research activity is or how it is accounted. Recently, the university established a working group to explore these issues co-lead by the Controller’s Office and the Office of Research and Innovation. This advisory review, in partnership with the working group, will look at processes and procedures used to compile and review the various research expenditures reports.	Operational – Financial Management
Remote Working Compliance	The rapid pivot to remote working environments adds increasing complexity to various compliance areas, including payroll and benefits. This advisory project will review the actions taken by the institution to manage these risks and look at aggregating additional data to ensure we are meeting this challenging area.	Compliance

### **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 2023-24 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

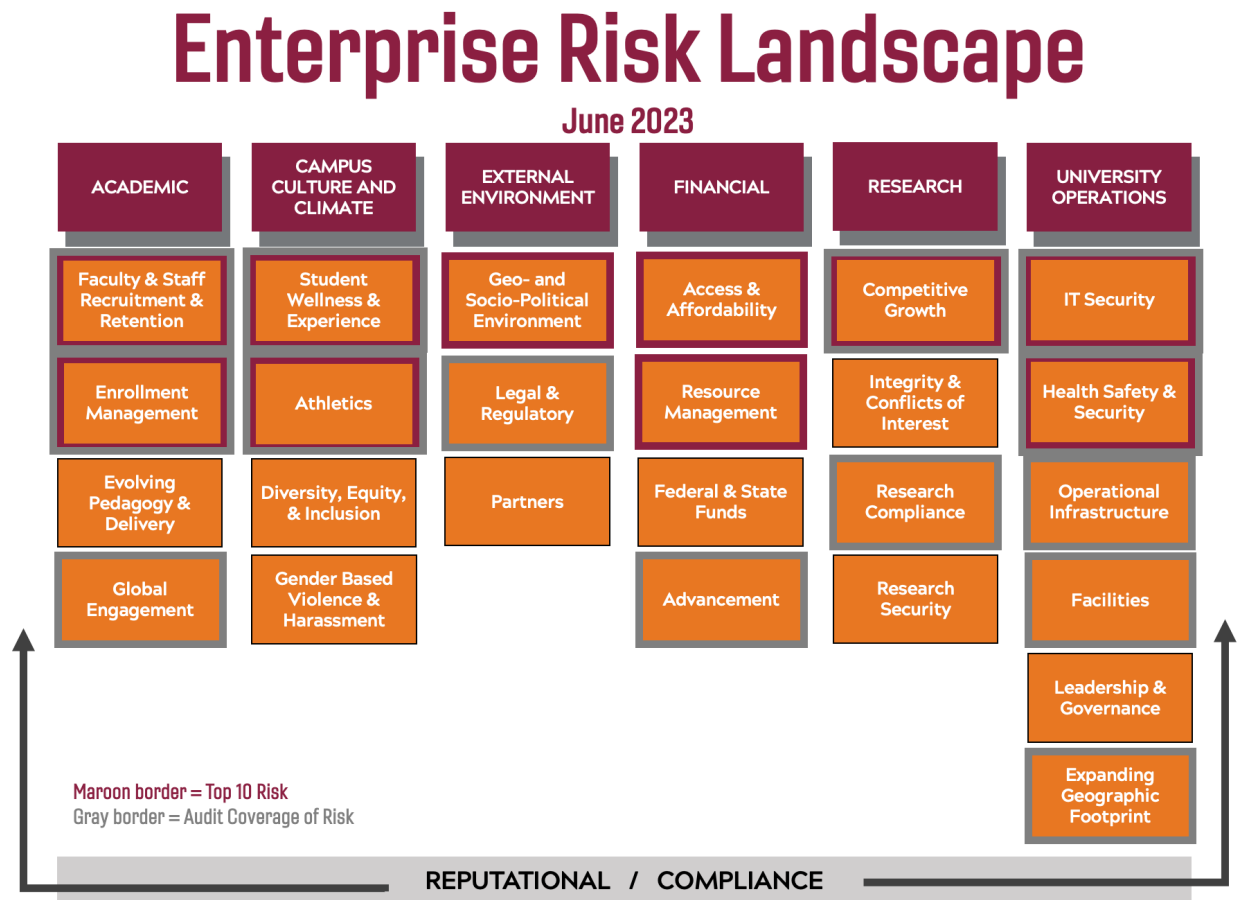
appropriate coverage utilizing a variety of audit methodologies, including audits of individual units, functional and process audits, university-wide reviews, and information system projects. OARC conducts follow-up audit procedures throughout the year to ensure that management is implementing controls 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.
- 13 percent to accommodate requests from management and consultations with university departments.
- 7 percent to conduct investigations into fraud, waste, and abuse allegations.
- 11 percent for employee professional development, internal quality improvement projects, and other internal administrative functions.
- 14 percent for compensated absences such as annual, sick, and holiday leave.

## AUDIT PLAN MAPPED TO ERM

As part of the ERM program, university leadership has identified key residual risks across six thematic areas. The graphic below depicts how planned projects will provide audit coverage of enterprise risks.





# Proposed Audit Plan

FISCAL YEAR 2023-24

A decorative grid pattern consisting of thin white lines forming a grid of small squares, located at the bottom of the page.



# 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.

- ADA Compliance
- Agricultural Research and Ext. Centers
- Aerospace & Ocean Engineering
- Athletics
- Capital Campaign Processes & Reporting
- Chemistry
- Commonwealth Cyber Initiative
- Controller's Office: Fixed Assets
- Data Analytics: Sponsored Equipment Purchases
- Data Analytics: Travel Compliance Monitoring
- Environmental Health & Safety
- Facilities Management
- Global Education Office
- HR: Hiring / On-boarding
- Inst. for Critical Technology and Applied Science
- IT: DocuSign Controls
- IT: HIPAA Security
- IT: Inventory and Classification
- IT: Policy Compliance Review Approach
- Real Estate Management
- School of Plant and Environmental Sciences
- Sponsored Programs – Pre-Award / Contracts
- Strategic Enrollment Reporting
- Student Wellness and Counseling
- University Scholarships and Financial Aid

# 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.

- College of Agriculture and Life Sciences
- College of Architecture, Arts, and Design
- College of Veterinary Medicine
- Vice President for Student Affairs

# 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.

- Athletics Data Privacy
- High-risk Drug Inventory / Oversight
- Research Accounting Processes
- Remote Working Compliance



# Audit Resources

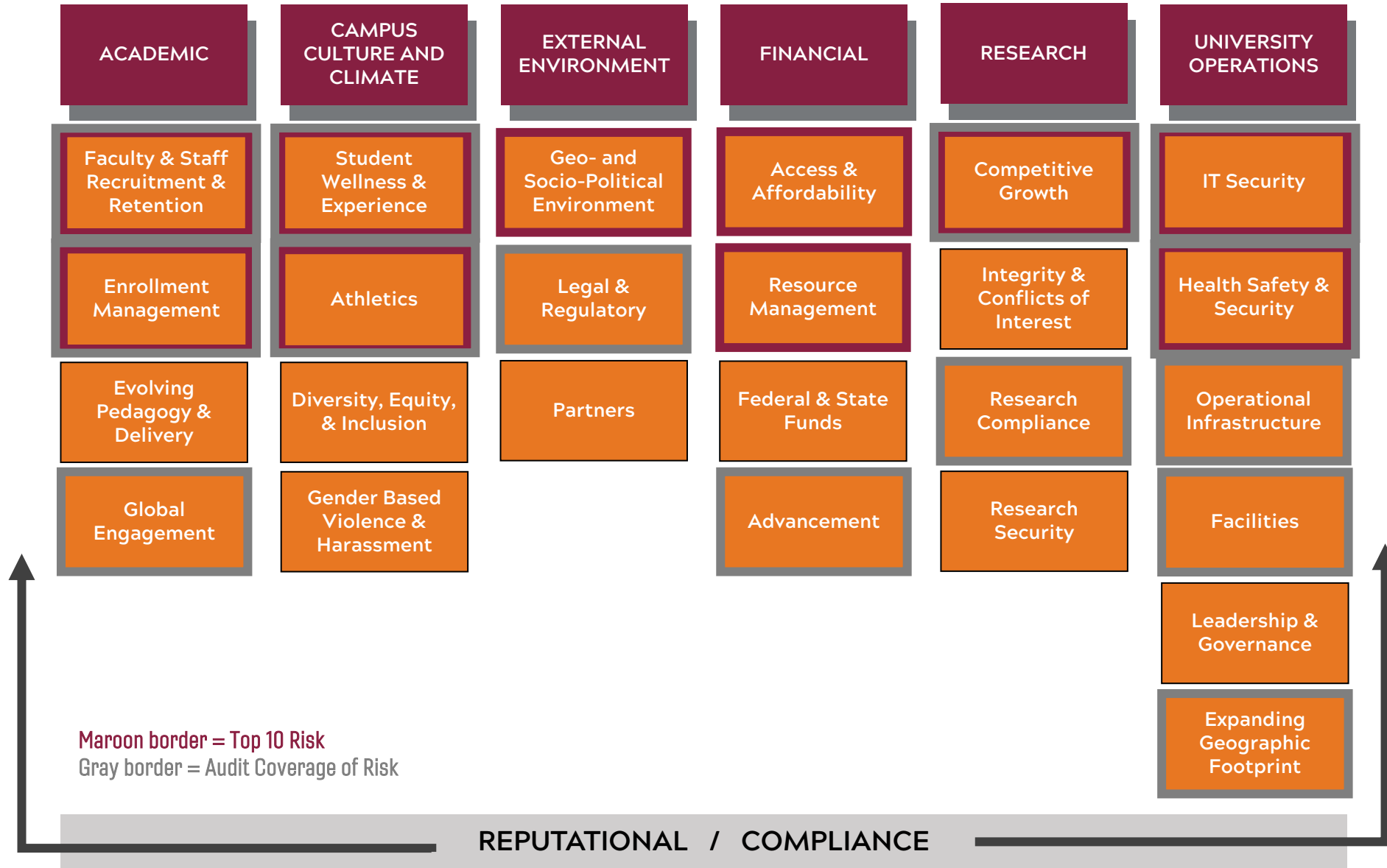
- 12 FTEs – professional audit staff
- 2 part-time Virginia Tech students

## Resource Allocations

- 55% - completion of audit projects and follow up
- 13% - accommodate management requests
- 7% - conduct investigations
- 11% - professional development and administration
- 14% - compensated absences (annual, sick, holiday)

# Enterprise Risk Landscape

June 2023





Questions?



**VIRGINIA TECH™**

## **Institutional Compliance Program Plan for Fiscal Year 2023-24**

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

**June 5, 2023**

The Office of Audit, Risk, and Compliance (OARC) presents the Institutional Compliance Program Plan for Fiscal Year 2023-24 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 2023-24 focuses on priority compliance risk areas in support of Virginia Tech's pursuit of its strategic goals.

For fiscal year 2023-24, the themes of ethics and integrity will be integrated in activities and tasks building on the foundations laid in each of the elements of an effective compliance program. In addition, the plan includes compliance risk assessments in priority compliance risk areas. The institutional compliance program plan may be modified based on external factors and changes in regulations, management, or resources.

#### **RECOMMENDATION:**

That the Institutional Compliance Program Plan for Fiscal Year 2023-24 be approved by the Compliance, Audit, and Risk Committee.

June 5, 2023



**Office of Audit, Risk, and Compliance**  
**Fiscal Year 2023-24 Institutional Compliance Program Plan**  
**June 5, 2023**

## 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. This guidance is to be taken into consideration by prosecutors when making charging and resolution decisions in criminal matters, including monetary penalties and inclusion of monitoring and reporting requirements.

Most recently, in March 2023, the USDOJ issued an updated Evaluation of Corporate Compliance Programs setting forth enhanced expectations for compliance programs. This updated guidance, released three years after the previous update, provides valuable insights into USDOJ priorities and is instructive for continuous improvement. The latest guidance suggests areas of priority include: (1) promoting a culture of compliance including whether policies incentivize ethical leadership and disincentivize misconduct; (2) monitoring and addressing misconduct; (3) policies governing access and preservation of business data on mobile devices and messaging platforms; and (4) export control, sanctions violations, and national security.

**“One hallmark of an effective compliance program is its capacity to improve and evolve.”**  
**- USDOJ Evaluation of Corporate Compliance Programs, March 2023**

MATURITY LEVEL	CONTINUOUS IMPROVEMENT
Risk Avoidance	Implement the elements of an effective compliance program.
Efficiency <b>(current state)</b>	Identify, assess, and prioritize risks; improve process efficiency and reduce costs by coordination of distributed compliance with centralized support.
Effectiveness	Focus on outcomes; capitalize on effective compliance program and ethical culture to proactively advance strategies and opportunities for the university.

## 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 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

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The compliance work plan for fiscal year 2023-24 is segmented into categories representative of the seven elements of an effective compliance program. Periodically conducting a compliance risk assessment and continuous improvement of the ICP is generally considered an eighth element and is also included below. 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. This format also lends itself to capturing data, examples, and activities by element to inform progress and recognize the accomplishments of the university community.

### 8 ELEMENTS OF AN EFFECTIVE COMPLIANCE PROGRAM



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

ICP Program Focus for 2023-24: The themes of ethics and integrity will underpin the activities, tasks and deliverables of the institutional compliance program work plan with respect to continued evolution and improvement of the ICP.

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>High level personnel exercising oversight</b></p> <p><i>The organization's governing authority shall be knowledgeable, and high level personnel shall be responsible, for the compliance and ethics program.</i></p> <ul style="list-style-type: none"> <li>• Board oversight</li> <li>• Executive support</li> <li>• Dedicated compliance officer</li> </ul>	<p>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</p> <p>Coordinate with Vice President and Chief Risk Officer on joint ERM and ICP regular status meetings with designated executive leaders</p> <p>Coordinate regular meetings and content for high priority compliance owners and distributed compliance owners</p> <p>Present annual report of the ICP to Compliance, Audit, and Risk Committee of the Board of Visitors</p>
<p><b>Written policies and procedures</b></p> <p><i>The organization shall establish standards and procedures to prevent and detect criminal conduct.</i></p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Standards of Conduct</li> <li>• Awareness and availability</li> </ul>	<p>Risk and Compliance – Generate purpose statement for institutional compliance program based on Charter and delegations</p> <p>Inclusion in the policy development and review process to support the consideration of ethics and compliance perspectives in the discussion and understand process challenges identified by stakeholders to allow for proactive support of policy operationalization</p> <p>In the priority compliance risk area of Research Security, support development of policies and procedures for compliance with emerging new guidance in collaboration with the Office of Research and Innovation, such as new research security program standards from NSPM-33</p>
<p><b>Training and education</b></p> <p><i>The organization shall take reasonable steps to conduct effective training programs and disseminate information.</i></p> <ul style="list-style-type: none"> <li>• Communicate standards and expectations</li> <li>• Training</li> <li>• Education resources</li> </ul>	<p>Review and expand ethics and compliance content on OARC website</p> <p>Develop and deliver ethics and compliance education through various means and mediums centered around Virginia Tech values</p> <p>Design Ethics and Compliance Week (November) campaign components</p>



ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>Lines of communication</b></p> <p><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></p> <ul style="list-style-type: none"> <li>• Accessible</li> <li>• Anonymous reporting</li> <li>• Engagement and dialogue</li> </ul>	<p>Refresh and raise awareness of Hokie Hotline as a resource for reporting fraud, waste, abuse, or compliance concerns</p> <p>Promote availability of OARC for discussion of ethics, integrity, and compliance related questions and concerns</p> <p>Promote accountability and consistent discipline</p> <p>Coordinate with communications campus partner to plan cadence and dissemination of compliance content and to highlight content connected to ethical decision making</p>
<p><b>Internal compliance monitoring</b></p> <p><i>The organization shall use reasonable efforts to exercise due diligence.</i></p> <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>	<p>Establish regular discussions with high priority compliance risk partners, including to review and evaluate priority elements for effective compliance in the distributed compliance area</p> <p>Scope the roll out of new compliance tool (AuditBoard CrossComply), provide oversight of assessment activities, serve as a resource on functionality, monitor for completeness of significant legislative or regulatory changes impacting compliance activities, and provide opportunities for identifying best practices and eliminating overlap</p>
<p><b>Response to detected offenses</b></p> <p><i>The organization shall take reasonable steps to respond appropriately to criminal conduct and to prevent similar conduct.</i></p> <ul style="list-style-type: none"> <li>• Timely investigations</li> <li>• Timely response to regulators</li> <li>• Appropriate remediation steps</li> </ul>	<p>Monitor for timely investigations of reports made directly or referred to OARC and OSIG as well as Hokie Hotline</p> <p>Follow up on timely completion of investigations initially communicated to OARC</p> <p>Serve as a resource for operational areas subject to regulatory inspections and engage on best practices for interfacing with regulators</p>

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>Perform periodic compliance risk assessments</b></p> <p><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></p> <ul style="list-style-type: none"> <li>• Continuous improvement</li> </ul>	<p>Conduct annual leadership compliance survey and evaluate responses against 2023 baseline</p>
	<p>Review available Climate Surveys conducted by Human Resources for data that intersects with compliance and integrity culture elements for insights and information including baseline and progression</p>
	<p>Utilize the new compliance tool (AuditBoard CrossComply) to update the 2020 compliance risk assessment for high priority compliance risk owners</p>

**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**

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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 2023-24 institutional compliance program work plan is tailored to the resources available. 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 2023-24**

“

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

- USDOJ Evaluation of Corporate Compliance Programs, March 2023

MATURITY LEVEL	CONTINUOUS IMPROVEMENT
Risk Avoidance	Implement the elements of an effective compliance program.
Efficiency (current state)	Identify, assess, and prioritize risks; improve process efficiency and reduce costs by coordination of distributed compliance with centralized support.
Effectiveness	Focus on outcomes; capitalize on effective compliance program and ethical culture to proactively advance strategies and opportunities for the university.

# 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)

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>High level personnel exercising oversight</b></p> <ul style="list-style-type: none"> <li>• Board oversight</li> <li>• Executive support</li> <li>• Dedicated compliance officer</li> </ul>	Annual institutional compliance program work plan
	Joint ERM and ICP regular status meetings with designated executive leaders
	Regular meetings for high priority compliance owners
	Annual report of the ICP

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>Written policies and procedures</b></p> <ul style="list-style-type: none"> <li>• Policies and procedures</li> <li>• Standards of Conduct</li> <li>• Awareness and availability</li> </ul>	Purpose statement for institutional compliance program
	Support policy development
	Collaboration with the Office of Research and Innovation on research security



ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<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>	Ethics and compliance content on OARC website
	Ethics and compliance education centered around Virginia Tech values
	Ethics and Compliance Week campaign

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>Lines of communication</b></p> <ul style="list-style-type: none"> <li>• Accessible</li> <li>• Anonymous reporting</li> <li>• Engagement and dialogue</li> </ul>	<p>Raise awareness of Hokie Hotline as a resource for reporting fraud, waste, abuse, or compliance concerns</p>
	<p>Promote discussion of ethics, integrity, and compliance related questions and concerns</p>
	<p>Promote accountability and consistent discipline</p>
	<p>Disseminate compliance content connected to ethical decision making</p>

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>Internal compliance monitoring</b></p> <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>	<p>Review elements for effective compliance in priority compliance areas</p> <hr/> <p>Roll out new compliance tool, monitor for legislative or regulatory changes impacting compliance activities</p>

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>Response to detected offenses</b></p> <ul style="list-style-type: none"> <li>• Timely investigations</li> <li>• Timely response to regulators</li> <li>• Appropriate remediation steps</li> </ul>	Support timely investigations of reports made directly or referred to OARC
	Support timely completion of investigations
	Resource for operational areas subject to regulatory inspections

ELEMENTS OF EFFECTIVE COMPLIANCE PLAN	ANNUAL INSTITUTIONAL COMPLIANCE PROGRAM WORK PLAN
<p><b>Perform periodic compliance risk assessments</b></p> <ul style="list-style-type: none"> <li>• Continuous improvement</li> </ul>	<p>Conduct annual leadership compliance survey and evaluate against baseline</p>
	<p>Review Climate Surveys conducted by Human Resources for insights</p>
	<p>Update compliance risk assessments for high priority compliance risk owners</p>

# INSTITUTIONAL COMPLIANCE PROGRAM RESOURCES

- Currently staffed with one position, the Chief Compliance Officer, the fiscal year 2023-24 institutional compliance program work plan is tailored to the resources available.
- 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.

Questions?



VIRGINIA TECH.®



June 5, 2023

# ***Enterprise Risk Management Update***

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

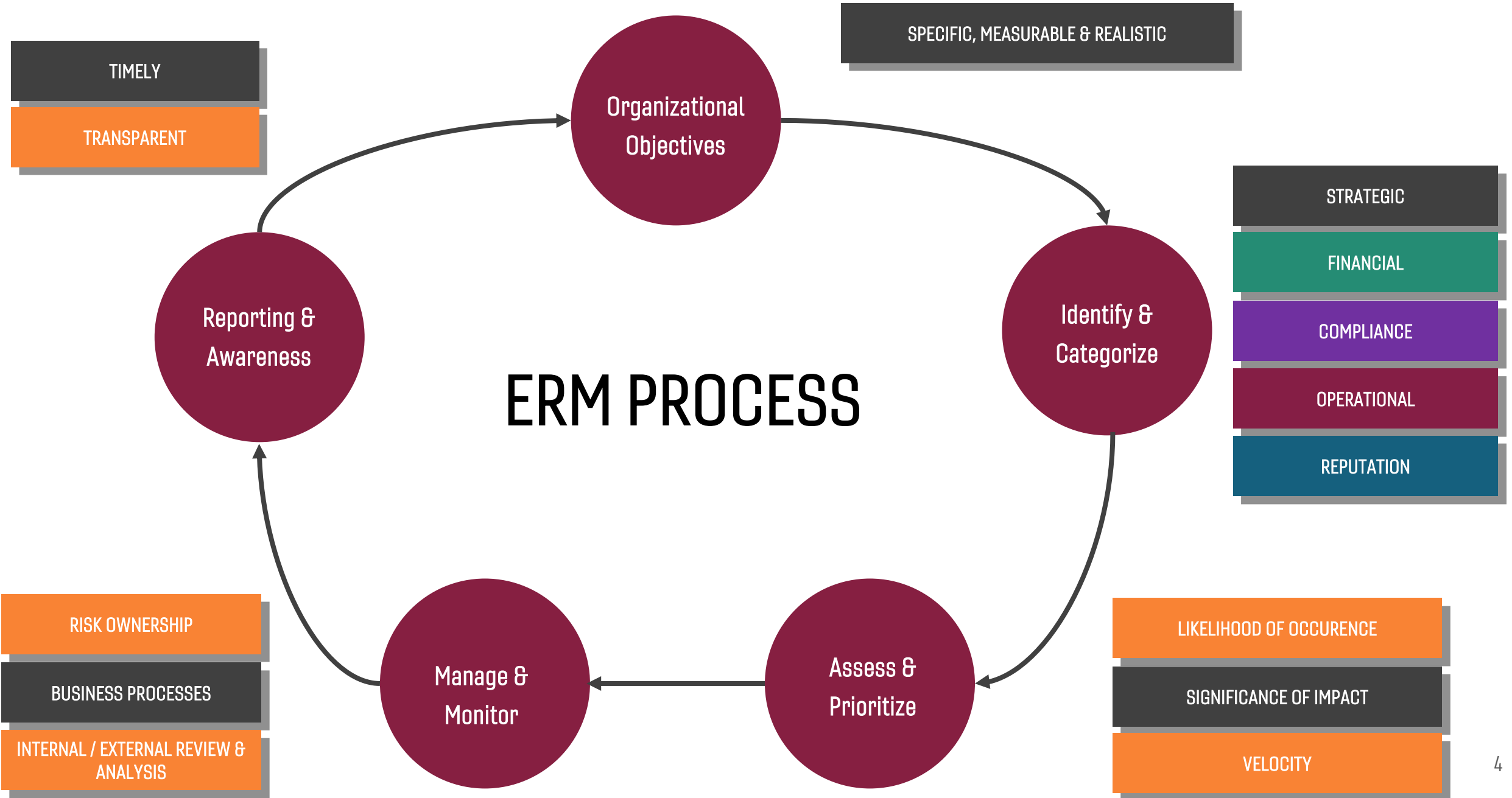
## Enterprise Risk Management

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.

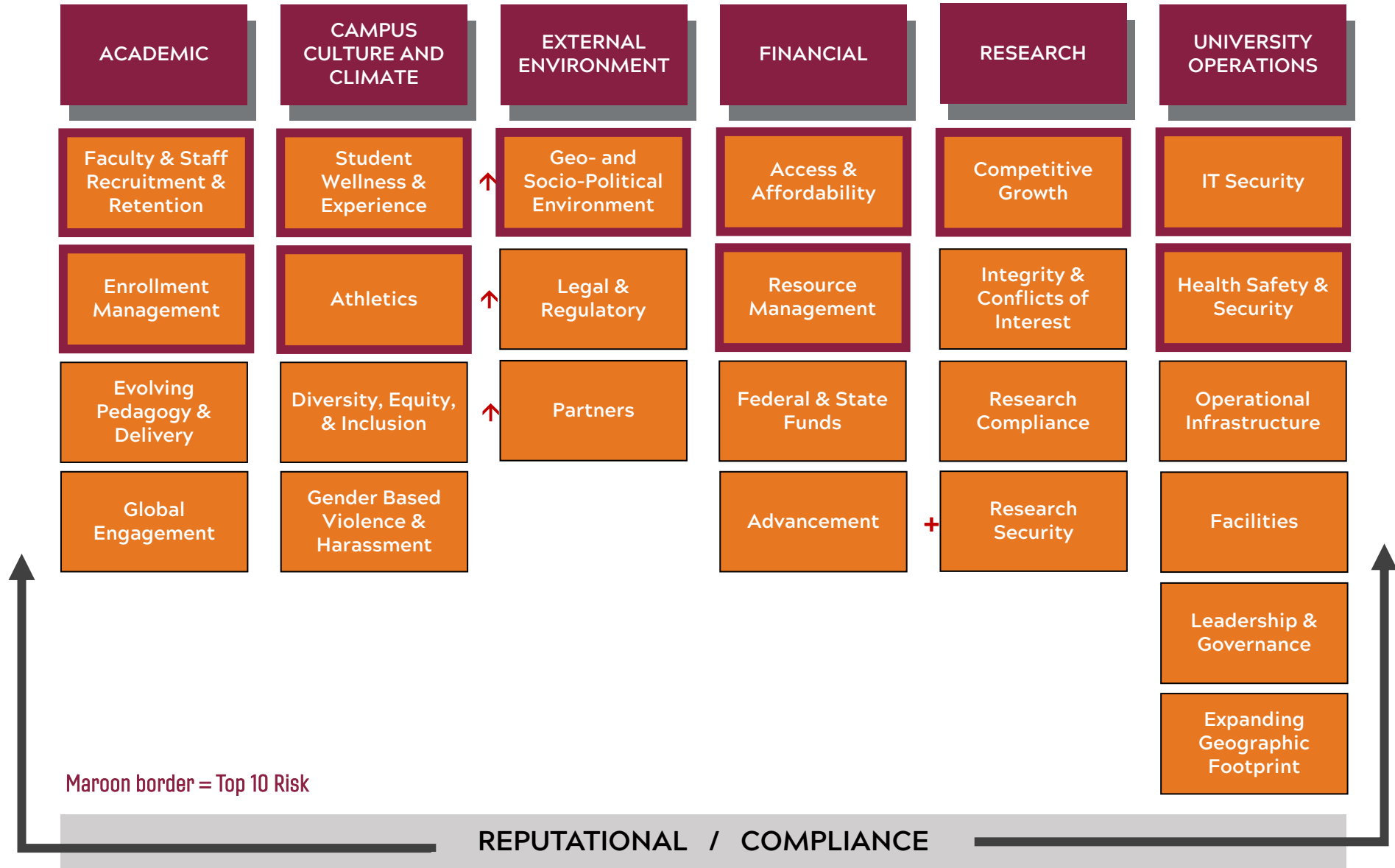
# ERM PROGRAM ELEMENTS

- Risk Identification and Assessment – Narrowing Focus to Key Risk Areas
- Tabletop Exercises with Leadership
- Risk Snapshots developed by Risk Owners
- Periodic Reporting to OARC and Committees
- Risk Owners Periodically Brief Board of Visitors
- Periodic Evaluations of ERM Program for Continuous Improvement



# Enterprise Risk Landscape

June 2023



# BOARD ENTERPRISE RISK DISCUSSIONS



continued **broadening of coverage** in presentations to the Board of Visitors on ERM risks

over half of the ERM presentations focused on the **Top Ten** enterprise risks

24 of 25 enterprise risks have been **discussed** with the board

senior leadership mentioned how the **issues facing the institution** were contemplated through the ERM process

# FY 2022-23 ERM Summary

- *Updated risk landscape*
  - *Changes to “Top Ten ERM Risks”*
    - *Added: Geo- and Socio-Political Environment*
    - *Removed: Global and National Economy*
  - *Heightened risks:*
    - *Research Security*
- *Increased visibility at BOV level*
- *Proposed new Risk and Compliance Governance Framework*
  - *Steering Committee co-chaired by EVPCOO and VPCRO*
  - *Advisory Group chaired by Chief Compliance Officer*

## *2022 External Assessment Identified Opportunities for ERM*

1. Continue to connect risks to University strategy and priorities.
2. Move beyond risk identification and discussion to more robust mitigation.
3. Elevate cross-unit risks.
4. Continually elevate the University's risk profile and approach with a focus on high velocity risks.
5. Ensure ERM program capacity for expanded approach.
6. Implement executive champions.



OFFICE OF AUDIT, RISK,  
AND COMPLIANCE  
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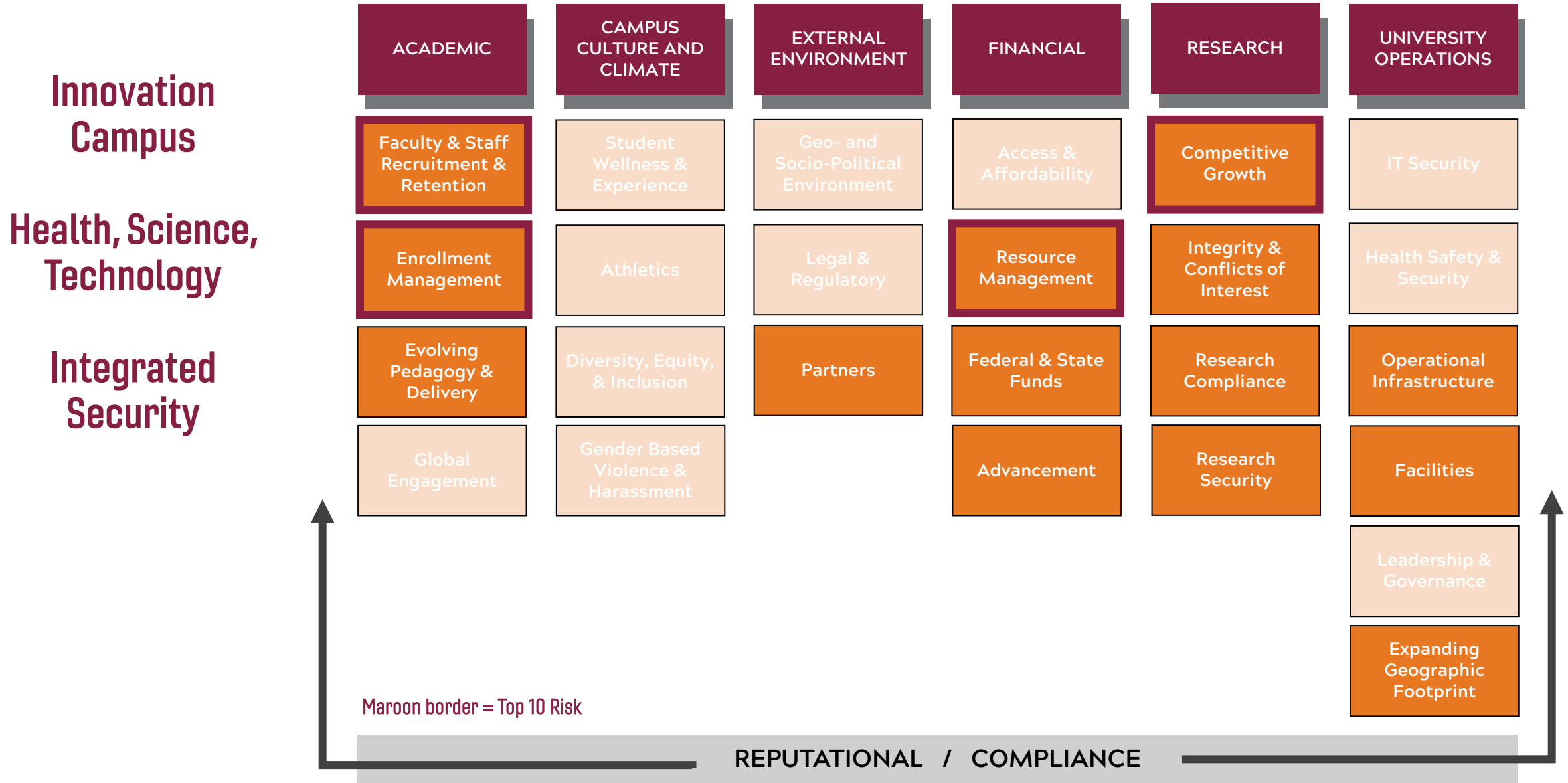
**QUESTIONS?**



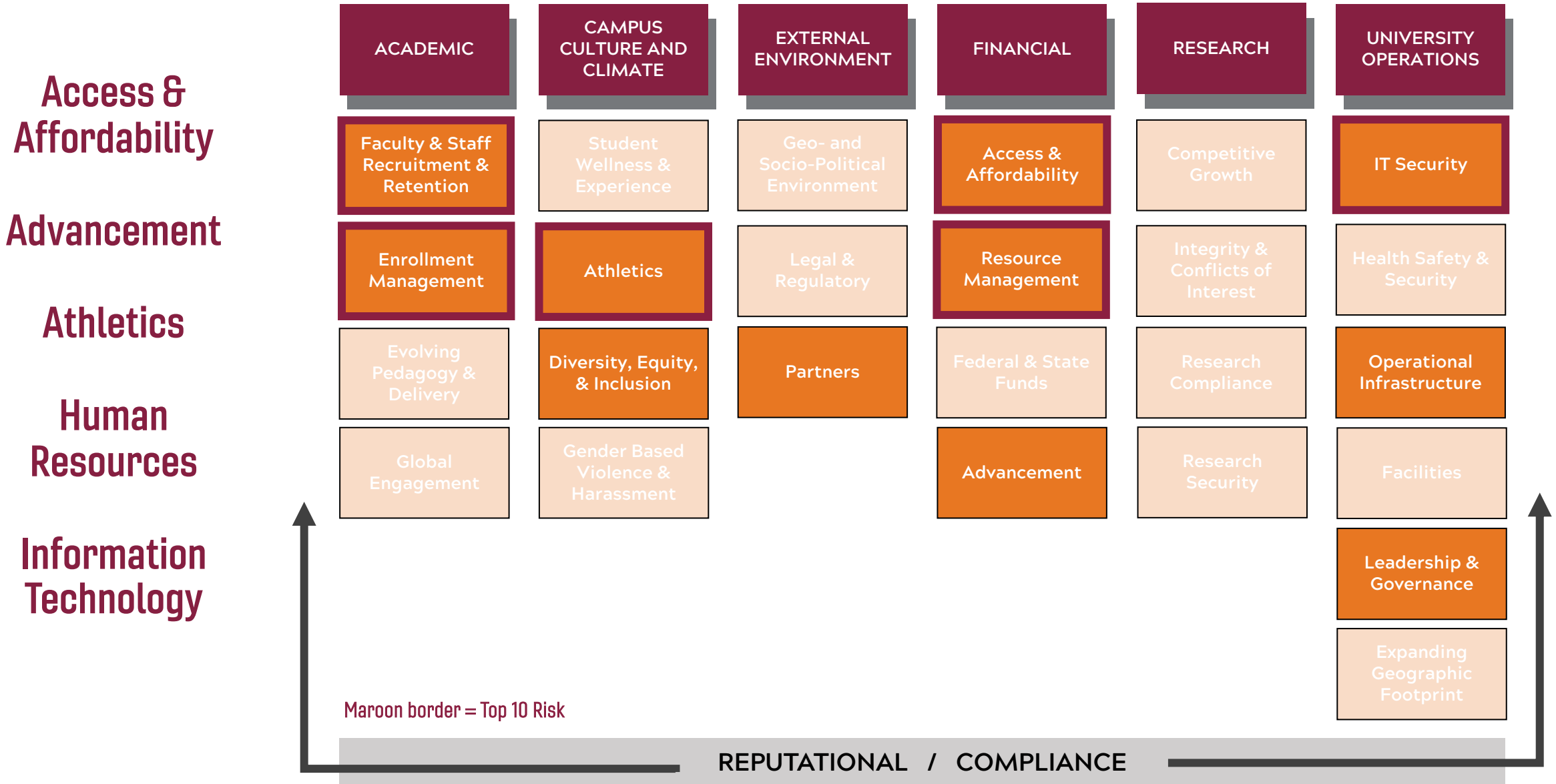


# Appendix

# Mapping of ERM to the 3 Academic Priorities



# Mapping of ERM to the 5 Strategic Priorities



# RISK AREA – COMMITTEE ALIGNMENT

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

- *Access & Affordability \**
- *Competitive Growth \**
- *Diversity, Equity & Inclusion*
- *Enrollment Management \**
- *Evolving Pedagogy & Delivery*
- *Faculty & Staff Recruitment & Retention \**
- *Global Engagement*
- *Integrity & Conflicts of Interest*
- *Research Compliance*
- *Research Security*
- *Student Wellness & Experience \**

## ***Buildings and Grounds***

- *Facilities*

## ***Board Level***

- *Expanding Geographic Footprint*
- *Leadership & Governance*
- *Partners*

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

- *Gender Based Violence & Harassment*
- *Legal & Regulatory*
- *Geo- and Socio-Political Environment \**

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

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

## ***Governance and Administration***

- *Athletics \**
- *Faculty & Staff Recruitment & Retention \**
- *Health Safety & Security \**
- *IT Security \**
- *Operational Infrastructure*

Note: \* indicates a Top Ten enterprise risk

# ERM Top 10 Risks – Owners & BOV Alignment

Risk Area	Risk Statement	
	Owner(s)	BOV Committee(s)
1 - Faculty & Staff Recruitment & Retention	Recruit, develop, and retain high-performing and diverse talent in support of strategic goals and priorities	
	Clarke; Fricker; Sebring; Garey	Academic, Research, and Student Affairs + Governance and Administration
2 - 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
3 - Resource Management	Effectively allocate available university personnel, finances, and space in alignment with strategic goals	
	Sebring; Clarke; Miller	Finance and Resource Management
4 - IT Security	Address the complexities of operating and securing the hybrid model of centralized and decentralize academic, research, and administrative computing	
	Sebring; Midkiff	Governance and Administration
5 - Geo- and 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 student recruitment, retention, academic support, and financial aid strategies to achieve growth and diversity goals	
	Clarke; Havens Gerardo	Academic, Research, and Student Affairs
7 - 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
8 - Health Safety & Security	The university faces potential risk exposure from internal and/or external threats and hazards to campus health, safety, and security	
	Sebring; Mulhare	Governance and Administration
9 - 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
10 - Athletics	Navigate the highly visible and complex environment of intercollegiate athletics	
	Babcock	Governance and Administration