

Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech, Latham A/B

November 5, 2023

9:45 am

Closed Session

Committee Members Present: Dave Calhoun (chair), Carrie Chenery, Nancy Dye, Tish Long, Chris Petersen

Committee Members Absent: Jeff Veatch

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Greta Harris

Virginia Tech Personnel: Cyril Clarke, Ron Fricker, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Ken Miller, Justin Noble, Kim O'Rourke, Timothy Sands, Amy Sebring, John Talerico, Paul Winistorfer

1. **Motion to Begin Closed Session:** Motion to begin closed session.
- # 2. **Research Security Assessment Discussion:** The Committee received a presentation from Mr. Justin Noble, Chief Audit Executive, and Mr. John Talerico, Director of Export and Secure Research Compliance on the results of the research security assessment.
3. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
4. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** Ms. Sharon Kurek, Vice President and Chief Risk Officer, discussed employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation will involve discussion of the performance of specific individuals.
5. **Motion to End Closed Session:** Motion to end closed session.

Open Session

Committee Members Present: Dave Calhoun (chair), Carrie Chenery, Nancy Dye, Tish Long, Chris Petersen

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Greta Harris, Bill Holtzman

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

Virginia Tech Personnel: Eric Brooks, Brock Burroughs, Cyril Clarke, Al Cooper, Corey Earles, Alisha Ebert, Ron Fricker, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Elizabeth Hooper, Chris Kiwus, Sharon Kurek, Ken Miller, Nam Nguyen, Justin Noble, Kim O'Rourke, Mark Owczarski, Paul Richter, Timothy Sands, Amy Sebring, Ken Smith, Aimee Suprenant, John Talerico, John Tarter, Dwyn Taylor, Jon Clark Teglas, Rob Viers, Tracy Vosburgh, Melinda West

Guests: Riley DeHority, Pika MacDougal, Rachel Maizel, Megan Richard (APA), Jonathan South (APA)

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 August 28, 2023 Meeting:** The Committee reviewed and approved the minutes of the August 28, 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 June 30, 2023, the university had 15 open recommendations. Six audit comments were issued during the first quarter of the fiscal year. As of September 30, 2023, the university had addressed eight comments, leaving 13 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

11 percent of its audit plan, and 35 percent is underway, in accordance with the fiscal year 2023-24 annual audit plan.

- d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the August 28, 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. **Data Analytics: Leave and Time Reporting:** The audit received an effective rating. A low-priority recommendation was noted regarding compliance with leave reporting policies.
 - ii. **University Scholarships and Financial Aid:** The audit received an effective rating. A low-priority recommendation was noted regarding satisfactory academic progress failure notification.
 - iii. **VT Electric Service:** The audit received a rating of improvements are recommended. Observations were noted regarding inconsistent implementation of IT controls. Low-priority recommendations of a less significant nature were noted regarding financial operations and access requests.
3. **Auditor of Public Accounts Financial Statement Audit and Management Letter:** The Committee received a report from Ms. Megan Richard, with the Auditor of Public Accounts, on the results of the university's financial statement audit and management letter for the fiscal year ended June 30, 2023, which resulted in an unmodified opinion. Furthermore, the audit identified no new material weaknesses or significant deficiencies during fiscal year 2023.
4. **External Reviews and Special Reports:** The Committee received a report from Ms. Melinda West, Associate Vice President for Finance and University Controller, on external reviews and special reports that have occurred at the university.
5. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the August 28, 2023 meeting.
 - a. **Construction Audit Update:** These contract compliance-focused engagements are conducted on Construction Manager-at-Risk projects in three phases (pre-construction, construction in progress, contract close out).

The overarching goal of the reviews is to ensure billings and payments are in accordance with contract documents, eliminate duplicate costs, assess the appropriateness of change orders, and identify opportunities for cost avoidance. Since the November 2022 Compliance, Audit, and Risk Committee report, the following engagements have been completed: Hitt Hall, Innovation Campus Academic Building, New Upper Quad Residence Hall, and Undergraduate Science Laboratory Building. All reviews were midpoint reviews with construction still in progress.

6. **Discussion of Future Topics:** Mr. Dave Calhoun requested topics to be covered in future meetings from the Committee and adjourned the meeting at 11:41 a.m.

Discusses Enterprise Risk Management topic(s).

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech, Latham A/B

November 5, 2023

11:00 am

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Welcome and Introductory Remarks	Committee Chair
2. Consent Agenda	Committee Chair
a. Minutes from the August 28, 2023 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Data Analytics: Leave Reporting	
ii. University Scholarships and Financial Aid	
iii. VT Electric Service	
3. Auditor of Public Accounts Financial Statement Audit and Management Letter	Jonathan South
4. External Reviews and Special Reports	Melinda West
5. Internal Audit Reports	Justin Noble
a. Annual Update on Construction Audit Program	
6. Discussion of Future Topics	Committee Chair

Discusses Enterprise Risk Management topic(s).

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech, Latham A/B

November 5, 2023

9:45 am

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion to Begin Closed Session	Committee Member
# 2. Research Security Assessment Discussion	Justin Noble John Talerico
3. Update on Fraud, Waste, and Abuse Cases	Sharon Kurek Ryan Hamilton
4. Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer	Sharon Kurek
5. Motion to End Closed Session	Committee Member
# Discusses Enterprise Risk Management topic(s).	

Consent Agenda
COMPLIANCE, AUDIT, AND RISK COMMITTEE
November 5, 2023

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

- a. Approval of Minutes of the August 28, 2023 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
 - i. Data Analytics: Leave and Time Reporting
 - ii. University Scholarships and Financial Aid
 - iii. VT Electric Service

Minutes

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

Closed Session

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

Committee Members Absent: Dave Calhoun, Jeff Veatch

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

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

1. **Motion to Begin Closed Session:** Motion to begin closed session.
2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
- # 3. **Discussion on Legal Compliance Risk:** The Committee discussed legal and compliance risks related to an investigation.
4. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President discussed employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation will involve discussion of the performance of specific individuals.
5. **Motion to End Closed Session:** Motion to end closed session.

Open Session

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

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

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

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

1. **Welcome and Introductory Remarks:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks.
2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
 - a. **Minutes from the June 5, 2023 Meeting:** The Committee reviewed and approved the minutes of the June 5, 2023 meeting.
 - b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of March 31, 2023, the university had 18 open recommendations. Four audit comments were issued during the fourth quarter of the fiscal year. As of June 30, 2023, the university had addressed seven comments, leaving 15 open recommendations in progress.
 - c. **Audit Plan Status Report:** The committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) has completed 89 percent of its audit plan, and 100 percent is underway, in accordance with the fiscal year 2022-23 annual audit plan.
 - d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the June 5, 2023 meeting. Where applicable, management developed action plans to effectively address the issues in the report with

a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

- i. College of Natural Resources and Environment: The audit received a rating of improvements are recommended. Observations were noted regarding lab safety training and labor cost transfers. Low-priority recommendations of a less significant nature were noted regarding effort reporting and compliance with the university's award management system for uploading final technical reports.
 - ii. Housing Services: The audit received an effective rating.
 - iii. SBIR/STTR Grant Compliance: The audit received an effective rating.
 - iv. University Scholarships and Financial Aid: The audit received an effective rating.
- e. **Status Update on the Audit of the University's Financial Statements:** This report provided the current status of the audit of the university's financial statements for fiscal year 2022-23.
- f. **Legislative Update:** This report provided an update on recent legislative changes that impact the Committee's responsibility for oversight of compliance and risk.

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

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

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

5. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the June 5, 2023 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - a. Data Analytics: Administrative Operations: The audit received a rating of effective.
 - b. Data Analytics: HokieMart Segregation of Duties: The audit received a rating of effective.
 - c. Data Analytics: Procurement Card Transaction Review: The audit received a rating of effective.
 - d. Human Resources: Employee Administration: The audit received a rating of significant improvements are needed. Observations were noted regarding employment eligibility verifications, data integrity, oversight of wage appointments, and security of high-risk data.
6. **OARC Annual Report for Fiscal Year 2022-23:** The Committee reviewed and accepted the annual report for OARC. This year highlighted progress in moving forward each of the office's functional areas with appointing distinct leadership and further integrating the programs to provide a holistic approach to risk management. Acceptance of this report documents the Committee's review of the effectiveness of the internal audit function, including staffing resources, financial budget, training, objectivity, and reporting relationships as required by the Committee's charter.
7. **Discussion of Future Topics:** Chris Peterson made closing remarks and adjourned the meeting at 10:35 a.m..

Discusses Enterprise Risk Management topic(s).

Update of Responses to Open Internal Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2023

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

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

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open medium and high priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 100 percent on-schedule rate for fiscal year 2024 reflects closing 8 of 8 recommendations by the original target date.

The report presented at the August 28, 2023 meeting covered audit reports reviewed and accepted through June 30, 2023 and included 15 open medium and high priority recommendations. Activity for the quarter ending September 30, 2023 resulted in the following:

Open recommendations as of June 30, 2023	15
Add: medium and high priority recommendations accepted August 28, 2023	6
Subtract: recommendations addressed since June 30, 2023	8
Remaining open recommendations as of September 30, 2023	<u>13</u>

While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through October 20, 2023, OARC has closed two additional recommendations that previously missed the original target date in the prior fiscal year. All remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work conjointly with all units and provides assistance as needed to help with timely completion of action plans.

ATTACHMENT A

Open Recommendations by Priority Level

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2023

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
Mar 18, 2022	Mechanical Engineering	22-1586	3	1	-	2	-	-	2
Feb 28, 2023	IT: Advanced Research Computing	23-1638	1	-	-	-	-	1	1
Feb 28, 2023	College of Engineering	23-1651	1	-	-	-	-	1	1
Mar 03, 2023	Licensing and Trademarks	23-1641	1	-	-	-	-	1	1
May 19, 2023	Athletics	23-1650	3	-	-	-	1	2	3
Jun 28, 2023	College of Natural Resources and Environment	23-1627	2	-	-	-	-	2	2
Jul 06, 2023	Human Resources Administration	23-1637	4	1	-	-	2	1	3
Totals:			15	2	-	2	3	8	13

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2023

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised / 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	
May 19, 2023	3	23-1650	Athletics	State Vehicle Management	Medium		Oct 31, 2023		2	
Jun 28, 2023	4	23-1627	College of Natural Resources and Environment	Lab Safety Training	Medium		Jan 31, 2024		3	
Jun 28, 2023	5	23-1627	College of Natural Resources and Environment	Labor Cost Transfers	Medium		Jan 31, 2024		3	
May 19, 2023	6	23-1650	Athletics	Leave Reporting	Medium		Jan 31, 2024		3	
Feb 28, 2023	7	23-1638	IT: Advanced Research Computing	Cluster Security and Management	Medium		Mar 01, 2024		3	
Mar 03, 2023	8	23-1641	Licensing and Trademarks	Monitoring Royalty Payments	Medium		Apr 01, 2024		3	
Jul 06, 2023	9	23-1637	Human Resources Administration	Employment Eligibility Verification	High		May 31, 2024		3	
Jul 06, 2023	10	23-1637	Human Resources Administration	Wage Appointments	Medium		May 31, 2024		3	

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2023

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised / Current		
Jul 06, 2023	11	23-1637	Human Resources Administration	Data Integrity	High		Jun 30, 2024		3	
May 19, 2023	12	23-1650	Athletics	Fixed Asset Management	High		Jun 30, 2024		3	
Feb 28, 2023	13	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.

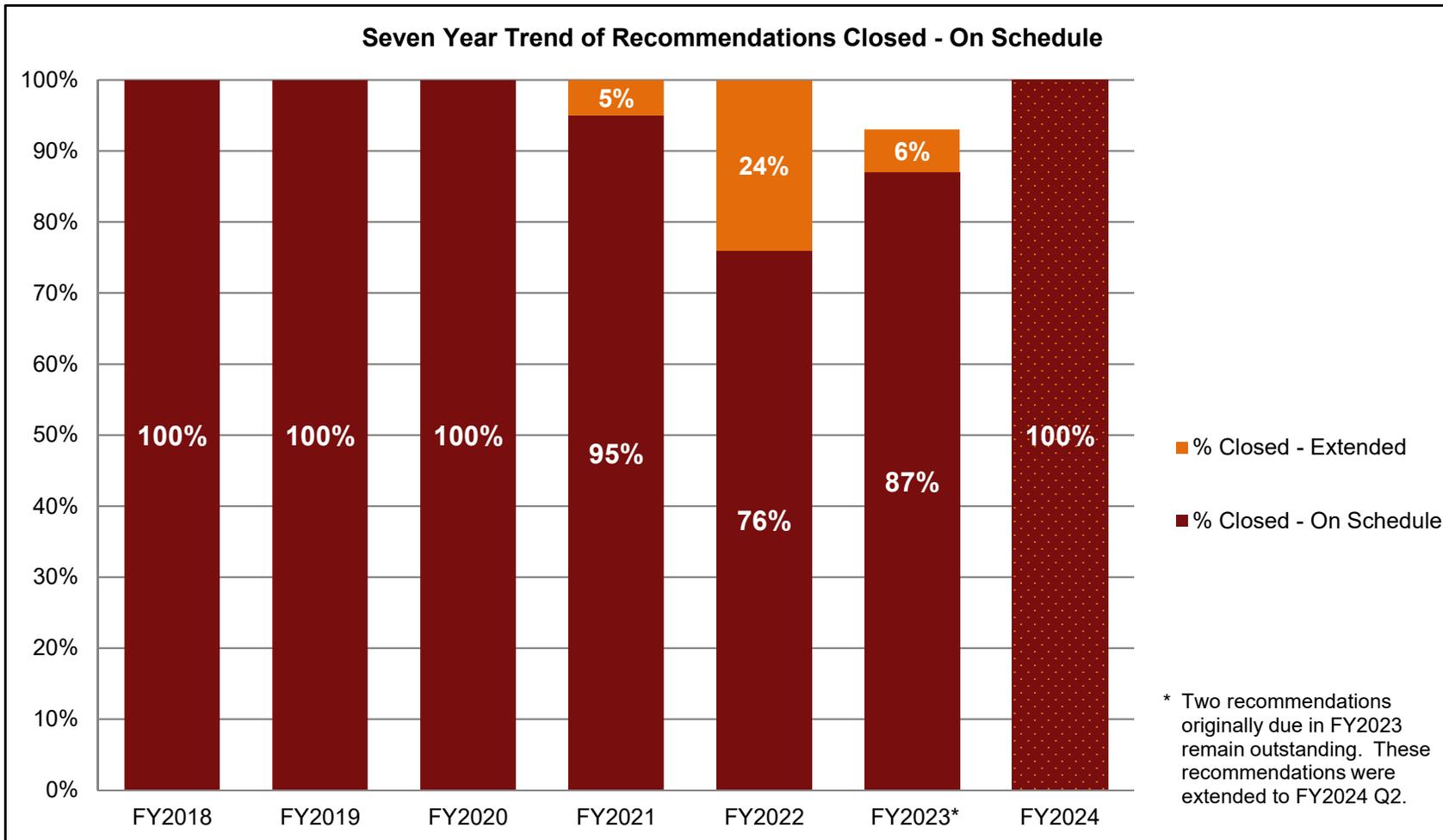
For Open Detail Report: "current calendar quarter" is used to refer to the current working quarter instead of the quarter being reported on.

ATTACHMENT C

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

COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2023



Audit Plan Status Report
COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 5, 2023

Audit Plan Update

Audits were performed in accordance with the fiscal year 2023-24 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the August board meeting four planned projects have been completed including three risk-based audits and one advisory services review regarding Athletics media rights. Additionally, one project regarding IT Software Development Practices has been added to the audit plan at the request of the Division of IT management.

Nine projects are currently underway, including:

- Eight risk-based projects: Agricultural Research and Extension Centers, Capital Campaign Processes and Reporting, Controller's Office: Fixed Assets, Data Analytics: Sponsored Equipment Purchases, Facilities Management, Gramm-Leach-Bliley Act Compliance, IT: Inventory and Classification, and IT: Policy Compliance Review Approach.
- One policy compliance review: College of Veterinary Medicine.

Further, one planned engagement has been canceled since the August board meeting. IT: HIPAA Security was canceled after discussions with Division of Research management provided a more detailed update on the status of efforts and it was determined that this review should be considered in the next audit plan year.

In fiscal year 2023-24, OARC has completed 11 percent of its audit plan as depicted below.

FY 2023-24 Completion of Audit Plan

Audits	
Total # of Audits Planned	33
Total # of Supplemental Audits	1
Total # of Carry Forwards	4
Total # of Planned Audits Canceled or Deferred	1
Total Audits in Plan as Amended	37
Total Audits Completed	4
Audits - Percentage Complete	11%
Audits - Percentage Complete or Underway	35%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 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.

Consent Agenda Reports	Rating
Data Analytics: Leave and Time Reporting	Effective
University Scholarships and Financial Aid	Effective
VT Electric Service	Improvements are Recommended
Report for Discussion	Rating
Construction Audit Update	n/a

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.

November 5, 2023

Auditor of Public Accounts Financial Statement Audit and Management Letter

COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 5, 2023

The Committee will receive an update on the status of
the Auditor of Public Accounts financial statement audit
and Management Letter
for the fiscal year ended June 30, 2023.

External Reviews and Special Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

September 30, 2023

Background

Virginia Tech is subject to reviews by a variety of external agencies, including the Commonwealth's Auditor of Public Accounts (APA), the Office of the State Inspector General (OSIG), and others. In addition to the annual audits of the university's financial statements and its Intercollegiate Athletics program conducted by the APA, Virginia Tech is frequently included along with other agencies in statewide reviews typically included as part of an agency's annual work plan. Due to the breadth of the programs and the dollar volume of activities at Virginia Tech, the university is often selected for inclusion in a variety of statewide reviews. The following report provides an analysis of external and statewide audit activities consistent with the university's planned approach to manage and report on these audit activities.

Contractor Purchasing System Review (2022)

A contractor purchasing system review (CPSR) was performed by the Office of Naval Research in September 2022 to evaluate the efficiency and effectiveness with which the university spends government funds and complies with government policy when subcontracting. Maintaining an approved purchasing system benefits Virginia Tech meets the FAR contractual requirements and generally eliminates the need for advance notification and pre-approval of subcontracts on federally sponsored projects. ONR deemed the university purchasing system satisfactory on October 7, 2022.

Perkins Loan Program Liquidation (2023)

The Commonwealth of Virginia Auditor of Public Accounts (APA) performed agreed upon procedures to determine whether the university complied with the requirements of Title 34 U.S. Code of Federal Regulations § 668.26 and the procedures contained in the U.S. Office of Management and Budget's Compliance Supplement and Federal Perkins Loan Program Assignment and Liquidation Guide. There were no findings or recommendations.

Virginia Department of Veterans Services (2023)

A compliance survey was conducted to ensure that schools, training establishments, and their approved courses comply with all applicable provisions of the laws administered by the U.S. Department of Veterans Affairs and State Approving Agency (DVS). This limited scope review was to monitor compliance based on a review of records for a specific set of students. Veteran Services did not issue any formal recommendations.

Occupational Safety and Health Administration Review (2023)

The Occupational Safety and Health Administration conducted a review of Financial Status Reports associated with a grant, for the period October 1, 2022 through June 30, 2023. There were no financial findings or recommendations.

Higher Education Institution Cybersecurity (ongoing)

The Virginia Office of the State Inspector General (OSIG) is conducting a performance audit to determine if higher education institutions are monitoring their security programs sufficiently to ensure they are capable of responding to cyber-attacks. Virginia Tech has responded to OSIG's initial request for information and will keep the board apprised of the review's progress.

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

November 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.

Consent Agenda Reports	Rating
Data Analytics: Leave and Time Reporting	Effective
University Scholarships and Financial Aid	Effective
VT Electric Service	Improvements are Recommended
Report for Discussion	Rating
Construction Audit Update	n/a

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.

November 5, 2023