

## Minutes

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech, Latham A/B

August 28, 2024

8:00 am

#### Closed Session

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

**Other Board Members Present:** Nancy Dye, Bill Holtzman, Don Horsley

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

1. **Motion to Begin Closed Session:** Committee member Jim Miller moved to begin closed session at 8:03 am.
2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
3. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President discussed employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation involved discussion of the performance of specific individuals.
4. **Motion to End Closed Session:** Committee member Ryan McCarthy moved to end closed session at 8:47 am.

## **Open Session**

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

**Other Board Members Present:** Nancy Dye, Bill Holtzman, Don Horsley, Janice Austin (A/P faculty representative), LaTawnya Burleson (staff representative), Leslie Orellana (undergraduate student representative), William Poland (graduate and professional student representative),

**Virginia Tech Personnel:** Simon Allen, Callan Bartel, Eric Brooks, Brock Burroughs, Cyril Clarke, Al Cooper, Corey Earles, Juan Espinoza, Ron Fricker, Rachel Gabriele, Clifton Gaines, Martha Glass, Suzanne Gooding, Ellington Graves, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Tim Hodge, Frances Keene, Sharon Kurek, Rob Mann, Nancy Meacham, Mike Mulhare, Dennis Nolan, Kim O'Rourke, Mark Owczarski, Charlie Phlegar, Sharon Pitt, Paul Richter, Julie Ross, Timothy Sands, Amy Sebring, Brennan Shepard, Michael Stowe, Dan Sui, John Talerico, John Tarter, Rob Viers, Will Walton, Melinda West, Lisa Wilkes

1. **Welcome and Acceptance of the Agenda:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks and asked for acceptance of the open session agenda.
2. **Consent Agenda:** The Committee considered for approval and acceptance the items listed on the Consent Agenda.
  - a. **Minutes from the June 10, 2024 Meeting:** The Committee reviewed and approved the minutes of the June 10, 2024 meeting.
  - b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of March 31, 2024, the university had 16 open recommendations. Zero audit comments were issued during the fourth quarter of the fiscal year. As of June 30, 2024, the university had addressed 13 comments, leaving 3 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

81 percent of its audit plan, and 100 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 June 10, 2024 meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
    - i. **Data: Travel Compliance Monitoring:** The audit received an effective rating. An observation with university-wide impact was noted related to timely submission of travel reimbursement requests.
    - ii. **Student Wellness and Counseling:** The audit received an effective rating. An observation with university-wide impact was noted related to user access controls over the student conduct system.
    - iii. **College of Architecture, Arts, and Design Policy Compliance Review:** The audit received a rating of improvements are recommended. Recommendations were noted related to the areas of wage payroll, P-14 appointments, I-9 verifications, expenditures, fixed asset management, university key control, information technology, and state vehicle management.
    - iv. **Vice President for Student Affairs Policy Compliance Review:** The audit received a rating of improvements are recommended. Recommendations were noted related to the areas of wage payroll, leave reporting, P-14 appointments, expenditures, information technology, and state vehicle management.
  - 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 2023-24.
  - f. **2024 General Assembly Legislative Update:** This report provided an update on recent legislative changes that impact the Committee's responsibility for oversight of compliance and risk.
3. **Internal Audit Reports:** The following internal audit report was issued by OARC since the June 10, 2024 meeting. Where applicable, management developed

action plans to effectively address the issues in the report with a reasonable implementation timeframe. As noted above, OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

- a. Chemistry: The audit received a rating of improvements are recommended. Observations were noted related to lab safety culture and key control. A low-priority recommendation of a less significant nature was noted related to service center billing.
4. **OARC Annual Report for Fiscal Year 2023-24:** The Committee reviewed the annual report for OARC. This report contained highlights from the past fiscal year's activities in the enterprise risk management (ERM), institutional compliance, and internal audit programs. The Committee accepted this report as presented, which 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.
5. **OARC Strategic Plan:** The Committee reviewed OARC's proposed strategic plan, including the mission, vision, strategic goals, and program objectives that will guide the department forward. OARC's goals are aligned to five strategic themes, including operational excellence, trust and partnerships, strategic value, culture and integrity, and knowledge and innovation. Each of the three functional programs (ERM, Compliance, and Internal Audit) have developed major objectives across "foundational," "leading practices," and "emerging" categories, which serve as a maturity spectrum of program development.
6. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings. The Committee asked to be briefed on issues with potential national security impact.



**Closed Session Agenda**

**COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**The Inn at Virginia Tech, Latham A/B**

**August 28, 2024**

**8:00 am**

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

## Open Session Agenda

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

The Inn at Virginia Tech, Latham A/B  
August 28, 2024  
8:30 am

<b><u>Agenda Item</u></b>	<b><u>Reporting Responsibility</u></b>
1. Welcome and Acceptance of Agenda	Committee Chair
2. Consent Agenda	Committee Chair
a. Minutes from the June 10, 2024 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Data: Travel Compliance Monitoring	
ii. Student Wellness and Counseling	
iii. College of Architecture, Arts, and Design Policy Compliance Review	
iv. Vice President for Student Affairs Policy Compliance Review	
e. Status Update of the Audit of the University's Financial Statements	
f. 2024 General Assembly Legislative Update	
3. Internal Audit Reports	Ryan Hamilton
a. Chemistry	
4. OARC Annual Report for Fiscal Year 2023-24	Sharon Kurek
5. OARC Strategic Plan	Sharon Kurek
6. Discussion of Future Topics	Committee Chair

**Consent Agenda**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**  
**August 28, 2024**

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

- a. Approval of Minutes of the June 10, 2024 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
  - i. Data: Travel Compliance Monitoring
  - ii. Student Wellness and Counseling
  - iii. College of Architecture, Arts, and Design Policy Compliance Review
  - iv. Vice President for Student Affairs Policy Compliance Review
- e. Status Update of the Audit of the University's Financial Statements
- f. 2024 General Assembly Legislative Update

## Minutes

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 10, 2024

9:30 am

#### Closed Session

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

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

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

1. **Motion to Begin Closed Session:** Committee member Chris Petersen moved to begin closed session at 9:38 am.
2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
3. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President discussed employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation involved discussion of the performance of specific individuals.
4. **Motion to End Closed Session:** Committee member Jeff Veatch moved to end closed session at 9:58 am.

## **Open Session**

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

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

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

**Guests:** Megan Richard

1. **Welcome and Acceptance of Agenda:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks and asked for acceptance of the Open Session agenda.
2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
  - a. **Minutes from the April 8, 2024 Meeting:** The Committee reviewed and approved the minutes of the April 8, 2024 meeting.
  - b. **Update of Responses to Open Internal Audit Comments:** The Committee reviewed the university's update of responses to all previously issued internal audit reports. As of December 31, 2023, the university had 11 open recommendations. Nine audit comments were issued during the third quarter of the fiscal year. As of March 31, 2024, the university had addressed four comments, leaving 16 open recommendations in progress.
  - c. **Audit Plan Status Report:** The committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) has completed 63 percent of its audit plan, and 94 percent is underway, in accordance with the fiscal year 2023-24 annual audit plan.

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

- f. **Report on Audits of University-Related Corporations:** The university-related corporations include Virginia Tech Applied Research Corporation; Virginia Tech Foundation, Inc.; Virginia Tech Intellectual Properties, Inc.; Virginia Tech Services, Inc.; Virginia Tech Innovations Corporation (VTIC); and Virginia Tech India Research and Education Forum (VTIREF). Consistent with the Board of Visitors' resolution establishing university-related corporations, each corporation is annually required to provide audited annual financial statements, management letters from external auditors, and management's responses to the university's president. Each corporation is also required to submit an annual certification stating that all procedures outlined in the resolution have been met. All corporations were in full compliance with the Board of Visitors' requirements regarding audits, except for VTIC whose audit has not yet been completed due to complexities related to the creation of a new subsidiary mid-year, Swiss Corporation (VT Swiss SA).
3. **Annual External Audit Scope Discussion with the Auditor of Public Accounts:** The Committee met with the APA for a discussion of the scope of the audit of the 2023-24 financial statements and the APA's plans for conducting and completing the audit.
4. **Overview of Athletics Compliance:** The Committee received an overview of athletics compliance and the changes in the external landscape, as related to the institution's enterprise risks.
5. **Enterprise Risk Management Update:** The Committee received an update of the Enterprise Risk Management (ERM) program activity during fiscal year 2023-24, including the refreshed governance structure, the updated enterprise risk landscape delineated by the university's tripartite mission and support environments, and the heat map with a focus on the top ten risks. The mapping of the enterprise risk landscape shows the alignment of risks with the two main university goals, the Virginia Tech Advantage and Virginia Tech Global Distinction.
6. **Audit Plan for Fiscal Year 2024-25:** OARC presented the Audit Plan for Fiscal Year 2024-25 to the Compliance, Audit, and Risk Committee for review and approval. An annual risk assessment was conducted to identify the entities that should receive audit attention in fiscal year 2024-25 and a core audit plan was developed in coordination with the university's ERM initiative. For fiscal year 2024-25, 24 audit projects and 6 management advisory services are proposed, with approximately 75 percent of OARC's available resources committed to the

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

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



## Update of Responses to Open Internal Audit Comments

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

**June 30, 2024**

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

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

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open medium and high priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 100 percent on-schedule rate for fiscal year 2024 reflects closing 26 of 26 recommendations by the original target date.

The report presented at the June 10, 2024 meeting covered audit reports reviewed and accepted through March 31, 2024 and included 16 open medium and high priority recommendations. Activity for the quarter ending June 30, 2024 resulted in the following:

Open recommendations as of March 31, 2024	16
Add: medium and high priority recommendations accepted June 10, 2024	0
Subtract: recommendations addressed since March 31, 2024	13
Remaining open recommendations as of June 30, 2024	<u>3</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. All other remaining open recommendations are progressing as expected and are on track to meet their respective target dates. Management continues to work jointly with all units and provides assistance as needed to help with timely completion of action plans.

**ATTACHMENT A****Open Recommendations by Priority Level****COMPLIANCE, AUDIT, AND RISK COMMITTEE****June 30, 2024**

Report Date	Audit Name	Audit Number	Total Recommendations						
			ISSUED	COMPLETED	OPEN				
					Extended		On-schedule		Total
					High	Medium	High	Medium	Open
Mar 05, 2024	College of Veterinary Medicine	24-1715	4	3	-	-	-	1	1
Mar 22, 2024	Facilities Management	24-1699	1	-	-	-	-	1	1
Mar 25, 2024	IT Policy Compliance Review: Athletics	24-1706B	1	-	-	-	1	-	1
<b>Totals:</b>			<b>6</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>2</b>	<b>3</b>

**ATTACHMENT B**

**Open Audit Recommendations**

**COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**June 30, 2024**

Report Date	Item	Audit Number	Audit Name	Recommendation Name	Priority		Target Date		Follow Up Status	Status of Recommendations with Revised Priority / Target Dates
					Original	Revised	Original	Revised / Current		
Mar 22, 2024	1	24-1699	Facilities Management	DSA Warehouse Inventory	Medium		Sep 15, 2024		1	
Mar 25, 2024	2	24-1706B	IT Policy Compliance Review: Athletics	Information Technology Controls	High		Apr 01, 2025		2	
Mar 05, 2024	3	24-1715	College of Veterinary Medicine	Fixed Asset Management	Medium		May 01, 2025		2	

Follow Up Status

- 1 Management confirmed during follow up discussions with OARC that actions are occurring and the target date has been or will be met. OARC will conduct testing after the due date to confirm that the Management Action Plan is implemented in accordance with the recommendations.
- 2 Target date is beyond current calendar quarter. Management has follow-up discussions with the auditor to monitor progress, to assist with actions that may be needed to meet target dates, and to assess the feasibility of the target date.

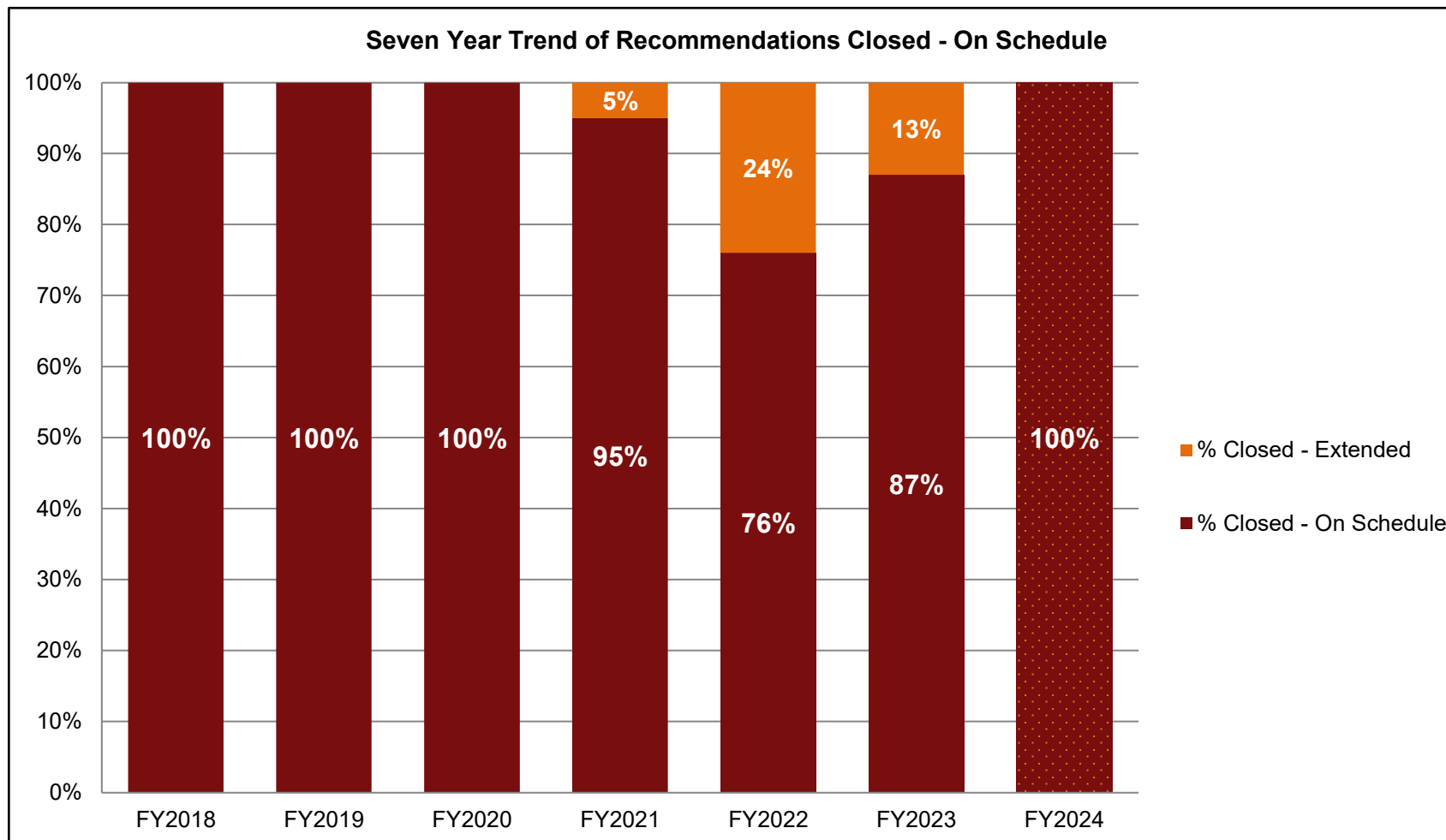
For Open Detail Report: "current calendar quarter" is used to refer to the current working quarter instead of the quarter being reported on.

## ATTACHMENT C

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

## COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 30, 2024



## Audit Plan Status Report

### COMPLIANCE, AUDIT, AND RISK COMMITTEE

**August 28, 2024**

#### **Audit Plan Update**

Audits were performed in accordance with the fiscal year 2023-24 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the June board meeting, five planned projects have been completed including three risk-based audits and two policy compliance reviews.

Six projects are currently underway, including:

- Four risk-based projects: Aerospace and Ocean Engineering, Real Estate Management, Sponsored Programs – Pre-Award/Contracts, and ADA Compliance.
- One policy compliance review: College of Agricultural and Life Sciences
- One advisory project: Athletics IT Security & Data Privacy

Further, one planned advisory review regarding research accounting processes has been deferred since the June board meeting based on available staff time.

In fiscal year 2023-24, OARC has completed 81 percent of its audit plan as depicted below.

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

<b>Audits</b>	
Total # of <b>Audits</b> Planned	33
Total # of Supplemental <b>Audits</b>	3
Total # of Carry Forwards	4
Total # of Planned <b>Audits</b> Canceled or Deferred	9
Total <b>Audits</b> in Plan as Amended	31
Total <b>Audits</b> Completed	25
<b>Audits</b> - Percentage Complete	81%
<b>Audits</b> - Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

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

**August 28, 2024**

**Background**

This report provides a summary of engagements completed during this period, including policy compliance and risk-based reviews.

<b>Consent Agenda Reports</b>	<b>Rating</b>
Data: Travel Compliance Monitoring	Effective
Student Wellness and Counseling	Effective
College of Architecture, Arts, and Design Policy Compliance Review	Improvements are Recommended
Vice President for Student Affairs Policy Compliance Review	Improvements are Recommended
<b>Reports for Discussion</b>	<b>Rating</b>
Chemistry	Improvements are Recommended

**Summary of Ratings**

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

Definitions of each assessment option

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

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

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

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

**RECOMMENDATION:**

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

August 28, 2024

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

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

**August 11, 2024**

The Auditor of Public Accounts (APA) began the audit of the university's financial statements for fiscal year 2023-24 with the entrance conference on April 29, 2024. The APA is currently in the initial stage of the audit where they review transactions and test internal controls over the university's financial processes. Through early July 2024, the audit seems to be progressing as planned, and the APA has not provided any audit comments or recommendations for improvements. At this time, we are not aware of any issues that would prevent the successful completion of the fiscal year 2023-24 audit by the targeted deadline of early November 2024.



**2024 General Assembly Legislative Update**  
**COMPLIANCE, AUDIT, AND RISK COMMITTEE**

**July 19, 2024**

The following report highlights legislation of interest to Virginia Tech.

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**Admissions and Transfer**

**HB 48 & SB 46\* Higher educational institutions, public; admissions applications, legacy admissions, etc.**

*Del. Dan Helmer & Sen. Schuyler VanValkenburg / Sen. Jeremy McPike*

Prohibits any public institution of higher education from providing any manner of preferential treatment in the admissions decision to any student applicant on the basis of such student's legacy status, defined in the bill, or such student's familial relationship to any donor to such institution. **\*SB 71 incorporated into SB 46**

**HB 1365 Higher educational institutions, public; release of student transcripts.**

*Del. Betsy Carr*

Requires each public institution of higher education to release an academic transcript directly to the employer or prospective employer of a student currently or formerly enrolled at such institution upon the request of the student. The bill also prohibits any public institution of higher education from conditioning the release of an academic transcript to a student currently or formerly enrolled at such institution on the payment of an outstanding debt if (i) such outstanding debt is less than \$500; (ii) such outstanding debt is less than \$1000 and such currently or formerly enrolled student received a Federal Pell Grant at any time during his enrollment; or (iii) such currently or formerly enrolled student has enrolled in a repayment plan and has made at least three consecutive monthly payments on such outstanding debt.

**Agriculture, Environment, and Energy**

**HB 1135 & SB 402 Blue catfish; DACS, et al., to review efforts to create a market.**

*Del. Keith Hodges & Sen. Richard Stuart*

Requires the Department of Agriculture and Consumer Services to convene a work group of relevant stakeholders in order to support and encourage coordination regarding efforts to create a robust and resilient market for blue catfish. The work group shall (i) review past and ongoing efforts to promote the creation of a market for blue catfish, (ii) identify and explore potential sectors for the blue catfish market, and (iii) identify any actions that the Commonwealth can take to promote and expand the market for blue catfish. The Department shall submit a report of the findings and recommendations of the work group to the Governor, the Secretary of Agriculture and Forestry, the Secretary of Natural and Historic Resources, and relevant committees of the General Assembly no later than September 1, 2025.

## **Benefits and Personnel**

### **SB 7\* & HB 18 Hate crimes and discrimination; ethnic animosity, nondiscrimination in employment, etc., penalties.**

*Sen. Bryce Reeves / Sen. Suhas Subramanyam*

Provides that it is the policy of the Commonwealth to safeguard all individuals within the Commonwealth from unlawful discrimination in employment and in places of public accommodation because of such individual's ethnic origin and prohibits such discrimination. The bill also adds victims who are intentionally selected because of their ethnic origin to the categories of victims whose intentional selection for a hate crime involving assault, assault and battery, or trespass for the purpose of damaging another's property results in a higher criminal penalty for the offense. The bill also provides that no provider or user of an interactive computer service on the Internet shall be liable for any action voluntarily taken by it in good faith to restrict access to material that the provider or user considers to be intended to incite hatred on the basis of ethnic origin. **\*SB 120 incorporated into SB 7**

## **Diversity and Inclusion**

### **HB 566 SCHEV; membership to include representative of a historically black college or university.**

*Del. Alex Askew*

Requires the membership of the State Council of Higher Education for Virginia to include at least one nonlegislative citizen member who has served as a chief executive officer of one of the Commonwealth's historically black colleges or universities. The bill has a delayed effective date of July 1, 2026.

### **HB 1452 State agencies and their appointing authorities; diversity, equity, and inclusion strategic plans.**

*Del. Alex Askew*

Requires each state agency to submit its annual report assessing the impact of its diversity, equity, and inclusion strategic plans on the populations served by the agency and on the agency's workforce budget to the General Assembly, in addition to the Governor, by July 1 of each year.

## **Ethics Reform**

### **HB 1044 & SB 159 Higher Education for Virginia, State Council of; membership, effective date.**

*Del. Sam Rasoul & Sen. Jennifer Boysko*

Requires the membership of the State Council of Higher Education for Virginia to include at least one nonlegislative citizen member who has served as a chief executive officer of an accredited nonprofit private institution of higher education whose primary purpose is to provide collegiate, graduate, or professional education and not to provide religious training or theological education. The bill has a delayed effective date of July 1, 2026.

## **Freedom of Information Act**

### **HB 816 & SB 244 FOIA; meetings held through electronic communication during declared states of emergency.**

*Del. Mike Cherry & Sen. Jeremy McPike*

Provides that the provisions for conducting a meeting by electronic means due to a state of emergency stated in the Virginia Freedom of Information Act (FOIA) are declarative of existing law since March 20, 2020, with respect to the Governor's declared state of emergency due to COVID-19. Under the bill, any meeting by a public body using electronic communication means occurring from that date until July 1, 2021, and any otherwise lawful action taken at it is validated with respect to FOIA if the body provided public notice, public access, and public comment commensurate with the requirements of existing FOIA provisions regarding electronic and closed meetings. The bill is a response to the case *Berry v. Bd. of Supervisors* (Va. 2023) and is a recommendation of the Virginia Freedom of Information Advisory Council.

### **HB 818 & SB 36 Virginia Freedom of Information Act; amends definition of meeting, provisions or Act.**

*Del. Mike Cherry & Sen. Mamie Locke*

Exempts certain public meetings from the definition of "meeting" under the Virginia Freedom of Information Act to clarify that three or more members of a public body may appear and participate in such public meeting without violating the Act, provided that no public business is transacted or discussed. The bill also exempts members of a public body who attend a public meeting of a second public body without violating the Act, provided that no public business is transacted or discussed. Finally, the bill defines "public business" as activity that a public body has undertaken or proposed to undertake on behalf of the people it represents. The bill states that its provisions are declarative of existing law.

### **SB 85 Virginia Freedom of Information Act; definition of "caregiver," remote participation in meetings.**

*Sen. Barbara Favola*

Provides that for purposes of determining whether a quorum is physically assembled, an individual member of a public body who is a person with a disability or a caregiver, defined in the bill, and uses remote participation counts toward the quorum as if the individual was physically present. The bill also provides that the participation policy adopted by a public body, as required by the Virginia Freedom of Information Act, shall not prohibit or restrict any individual member of a public body who is participating in an all-virtual meeting or who is using remote participation from voting on matters before the public body. The bill is a recommendation of the Virginia Freedom of Information Advisory Council.

### **SB 324 Virginia Freedom of Information Act; charges for production of public records.**

*Sen. Danica Roem*

Prohibits a public body from charging a requester for any costs incurred during the first two hours spent accessing or searching for requested records when such requester has

made four or fewer individual record requests to such public body within 31 consecutive days. The bill provides that for any additional time spent accessing or searching for such records, or when such requester makes five or more individual record requests to such public body within any 31-consecutive-day period, the public body shall not charge an hourly rate for accessing or searching for the records exceeding the lesser of the hourly rate of pay of the lowest-paid individual capable of fulfilling the request or \$33 per hour.

The bill allows a public body to petition the appropriate court for relief from the \$33 per hour fee cap upon showing by a preponderance of the evidence that there is no qualified individual capable of fulfilling the request for \$33 per hour or less and requires such petition to be heard within seven days of when the petition is made, provided that the public body has sent and the requester has received a copy of the petition at least three working days prior to filing. The bill also provides that in certain instances a hearing on any petition shall be given precedence on a circuit court's docket over all cases that are not otherwise given precedence by law and that the time period the public body has to respond to a record request shall be tolled between the requester's receipt of the petition and the final disposition of the court. The bill prohibits a public body from charging a requester for any court costs or fees resulting from a petition. Finally, the bill directs the Virginia Freedom of Information Advisory Council to study whether public bodies should charge requesters and report on its findings by December 2024. The provisions of the bill do not become effective unless reenacted by the 2025 Session of the General Assembly.

#### **SB 734 & HB 894 Virginia Freedom of Information Act; electronic meetings.**

*Sen. David Marsden & Del. Elizabeth Bennett-Parker*

Amends the number of all-virtual public meetings that public bodies, with certain exceptions, may convene in a calendar year to no more than two times per calendar year or 50 percent of the meetings held per calendar year rounded up to the next whole number, whichever is greater. Current law limits the number of all-virtual public meetings to no more than two times per calendar year or 25 percent of the meetings held per calendar year rounded up to the next whole number, whichever is greater. The bill also provides that with respect to all-virtual public meetings, when audio-visual technology is available, a member of a public body shall, for purposes of a quorum, be considered absent from any portion of the meeting during which visual communication with the member is voluntarily disconnected or otherwise fails or during which audio communication involuntarily fails.

#### **Miscellaneous**

#### **HB 843 & SB 426 Pari-mutuel wagering; historical horse racing, percentage retained for distribution.**

*Del. Terry Austin & Sen. Creigh Deeds*

Provides that with respect to all authorized historical horse racing terminals, of the amount that a horse racing licensee retains from wagering on historical horse racing pools, 0.025 percent shall be provided to each of the following: (i) the Virginia Breeders Fund; (ii) the Virginia-Maryland Regional College of Veterinary Medicine, for its equine programs; (iii) the Virginia Horse Center Foundation; and (iv) the Virginia Horse Industry Board. The bill

also provides that, in addition to the amount horse racing licensees distribute to localities and the Problem Gambling Treatment and Support Fund under current law, such licensees shall distribute the remainder of the percentage retained to the Commonwealth as a license tax.

**HB 1505 Intercollegiate athletics; student-athletes, compensation for name, image, or likeness.**

*Del. Terry Austin*

Makes several changes to existing provisions of law relating to compensation of a student-athlete at a public or private institution of higher education in the Commonwealth (institution) for the use of the name, image, or likeness of such student-athlete, including (i) prohibiting any athletic association, athletic conference, or other organization with authority over intercollegiate athletics from preventing an institution, its supporting foundations, or an entity acting on its behalf from identifying, creating, negotiating, facilitating, supporting, engaging with, assisting with, or otherwise enabling a name, image, or likeness opportunity for a student-athlete; (ii) requiring each institution to develop and submit to the institution's governing board or similar governing body for approval policies or procedures that govern the compensation of a student-athlete for the use of his name, image, or likeness; and (iii) permitting any institution to provide assets, resources, or benefits as an incentive to individuals, companies, or other entities to provide money, benefits, opportunities, or services to an outside entity that supports name, image, or likeness opportunities for the institution's student-athletes.

**SB 411 & HB 580 Animal testing facilities; DACR shall convene task force to identify potential deficiencies.**

*Sen. Jennifer Boysko & Del. Shelly Simonds*

Requires the Department of Agriculture and Consumer Services, in collaboration with the State Council of Higher Education for Virginia, to convene a Task Force on Transparency in Publicly Funded Animal Testing Facilities for the purpose of identifying potential deficiencies in publicly funded animal testing facilities in the Commonwealth and recommending methods and context for making certain information about such animal testing facilities publicly available. The bill provides that the Task Force shall consist of legislators and certain enumerated stakeholders and shall report its findings to the House Committees on Agriculture, Chesapeake and Natural Resources, Finance, and Appropriations and the Senate Committees on Agriculture, Conservation and Natural Resources and Finance and Appropriations no later than November 1, 2024.

**Procurement**

**HB 242 & SB 242 Virginia Procurement Act; competitive negotiation, exceptions to contractual terms.**

*Del. David Bulova and Sen. Jeremy McPike*

Removes the prohibition on a public body from requiring an offeror to state in a proposal any exception to any liability provisions contained in a Request for Proposal for information technology. The bill also requires an offeror to state any exception to any contractual terms or conditions in writing at the time of responding to such Request for

Proposal, if so requested by the public body, which exception shall be considered during negotiations, but prohibits the public body from basing the scoring or evaluation on such exceptions when selecting offerors for negotiations. Current law only prohibits a public body from requiring an offeror to state in a proposal any exception to the liability provisions of the Request for Proposal. As introduced, the bill is a recommendation from the Public Body Procurement Work Group.

**HB 1108 & SB 18\* Virginia Public Procurement Act; construction management and design-build contracting.**

*Del. Betsy Carr / Del. Alfonso Lopez & Sen. Mamie Locke / Sen. Jeremy McPike*

Limits the use of construction management or design-build contracts by state public bodies and covered institutions for complex projects. The bill requires state public bodies, covered institutions, and local public bodies to provide documentation of the processes used for the final selection of a contract to all the unsuccessful applicants upon request. The bill adds certain requirements for covered institutions, including posting all documents exchanged between the Department of General Services and the covered institution on the central electronic procurement website eVA and requires approval by the covered institution's board of visitors or governing board if the covered institution chooses to proceed with construction management or design-build against the recommendation of the Department. The bill requires a local public body to adopt a resolution or motion to use construction management or design-build prior to issuing a Request for Qualifications and to publish notice of such resolution or motion on its website or eVA. Finally, the bill provides that the Department shall report annually, for any construction management or design-build project, on the qualifications that made such project complex. **\*HB 965 incorporated into HB 1108, SB 249 Incorporated into SB 18**

**HB 1361\* & SB 260 Va. Public Procurement Act, preference for goods produced in Virginia, U.S., & Va. Resident bidders.**

*Del. Michael Feggans/ Del. Mark Sickles/Del. Josh Thomas & Sen. Bill DeSteph*

Provides that in the case of a tie bid, preference shall be given first to goods produced in Virginia or to goods, services, or construction provided by Virginia persons, firms, or corporations and second to goods produced in the United States or to goods, services, or construction provided by United States persons, firms, or corporations.

**\*HB 1154, HB 164, HB 341 all incorporated into HB 1361**

**HB 1404\* Small SWaM Business Procurement Enhancement Program; established, definitions, report.**

*Del. Terry Austin*

Establishes the Small Business Procurement Enhancement Program with a statewide goal of 42 percent of certified small business utilization in all discretionary spending by state agencies and covered institutions in procurement orders, prime contracts, and subcontracts, as well as a target goal of 50 percent subcontracting to certified small businesses in instances where the prime contractor is not a small business for all new capital outlay construction solicitations that are issued. In addition, the bill provides for a small business set-aside for state agency and covered institution purchases of goods, services, and construction, requiring that purchases up to \$100,000 be set aside for



award to certified small businesses and that purchases up to \$10,000 be set aside for award to microbusinesses.

The bill also establishes the Women-owned and Minority-owned Business Procurement Enhancement Program with a statewide goal of 23.1 percent of certified women-owned and minority-owned business utilization in all discretionary spending by state agencies and covered institutions in procurement orders, prime contracts, and subcontracts. The bill creates the Division of Procurement Enhancement within the Department of Small Business and Supplier Diversity for purposes of collaborating with the Department of General Services, the Virginia Information Technologies Agency, the Department of Transportation, and covered institutions to further the Commonwealth's efforts to meet the goals established under the Small Business Procurement Enhancement Program and the Women-owned and Minority-owned Business Procurement Enhancement Program, as well as implementing initiatives to enhance the development of small businesses, microbusinesses, women-owned businesses, and minority-owned businesses in the Commonwealth.

Finally, the bill amends the Virginia Public Procurement Act to permit public bodies to establish purchase procedures, if adopted in writing, not requiring competitive sealed bids or competitive negotiation for single or term contracts for the purchase or lease of goods, or for the purchase of services, insurance, or construction, if the aggregate or the sum of all phases is not expected to exceed \$125,000. Under current law, such purchase procedures may only be established for (i) goods and services other than professional services and non-transportation-related construction, if the aggregate or the sum of all phases is not expected to exceed \$200,000; (ii) transportation-related construction, if the aggregate or sum of all phases is not expected to exceed \$25,000; and (iii) professional services, provided that the aggregate or the sum of all phases is not expected to exceed \$80,000. The bill has a general delayed effective date of January 1, 2025, and delayed effective dates of July 1, 2025, for covered institutions, and July 1, 2026, for certain university hospitals and medical centers. The provisions of the bill creating the Women-owned and Minority-owned Business Procurement Enhancement Program sunset on July 1, 2031. **\*HB 716 incorporated into HB 1404**

## **Safety and Security**

**HB 163 Higher educational institutions, public; student identification cards, emergency services website.**

*Del. Joshua Cole*

Requires each public institution of higher education to maintain and annually update as necessary to ensure accuracy and currency a website page that includes telephone numbers for certain emergency services enumerated in the bill and to include (i) the URL of such website page on each new digital student identification card and any replacement digital student identification card issued by the institution beginning with the 2024-2025 academic year and (ii) the URL of or a QR Code that directs to such website page on each new physical student identification card and any replacement physical student identification card issued by the institution beginning with the 2024-2025 academic year.

**HB 713 Higher educational institutions, public; campus safety and emergency preparedness training.**

*Del. Luke Torian*

Requires the governing board of each public institution of higher education to develop and implement policies requiring that a campus safety and emergency preparedness training program be provided to and completed by all first-year students by the last day of each student's first academic term and reviewed biennially by each returning student at such institution. The bill provides that such training program will focus on active shooter event preparedness and may be offered in any format and include any supplementary materials as the governing board of each such institution deems appropriate. Finally, the bill directs the State Council of Higher Education for Virginia to encourage private institutions of higher education to develop and implement policies requiring a campus safety and emergency preparedness training program be provided to each first-year student by the last day of each student's first academic term and reviewed biennially by each returning student at such institution.

**HB 980 Higher ed. institutions; students who report acts of hazing or bullying, referral for support.**

*Del. Kathy KL Tran*

Requires each public institution of higher education and nonprofit private institution of higher education to provide information about on-campus individuals or entities that are qualified to provide the appropriate ongoing mental and behavioral health support to any student who reports to the institution an act of hazing or an act of bullying experienced as the result of a report of an act of hazing.

**HB 1342 Higher educational institutions, certain baccalaureate public; on-campus student health centers.**

*Del. Irene Shin*

Requires each baccalaureate public institution of higher education to either (i) staff its on-campus student health center with at least one on-campus certified sexual assault forensic examiner for the purpose of administering a physical evidence recovery kit to any student who is in need of such a kit or (ii) enter into a memorandum of understanding with a local organization or entity that is capable of providing the services of a certified sexual assault forensic examiner for the purpose of administering a physical evidence recovery kit to any student who is in need of such a kit.

**Student Assistance**

**HB 700 Certain individuals in foster care, etc.; parameters of higher education grants.**

*Del. Anne Ferrell Tata*

Adds the cost of room and board to the amount of the grants required to be provided by comprehensive community colleges to certain individuals who were in foster care or in the custody of the Department of Social Services or were considered a special needs adoption. Expands to include each public institution of higher education in the



Commonwealth the requirement to provide grants to certain individuals who were in foster care or in the custody of the Department of Social Services or were considered a special needs adoption; adds mandatory education and general fees and, in the case of baccalaureate public institutions of higher education, the cost of room and board to the amount of such grants; and makes eligible for such grants any individual who meets certain other eligibility criteria and was in foster care or in the custody of the Department of Social Services or was considered a special needs adoption at any time after he turned 14. Current law requires such an individual to have been in foster care or in the custody of the Department of Social Services or considered a special needs adoption at the time that his high school diploma or equivalency examination certificate was awarded. The bill also requires each public institution of higher education to identify at least one employee of the institution to serve as a point of contact for each enrolled student who was in foster care or in the custody of the Department of Social Services or was considered a special needs adoption in order to provide such student with support and guidance, including support and guidance relating to financial aid and any associated applications or other required paperwork.

**HB 827\* On-campus food insecurity; SCHEV to survey institutions to determine how they are addressing issue.**

*Del. Rae Cousins / Del. Shelly Simonds*

Requires the State Council of Higher Education for Virginia to (i) survey each public institution of higher education to determine how each such institution is addressing on-campus food insecurity, including specific methods, programs, sources of funding, expenditures, communications strategies, and staffing; (ii) compile and make available to each such institution a guidance document containing best practices for leveraging all available resources and opportunities, including public benefits programs and donation programs, to ensure that students do not face food insecurity on campus; and (iii) report its findings and any recommendations to the Chairmen of the House Committee on Appropriations, the House Committee on Education, the Senate Committee on Education and Health, and the Senate Committee on Finance and Appropriations no later than November 1, 2024. **\*HB 207 incorporated into HB 827**

**Studies & Resolutions**

**SB 21 & HB 509 Students with disabilities; SCHEV to study process used to determine eligibility for accommodations.**

*Sen. Saddam Azland Salim & Del. Laura Jane Cohen*

Requires the State Council of Higher Education for Virginia, in consultation with representatives of public institutions of higher education, students enrolled at public institutions of higher education, higher education disability accommodation professionals, and a subject matter expert, to (i) study the processes by which each public institution of higher education in the Commonwealth determines the eligibility for accommodations of an admitted or enrolled student with a temporary or permanent disability, (ii) identify in such processes any potential barriers to establishing eligibility, and (iii) make recommendations on reducing any such barriers and on the development and

establishment of a uniform accommodations eligibility determination in the Commonwealth.

**SJ 15 Large animal veterinarians; Board of Veterinary Medicine, et al., to study shortage.**

*Sen. Travis Hackworth*

Directs the Board of Veterinary Medicine, in consultation with the State Veterinarian, to complete a two-year study of the shortage of large animal veterinarians, with technical assistance provided by relevant stakeholders, including a member of the House of Delegates and a member of the Senate of Virginia, to be appointed by the Speaker of the House of Delegates and the Senate Committee on Rules, respectively.

**HJ 84 Higher education institutions, public; displaying VA250 logo on all athletic uniforms.**

*Del. Terry Austin*

Encouraging public institutions of higher education in Virginia to display the VA250 logo on all men's and women's athletic uniforms for the 2025-2026 academic year.

**Technology**

**SB 222 Commonwealth information security; definitions, requirements.**

*Sen. John McGuire*

Exempts cybersecurity information, defined in the bill, from the provisions of the Virginia Freedom of Information Act and the Government Data Collection and Dissemination Practices Act while in possession of the Virginia Information Technologies Agency (VITA). The bill requires VITA to keep such cybersecurity information confidential unless the Chief Information Officer or his designee authorizes publication or disclosure of reports or aggregate cybersecurity information.

**SB 487\* Artificial intelligence by public bodies; Joint Commission on Technology & Service to examine use.**

*Del. Lachresce Aird / Sen. Todd Pillion*

Prohibits any public body from implementing any system that employs artificial intelligence, defined in the bill, unless such public body (i) performs an initial impact assessment and ongoing impact assessments of such system to ensure its use will not result in any unlawful discrimination against any individual or group of individuals or have any disparate impact on any individual or group of individuals and (ii) does not implement or ceases to use such system if such effects occur. The bill requires all public bodies that implement such systems to submit an annual report on such assessments and provide an inventory of all such systems used to the appropriate entity designated in the bill. The bill directs the Chief Information Officer of the Commonwealth to develop, publish, and maintain policies and procedures concerning systems that employ artificial intelligence and are used by public bodies. The bill creates the Commission on Artificial Intelligence to advise the General Assembly on issues related to artificial intelligence and make advisory recommendations on its findings. The Commission sunsets on July 1, 2027. The bill has a delayed effective date of July 1, 2025. **\*SB 621 incorporated into SB 487**

**VCCS****HB 1087 & SB 627 College and Career Ready Virginia Program and Fund; established and created.**

*Del. Carrie Coyner & Sen. Louis Lucas*

Establishes the College and Career Ready Virginia Fund and requires the Department of Education and the Virginia Community College System to establish the College and Career Ready Virginia Program whereby each school board is required to offer each qualified high school student in the local school division access at the high school to the dual enrollment courses that are sufficient to complete the Passport Program and the former Uniform Certificate of General Studies Program, renamed in the bill as the Passport Plus Program, at a public institution of higher education at no cost to such students, beginning with course registrations for the fall term of the 2025 academic year. The bill establishes several enumerated duties for the Department and the System in the administration of the College and Career Ready Virginia Program, including the establishment of a work group to make recommendations no later than November 1, 2024, on the incorporation of a career and technical education program of coursework into the College and Career Ready Virginia Program.

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

**August 28, 2024**

**Background**

This report provides a summary of engagements completed during this period, including policy compliance and risk-based reviews.

<b>Consent Agenda Reports</b>	<b>Rating</b>
Data: Travel Compliance Monitoring	Effective
Student Wellness and Counseling	Effective
College of Architecture, Arts, and Design Policy Compliance Review	Improvements are Recommended
Vice President for Student Affairs Policy Compliance Review	Improvements are Recommended
<b>Reports for Discussion</b>	<b>Rating</b>
Chemistry	Improvements are Recommended

**Summary of Ratings**

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

Definitions of each assessment option

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

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

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

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

**RECOMMENDATION:**

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

August 28, 2024





Attachment C  
**AUDIT, RISK,  
AND COMPLIANCE**  
VIRGINIA TECH.

Enabling  
Informed  
Decisions

# Annual Report

For the Fiscal Year Ended June 30, 2024

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## A Year of Strategic Visioning and Implementation

Fiscal year 2023-24 was marked with intentional planning and thoughtful outreach regarding our holistic approach to risk management. Internally, OARC leadership convened several half-day retreats throughout the year to develop a strategic vision for each functional program and the overarching direction of the office. Externally, OARC enhanced outreach on the connected risk model to articulate synergies and differences between Enterprise Risk Management, Institutional Compliance, and Internal Audit. Ensuring the three programs have a cohesive direction continues to be a top priority as we launch OARC and its employees into fiscal year 2024-25 on an upward trajectory, continuing to help Virginia Tech effectively manage and mitigate its extensive risk profile.

## OARC Mission and Vision

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

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

## State of Control Environment

The university's assurance functions within OARC continues to be a significant element of the university's overall control structure and a positive influence on the control environment. During fiscal year 2023-24, OARC examined and tested the operations and systems of internal control within a number of university departments to assist management and the Board of Visitors in the discharge of their oversight and fiduciary responsibilities.

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

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



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



## FY 2023-24 Highlights

### Enterprise Risk Management (ERM)

- Implemented new Risk & Compliance Governance Framework
- Reimagined risk assessment discussion, elevating cross-unit risks
- Refreshed risk landscape content and format to better connect risks to university strategy and priorities

Updated risk  
conversations and  
visuals

### Institutional Compliance Program (ICP)

- Convened Risk & Compliance Advisory Group
- Increased engagement with campus-wide compliance owners
- Provided assistance on specific needs of high priority compliance areas

Continued to develop  
partnerships across  
campus and state

### Internal Audit

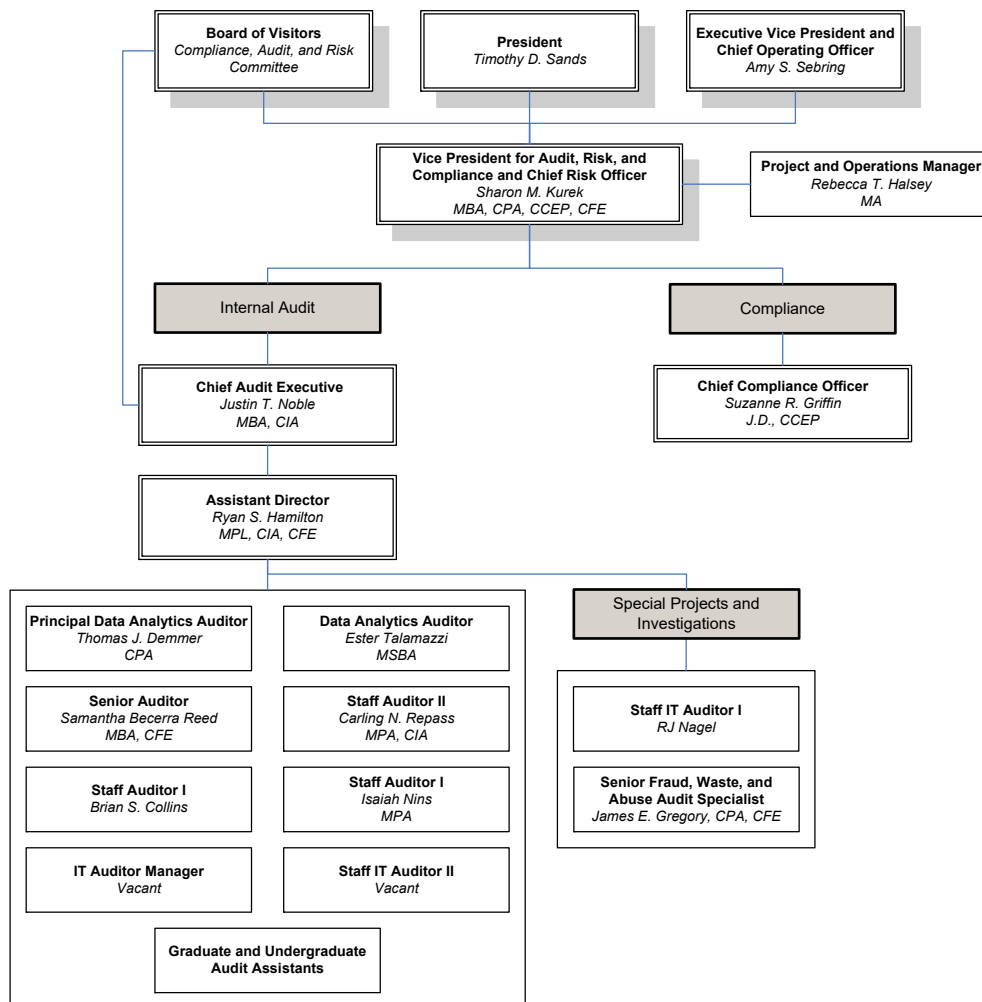
- 81% of audit plan completed (25 engagements)
- 14 fraud, waste, or abuse cases initiated
- 4.4 out of 5 (89%) on client satisfaction surveys
- 71 management action plans closed

89% client  
satisfaction



## Staffing and Resources

During the first half of the fiscal year, we successfully onboarded a senior auditor and a graduate assistant, but have unfortunately undergone significant staff turnover in the second half of the year. With three concurrent vacancies, the audit team has taken this opportunity to think strategically about staffing needs and potential use of external co-sourced engagements in the IT space. Subsequently, the office completed a search for senior auditor who will join the team this summer.



**Organizational Structure**  
July 2024

**Credential Legend:**

CPA	Certified Public Accountant
CIA	Certified Internal Auditor
CCEP	Certified Compliance & Ethics Professional
CFE	Certified Fraud Examiner
J.D.	Juris Doctor
MA	Master of Arts
MBA	Master of Business Administration
MPA	Master of Public Administration
MPL	Master of Policy Leadership
MSBA	Master of Science in Business Administration

## Professional Service

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

- Association of College and University Auditors (ACUA)
  - Michael A. Dean, former Audit Manager, was a speaker at AuditCon
  - Sharon M. Kurek served as the ACUA liaison to University Risk Management and Insurance Association (URMIA), on the Member Awards committee, and was a speaker at AuditCon
  - Justin T. Noble served on the NCAA Task Force, as the ACUA liaison to National Association of College and University Business Officers (NACUBO), and was a speaker at AuditCon
- Institute for Internal Auditors Southwest Virginia Chapter
  - Justin T. Noble served on the Board of Governors, was elected as vice president, and invited to speak at the Virginia Training Academy
- Additional Service
  - Suzanne R. Griffin was appointed by the Commissioner of the Virginia Department of Agriculture and Consumer Services to the Task Force on Transparency in Publicly Funded Animal Testing Facilities
  - Ryan S. Hamilton was invited to speak at the Virginia Accounting and Auditing conference
  - Sharon M. Kurek was invited to speak at Deloitte's Symposium on Risk Management in Higher Education
  - Sharon M. Kurek and Justin T. Noble served on quality assurance review teams for peers to evaluate their conformance with professional standards

## Professional Qualifications

OARC is proud of its staff and the depth of experience on the team. OARC staff has more than 144 years of combined experience in audit, risk, and compliance professions. Additionally, the staff has over 68 years of service to Virginia Tech. OARC maintains an extensive background with expertise in such high-risk areas in higher education as athletics and research and takes pride in the number of professional certifications held by our staff.

**144**

years of professional  
audit, risk, and  
compliance experience

### Certification and Advanced Degrees

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

## Resourcing

The table below compares OARC's expenditures from fiscal year 2023-24 to fiscal year 2022-23. The majority of our expenses continue to support salaries and benefits, making up almost 90 percent of OARC expenditures. Costs related to office renovations declined sharply as the project wrapped up in early FY 2024. While OARC did not co-source an audit with an outside firm this year, OARC leadership did utilize two external consulting firms for various needs. A consulting agreement with Gartner allowed the office to leverage their extensive research library and content experts, and a contract with a law firm aided the compliance program in scoping out the foundation of a personal data privacy program, which will continue into this coming fiscal year. Software costs have largely stabilized with a multi-year contract for the new AuditBoard system which provides an integrated software solution for audit, risk, and compliance. Training expenses decreased with more attendance at in-state and online professional development opportunities. Overall, the fiscal year 2023-24 expenditures remained virtually level with fiscal year 2022-23 spending.

### Analysis of Expenditures

Category	FY 2023-24	FY 2022-23
Salaries and Benefits	\$2,244,862	\$2,052,667
Furniture & Equipment	7,077	55,918
External Audit Services	0	182,614
Consulting Services	82,665	0
Operating Expenses	33,626	55,845
Personnel Expenses & Recruitment	22,089	17,696
Software	81,171	80,282
Training	35,244	68,533
<b>Total</b>	<b>\$2,506,734</b>	<b>\$2,513,555</b>

# Enterprise Risk Management Program

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

ERM-related activities that took place in fiscal year 2023-24, both planned and *ad hoc*, included:

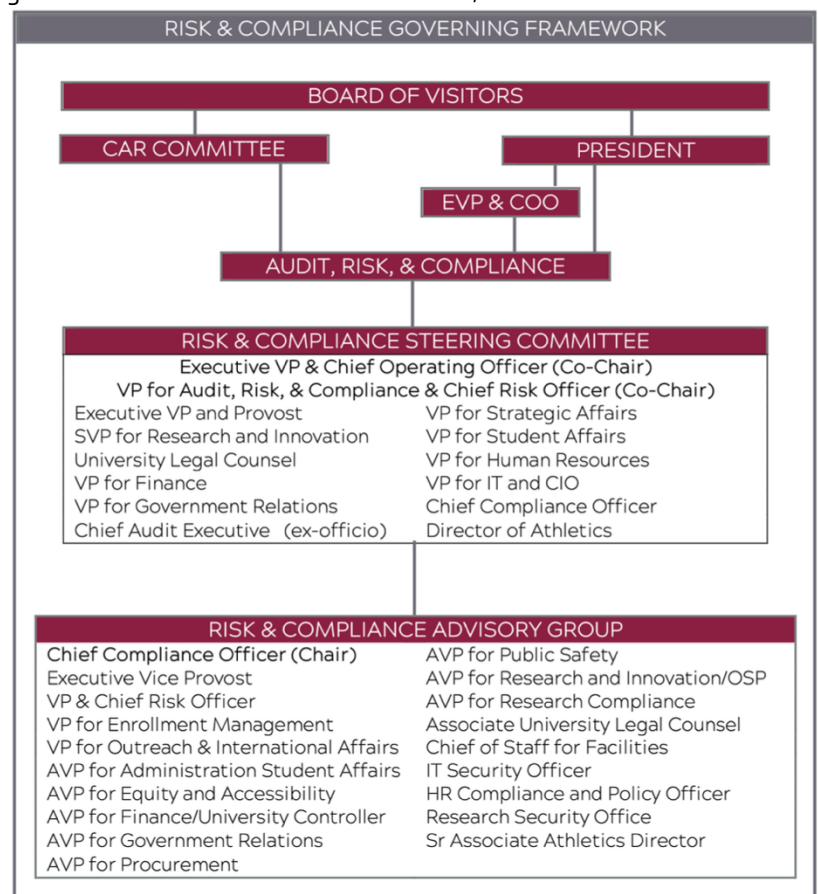
- Implemented the new Risk & Compliance Governance Framework, with the Risk & Compliance Steering Committee and Advisory Committee
- Reimagined the annual risk assessment discussions, focusing on cross-unit risks
- Refreshed the risk landscape to better connect risks to university strategic priorities
- Reintroduced a heat map as a visualization of institutional risks

## Governance Framework

We implemented the new Risk & Compliance Governance Framework this year. Each committee met four times during this fiscal year, participated in the reimagined annual risk assessment discussions, and served as critical communication hubs for important risk areas.

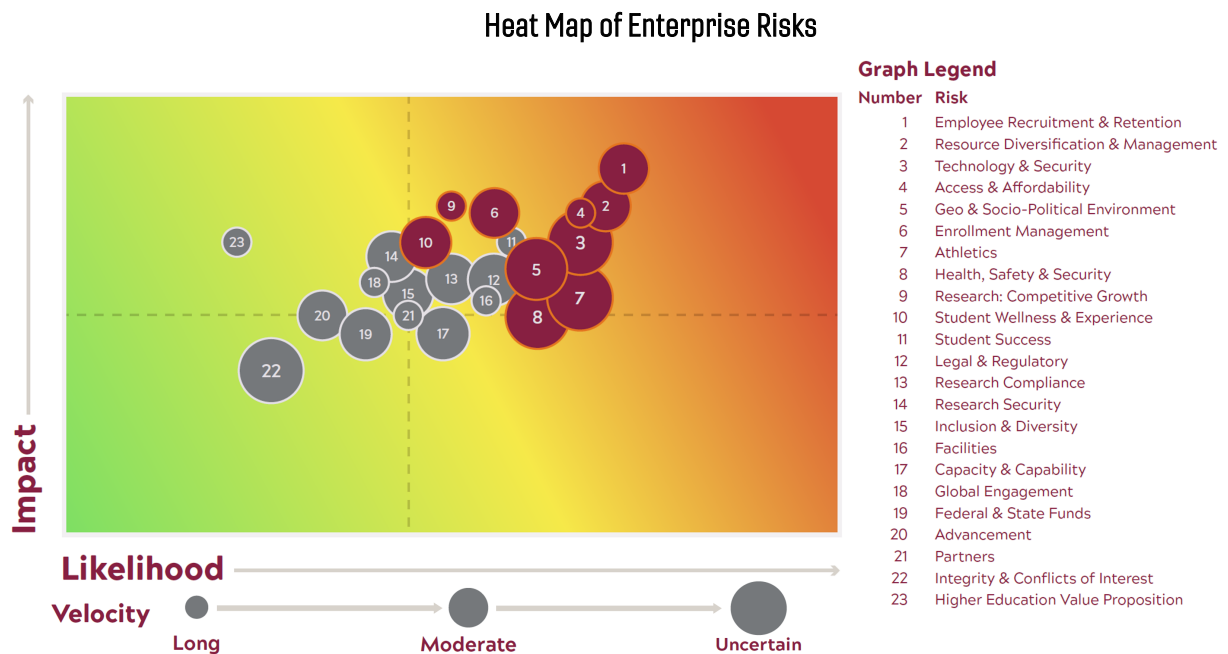
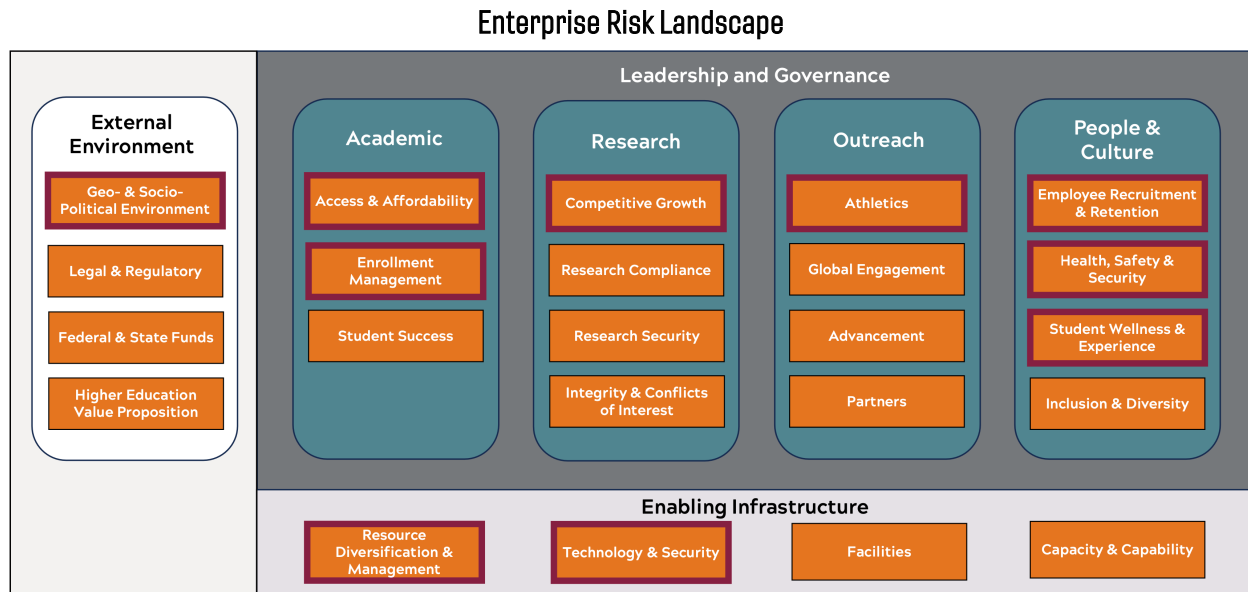
The Steering and Advisory Committees:

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



## Enterprise Risk Landscape and Heat Map

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





## Board Discussions on Enterprise Risks

OARC is pleased to see **continued engagement** with the identified enterprise risks across the Board of Visitors committees and the executive leadership team. Since the formation of the formal ERM program and introduction of the university's Enterprise Risk Landscape, 140 presentations and discussions highlighting ERM risk areas took place across the Board of Visitors' committees, with 36 occurring in this fiscal year. The 24 enterprise risks are depicted in the following graphic with the size corresponding to number of discussions.

# 23 of 24

enterprise risks  
discussed with the  
board



## Institutional Compliance Program

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

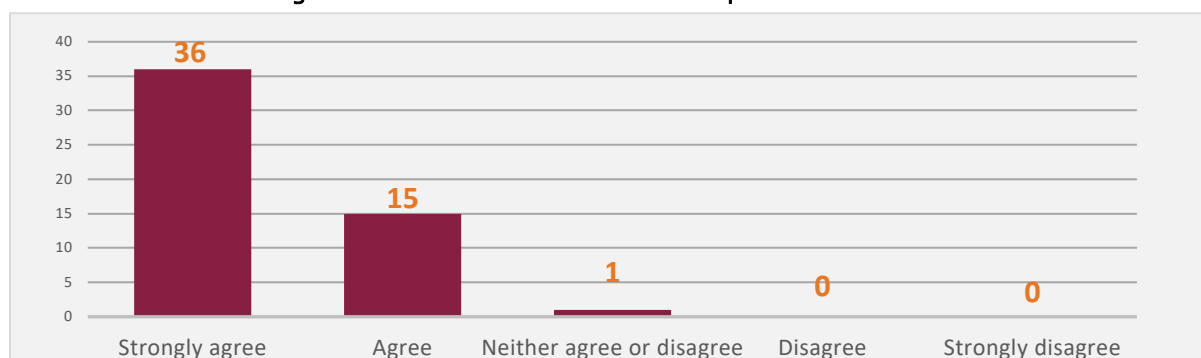
**"One hallmark of an effective compliance program is its capacity to improve and evolve."**

**-USDOJ Evaluation of Corporate Compliance Programs, March 2023**

In fiscal year 2023-24, ICP activities included:

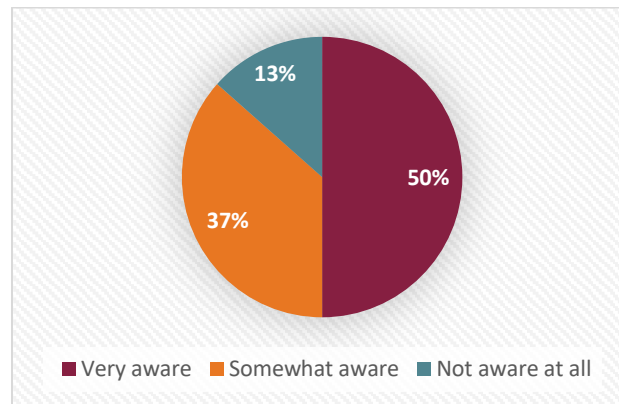
- Convened Risk & Compliance Advisory Group
- Increased engagement with campus-wide compliance owners
- Provided assistance on specific needs of high priority compliance areas
- Launched personal data privacy review following process for engagement of third-party expertise
- Assumed role and responsibilities of state agency Regulatory Coordinator for Virginia Tech and achieved reduction in regulatory requirements per Governor's Executive Order Number 19
- Served on Research & Innovation Council, Policy Advisory Committee, and Title IX Policy & Practice Group
- Delivered outreach and education presentations on compliance topics to various groups including Research and Innovation Council, College of Veterinary Medicine, Fralin Biomedical Research Institute, College of Engineering, and College of Natural Resources and Environment
- Highlighted ethics and compliance in VT Daily communications during National Ethics & Compliance Week
- Served as chair of one search committee and as member on two other search committees
- From leadership surveys conducted in Spring 2024 (see charts below), measured the perception of Virginia Tech's ethical culture and awareness of the Hokie Hotline reporting mechanism, with a goal of improving results in future years by delivering on ICP work plan

**Virginia Tech Promotes a Culture of Compliance & Ethics**





Leadership Awareness of the Hokie Hotline



## Fraud, Waste, and Abuse

OARC conducts reviews of all state hotline and internal complaints alleging fraud, waste, and abuse. During fiscal year 2023-24, OARC:

- Investigated 14 cases, including 12 internal and two state hotline complaints
- Closed nine cases from prior fiscal years and 11 from fiscal year 2023-24

For the 20 cases completed:

- Zero of three state hotline cases were substantiated
- Eleven of 17 (65%) internally reported cases were substantiated

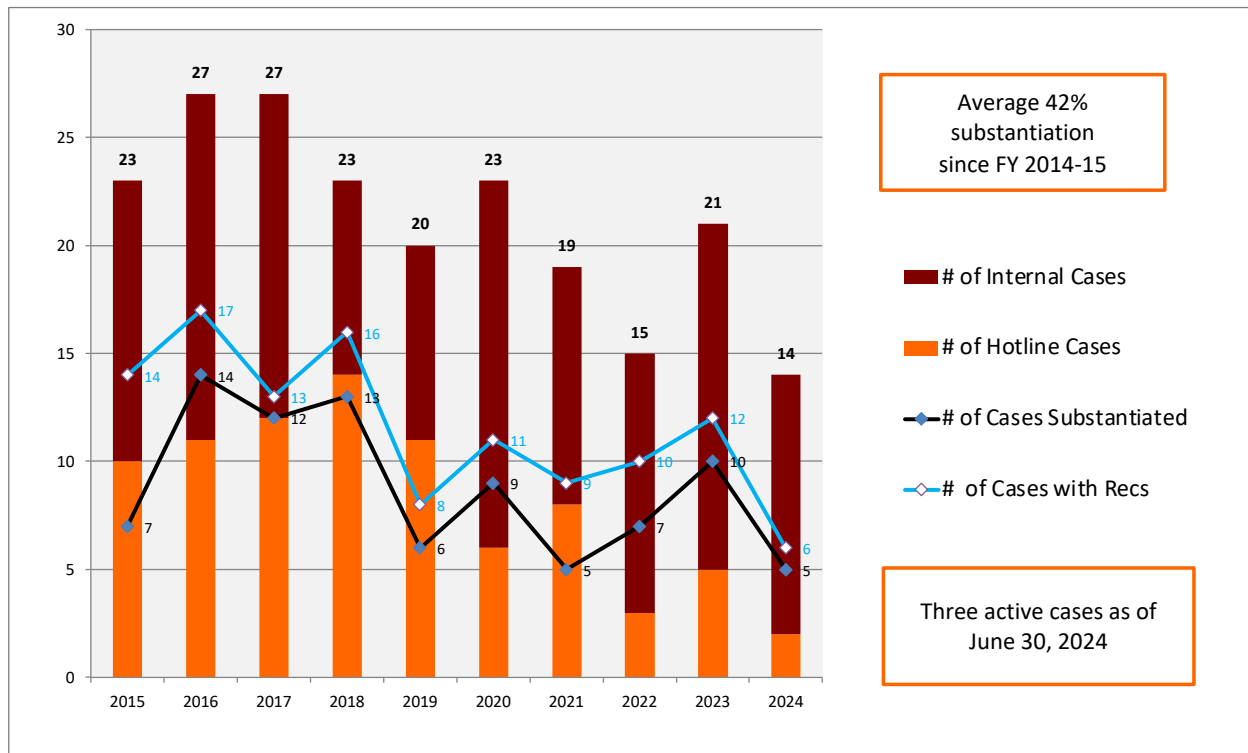
Since fiscal year 2014-15, approximately 57 percent of internally reported allegations have been substantiated, and 17 percent of state hotline cases have been substantiated, for a combined weighted average of 42 percent.

OARC maintains a fraud, waste, and abuse hotline service ("Hokie Hotline") that offers an easy, safe, secure, and anonymous platform to accept tips and complaints from all sources about potential fraud, waste, abuse, and noncompliance at the university. Two of the 12 internally investigated complaints mentioned above were received via the Hokie Hotline.



Since fiscal year 2014-15, approximately 73 percent of the allegations investigated by OARC have fallen within five general categories: improper use of university resources; abuse of authority; conflict of interest; misfeasance and waste; and leave or time abuse.

**Historical Case Volume by Fiscal Year**



## Internal Audit

Internal Audit continued its role as the assurance and advisory arm within the university. Value-added engagements through traditional audits, a limited number of advisory activities, and providing insight through formal and informal means were hallmarks throughout the year. As depicted below, fiscal year 2023-24 began with 33 proposed engagements. A combination of changing risks, including the continued effects of staff vacancies and parental leave, led to the cancelation or deferment of nine audits. Coupled with three supplemental advisory reviews and four carry forward engagements, OARC ended the year with 31 planned audits, of which the team completed 25 as of this report. This results in a 81 percent completion rate for fiscal year 2023-24. [Appendix A](#) shows the status of each audit in the fiscal year 2023-24 audit plan.

### Audit Plan Status

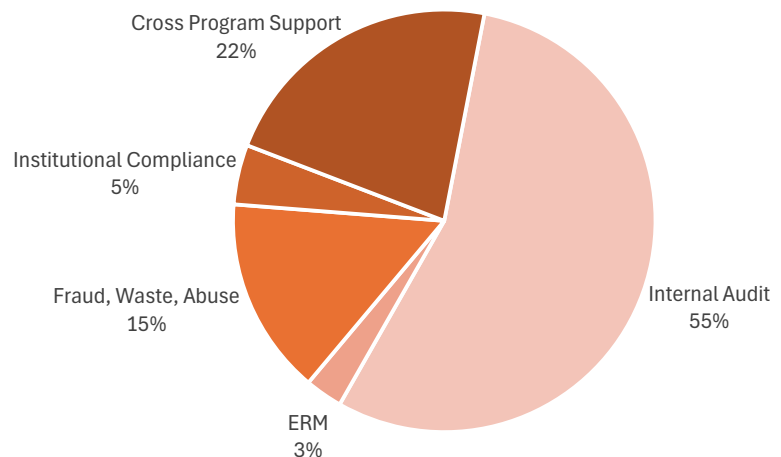
Audits	
Total # of Audits Planned	33
Total # of Supplemental Audits	3
Total # of Carry Forwards	4
Total # of Planned Audits Deferred and/or Canceled	9
<b>Total Audits in Plan as Amended</b>	<b>31</b>
<b>Total Audits Completed</b>	<b>25</b>
Audits – Percentage Complete	81%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

### Effort

Of the 27,123 hours logged by OARC last year, 67% was charged directly to executing our core mission. The remaining 33% was spent on office administration, computer support, training, and compensated absences.

Of 18,175 core-mission hours, OARC spent:

- 55% on Internal Audit
- 22% on cross-program support (annual risk assessment, planning, and supervision)
- 15% of Fraud, Waste, and Abuse investigations
- 5% on Institutional Compliance
- 3% on ERM



## Follow Up Activities and Management Corrective Actions

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

71

management  
corrective  
actions were  
closed

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

Of the 61 management corrective actions generated during fiscal year 2023-24 engagements, OARC categorized two (3%) as high priority. High-priority management corrective actions include those that are systemic or have a broad impact; have contributed to a significant investigation finding; are reportable conditions under professional literature; create health or safety concerns; involve senior officials; create exposures to fines, penalties, or refunds; or are otherwise judged as significant control issues. Open management corrective action plans at fiscal yearend have been outstanding an average of 277 days. Audits for fiscal year 2023-24 resulted in recommendations with ratings of high, medium, or low management corrective actions as follows:

Beginning # of management corrective actions	50
Management corrective actions added	61
Management corrective actions closed	71
Current # of open management corrective actions	40

## Results of Surveys for Evaluating Internal Audit Services

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

### Audit Team

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

### Audit Performance

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

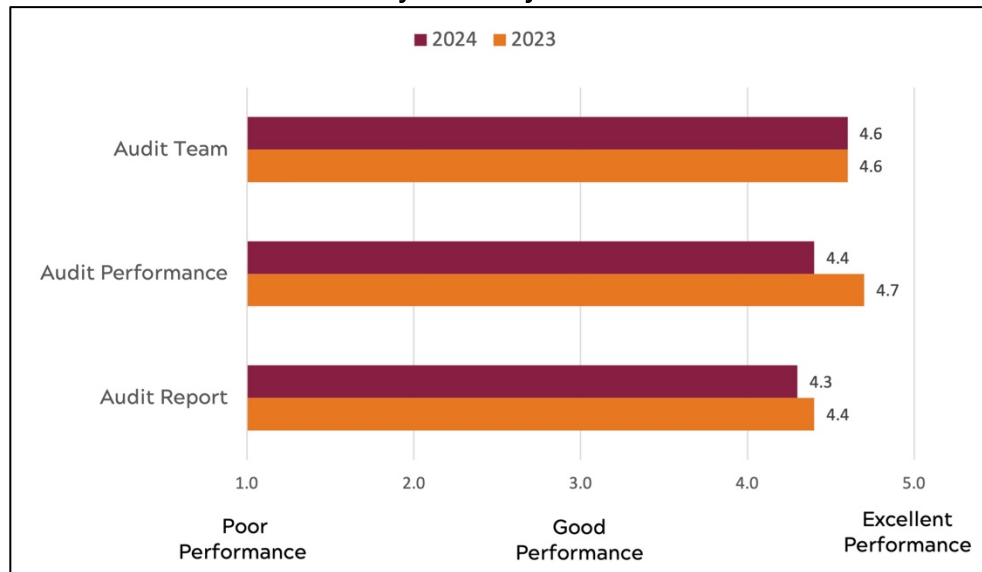
89%

client  
satisfaction

Audit Report

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

Survey Results by Fiscal Year



Overall, **customer ratings were favorable**. Attaining a cumulative average score of 4.4 on a 5-point scale exceeded OARC's goal of a 4.0 rating on survey feedback and resulted in 89% client satisfaction.

**"The audit team was great and identified some areas that we can improve. [The team] was very professional throughout and the communication was excellent."**

### Quality Assurance and Improvement Program

In accordance with requirements set forth by the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Internal Audit maintains a comprehensive Quality Assurance and Improvement Program. This program includes ongoing monitoring, periodic self-assessments, and an independent external assessment that should be conducted at a minimum of every five years. The on-going monitoring program consists of four elements: the supervisory review of project working papers, quality assurance reviews of individual audits, the pre-issuance review of reports, and periodic assessments of the quality control system. An external assessment of OARC was completed by Baker Tilly during fiscal year 2021-22, when the internal audit function received the **highest rating possible of "generally conforms."** A self-assessment will be conducted during fiscal year 2024-25.

The Institute of Internal Auditors has updated the International Professional Practices Framework to the Global Internal Audit Standards with an effective date of January 9, 2025. Internal Audit will utilize the planned self-assessment process in Spring 2025 to ensure on-going compliance with promulgated standards.

## Appendix A: FY 2023-24 Audit Plan Status

The chart below outlines the status of the fiscal year 2023-24 audit plan, as amended.

FY 2023-24 Audit Plan Status

Audit Project	Risk Ranking	BOV Mtg
<b>Risk-Based Audits</b>		
ADA Compliance	Medium	Ongoing
Agricultural Research and Extension Centers	Medium	April 2024
Aerospace and Ocean Engineering	High	Ongoing
Athletics*	High	Canceled
Capital Campaign Processes and Reporting	High	June 2024
Chemistry	High	August 2024
Commonwealth Cyber Initiative	High	April 2024
Controller's Office – Fixed Assets	High	April 2024
Data: Leave and Time Reporting ( <i>Carryforward from FY23</i> )	High	November 2023
Data: Sponsored Equipment Purchases	Medium	April 2024
Data: Travel Compliance Monitoring	Medium	Ongoing
Environmental Health and Safety	High	Deferred
Facilities Management	High	April 2024
Global Education Office/Visiting Scholars	High	Deferred
Gramm-Leach-Bliley Act Compliance ( <i>Carryforward from FY23</i> )	Medium	April 2024
Human Resources: Hiring/Onboarding*	High	Canceled
Institute for Critical Technology and Applied Science	High	June 2024
IT: HIPAA Security	High	Deferred
IT: Policy Compliance Review Approach	Medium	April 2024
Parking Services – Permitting Processes	High	June 2024
Real Estate Management	Medium	Ongoing
School of Plant and Environmental Sciences	High	Deferred
Sponsored Programs – Pre-Award/Contracts	High	Ongoing
Strategic Enrollment Reporting	High	April 2024
Student Wellness and Counseling	High	August 2024
University Scholarships and Financial Aid* ( <i>Carryforward from FY23</i> )	High	November 2023
VT Electric Service	High	November 2023
* Annual Audit on Different Components		

Audit Project	Risk Ranking	BOV Mtg
<b>Policy Compliance Reviews</b>		
College of Agricultural and Life Sciences		Ongoing
College of Architecture, Arts, and Design		August 2024
College of Veterinary Medicine		April 2024
Vice President for Student Affairs		August 2024

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

- Athletics Data Privacy – This review is an ongoing effort to assist Athletics management in the evaluation and strengthening of their IT environment
- Athletics Media Rights – This review was conducted to assist management with contract negotiations
- CEUTTSS Review – This project was an agreed upon procedures review of grant program activity within the Center for European and Transatlantic Studies (CEUTTSS)
- High-risk Drug Inventory/Oversight – This review was canceled to be combined with the previous scope of work in the Environmental Health and Safety engagement
- IT: Distributed Software Development Practices – This review was requested by management to provide insight into distribute software practices and identify potential opportunities to strengthen the control environment
- IT: Electronic Signature Applications – This review identified opportunities to increase governance and oversight of e-signature applications
- IT: Inventory and Classification – This review was a repurposed risk-based engagement to conduct a post-implementation review of the university's inventory and classification projects
- Remote Working Compliance – This review was canceled as the Institutional Compliance program took the lead on these efforts
- Research Accounting Processes – This review was deferred due to the availability of staff hours

## Appendix B: IIA Standards Disclosures



### Per Charter:

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

MANDATORY GUIDANCE																							
Core Principles	<ul style="list-style-type: none"> <li>• Demonstrates integrity.</li> <li>• Demonstrates competence and due professional care.</li> <li>• Is objective and free from undue influence (independent).</li> <li>• Aligns with the strategies, objectives, and risks of the organization.</li> <li>• Is appropriately positioned and adequately resourced.</li> <li>• Demonstrates quality and continuous improvement.</li> <li>• Communicates effectively.</li> <li>• Provides risk-based assurance.</li> <li>• Is insightful, proactive, and future-focused.</li> <li>• Promotes organizational improvement.</li> </ul>																						
Definition of Internal Auditing	Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.																						
Code of Ethics	<p>Internal auditors are expected to apply and uphold the following principles:</p> <ul style="list-style-type: none"> <li>• Integrity – The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.</li> <li>• Objectivity – Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.</li> <li>• Confidentiality – Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.</li> <li>• Competency – Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.</li> </ul>																						
International Standards for the Professional Practice of Internal Auditing	<p><b>Attribute Standards (1000 through 1300)</b></p> <table> <tr> <td>1000</td><td>Purpose, Authority, and Responsibility</td></tr> <tr> <td>1100</td><td>Independence and Objectivity</td></tr> <tr> <td>1200</td><td>Proficiency and Due Professional Care</td></tr> <tr> <td>1300</td><td>Quality Assurance and Improvement Program</td></tr> </table> <p><b>Performance Standards (2000 through 2600)</b></p> <table> <tr> <td>2000</td><td>Managing the Internal Audit Activity</td></tr> <tr> <td>2100</td><td>Nature of Work</td></tr> <tr> <td>2200</td><td>Engagement Planning</td></tr> <tr> <td>2300</td><td>Performing the Engagement</td></tr> <tr> <td>2400</td><td>Communicating Results</td></tr> <tr> <td>2500</td><td>Monitoring Progress</td></tr> <tr> <td>2600</td><td>Communicating the Acceptance of Risks</td></tr> </table>	1000	Purpose, Authority, and Responsibility	1100	Independence and Objectivity	1200	Proficiency and Due Professional Care	1300	Quality Assurance and Improvement Program	2000	Managing the Internal Audit Activity	2100	Nature of Work	2200	Engagement Planning	2300	Performing the Engagement	2400	Communicating Results	2500	Monitoring Progress	2600	Communicating the Acceptance of Risks
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OFFICE OF AUDIT, RISK,  
AND COMPLIANCE  
VIRGINIA TECH.

# ANNUAL REPORT

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

August 28, 2024





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

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

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

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

Overall, management:

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

## Enterprise Risk Management

- Implemented new Risk & Compliance Governance Framework
- Reimagined risk assessment discussion, elevating cross-unit risks
- Refreshed risk landscape content and format to better connect risks to university strategy and priorities

Updated risk conversations and visuals

Continued to develop partnerships across campus and state

89%  
client satisfaction

## Institutional Compliance Program:

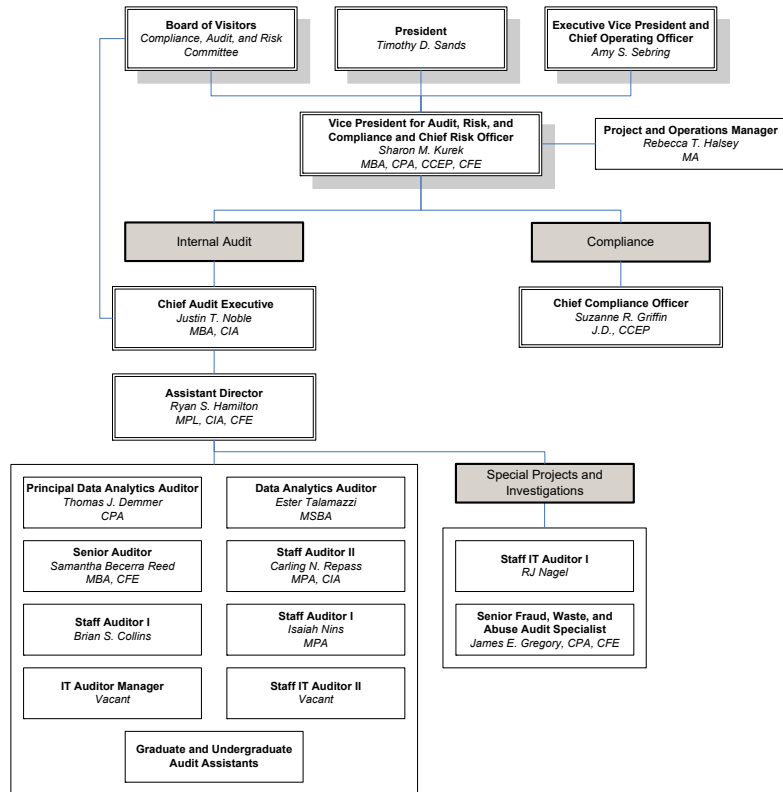
- Convened Risk & Compliance Advisory Group
- Increased engagement with campus-wide compliance owners
- Provided assistance on specific needs of high priority compliance areas

## Internal Audit:

- 81% of audit plan completed (25 engagements)
- 14 fraud, waste, or abuse cases initiated
- 4.4 out of 5 (89%) on client satisfaction surveys
- 71 management action plans closed



## OFFICE OF AUDIT, RISK, AND COMPLIANCE VIRGINIA TECH.



## Certification and Advanced Degrees

### Professional Certifications

3	Certified Public Accountants (CPA)	3	Certified Internal Auditor (CIA)
4	Certified Fraud Examiners (CFE)	2	Certified Compliance and Ethics Professional (CCEP)

### Advanced Degrees

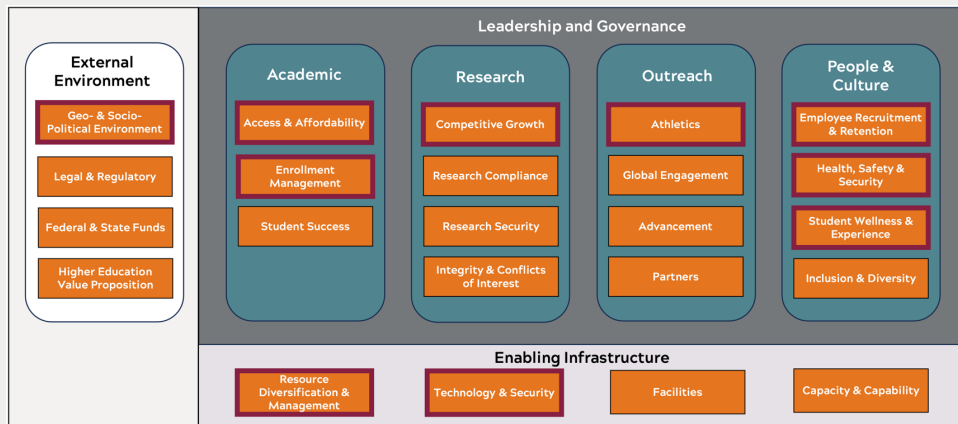
1	Juris Doctor (JD)	2	Master of Science or Arts (Business Analytics, Political Science)
3	Master of Business Administration (MBA)	2	Master of Public Administration (MPA)
1	Master of Architecture (MArch)	1	Master of Policy Leadership (MPL)

144  
years of  
professional  
audit, risk, and  
compliance  
experience

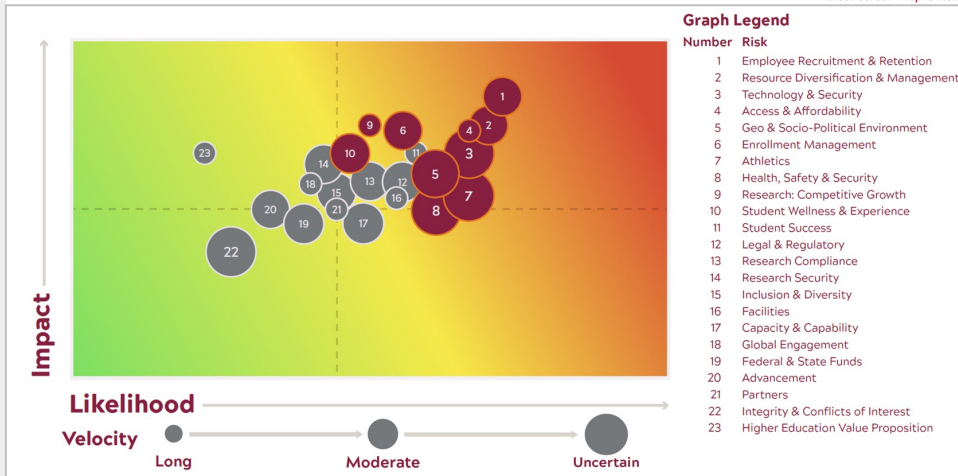
>68  
years of  
Virginia Tech  
experience

## Analysis of Expenditures

Category	FY 2023-24	FY 2022-23
Salaries and Benefits	\$2,244,862	\$2,052,667
Furniture & Equipment	7,077	55,918
External Audit Services	0	182,614
Consulting Services	82,665	0
Operating Expenses	33,626	55,845
Personnel Expenses & Recruitment	22,089	17,696
Software	81,171	80,282
Training	35,244	68,533
<b>Total</b>	<b>\$2,506,734</b>	<b>\$2,513,555</b>



Maroon border = Top 10 Risk



ERM-related activities include:

- Implemented the new **Risk & Compliance Governance Framework**
- Reimagined the **annual risk assessment discussions**, focusing on cross-unit risks
- Refreshed the risk landscape to align with university's **tripartite mission and support environments**
- Engaged **all Board of Visitor committees** on ERM topics
- Reintroduced a heat map as a visualization of institutional risks with a focus on the **'top ten risks'**

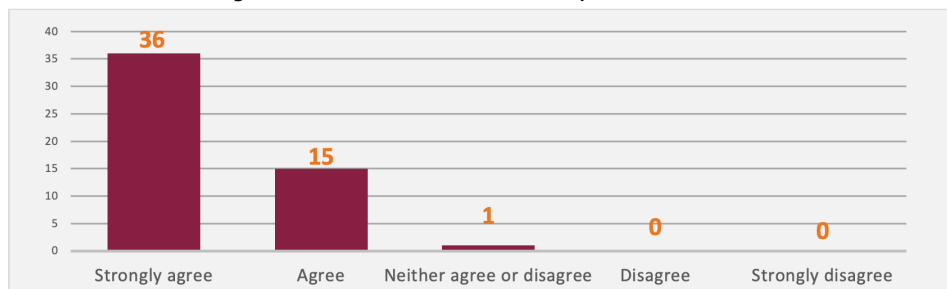


Other highlights include:

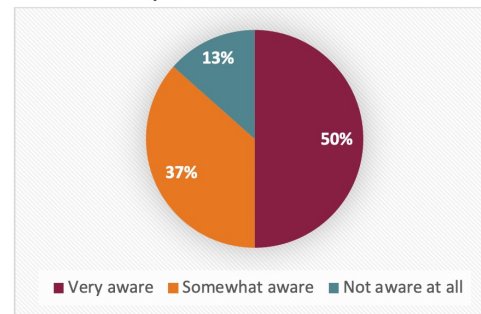
- Launched personal data privacy review
- Assumed role and responsibilities of state agency Regulatory Coordinator
- Served on Research & Innovation Council, Policy Advisory Committee, and Title IX Policy & Practice Group
- Delivered outreach and education presentations on compliance topics to various groups
- Highlighted ethics and compliance in VT Daily communications during National Ethics & Compliance Week

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

Virginia Tech Promotes a Culture of Compliance & Ethics



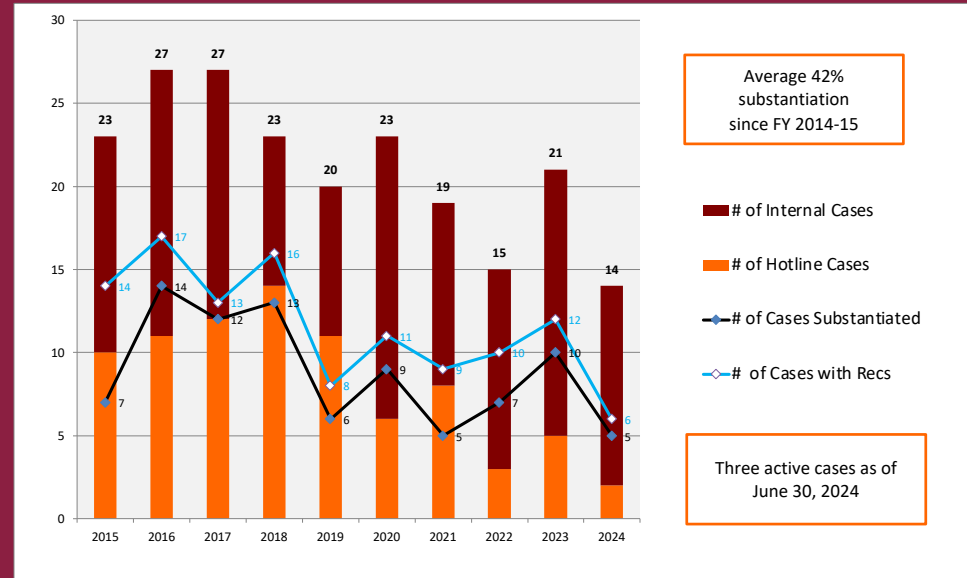
Leadership Awareness of the Hokie Hotline







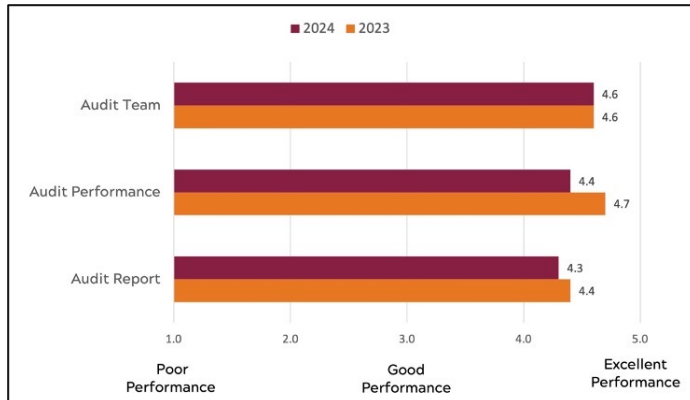
H O K I E H O T L I N E



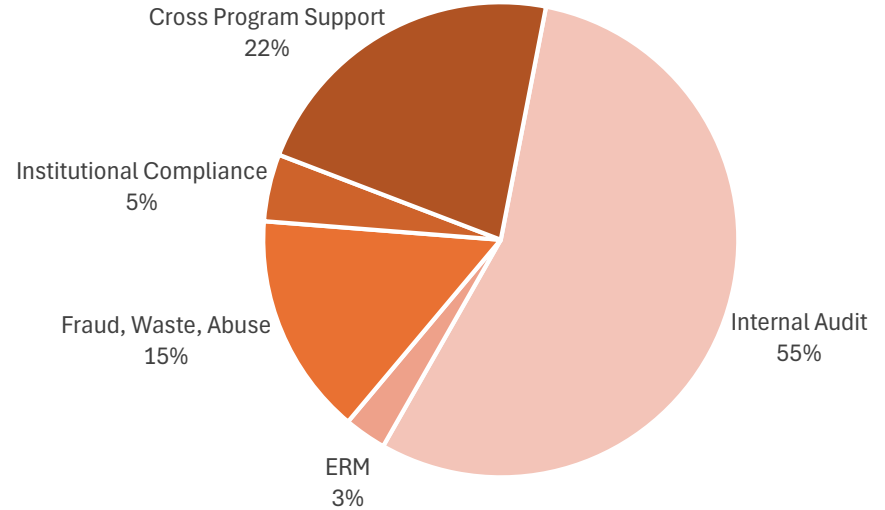
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Audits	
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Audits – Percentage Complete	81%
Audits – Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

## Client Satisfaction Survey Results



## Distribution of Direct Hours

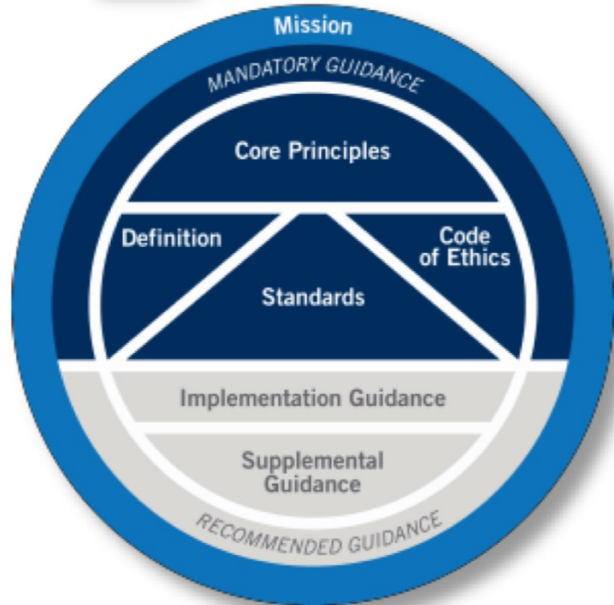


## Management Corrective Action Summary

Beginning # of management corrective actions	50
Management corrective actions added	61
Management corrective actions closed	71
Current # of open management corrective actions	40



International Professional  
Practices Framework



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

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

# Office of Audit, Risk, and Compliance: Strategic Plan

Sharon Kurek, VP for Audit, Risk, and Compliance &  
Chief Risk Officer



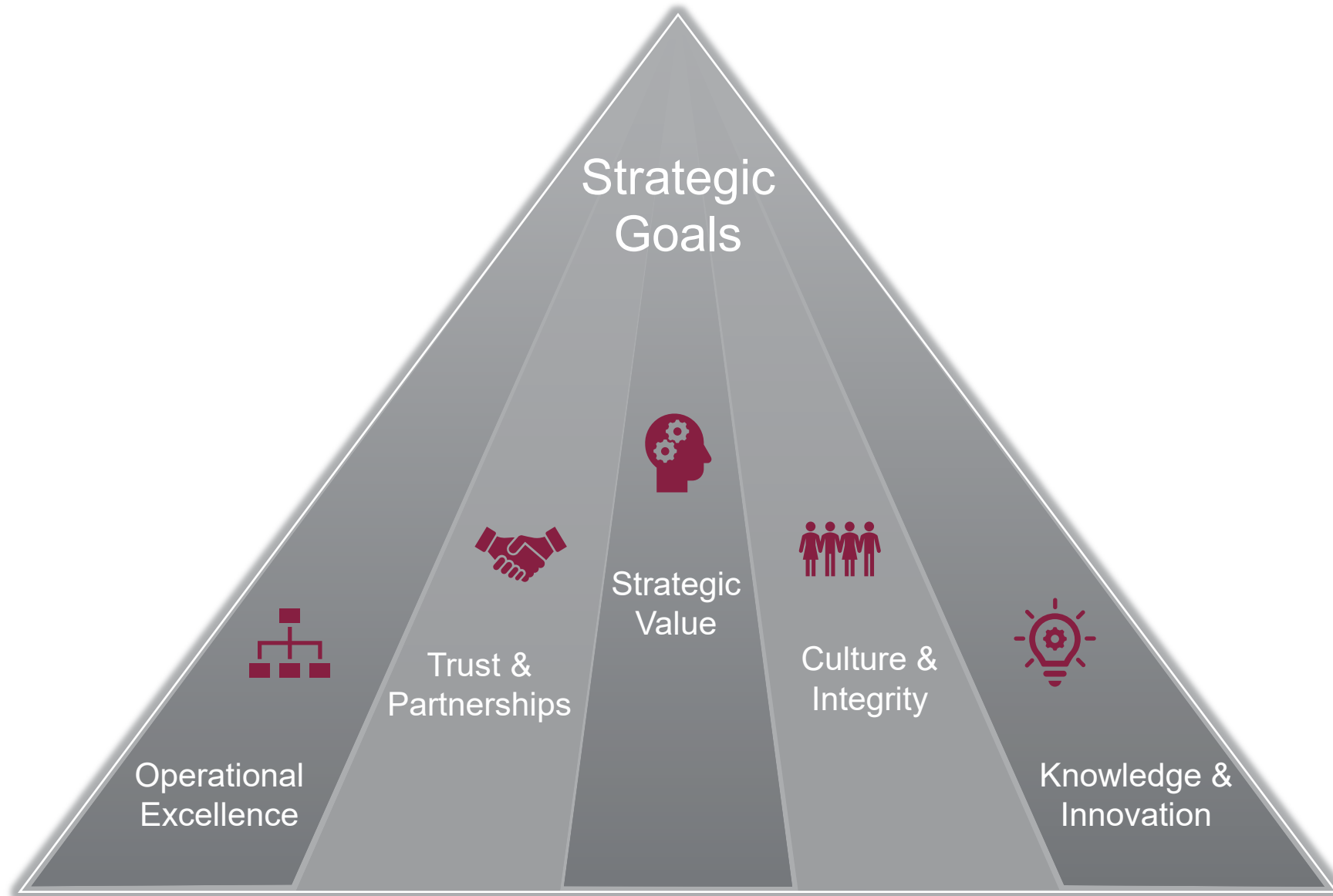
# Office of Audit, Risk, and Compliance



# Office of Audit, Risk, and Compliance








# Office of Audit, Risk, and Compliance








# Office of Audit, Risk, and Compliance:

## 5 Strategic Themes

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



# Office of Audit, Risk, and Compliance: Strategic Goals

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

# Enterprise Risk Management: Strategy

Foundational

Leading Practices

Emerging

Risk-Aware  
Culture

Trusting  
Relationships

KRIs and KPIs

ERM to inform  
IA and ICP

Risk-Overview  
Dashboard

Risk  
Identification



Ad hoc  
work groups



## Major Objectives:

- Evolve a comprehensive understanding of risk university-wide
- Develop outreach and tools to encourage risk-aware culture
- Update risk statements and mitigation efforts through targeted outreach to risk owners
- Facilitate greater alignment of identified risks among risk owner, governance committees and OARC
- Utilize the governance structure as a connective hub for updates related to top risk and compliance areas

## Major Objectives:

- Develop and monitor KPIs & KRIs to understand impact, actions, and progress
- Define the visuals that leadership values most and identify data that is needed to produce them
- Use enterprise risk management to inform next level engagement with stakeholders and refining audit planning approach
- Convene ad hoc task forces as sensitive or volatile risks arise

## Major Objectives:

- Understand correlations and elevate cross-unit risks with high-impact, high-velocity results
- Create risk dashboard to assess progress towards risk mitigation
- Provide insights on enterprise-level and emerging risks to enhance executive decision-making

# Institutional Compliance: Strategy

Foundational

Leading Practices

Emerging

Service &  
Support

Ethics &  
Integrity

Learn &  
Progress

Operational  
Support

Monitor &  
Review

Compliance  
Partner  
Community



Measure  
Effectiveness



## Major Objectives:

- Coordinate the personal data privacy project in support of university wide needs
- Connect, support, and educate compliance partner community
- Refresh ICP content on OARC website
- Serve and support priority compliance areas
- Support animal research priorities
- Pilot self-assessment framework tool with 3-5 compliance areas
- Contribute compliance and ethics perspectives in policy review

## Major Objectives:

- Engage campus stakeholders to encourage a values-based approach in connecting ethical principles with compliance
- Growth into operational service area(s) as opportunities allow
- Expand self-assessment framework tool to majority of compliance areas
- Analyze processes in distributed compliance programs
- Prevention vs. detection levels within processes to assess maturity level

## Major Objectives:

- Identify maturity level by compliance area
- Develop strategies to evolve in consultation with compliance area program leaders

# Internal Audit: Strategy

Foundational

Leading Practices

Emerging

Agile &  
Responsive

Talent  
Development

Technology  
Integration

Risk-based  
Data  
Dashboarding

Artificial  
Intelligence

Professional  
Standards



ERP  
Deployment



## Major Objectives:

- Establish, train, and deploy agile auditing techniques
- Establish individualized career pathing methodologies
- Determine training needs to meet identified career paths
- Update operating policies, manuals, and processes updated to reflect new professional standards
- Prepare for an internal self-assessment in late FY 2025

## Major Objectives:

- Complete the integration of the cross-program technology solution
- Deploy technology solution to campus stakeholders for improved follow-up processes
- Utilize templating processes for consistent and agile auditing approaches
- Create risk-based dashboarding for snapshot risk assessments in departmental audits and research compliance
- Ensure robust participation is established in future ERP system development/deployment

## Major Objectives:

- Explore and pilot opportunities to deploy continuous assurance AI methodologies