

Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 2, 2025

Open Session

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

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Nancy Dye, Bill Holtzman, Don Horsley, Tish Long, J. Pearson, Jeanne Stosser, Rachel Miles, Janice Austin, LaTawnya Burleson, William Poland, Leslie Orellana

Virginia Tech Personnel: Simon Allen, Lauren Augustine, Eric Brooks, Brock Burroughs, Kristie Caddick, Cyril Clarke, Al Cooper, Deborah Day, Katherine Drinkwater, Heather Ducote, Corey Earles, Juan Espinoza, Bryan Garey, Suzanne Griffin, Rebekah Gunn, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Elizabeth Hooper, Frances Keene, Sharon Kurek, Lisa Lee, Laurel Miner, Justin Noble, Kim O'Rourke, Mark Owczarski, Sharon Pitt, Jon Porter, David Raymond, Tanya Rogers, Timothy Sands, Amy Sebring, Brennan Shepard, Dan Sui, Aimee Surprenant, John Talerico, John Tarter, Dwyn Taylor, Mollie Taylor, Melinda West, Chris Yianilos

Other Attendees: Megan Richard

1. **Welcome and Acceptance of Agenda:** The chair of the Compliance, Audit, and Risk Committee provided opening remarks and started the meeting at 4:19 pm.
2. **Consent Agenda:** The Committee approved and accepted the items listed on the Consent Agenda.
 - a. **Minutes from the March 25, 2025 Meeting:** The Committee reviewed and approved the minutes of the March 25, 2025 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, 2024, the university had 13 open recommendations. Seven audit comments were issued during the

third quarter of the fiscal year. As of March 31, 2025, the university had addressed ten comments, leaving ten 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 57 percent of its audit plan, and 100 percent is underway, in accordance with the fiscal year 2024-25 annual audit plan.
- d. **Internal Audit Reports:** The following internal audit report was issued by OARC since the March 25, 2025 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. The Committee accepted the report.
 - i. Graduate School Policy Compliance Review: The audit received a rating of improvements are recommended. Low priority observations of a less significant nature were noted regarding P-14 appointments, I-9 verification, and state vehicle management.
- e. **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. Additionally of note, in June 2024, the Board for VT Services, Inc. approved dissolving the entity and transferring all assets and operations to the University by December 31, 2025.
- f. **2025 General Assembly Legislative Report:** This report provided an update on recent state legislative changes that impact the Committee's responsibility for oversight of compliance and risk. Relevant higher education areas impacted include admission and transfer; agriculture,

environment, and energy; benefits and personnel; mental health; procurement; reporting and oversight; student health; and technology. Of particular relevance to the Board of Visitors' operations, HB2452 requires public institutions of higher education in the Commonwealth to develop minimal uniform standards for (i) providing the public with real-time access to the meetings of their governing boards and board committees, (ii) archiving the meeting recordings, and (iii) taking meeting minutes, with implementation no later than July 1, 2026. The provisions above will not become effective unless reenacted by the 2026 Session of the General Assembly.

- g. **Review and Approval of Charters:** The Office of Audit, Risk, and Compliance (OARC) presented the Charter for the Office of Audit, Risk, and Compliance for review and approval in accordance with professional standards. OARC recommended modifications to the office charter that reflect current titles and organizational structure.
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 2024-25 financial statements and the APA's plans for conducting and completing the audit.
 4. **The Federal Landscape:** The Committee received a presentation from the Vice President for Government Relations on risks emerging from the current federal landscape and its potential to impact the university's operations, including discussion on the proposed President's budget, proposed facilities and administrative rates, and other related policy proposals.
 5. **Enterprise Risk Management Update:** The Committee received an update of the Enterprise Risk Management (ERM) program activity during fiscal year 2024-25, including the updated enterprise risk landscape delineated by the university's tripartite mission and support environments, the heat map with a focus on the top ten risks, and a chart of how the risks have shifted over the last year. The mapping of the enterprise risk landscape showed the alignment of risks with the two main university goals, the Virginia Tech Advantage and Virginia Tech Global Distinction. Other activities of the ERM program included conducting a tabletop exercise on research security and compliance scenarios; facilitating an ERM exercise with President's Council on risk tolerance, appetite, mitigations, and opportunity risks in the evolving regulatory landscape; and developing a comprehensive risk register for the university.

6. **Audit Plan for Fiscal Year 2025-26:** The Chief Audit Executive presented the Audit Plan for Fiscal Year 2025-26 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 2025-26 and a core audit plan was developed in coordination with the university's Enterprise Risk Management initiative. For fiscal year 2025-26, 30 audit projects and four management advisory services are proposed, with approximately 77 percent of OARC's available resources committed to the completion of planned projects. A description of each project was 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. The Committee approved the proposed audit plan.
7. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings.

Closed Session

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

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Nancy Dye, Bill Holtzman, Don Horsley, Tish Long, J. Pearson, Jeanne Stosser

Virginia Tech Personnel: Simon Allen, Cyril Clarke, Bryan Garey, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Sharon Kurek, Lisa Lee, Justin Noble, Kim O'Rourke, Sharon Pitt, David Raymond, Timothy Sands, Amy Sebring, Dan Sui, John Talerico

1. **Motion to Begin Closed Session:** Committee member Dave Calhoun moved to begin closed session at 5:14 pm.
2. **Consent Agenda:** The Committee approved and accepted the items listed on the Consent Agenda.
 - a. **Internal Audit Reports:** The following confidential internal audit report was issued by the Office of Audit, Risk, and Compliance (OARC) since the November board meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable

implementation timeframe. OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.

- i. **National Security Institute:** The audit received a rating of improvements are recommended. An observation was noted regarding lab safety training. A low priority recommendation of a less significant nature was noted regarding information technology.
 - ii. **College of Natural Resources and Environment Policy Compliance Review:** The audit received a rating of improvements are recommended. Low priority observations of a less significant nature were noted regarding I-9 verification, expenditures, key control, information technology, and state vehicle management.
3. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
4. **Discussion on the Research Security Landscape:** The Chief Research Security Officer (CRSO) discussed Virginia Tech's research security program and the institution's risk and compliance strategies with evolving federal regulations. As part of this discussion, the CRSO provided a threat briefing, addressed Virginia Tech's current research security risks, shared risk mitigation strategies, and provided case study examples that have emerged as a result of the research security program.
5. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President did not meet with the Committee one-on-one due to time constraints.
6. **Motion to End Closed Session:** Committee member Starlette Johnson moved to end closed session at 5:31 pm.

Open Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 2, 2025

3:30pm

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Welcome and Acceptance of Agenda	Anna James
2. Consent Agenda	Anna James
a. Minutes from the March 25, 2025 Meeting	
b. Update of Responses to Open Internal Audit Comments	
c. Audit Plan Status Report	
d. Internal Audit Reports	
i. Graduate School Policy Compliance Review	
e. Report on Audits of University-Related Corporations	
f. 2025 General Assembly Legislative Report	
g. Review and Approval of Charters	
i. Charter for the Office of Audit, Risk, and Compliance	
3. Annual External Audit Scope Discussion with the Auditor of Public Accounts	Megan Richard
# 4. The Federal Landscape	Chris Yianilos
# 5. Enterprise Risk Management Update	Sharon Kurek
6. Audit Plan for Fiscal Year 2025-26	Justin Noble
7. Discussion of Future Topics	Anna James
# Discusses Enterprise Risk Management topic(s).	

Closed Session Agenda

COMPLIANCE, AUDIT, AND RISK COMMITTEE

New Classroom Building, Room 260

June 2, 2025

4:30pm

<u>Agenda Item</u>	<u>Reporting Responsibility</u>
1. Motion to Begin Closed Session	Committee Member
2. Consent Agenda	Anna James
a. Internal Audit Reports	
i. National Security Institute	
ii. College of Natural Resources and Environment Policy Compliance Review	
3. Update on Fraud, Waste, and Abuse Cases	Ryan Hamilton Sharon Kurek
# 4. Discussion on the Research Security Landscape	John Talerico
5. Discussion with the Vice President for Audit, Risk, and Compliance & Chief Risk Officer	Sharon Kurek
6. Motion to End Closed Session	Committee Member
# Discusses Enterprise Risk Management topic(s).	

Consent Agenda
COMPLIANCE, AUDIT, AND RISK COMMITTEE
June 2, 2025

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

- a. Approval of Minutes of the March 25, 2025 Meeting
- b. Update of Responses to Open Internal Audit Comments
- c. Audit Plan Status Report
- d. Internal Audit Reports
 - i. Graduate School Policy Compliance Review
- e. Report on Audits of University-Related Corporations
- f. 2025 General Assembly Legislation Report
- g. Review and Approval of Charters
 - i. Charter for the Office of Audit, Risk, and Compliance

Minutes

COMPLIANCE, AUDIT, AND RISK COMMITTEE The Inn at Virginia Tech, Latham C March 25, 2025

Closed Session

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

Other Board Members Present: Ed Baine (Rector), Sandy Davis, Nancy Dye, Don Horsley, Tish Long, J. Pearson

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

1. **Motion to Begin Closed Session:** Committee member Ryan McCarthy moved to begin closed session at 8:31am.
2. **Update on Fraud, Waste, and Abuse Cases:** The Committee received an update on outstanding fraud, waste, and abuse cases.
3. **Internal Audit Reports:** The following confidential internal audit report was issued by the Office of Audit, Risk, and Compliance (OARC) since the November board meeting. Where applicable, management developed action plans to effectively address the issues in the report with a reasonable implementation timeframe. OARC conducts follow-up on management's implementation of agreed upon improvements for previously issued audit recommendations.
 - a. **Vice President for IT Policy Compliance Review:** The audit received a rating of improvements are recommended. An observation was noted regarding information technology. Low priority recommendations of a less significant nature were noted regarding emergency preparedness, state vehicle management, and conflict of commitment.
4. **Discussion with the Chief Audit Executive:** The CAE discussed employee performance and evaluation of performance of departments or schools of public

institutions of higher education where such evaluation will involve discussion of the performance of specific individuals.

5. **Discussion with the Vice President for Audit, Risk, and Compliance and Chief Risk Officer:** The Vice President discussed employee performance and evaluation of performance of departments or schools of public institutions of higher education where such evaluation will involve discussion of the performance of specific individuals.
6. **Motion to End Closed Session:** Committee member Jim Miller moved to end closed session at 9:36am.

Open Session

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

Other Board Members Present: Ed Baine (Rector), Janice Austin, LaTawnya Burleson, Rachel Miles, William Poland

Virginia Tech Personnel: Al Cooper, Suzanne Griffin, Rebecca Halsey, Ryan Hamilton, Kay Heidbreder, Frances Keene, Sharon Kurek, Mike Mulhare, Justin Noble, Timothy Sands, Amy Sebring, Brennan Shepard, John Talerico

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 at 12:38pm.
2. **Consent Agenda:** The Committee considered and approved the items listed on the Consent Agenda.
 - a. **Minutes from the November 18-19, 2024 Meeting:** The Committee reviewed and approved the minutes of the November 18-19, 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 September 30, 2024, the university had

seven open recommendations. Six audit comments were issued during the second quarter of the fiscal year. As of December 31, 2024, the university had 13 open recommendations in progress.

- c. **Audit Plan Status Report:** The Committee reviewed the Audit Plan Status Report. The Office of Audit, Risk, and Compliance (OARC) has completed 39 percent of its audit plan, and 79 percent is underway, in accordance with the fiscal year 2024-25 annual audit plan.
- d. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the November 19, 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. **Agricultural Research and Extension Centers:** The audit received a rating of improvements are recommended. Low priority recommendations of a less significant nature were noted regarding fiscal responsibility, wage payroll, leave reporting, I-9 verification, purchasing card expenditures, and funds handling.
 - ii. **Electrical and Computer Engineering:** The audit received a rating of improvements are recommended. Observations were noted regarding laboratory access, laboratory safety training, and timely service center billing. A low priority recommendation of a less significant nature was noted regarding cleanroom inventory.
 - iii. **Undergraduate Admissions:** The audit received an effective rating.
- e. **Auditor of Public Accounts Financial Statement Audit:** The Committee received a report on the Auditor of Public Accounts (APA) audit of the university's financial statements for the fiscal year ended June 30, 2024. During the audit, the APA found the financial statements were presented fairly in all material respects. However, there was one internal control findings requiring management's attention, related to properly completing the federal verification process prior to disbursing Title IV aid.
- f. **Auditor of Public Accounts Intercollegiate Athletics Program Report:** The Committee received a report on the Auditor of Public Accounts (APA) Intercollegiate Athletics review for fiscal year 2024. The APA performed

certain agreed upon procedures to evaluate whether the Schedule of Revenues and Expenses of the Intercollegiate Athletics Programs for fiscal year ending June 30, 2024 is in compliance with the National Collegiate Athletic Association (NCAA) bylaws. The review did not constitute an audit and therefore no opinion was issued.

3. **Discussion on Updated Audit Standards:** The Committee received a presentation on the revised professional audit standards and will discuss further at a future meeting.
4. **Internal Audit Reports:** The following internal audit reports were issued by OARC since the November 19, 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. The Committee accepted the audit reports.
 - a. **Programs for Minors:** The audit received a rating of improvements are recommended. An observation was noted regarding participant information and First Aid/CPR certification. An observation with university-wide impact was noted related to program governance. Two low priority recommendations of a less significant nature were noted regarding program registration and completion of background checks and youth protection training.
 - b. **Student Immigration Processes:** The audit on the university's compliance with federal regulations regarding student immigration services received a rating of improvements are recommended. Observations were noted regarding updates to the university's I-17 form and student employment compliance. Low priority recommendations of a less significant nature were noted regarding CPT enrollment requirements and user access management to Terra Dotta.
5. **Update from the Executive VP and Chief Operating Officer:** The Committee received an update from EVPCOO Amy Sebring. She discussed the institution's efforts to bring a more risk-based approach to our financial management, the development of a new IT strategic plan, the university's continued focus on operational efficiency, and the search for a new AVP for Public Safety given current personnel's retirement plans.

6. **Discussion of Future Topics:** The Committee discussed topics to be covered in future committee meetings. The meeting adjourned at 12:55pm.

Update of Responses to Open Internal Audit Comments

COMPLIANCE, AUDIT, AND RISK COMMITTEE

March 31, 2025

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

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

- Attachment A summarizes each audit in order of final report date with extended and on-schedule open recommendations.
- Attachment B details all open medium and high priority recommendations for each audit in order of the original target completion date, and with an explanation for those having revised target dates or revised priority levels.
- Attachment C charts performance in implementing recommendations on schedule over the last seven years. The 100 percent on-schedule rate for fiscal year 2025 reflects closing 13 of 13 recommendations by the original target date.

The report presented at the March 25, 2025 meeting covered audit reports reviewed and accepted through December 31, 2024 and included 13 open medium and high priority recommendations. Activity for the quarter ending March 31, 2025 resulted in the following:

Open recommendations as of December 31, 2024	13
Add: medium and high priority recommendations accepted March 25, 2025	7
Subtract: recommendations addressed since December 31, 2024	10
Remaining open recommendations as of March 31, 2025	<u>10</u>

While this report is prepared as of the end of the quarter, management continues to receive updates from OARC regarding auditee progress on action plans. Through May 9, 2025, OARC has reduced to a low priority two of ten remaining open medium and high priority recommendations. OARC is still awaiting documentation for one action plan with an implementation date of May 1, 2025. 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****March 31, 2025**

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 25, 2024	IT Policy Compliance Review: Athletics	24-1706B	1	-	-	-	1	-	1
Aug 05, 2024	Chemistry	24-1693	2	1	-	-	-	1	1
Oct 29, 2024	Aerospace and Ocean Engineering	24-1690	2	1	-	-	-	1	1
Oct 31, 2024	Sponsored Programs - Pre Award	24-1709	1	-	-	-	-	1	1
Feb 17, 2025	Student Immigration Services	25-1752	2	1	-	-	-	1	1
Mar 06, 2025	Vice President for Information Technology	25-1769	1	-	-	-	-	1	1
Mar 07, 2025	Electrical and Computer Engineering	25-1749	3	-	-	-	-	3	3
Totals:			16	6	-	-	1	9	10

ATTACHMENT B

Open Audit Recommendations

COMPLIANCE, AUDIT, AND RISK COMMITTEE

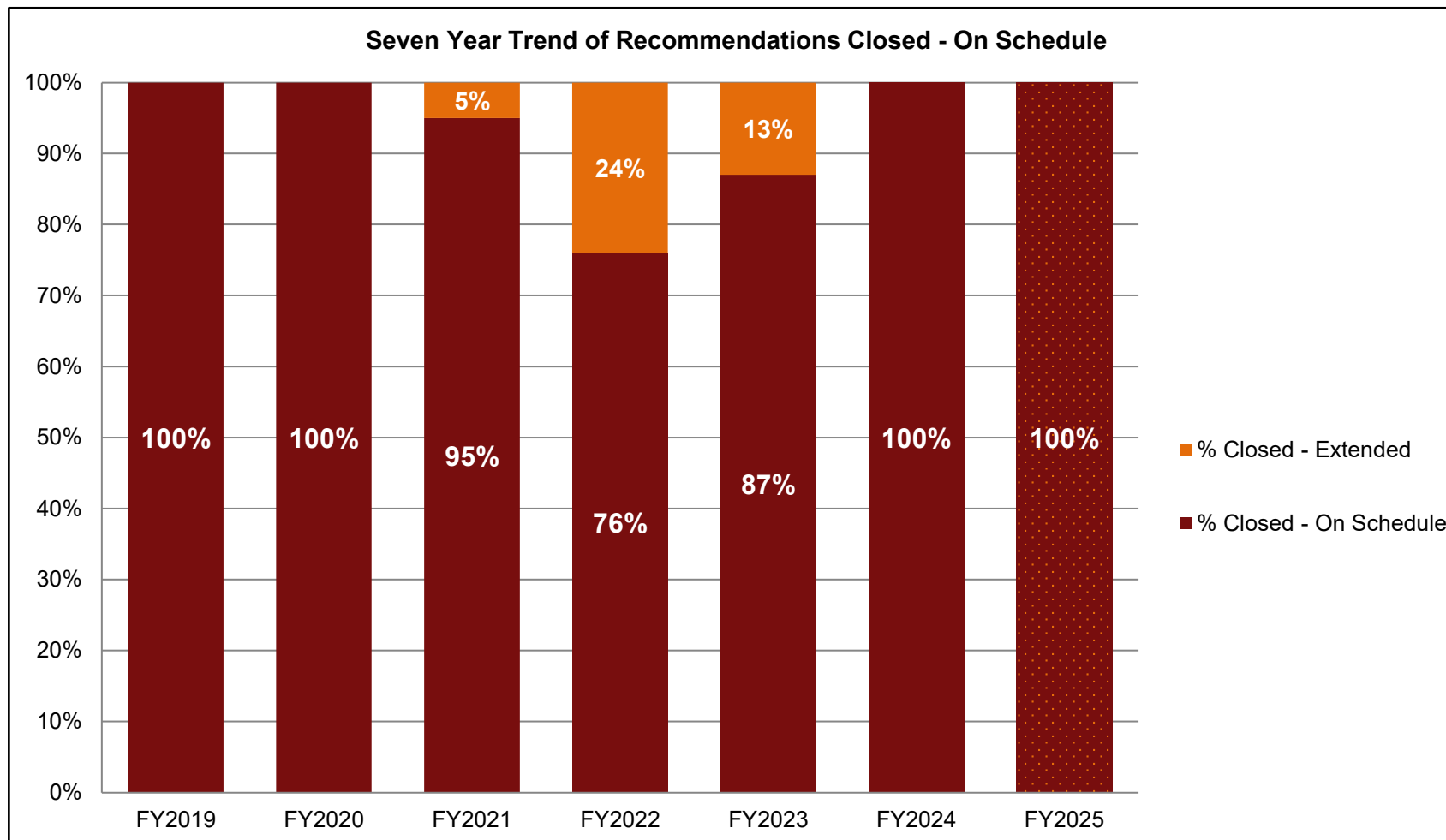
March 31, 2025

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 25, 2024	1	24-1706B	IT Policy Compliance Review: Athletics	Information Technology Controls	High		Apr 01, 2025		1	
Mar 05, 2024	2	24-1715	College of Veterinary Medicine	Fixed Asset Management	Medium		May 01, 2025		1	
Oct 31, 2024	3	24-1709	Sponsored Programs - Pre Award	PI Status Verification	Medium		May 01, 2025		1	
Oct 29, 2024	4	24-1690	Aerospace and Ocean Engineering	Labor Cost Transfers	Medium		Jun 01, 2025		1	
Mar 07, 2025	5	25-1749	Electrical and Computer Engineering	Laboratory Access	Medium		Jun 01, 2025		1	
Aug 05, 2024	6	24-1693	Chemistry	Key Control	Medium		Jul 30, 2025		2	
Mar 06, 2025	7	25-1769	Vice President for Information Technology	Information Technology	Medium		Oct 31, 2025		2	
Feb 17, 2025	8	25-1752	Student Immigration Services	Form I-17 Requires Updates	Medium		Nov 01, 2025		2	
Mar 07, 2025	9	25-1749	Electrical and Computer Engineering	Laboratory Safety Training	Medium		Jan 01, 2026		2	
Mar 07, 2025	10	25-1749	Electrical and Computer Engineering	Timely Service Center Billing	Medium		Jan 01, 2026		2	

Follow Up Status

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

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

ATTACHMENT C**Management Performance and Trends Regarding
Office of Audit, Risk, and Compliance Recommendations****COMPLIANCE, AUDIT, AND RISK COMMITTEE****March 31, 2025**

Audit Plan Status Report

COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 2, 2025

Audit Plan Update

Audits were performed in accordance with the fiscal year 2024-25 annual audit plan at a level consistent with the resources of the Office of Audit, Risk, and Compliance (OARC). Since the March board meeting, four planned projects have been completed including two policy compliance reviews, one risk-based audit, and one advisory review regarding Safety Management System training data.

Thirteen projects are currently underway, including:

- Eight risk-based projects: Affiliated Corporations: Virginia Tech Transportation, LLC, Athletics Ticket Office, Environmental Health & Safety, Human Resources: Benefits, IT: Security Operations Center, School of Plant and Environmental Sciences, Recreational Sports, and Subrecipient Monitoring.
- One policy compliance review: College of Liberal Arts and Human Sciences.
- Four advisory projects: Athletics IT Security, Central Funds, Data Analytics Compliance Dashboard, and Research Accounting Processes – HERD.

Further, three projects have been canceled for consideration in future years. First, ADA Compliance was removed based on turnover in a key position and management's request for a delay. Next, the advisory review on CMMC Readiness was deferred based on actions underway at the institution. Finally, IT: Cloud Services was removed based on higher priority requests being submitted for consideration.

In fiscal year 2024-25, OARC has completed 57 percent of its audit plan as depicted below.

FY 2024-25 Completion of Audit Plan

Audits	
Total # of Audits Planned	30
Total # of Supplemental Audits	3
Total # of Carry Forwards	6
Total # of Planned Audits Canceled or Deferred	9
Total Audits in Plan as Amended	30
Total Audits Completed	17
Audits - Percentage Complete	57%
Audits - Percentage Complete or Underway	100%
Note: Includes Policy Compliance Reviews and Advisory Services	

Internal Audit Reports
COMPLIANCE, AUDIT, AND RISK COMMITTEE

June 2, 2025

Background

This report provides a summary of the following review and its rating, as well as the full rating system definitions. The Office of Audit, Risk, and Compliance has made a concerted effort to ensure progress on the annual audit plan.

Consent Agenda Reports	Rating
Graduate School Policy Compliance Review	Improvements are Recommended

Summary of Audit Ratings

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

Definitions of each assessment option

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

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

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

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

RECOMMENDATION:

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

June 2, 2025

Report on Audits of University-Related Corporations
COMPLIANCE, AUDIT, AND RISK COMMITTEE
April 25, 2025

In accordance with the resolution passed by the Finance and Audit Committee on April 25, 1985, and as amended on November 13, 1995 and March 31, 2008, each university-related corporation is required to provide the University's President audited annual financial statements, management letters from the external auditors, management's responses thereto, and an annual certification that all procedures outlined in the resolution have been met. These financial statements, management letters, and management responses have been reviewed as of June 30, 2024, and found to meet the standards set forth in the audit resolution, except as noted below.

VIRGINIA TECH CORPORATIONS
COMPLIANCE WITH AUDIT RESOLUTION FOR FISCAL YEAR 2024

Corporation	Audited Financial Statement	Management Letter	Response to Management Letter	External Auditor Length of Service	Certification Letter
VT Applied Research Corporation	✓	*	*	Ω	✓
VT Foundation, Inc.	✓	*	*	Ω	✓
VT Intellectual Properties, Inc.	✓	*	*	Ω	✓
VT Services, Inc. ¹	✓	*	*	Ω	✓
VT Innovations Corporation	✓	*	*	Ω	✓
VT India Research and Education Forum ²	✓	*	*	Ω	✓

* No material recommendations resulted from the audit.

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

¹ In June 2024, the Board for VT Services, Inc. approved dissolving the entity and transferring all assets and operations to the University by December 31, 2025.

² The financial statement year end for VT India Research and Education Forum (VTIREF) is March 31.

2025 General Assembly Legislative Report

May 7, 2025

The following report highlights legislation of interest to Virginia Tech.

Admission and Transfer:

HB1805 (Del. Laura Jane Cohen): Public institutions of higher education; policies; individuals with disabilities; postsecondary transition planning and services; documentation or evidence; report. Requires any individualized education program (IEP) meeting for any student with a disability held for the purpose of postsecondary transition planning and consideration of postsecondary transition services to include, consistent with the guidance developed by the Department of Education pursuant to applicable law, consideration and documentation of any information relating to such student's postsecondary transition planning and service needs that may be necessary or relevant to coordinating and facilitating the successful and efficient transition of such student from secondary school to an institution of higher education. The bill directs the State Council of Higher Education for Virginia to study and make recommendations in a report by November 1, 2025, on improving and standardizing the quality and consistency of IEPs or sections of IEPs developed and implemented for students with disabilities dedicated to postsecondary transition planning and services for students with disabilities by public institutions of higher education in the Commonwealth.

HB 2156 (Del. Betsy B. Carr) / SB 1229 (Sen. Lashrecse Aird): Public institutions of higher education; student exchange programs; tuition and mandatory fee waivers; conditions. Clarifies that tuition and mandatory fees may be waived for a student from a foreign country enrolled in a public institution of higher education through a formalized student exchange program between such institution and another institution of higher education, provided that the number of full-time equivalent inbound students from a foreign country for whom tuition and mandatory fees has been waived does not exceed during any three-year period the number of full-time equivalent outbound students who are enrolled through such student exchange program and who pay full tuition and mandatory fees to the institution. Current law permits tuition and mandatory fees to be waived for a student from a foreign country enrolled in a public institution of higher education through a student exchange program approved by such institution, provided that the number of students from a foreign country for whom tuition and mandatory fees has been waived does not exceed during any three-year period the number of students from a foreign country who are enrolled through such student exchange program and who pay full tuition and mandatory fees to the institution.

Agriculture, Environment, and Energy:

HB 2303 (Del. Alfonso H. Lopez) / SB 921 (Sen. T. Travis Hackworth): State Veterinarian; large animal veterinary grant program; report. Directs the State Veterinarian to establish a large animal veterinary grant program no later than July 1,

2026, to provide grants to increase or stabilize the number of large animal veterinarians, as defined in the bill, practicing in areas of the Commonwealth that have been identified by the State Veterinarian as having a shortage of such veterinarians. The bill directs the State Veterinarian to annually select from a pool of applicants no more than four large animal veterinarians to participate in the program and to develop, in consultation with the Board of Veterinary Medicine and relevant stakeholders, selection criteria for applicants to participate in the program. The bill also requires the State Veterinarian to submit a report evaluating the extent to which the program has helped to address the shortage of large animal veterinarians in the Commonwealth to the Board and the Chairmen of the Senate Committee on Agriculture, Conservation and Natural Resources and the House Committee on Agriculture, Chesapeake and Natural Resources no later than July 1, 2030.

HB2517 (Del. Chris S. Runion): Land application of sewage sludge; permit exemptions. Exempts from permitting requirements for land application, marketing, and distribution of sewage sludge any land application for a research project when such land is owned and operated by an institution of higher education in the Commonwealth. The bill requires the institution of higher education to notify the Department of Environmental Quality and the owner of every adjoining property of its intent to land apply such sewage sludge at least 30 days prior to commencing any land application of sewage sludge. The bill also requires the institution of higher education to comply with setback and recordkeeping requirements outlined in the Virginia Pollution Abatement Permit Regulation. The bill has an expiration date of July 1, 2030.

Benefits and Personnel

HB1815 (Del. Ellen H. Campbell) / SB1142 (Sen. Mark D. Obenshain): Line of Duty Act; campus police officers; private police officers. Provides employees of contributing nonprofit private institutions of higher education, defined in the bill, and contributing private police departments, defined in the bill, with the benefits granted to employees of participating employers under the Line of Duty Act. The bill clarifies that the Line of Duty Act shall not apply to any private institution of higher education or private police department that is not a contributing nonprofit private institution of higher education or contributing private police department, respectively.

SB1014 (Sen. Schuyler T. VanValkenburg): Department of Human Resource Management; hired on the basis of direct experience. Prohibits, with certain exceptions, any state agency from requiring an applicant to have a baccalaureate degree as a condition of eligibility for hiring to a position in state employment.

Mental Health:

HB2420 (Del. Michael J. Webert): Public institutions of higher education; intercollegiate athletics program coaches; Mental Health First Aid or similar

training required. Requires each coach of an intercollegiate athletics program at a public institution of higher education to participate in Mental Health First Aid training or a similar program prior to the commencement of his duties.

Miscellaneous

HB1783 (Del. Robert D. Orrock Sr.): Public middle and high schools; establishment of career and technical student organizations; certain exclusions. Establishes an exception to the authority granted to each public middle school and high school to establish career and technical education student organizations, regardless of whether such school offers career and technical education courses, in the case of any such organization that is established as a federally chartered corporation pursuant to an act of Congress.

HB1878 (Del. Briana D. Sewell): State Council of Higher Education for Virginia; renaming Director as Executive Director. Renames the Director of the State Council of Higher Education for Virginia as the Executive Director.

HB2018 (Del. Bonita G. Anthony) / SB879 (Sen. Adam Ebbin): Board of Education; teacher licensure; career and technical education; alternative pathways. Requires the Board of Education to establish additional pathways to renewable licensure as a teacher with an endorsement in the area of career and technical education, including (i) for individuals who have at least five years of relevant work experience, the substitution of experiential learning for coursework in classroom management, curriculum and instruction in career and technical education, and human growth and development, in accordance with an equivalency assessment framework established by the Board and defined in the bill and (ii) licensure by reciprocity with an endorsement in the area of career and technical education for individuals with out-of-state teaching licenses who have the work experience and experiential learning described in clause (i). The bill requires any individual who seeks renewable licensure as a teacher with an endorsement in the area of career and technical education to complete training in classroom management, positive behavior interventions and supports, and culturally competent teaching practices as a condition of such licensure.

HB2103 (Del. Hillary Pugh Kent): Board of Education; Regulations Governing Allowable Credit for Teaching Experience; certain credit substitution allowance required. Requires the Board of Education to amend its Regulations Governing Allowable Credit for Teaching Experience for the purpose of salary placement credit to provide that teachers in the field of career and technical education, where the licensure requirement calls for occupational work experience beyond the apprenticeship level, may be allowed credit for one year of teaching experience for each one or two years of work experience. The bill contains a reenactment clause.

[HB2154](#) (Del. Betsy Carr) / [SB1310](#) (Sen. Jeremy S. McPike): Professions and occupations; alternative to education requirement for licensure of architects. Requires the Board for Architects, Professional Engineers, Land Surveyors, Certified Interior Designers and Landscape Architects to adopt regulations establishing work and education experience equivalencies that shall provide an alternative to the requirement of a professional degree in architecture from a program accredited by the National Architectural Accrediting Board. The bill also requires the Board to adopt regulations establishing a credit system to account for varying degrees of work and education experience and to develop requirements for applicants seeking licensure under this bill on an annual basis. The bill requires the Board to evaluate any past work or education experience of any applicant under this bill by July 1, 2028.

Procurement:

[HB2751](#) (Del. Michael B. Feggans): Prohibits any public body from discriminating against a bidder or offeror in the solicitation or awarding of contracts on the basis of status as a military family, defined in the bill. The bill provides that all public bodies shall establish programs to facilitate the participation of military family-owned businesses, as defined in the bill, in procurement transactions.

[HB2024](#) (Del. Holly M. Seibold) / [SB1165](#) (Sen. Saddam Azlan Salim): Virginia Public Procurement Act; environmental protection and product safety standards. Provides that no public body in any procurement policy, bid, request for proposal, public contract, or other document shall prohibit or otherwise exclude from use any materials contained in or products associated with solar photovoltaic equipment and facilities that meet the U.S. Environmental Protection Agency's Recommendations of Specifications, Standards, and Ecolabels.

Reporting and Oversight:

[HB1694](#) (Del. Alex Q. Askew) / [HB1613](#) (Del. Michael Feggans): Virginia Military Survivors and Dependents Education Program; annual report on eligibility and usage required. Directs the State Council of Higher Education for Virginia, in coordination with the Department of Veterans Services, to submit to the Senate Committee on Finance and Appropriations and the House Committee on Appropriations by November 1 of each year a report on (i) the number of individuals who are qualified survivors and dependents, as that term is defined in applicable law, and have been certified as eligible to participate in the Virginia Military Survivors and Dependents Education Program but are not yet admitted to a public institution of higher education in the Commonwealth and (ii) the best available estimate of the total number of qualified survivors and dependents who are participating in the Program and enrolled in the fall semester at each public institution of higher education in the Commonwealth.

HB1731 (Del. Karrie K. Delaney) / SB1005 (Sen. Jennifer Boysko): Services for sexual assault patients; provision of information for sexual assault patients; Task Force on Services for Survivors of Sexual Assault; work group; report. Changes instances of "sexual assault survivor" and its variations to "sexual assault patient." The bill requires health care facilities to provide information on local or statewide sexual and domestic violence advocacy services to adult and pediatric patients. The bill removes language requiring hospitals to enter into a memorandum of understanding with rape crisis centers, removes language allowing sexual assault patients to be transferred to clinics, and repeals the statute establishing the Task Force on Services for Survivors of Sexual Assault. The bill directs the Director of the Department of Criminal Justice Services to convene a work group to address sustainable funding for sexual assault medical forensic examinations and services. The bill requires the work group to submit a report with recommendations to the Chairs of the House Committee on Health and Human Services, the House Committee on Appropriations, the Senate Committee on Education and Health, and the Senate Committee on Finance and Appropriations by November 1, 2025.

HB2452 (Del. M. Keith Hodges): Baccalaureate public institutions of higher education; livestreaming, recording, and archiving boards of visitor's meetings; closed sessions; guidelines. Establishes several requirements, subject to a reenactment clause, relating to public access to meetings of the governing boards of baccalaureate public institutions of higher education. The bill also requires the State Council of Higher Education for Virginia, in consultation with the Virginia Freedom of Information Advisory Council and a representative from the Library of Virginia, to work with the public institutions of higher education in the Commonwealth and with technology experts to develop minimal uniform standards, to the extent practicable, for (i) providing the public with real-time access to the meetings of governing boards of public institutions of higher education and the meetings of committees of such boards, (ii) archiving the recordings of such meetings, and (iii) taking minutes at such meetings. The bill requires any such minimal uniform standards to be implemented by each public institution of higher education in the Commonwealth no later than July 1, 2026.

SB961 (Sen. Danica A. Roem): State Council of Higher Education for Virginia; Department of Veterans Services; Virginia Military Survivors and Dependents Education Program; enrollment and eligibility data; report. Requires the Department of Veterans Services and the State Council of Higher Education for Virginia to coordinate to report no later than December 15 of each year to the Chairmen of the House Committee on Appropriations and the Senate Committee on Finance and Appropriations (i) the number of qualified survivors and dependents who have been determined to be eligible for a waiver of tuition and mandatory fees at a public institution of higher education pursuant to the Virginia Military Survivors and Dependents Education Program but have not yet enrolled at such an institution and (ii) the best available estimate of the number of qualified survivors and dependents who are enrolled at each public institution of higher education with a waiver of tuition and mandatory fees pursuant to the Program as of December 1 of the current fall semester.

SB846 (Sen. Christie New Craig): Access to minor's records; records contained in or made available through secure website. Specifies that for the purposes of allowing a parent to access the academic or health records of such parent's minor child such access includes access to a secure website where such records are contained or made available.

SB907 (Sen. William M. Stanley, Jr.): Animal testing facility operated by a state agency; nonhuman primates. Requires any animal testing facility operated by a state agency that no longer has need for a nonhuman primate in its possession to offer for release such nonhuman primate to a certified sanctuary, as defined in the bill. The bill allows an animal testing facility to enter into an agreement with the certified sanctuary to implement the release of such nonhuman primate.

SB1127 (Sen. Jennifer B. Boysko): Animal testing facilities; public notification. Requires any animal testing facility to (i) within 30 days of receiving a U.S. Department of Agriculture (USDA) inspection report, make such inspection report publicly available along with any other relevant USDA final incident reports and relevant documents generated during or as a result of internal or external reviews and (ii) within 30 days of receiving any USDA official warning notice of alleged violation, settlement agreement or stipulation, administrative complaint, decision or order, or any other enforcement record, make such documents publicly available. Current law requires any animal testing facility, within 30 days of receiving an inspection report, to make such inspection report publicly available along with any other relevant USDA incident reports and relevant documents generated from internal reviews. The bill also allows an animal testing facility to redact information contained within such documents in accordance with the Virginia Freedom of Information Act.

SB1379 (Sen. Lashrecse D. Aird): Health; Research and Clinical Trial Cancer Consortium Initiative established; report. Establishes the Research and Clinical Trial Cancer Consortium Initiative for the purpose of coordinating, maximizing the efficiency of, and facilitating cancer clinical research and treatment efforts across the Commonwealth. The bill establishes the membership of the Initiative to include three nonlegislative citizen members and representatives of the following institutions relating to cancer clinical research and treatment: (i) the Massey Comprehensive Cancer Center at Virginia Commonwealth University, (ii) the University of Virginia Medical Center, (iii) the Leroy T. Canoles Jr. Cancer Research Center at the Eastern Virginia Health Sciences Center at Old Dominion University, (iv) the Fralin Biomedical Research Institute at Virginia Tech Carilion, (v) Hampton University, and (vi) three nonacademic health systems.

Student Financial Assistance:

HB1595 (Del. Michael B. Feggans) / **SB1106** (Sen. Ghazala Hashmi): **Higher education; financial assistance; Virginia National Guard State Tuition Assistance Program; eligibility criteria.** Makes several changes to the Virginia National Guard State Tuition Assistance Program, including (i) making the provisions relating to the requirements and conditions for eligibility for and award of grants under the Program subject to regulations as prescribed by the Adjutant General, (ii) eliminating the requirement to satisfy financial obligations with the institution of higher education at the beginning of each semester, and (iii) simplifying the requirements relating to academic performance and good standing.

Student Health:

HB 2240 (Del. Rae Cousins) / **SB1016** (Sen. Danica A. Roem): **Institutions of higher education; Hunger-Free Campus Food Pantry Grant Program established; report.** Establishes the Hunger-Free Campus Food Pantry Grant Program to address student food insecurity at public institutions of higher education and eligible private institutions of higher education, as defined by the bill. The bill provides that the Program shall be managed by the State Council of Higher Education for Virginia and available for participation by public institutions of higher education and eligible private institutions of higher education; however, participation in the Program is optional for such institutions. Under the bill, if a public institution of higher education or eligible private institution of higher education satisfies certain criteria set out in the bill, including creating initiatives on campus to address student food insecurity, it will receive a "Hunger-Free Campus Food Pantry" designation and the Council will award a grant to such institution. Any such institution that receives a grant under the bill is required to utilize the funds to support on-campus efforts and initiatives to eliminate student food insecurity at such institution through the maintenance and operation of the on-campus food pantry established pursuant to the Program. The bill requires the Council to submit a report to the Chairmen of the Senate Committee on Education and Health and the House Committee on Education no later than two years after the establishment of the Program.

SB1018 (Sen. Danica A. Roem): **Public institutions of higher education; Department of Social Services; SNAP eligibility, applications, and participation; guidance, resources, and education.** Requires the Department of Social Services (the Department) to (i) develop, annually update, and provide to each public institution of higher education in advance of the start of each school year an information sheet on the Supplemental Nutrition Assistance Program (SNAP) with information relating to SNAP eligibility, applications, participation, requirements, and such other information as the Department deems necessary or appropriate, relevant to students enrolled in public institutions of higher education and (ii) provide information, resources, and education to certain faculty members employed by each public institution of higher education regarding opportunities for assisting students enrolled in public institutions of higher education with completing SNAP applications. The bill requires each public institution of higher education to ensure that such SNAP information sheet developed by the Department is provided to

each student enrolled in such institution at the beginning of the fall semester of each school year or, in the case of any student who enrolls after the beginning of the fall semester, as soon as practicable after enrollment and is included in any orientation materials distributed to each new student.

SB1257 (Sen. Lamont Bagby): Public institutions of higher education; student and campus safety; training in opioid antagonist administration for resident assistants required. Requires each resident assistant in a student housing facility at a public institution of higher education to complete, prior to the commencement of his duties, training in the administration of an opioid antagonist to any student, faculty, or staff member who is believed to be experiencing or about to experience a life-threatening opioid overdose. The bill requires each public institution of higher education to adopt policies and procedures relating to the administration of an opioid antagonist by each resident assistant, including policies and procedures (i) requiring each resident assistant to complete such training pursuant to the provisions of the bill and (ii) arranging for the provision of such opioid antagonist administration training.

Technology:

HB2541 (Del. Kathy K.L. Tran): Information Technology Access Act; digital accessibility, definitions, procurement requirements. Makes numerous organizational changes to the Information Technology Access Act. The bill defines "information and communications technology" as it relates to digital accessibility, defined in the bill, for all persons with disabilities. The bill permits the head of each covered entity, defined in the bill, to designate an employee to serve as such covered entity's digital accessibility coordinator and provides that such digital accessibility coordinator is responsible for developing and implementing such covered entity's digital accessibility policy. The bill has delayed effective dates of April 24, 2026, and April 26, 2027, for specific covered entities according to population size.

HB2627 (Del. Jackie H. Glass): Autonomous driving systems; work group to identify & review issues presented by operation of system. Directs the Secretary of Transportation, in consultation with the Secretary of Public Safety and Homeland Security, to convene a work group to identify operational, technical, and legal issues presented by the operation of autonomous driving systems in the Commonwealth for the purpose of developing draft legislation addressing governance of such systems in the Commonwealth. The bill directs the work group to report its findings to the General Assembly by November 1, 2026.

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

June 2, 2025

The Office of Audit, Risk, and Compliance (OARC) presents the Charter for the Office of Audit, Risk, and Compliance for review and approval in accordance with professional standards. OARC recommends modifications to the office charter that reflect current titles and organizational structure.

RECOMMENDATION:

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



Charter for the Office of Audit, Risk, and Compliance

No. 3350

Policy Effective Date:
2/9/1989

Last Revision Date:
6/2/2025

Policy Owner:
President Sands

Policy Author:
(Contact Person)
Sharon Kurek

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

1.0 Purpose

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

2.0 Policy

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

The Office of Audit, Risk, and Compliance (OARC) performs comprehensive assurance services through independent internal audit and advisory activities, the university risk management process, and the institutional compliance program. OARC helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. OARC's mission is to enhance value through providing strategic insight, enabling informed decision, and promoting integrity and compliance.

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

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

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

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



Virginia Polytechnic Institute and State University

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

2.2 Accountability

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

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

2.3 Independence, Objectivity, and Professionalism

To provide for OARC's objectivity and professionalism, including the highest level of ethics and integrity, and maintain Internal Audit's independence:

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

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

The internal audit function conducts its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Executive will report annually to the CAR Committee and senior management regarding Internal Audit's conformance with the Global Internal Audit Standards, including maintaining its independence and objectivity, which will be assessed through an ongoing quality assurance and improvement program.



2.4 Authority

OARC is authorized to:

- Have unrestricted access, consistent with applicable law, to all university functions, data, records, information, physical property, and personnel that they deem necessary to carry out their responsibilities. OARC will exercise discretion in their review and will remain accountable for confidentiality and safeguarding records and information.
- Have direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques, and issue communications to accomplish OARC objectives.
- Obtain assistance for specialized services from within or outside the university to complete engagements.

As Internal Audit is an independent function, OARC staff assigned to its mandate are not authorized to:

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

2.5 Responsibility

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

General:

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

Enterprise Risk Management:

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

- Planning, facilitating, and overseeing the university's ERM processes.
- Executing the periodic university risk assessment process and advising risk owners in their identification, monitoring, and effectiveness of their mitigation activities.
- Ensuring risk management plans are maintained and university risk assessment results are reported to senior management and the CAR Committee.



Virginia Polytechnic Institute and State University

Internal Audit:

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

- Coordinating audit activities to provide a central source of information for management and the CAR Committee regarding all audit activities and to provide comprehensive, cost-effective audit coverage for the university.
- Developing, submitting for approval, and executing a comprehensive risk-based annual audit plan that considers the input of the CAR Committee and senior management.
- Adjusting the internal audit plan, as necessary, in response to changes in the institution's risk, operations, programs, systems, and controls, and communicating significant changes to the plan with the CAR Committee and senior management.
- Performing, documenting, and communicating internal audit engagements in accordance with the Global Internal Audit Standards.
- Appraising the adequacy of actions taken by management to correct significant reported internal control weaknesses and deficient conditions, and reporting this information to the CAR Committee and responsible senior manager as appropriate.
- Establishing and maintaining a quality assurance and improvement program to evaluate Internal Audit's conformance with the Global Internal Audit Standards, including internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team, the results of which will be presented to senior management and the CAR Committee.

Institutional Compliance:

Institutional Compliance, under the direction of the Chief Risk Officer, provides services including, but not limited to:

- Providing oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.
- Conducting periodic risk assessments to identify potential areas of compliance vulnerability and risk, and ensuring management ownership for monitoring and managing compliance risks.
- Advising institutional compliance risk owners and decentralized compliance risk management leadership.

2.6 Coordination with External Auditing Agencies

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



3.0 Procedures

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

4.0 Definitions

Abuse

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

Advisory Services

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

Assurance

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

Charter

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

Compliance

Activities that support coordination, management, and monitoring of the risks associated with federal, state, and institutional laws, regulations, and policies.

Conflict of Interest

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

Control

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



Virginia Polytechnic Institute and State University

Control Environment

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

Control Processes

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

Engagement

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

Enterprise Risk Management

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

Fraud

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

Governance

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

Independence

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

International Professional Practices Framework

The conceptual framework that organizes the authoritative guidance promulgated by the Institute of Internal Auditors. Authoritative guidance is comprised of two categories including mandatory guidance (Global Internal Audit Standards, Topical Guidance) and supplemental guidance (global practice guides).

Objectivity

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



Risk

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

Risk Management

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

Significance

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

Waste

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

5.0 References

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

State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual, Office of the State Inspector General, Commonwealth of Virginia, 2023 edition.

The Institute of Internal Auditors' International Professional Practices Framework, including the Global Internal Audit Standards, effective January 2025.

6.0 Approval and Revisions

- Revision 0
Approved February 9, 1989, by the Director of Internal Audit, David C. Goodyear.
- Revision 1
Annual review. Section 2.8 - changed so that reports "approved" by the Finance and Audit Committee of the Board of Visitors shall be available to the public.
Approved March 29, 1990, by the Director of Internal Audit, David C. Goodyear.
- Revision 2
Changes were made to eliminate minor discrepancies between the audit manual and the policy statement as presented to the Board of Visitors.
Approved November 3, 1995, by the Director of Internal Audit, David C. Goodyear.
Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.
- Revision 3
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.



Virginia Polytechnic Institute and State University

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

- Revision 4

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

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

- Revision 5 April 1, 2008:

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

- Revision 6

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

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

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

- Revision 7

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

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

- Revision 8

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

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

- Revision 9

Revisions from technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies.

Approved November 18, 2019 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.



Virginia Polytechnic Institute and State University

- **Revision 10**
Revisions from technical review correcting grammatical, punctuation, and minor format inconsistencies. Additionally, section 2.9 was revised to clarify expectations on OARC's responsibility for coordinating external audits and reviews.
Approved November 15, 2020 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 11**
Revised to delineate the roles and responsibilities for internal audit, enterprise risk management, and the institutional compliance program. Additional revisions were made to streamline for consistency.
Approved November 14, 2022 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 12**
Updates to position titles and reporting lines due to university reorganization.
Approved June 5, 2023 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 13**
Updates to Internal Audit mandate throughout to align with updated Global Internal Audit Standards.
Approved November 19, 2024 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 14**
Updates to titles and organizational structure.
Approved June 2, 2025 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.



Charter for the Office of Audit, Risk, and Compliance

No. 3350

Policy Effective Date:
2/9/1989

Last Revision Date:
6/2/2025~~11/19/2024~~

Policy Owner:
President Sands

Policy Author:
(Contact Person)
Sharon Kurek

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

1.0 Purpose

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

2.0 Policy

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

The Office of Audit, Risk, and Compliance (OARC) performs comprehensive assurance services through independent internal audit and advisory activities, the university risk management process, and the institutional compliance program. OARC helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. OARC's mission is to enhance value through providing strategic insight, enabling informed decision, and promoting integrity and compliance.

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

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

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

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



Virginia Polytechnic Institute and State University

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

2.2 Accountability

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

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

2.3 Independence, Objectivity, and Professionalism

To provide for OARC's objectivity and professionalism, including the highest level of ethics and integrity, and maintain Internal Audit's independence:

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

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

The internal audit function conducts its activities in accordance with the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Executive will report annually to the CAR Committee and senior management regarding Internal Audit's



conformance with the Global Internal Audit Standards, including maintaining its independence and objectivity, which will be assessed through an ongoing quality assurance and improvement program.

2.4 Authority

OARC is authorized to:

- Have unrestricted access, consistent with applicable law, to all university functions, data, records, information, physical property, and personnel that they deem necessary to carry out their responsibilities. OARC will exercise discretion in their review and will remain accountable for confidentiality and safeguarding records and information.
- Have direct and unrestricted access to the President and the CAR Committee of the Board of Visitors.
- Allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques, and issue communications to accomplish OARC objectives.
- Obtain assistance for specialized services from within or outside the university to complete engagements.

As Internal Audit is an independent function, OARC staff assigned to its mandate are not authorized to:

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

2.5 Responsibility

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

General:

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

Enterprise Risk Management:

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

- Planning, facilitating, and overseeing the university's ERM processes.
- Executing the periodic university risk assessment process and advising risk owners in their identification, monitoring, and effectiveness of their mitigation activities.



Virginia Polytechnic Institute and State University

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

Internal Audit:

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

- Coordinating audit activities to provide a central source of information for management and the CAR Committee regarding all audit activities and to provide comprehensive, cost-effective audit coverage for the university.
- Developing, submitting for approval, and executing a comprehensive risk-based annual audit plan that considers the input of the CAR Committee and senior management.
- Adjusting the internal audit plan, as necessary, in response to changes in the institution's risk, operations, programs, systems, and controls, and communicating significant changes to the plan with the CAR Committee and senior management.
- Performing, documenting, and communicating internal audit engagements in accordance with the Global Internal Audit Standards.
- Appraising the adequacy of actions taken by management to correct significant reported internal control weaknesses and deficient conditions, and reporting this information to the CAR Committee and responsible senior manager as appropriate.
- Establishing and maintaining a quality assurance and improvement program to evaluate Internal Audit's conformance with the Global Internal Audit Standards, including internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team, the results of which will be presented to senior management and the CAR Committee.

Institutional Compliance:

Institutional Compliance, under the direction of the Chief [Risk Compliance](#) Officer, provides services including, but not limited to:

- Providing oversight of the institutional compliance program and the distributed processes that support compliance across the university by working with subject matter experts and compliance risk owners.
- Conducting periodic risk assessments to identify potential areas of compliance vulnerability and risk, and ensuring management ownership for monitoring and managing compliance risks.
- Advising institutional compliance risk owners and decentralized compliance risk management leadership.

2.6 Coordination with External Auditing Agencies

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



appropriate members of management to determine the level of involvement of OARC, if any, in the performance of each external audit. Duplication of work will be avoided as much as possible.

3.0 Procedures

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

4.0 Definitions

Abuse

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

Advisory Services

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

Assurance

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

Charter

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

Compliance

Activities that support coordination, management, and monitoring of the risks associated with federal, state, and institutional laws, regulations, and policies.

Conflict of Interest

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

Control

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



Virginia Polytechnic Institute and State University

Control Environment

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

Control Processes

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

Engagement

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

Enterprise Risk Management

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

Fraud

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

Governance

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

Independence

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

International Professional Practices Framework

The conceptual framework that organizes the authoritative guidance promulgated by the Institute of Internal Auditors. Authoritative guidance is comprised of two categories including mandatory guidance (Global Internal Audit Standards, Topical Guidance) and supplemental guidance (global practice guides).

Objectivity

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



Risk

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

Risk Management

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

Significance

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

Waste

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

5.0 References

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

State Fraud, Waste, and Abuse Hotline Policies and Procedures Manual, Office of the State Inspector General, Commonwealth of Virginia, 2023 edition.

The Institute of Internal Auditors' International Professional Practices Framework, including the Global Internal Audit Standards, effective January 2025.

6.0 Approval and Revisions

- Revision 0
Approved February 9, 1989, by the Director of Internal Audit, David C. Goodyear.
- Revision 1
Annual review. Section 2.8 - changed so that reports "approved" by the Finance and Audit Committee of the Board of Visitors shall be available to the public.
Approved March 29, 1990, by the Director of Internal Audit, David C. Goodyear.
- Revision 2
Changes were made to eliminate minor discrepancies between the audit manual and the policy statement as presented to the Board of Visitors.
Approved November 3, 1995, by the Director of Internal Audit, David C. Goodyear.
Annual review, November 5, 1998, by Office of the Executive Vice President. No revisions.
- Revision 3
Policy updated to reflect review by the Finance and Audit Committee of the Board of Visitors. Policy serves as a charter for the Internal Audit Department.



Virginia Polytechnic Institute and State University

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

- Revision 4

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

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

- Revision 5 April 1, 2008:

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

- Revision 6

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

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

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

- Revision 7

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

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

- Revision 8

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

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

- Revision 9

Revisions from technical review correcting grammatical, punctuation, word usage, sentence structure, and minor content and/or format inconsistencies.

Approved November 18, 2019 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.



Virginia Polytechnic Institute and State University

- **Revision 10**
Revisions from technical review correcting grammatical, punctuation, and minor format inconsistencies. Additionally, section 2.9 was revised to clarify expectations on OARC's responsibility for coordinating external audits and reviews.
Approved November 15, 2020 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 11**
Revised to delineate the roles and responsibilities for internal audit, enterprise risk management, and the institutional compliance program. Additional revisions were made to streamline for consistency.
Approved November 14, 2022 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 12**
Updates to position titles and reporting lines due to university reorganization.
Approved June 5, 2023 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 13**
Updates to Internal Audit mandate throughout to align with updated Global Internal Audit Standards.
Approved November 19, 2024 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.
- **Revision 14**
Updates to titles and organizational structure.
Approved June 2, 2025 by the Compliance, Audit, and Risk Committee of the Board of Visitors and President, Timothy D. Sands.

Virginia Tech
Board of Visitors – Compliance, Audit, and Risk Committee
Entrance Conference Agenda
June 2, 2025

1. Introductions

a. Discussion of Auditor of Public Accounts (APA) audit team and resources –

Megan Richard, Project Manager

Noah Johnson, Auditor In-Charge

Other Audit Staff, including Information Systems Security auditors

2. Audit Objectives, Audit Plan and Audit Roles:

a. Audit timing

Audit Period – July 1, 2024 through June 30, 2025

Planned Audit Timing – May 2025 through November 2025

Audit Deadline – November 17-18, 2025 BOV Meeting

- b. Audit objectives** – Our audit objectives are to determine if the financial statements present fairly the financial position, changes in financial position, and cash flows for the period in conformity with accounting principles generally accepted in the United States of America. We will also determine if disclosures in the financial statements are adequate and fairly stated, whether management has appropriately reviewed the financial statements, whether adequate internal controls exist over material account balances and transactions, and whether the University is in compliance with applicable laws, regulations, and provisions of contracts or grant agreements. These objectives will enable us to provide an opinion to the University's financial statements that will be included with the financial statements that are distributed by the University. We will also issue a report on internal controls and compliance that will include any findings or recommendations that we may issue as a result of the audit. We will follow up on any recommendations included in the prior year report to determine whether the University has addressed any previously communicated deficiencies, as applicable.

NCAA Agreed Upon Procedures will be performed annually. We will complete agreed-upon procedures and issue a report that includes a schedule of financial activity related to intercollegiate athletics, working with the University to issue this report by January 15, 2026.

- c. Commonwealth Single Audit support** – Federal funding received by institutions in the Commonwealth of Virginia is subject to the Single Audit Act. Code of Federal Regulations, Title 2, Section 200 described the requirements for compliance and the associated audit requirements. There are no major programs applicable to the University for fiscal year 2025. Any recommendations or noncompliance meeting reporting thresholds will be included in the University's audit report and the Commonwealth's Single Audit report. If the University has completed corrective action, follow up testing will be performed to ensure previously communicated deficiencies related to Student Financial Aid have been resolved.



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

3. Discussion of Risk with Board Members

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

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

4. Terms of the Engagement (See Attached Summary)



Terms of the Engagement

Responsibilities during the audit process:

Auditor's (APA) Responsibilities

Overall Audit Objectives

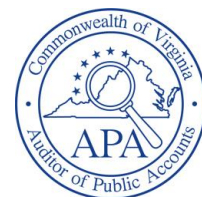
We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audit contained in the *Government Auditing Standards*. The objectives of our audit are to obtain reasonable assurance about whether the financial statements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

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

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

Supplementary information other than RSI is presented for the purpose of additional analysis and is not a required part of the basic financial statements. For the following supplementary information, we will subject the information to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and additional procedures in accordance with GAAS. We intend to provide an opinion on the following supplementary information in relation to the basic financial statements as a whole:

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



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

- Snapshot
- University Highlights
- Financial Highlights
- Message from the Executive Vice President and Chief Operating Officer

Audit Procedures - General

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

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

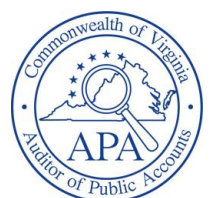
We will also conclude, based on the audit evidence obtained whether there are conditions or events considered in the aggregate, which raise substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time.

Audit Procedures - Internal Control and Compliance

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

Audit Procedures – Group Audits

Our audit will include obtaining an understanding of the consolidated group, sufficient to assess the risks of material misstatement of financial information derived from significant components to design the nature, timing, and extent of



further audit procedures, including the basis for the decision to make reference in our audit opinion to audits of significant components performed by other auditors.

Audit Procedures – Risk of Material Misstatement and Significant Risks

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

- Management Override of Control – management is in a unique position to perpetrate fraud because of management’s ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is, nevertheless present at all entities.
- Improper Revenue Recognition – Recognition of revenue in the proper period and amount is inherently risky and may be subject to manipulation, particularly when accounting for long-term contractual arrangements with other entities and federal grants.
- Complexity of Governmental Accounting – New accounting standards may not be properly identified or considered by management in preparing the financial statements, resulting in improper financial reporting.

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

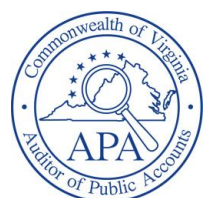
Communication with Those Charged with Governance

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

Management’s Responsibilities

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

- Selection and application of accounting principles and preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements



- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- As received, forward copies of each federal audit performed on agency or institution programs or activities to the Auditor of Public Accounts as required by Chapter 1, §4-8.02a., of the 2021 Virginia Acts of Assembly. To forward these reports to the Auditor of Public Accounts, use APAFederal@apa.virginia.gov. If the federal report is only available in hardcopy or contains FOIA exempt information, DO NOT email the report, use this same email account to notify the Auditor of Public Accounts of the federal report and provide the contact information of the individual with the report.
- Informing the APA of any potential documents that are FOIA exempt
- Ensuring that financial information is reliable and properly recorded
- Making all financial records and related information available to the APA
- Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
- Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information
- Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
- Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
- Preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.
- For Group audits, management is responsible for the following:
 - Informing the component's management of any matter that the group engagement team becomes aware that may be significant to the financial statements of the component, but of which component management may be unaware.
 - Implementing procedures to determine if there are subsequent events for components through the APA's audit report date.
 - Implementing procedures to identify and disclose the component's related parties and related party transactions.
 - Implementing policies and procedures related to the consolidation of group financial information.

Audit Committee

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



Other Elements of the Audit Process

Overall planned scope of the audit

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

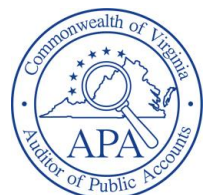
Identification of potential fraud risks

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

Audit Reporting

We will issue a written report upon completion of our audit of the University's financial statements. We will make reference to the Component Auditor's audit of Virginia Tech Foundation, Inc. in our report on the University's financial statements. Our report will be addressed to the board of directors of University. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or if necessary, withdraw from the engagement. If our opinions on the basic financial statements are other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

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



The Federal Landscape and Potential Impacts to Virginia Tech

Chris Yianilos, Office of Government & Community Relations

June 2, 2025

Federal Executive and Legislative Actions Impacting Higher Education

1. Proposed President's Budget
2. Changes to Facilities & Administrative (F&A) Rates
3. Miscellaneous Policy Proposals



President's Budget Request (PBR)

Proposed for FY2026

Virginia Tech's FY2024 Federal Research Expenditures

Department of Defense: \$79.5M

DHHS/National Institutes of Health: \$68.9M

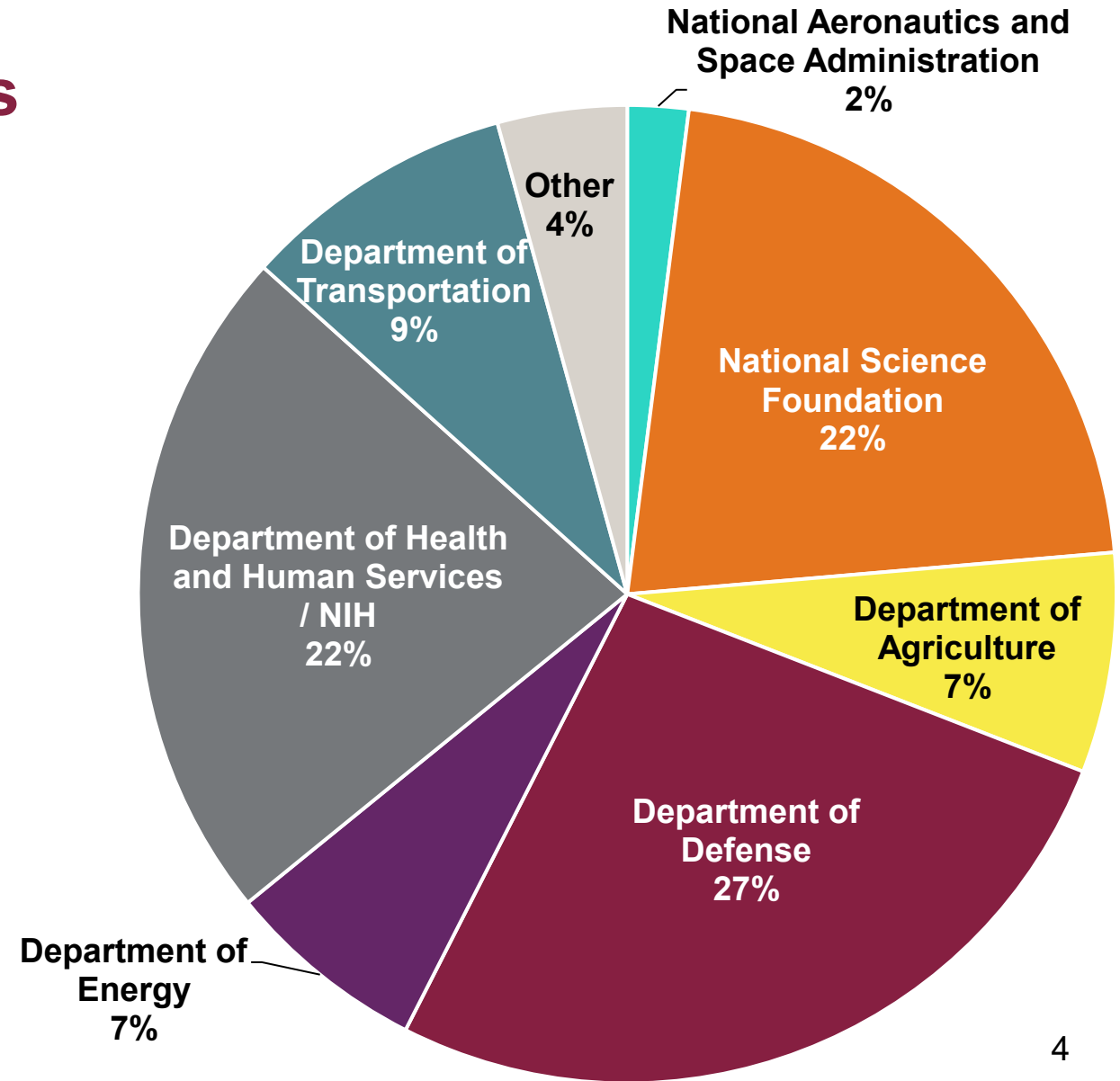
National Science Foundation: \$64.5M

Department of Transportation: \$27.4M

Department of Agriculture: \$29.0M

Department of Energy: \$19.6M

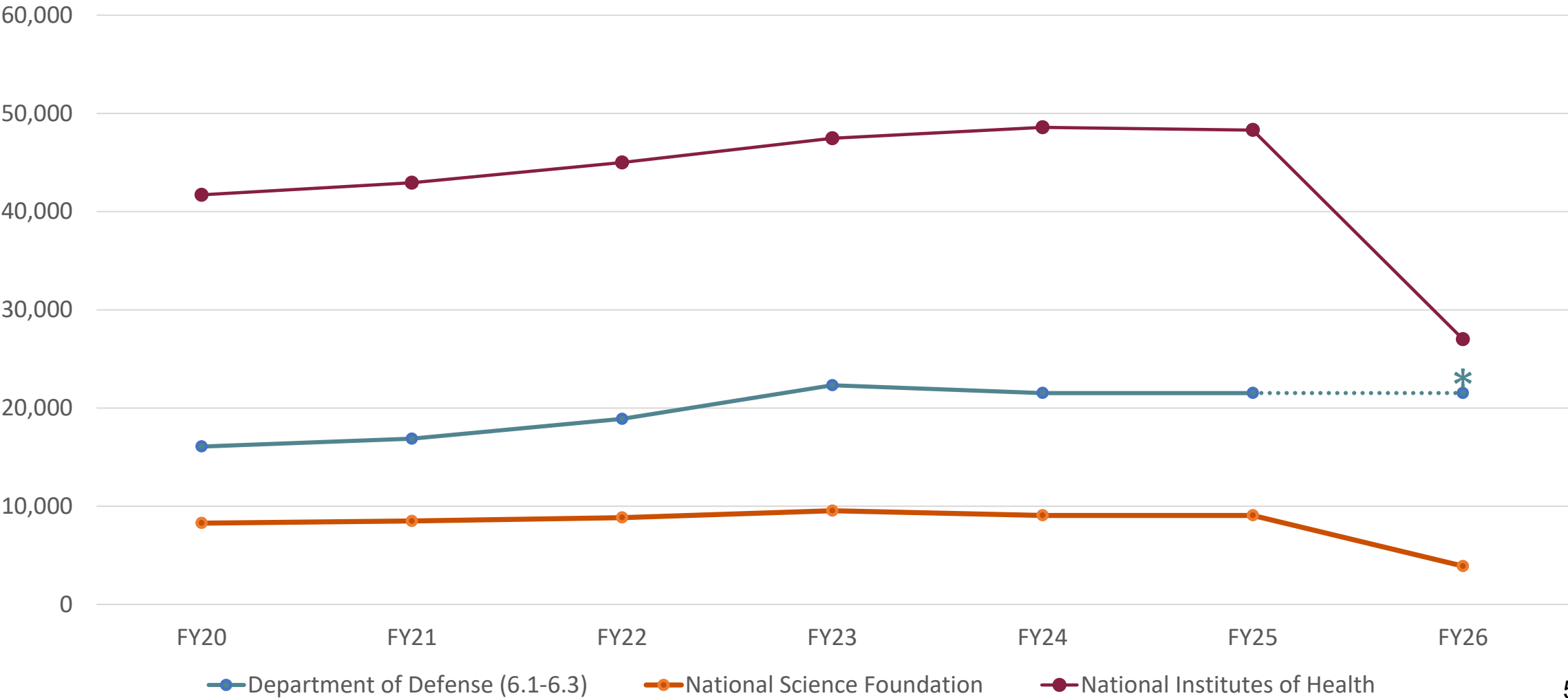
National Aeronautics & Space Administration: \$6.2M



Federal Research Funding (in millions)

FY20-FY26

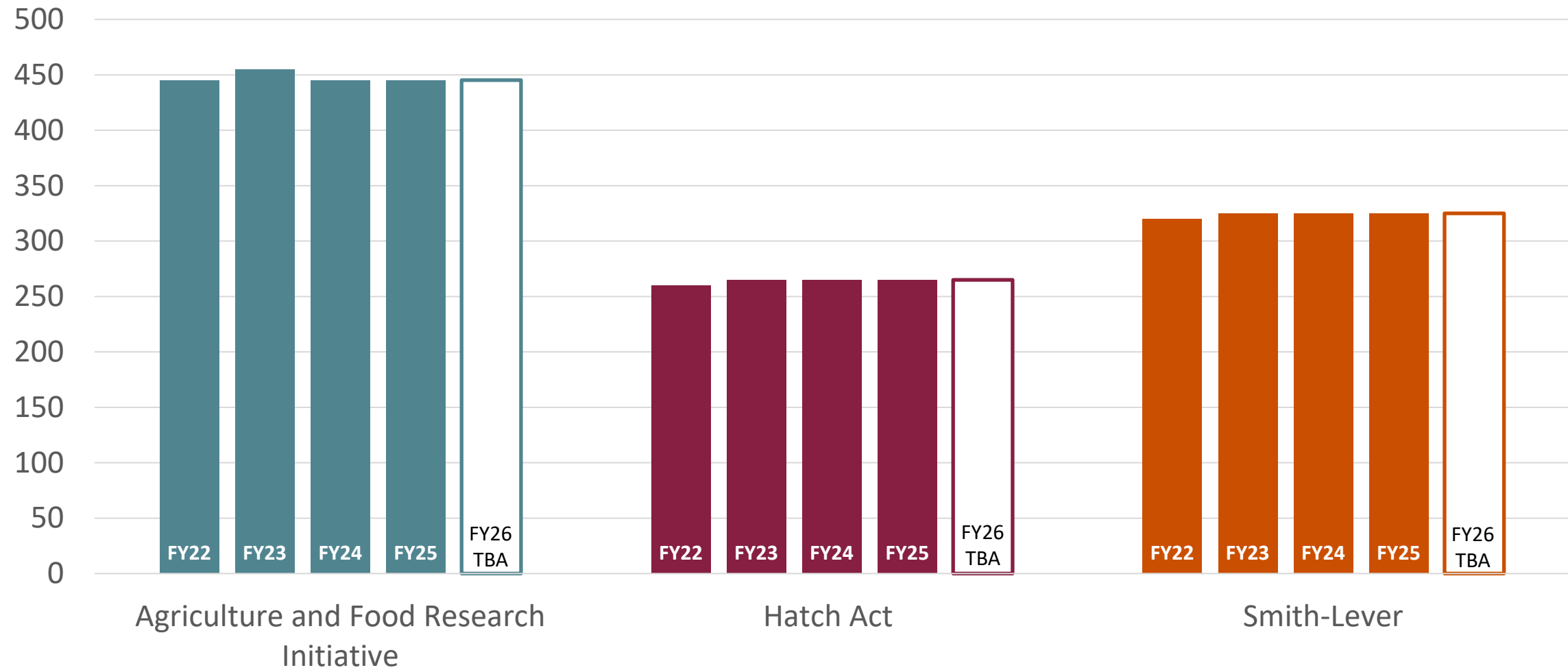
* FY 26 – Based on President Trump’s “Skinny” Budget Proposal



USDA Competitive and Capacity Grant Programs

FY22-FY26

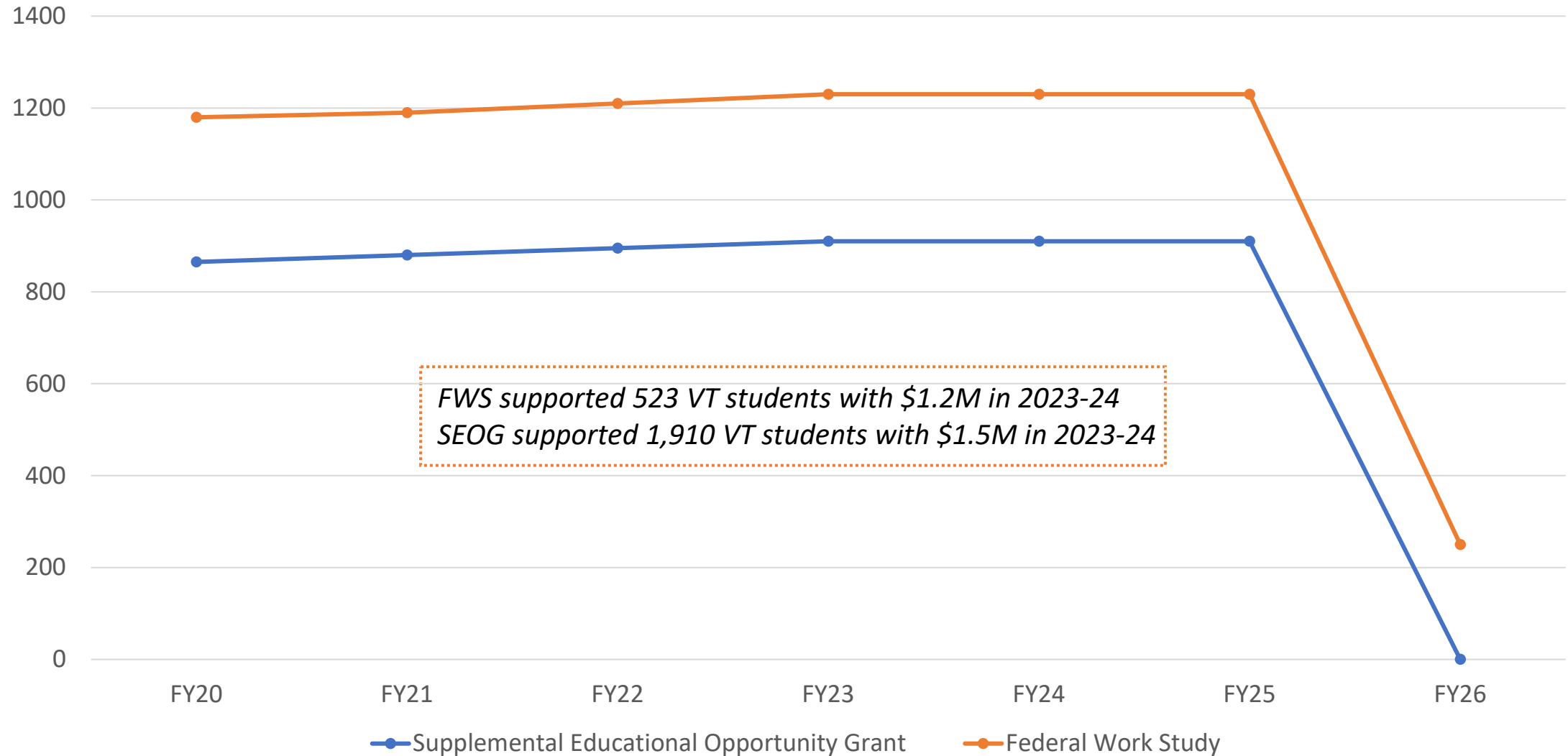
* FY 26 – Based on President Trump’s Skinny Budget Proposal



Student Financial Aid (in millions)

FY22-FY26

* FY 26 – Based on President Trump’s “Skinny” Budget Proposal





Facilities and Administrative (F&A) Rates

Potential Impacts from Proposed Changes

Facilities & Administrative

What is F&A?

In research, there are “direct” and “indirect costs.” Federal grants and contracts allow universities to get reimbursed for both.

Direct Costs

Typically include expenses for researchers' salaries, materials and supplies, and instrumentation used to perform the research.

Indirect Costs

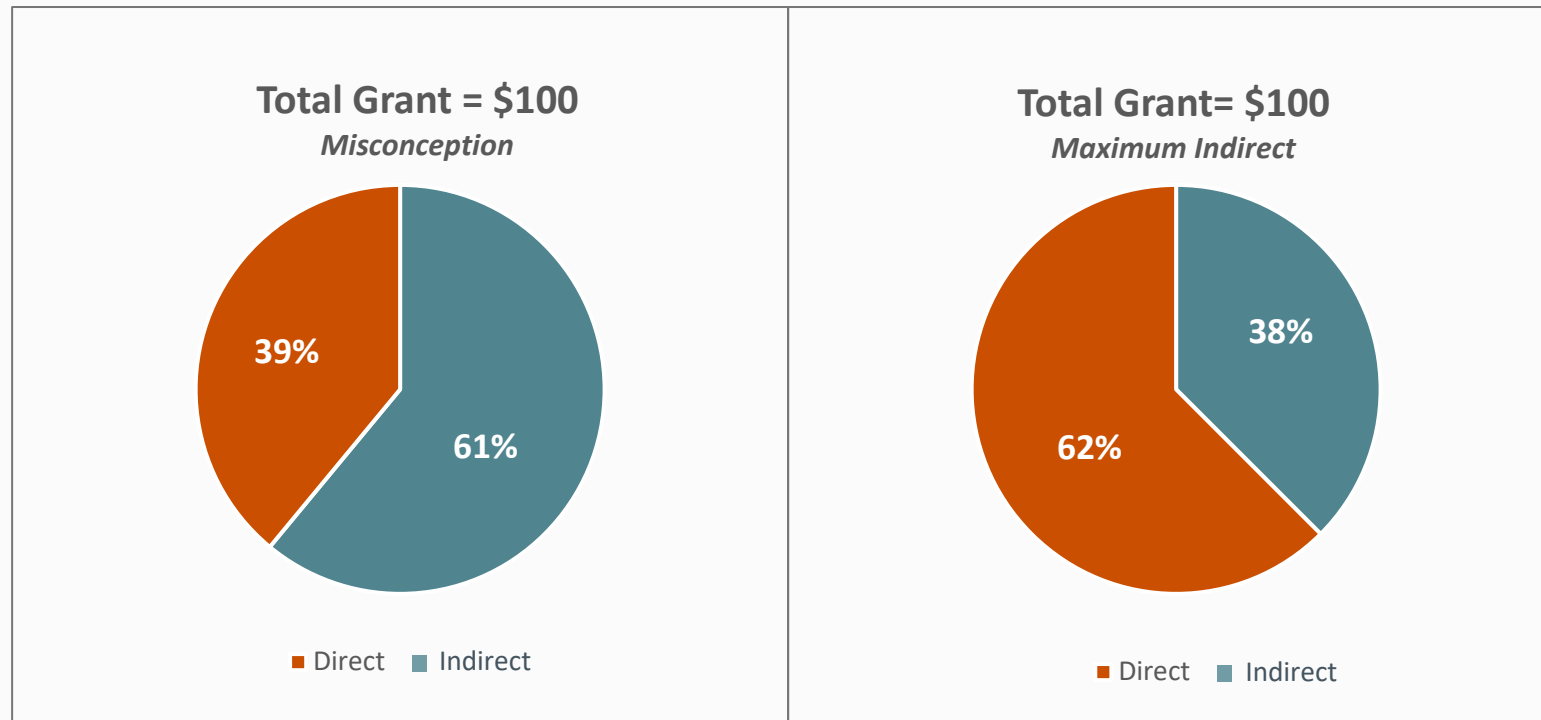
May include required federal regulatory compliance; the costs to build, operate, and maintain research facilities; and administrative costs required to manage grants

Recent Changes to F&A

- **Our negotiated F&A rate with the Office of Naval Research is 61% for on-campus research.**
 - *The Trump administration has proposed 15% F&A caps on grants and contracts at certain federal agencies.*

Common Misconceptions About F&A

Misconception: The majority of grant funding goes towards indirect costs with a 61% F&A rate.



Common Misconceptions About F&A

Misconception #2: The indirect cost rate is too high compared to actual costs.

Reality:

- Audit and negotiation with the federal government every three years to determine an appropriate F&A rate.
- Caps on administrative costs since 1991
- Unreimbursed F&A

Estimated Financial Impacts

Agencies that have proposed 15% F&A caps and estimated impacts to Virginia Tech:

- National Institutes of Health (NIH) - estimated **\$13 million** impact
- Department of Energy (DOE) - estimated **\$5 million** impact
- National Science Foundation (NSF) - estimated **\$13 million** impact
- Department of Defense (DOD) – estimated **\$15 million** impact

If a 15% F&A cap were applied across all federal agencies, the estimated impact would be \$55 million annually.



Miscellaneous

Other Potential Policy Impacts

Broader Policies and Potential Impacts

1. Federal Reduction in Workforce
2. Potential Cost Shifting in Federal Programs
3. Grant and Contract Terminations
4. International Students
5. Student Financial Aid
6. Risk-Sharing
7. Endowment tax

June 2, 2025

Enterprise Risk Management Update

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

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



ENTERPRISE RISK MANAGEMENT

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

- identify potential events that may affect the university,
- manage those risks within the university's risk appetite, and
- support the achievement of Virginia Tech's mission and objectives.

RESIDUAL RISK ASSESSMENT

IMPACT	
Level	Risk description
1 - Insignificant	No impact on reputation No potential impact on enrollment/market share No potential impact on the retention/recruitment of faculty No potential impact on overall research funding Responsibility of junior management and staff to resolve
2 - Minor	Consequences can be absorbed under normal operating conditions Local impact on reputation Potential negative impact on image, enrollment Potential negative impact on retention/recruitment of faculty Little impact on overall research funding Responsibility of middle management to resolve
3 - Moderate	State-wide impact on reputation Enrollment of students or image will be affected in the short-term Recruitment and retention of faculty will be affected in the short-term Loss of research funding for X-X grantees Responsibility of senior and middle management to resolve
4 - Major	Adverse impact on university reputation at the regional level Accreditation is threatened Long-term reduction in enrollment Ability to retain and recruit faculty Significant loss of research funding from multiple grantees resulting in curtailment of major sponsored programs Responsibility of the Board and senior management to resolve
5 - Critical	Loss of accreditation National / Global impact on reputation Significant reduction in enrollment Ability to retain and recruit faculty Revocation of sponsored research funding across the institution Responsibility of the Board and the President to resolve

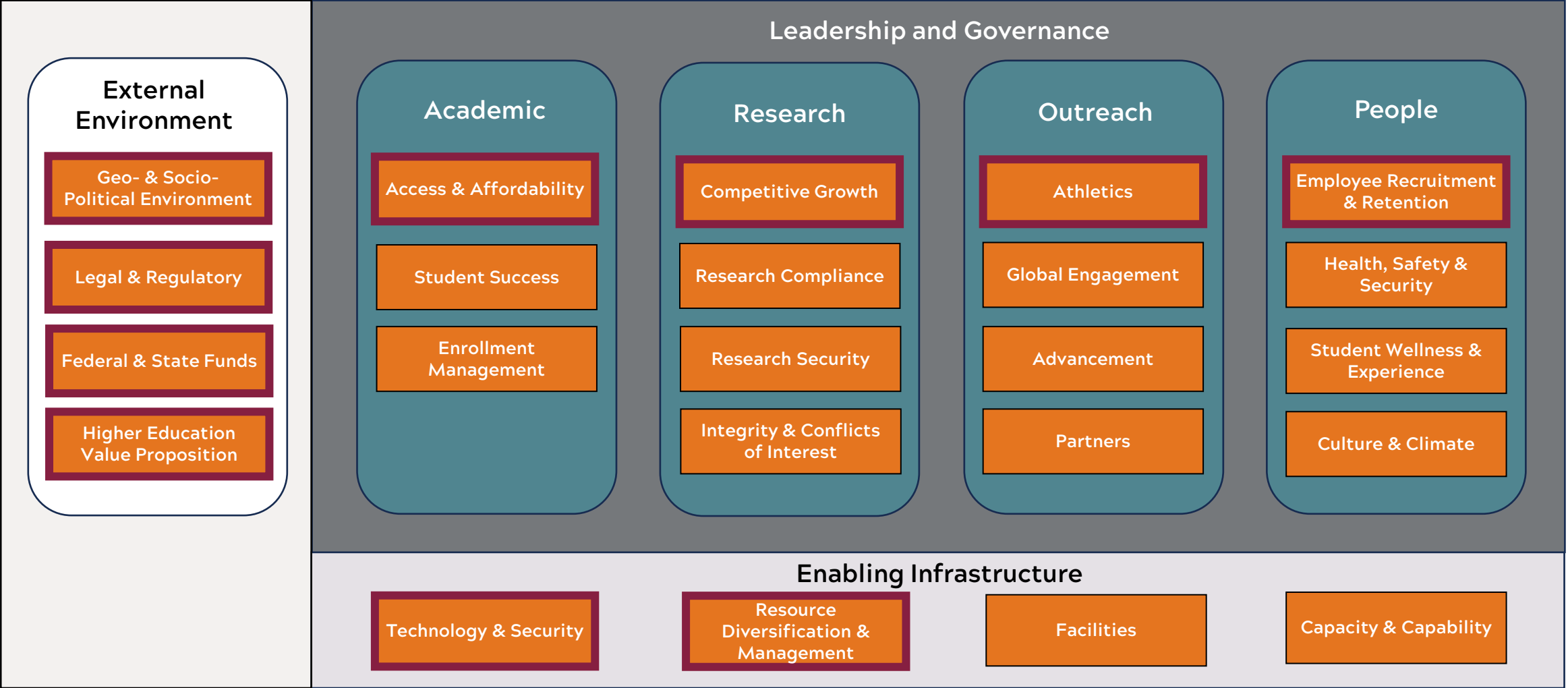
Residual (Net) Risk: The result of an assessment of the potential "impact" and "likelihood" of a risk after taking into account the effectiveness of the controls and other mitigations put into place to manage the risk.

PROBABILITY (Likelihood of Occuring)		
Level	Risk description	Probability
1 - Remote	Event may only occur in exceptional circumstances	0-5%
2 - Unlikely	Event could occur at some time	6-35%
3 - Moderate	Event should occur at some time	36 - 65%
4 - Likely	Event will probably occur in most circumstances	66-95%
5 - Almost certain	Event is expected to occur in most circumstances	96 - 100%

VELOCITY (Speed of Onset)	
Level	Risk description
1 - Slow	Very slow onset; longer than 9 months to impact after occurrence
3 - Medium	Medium onset; between 3 to 9 months; Limited time for reaction and response planning
5 - Rapid	Very rapid onset; little or no warning, instantaneous; within 3 months after occurrence

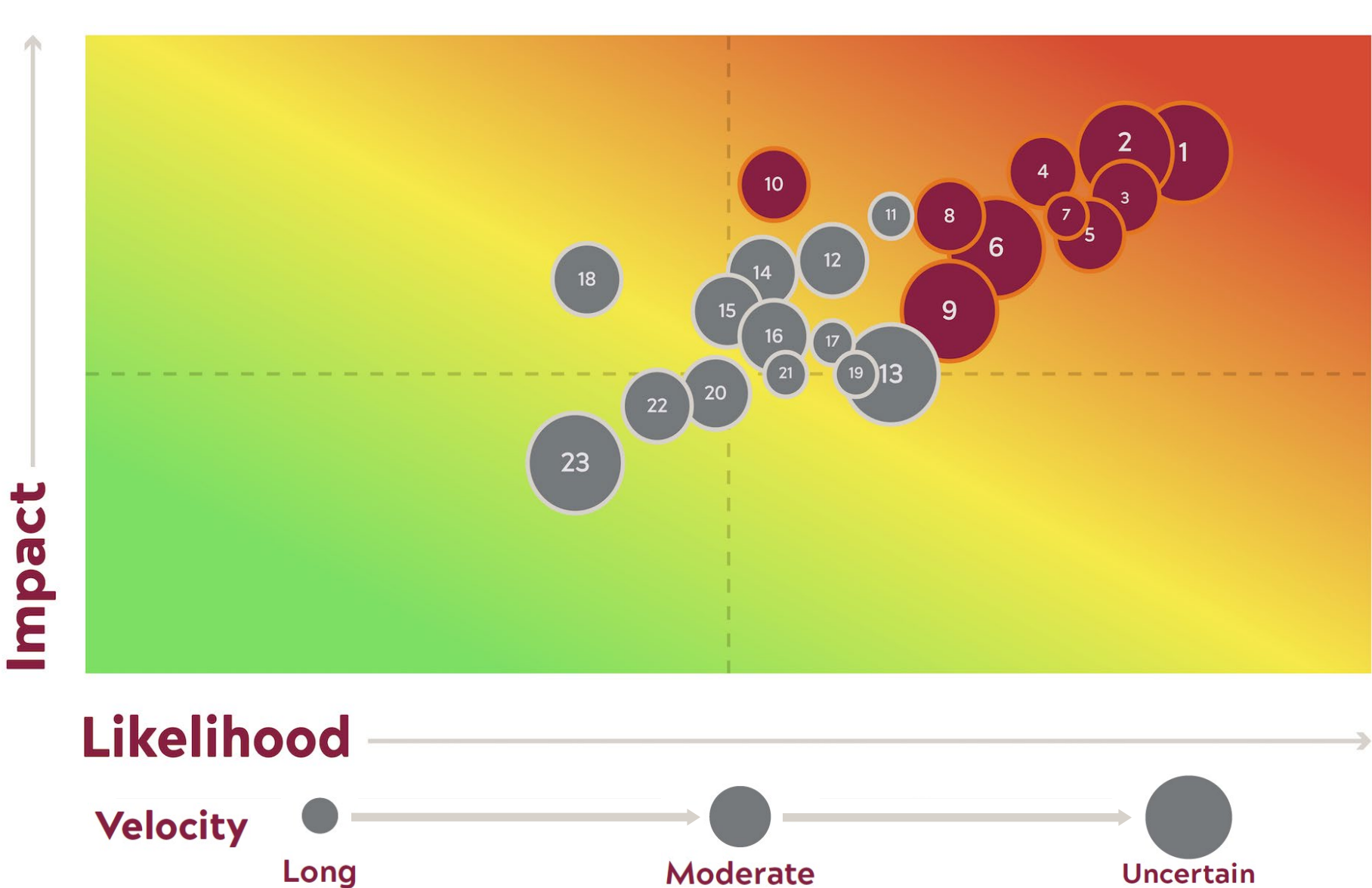
Enterprise Risk Landscape

June 2025



Enterprise Risk Heat Map

June 2025



Graph Legend

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

Changes in Risk: FY24 to FY25

Legend

- Risk level unchanged compared to prior year assessment
- ➡ Risk increased compared to prior year assessment
- ⬅ Risk decreased compared to prior year assessment

#	Risk	Arrow Indicates Change in Risk from FY2024 to FY2025	
1	Geo & Socio-Political Environment	➡	●
2	Legal & Regulatory	➡	●
3	Federal & State Funds	➡	●
4	Higher Education Value Proposition	➡	●
5	Research: Competitive Growth	➡	●
6	Technology & Security	●	●
7	Access & Affordability	●	●
8	Resource Diversification & Management	●	●
9	Athletics	●	●
10	Employee Recruitment & Retention	⬅	●
11	Student Success	●	●
12	Research Compliance	➡	●
13	Health, Safety & Security	●	●
14	Research Security	➡	●
15	Student Wellness & Experience	⬅	●
16	Culture and Climate	●	●
17	Facilities	●	●
18	Enrollment Management	⬅	●
19	Global Engagement	●	●
20	Advancement	➡	●
21	Partners	➡	●
22	Capacity & Capability	●	●
23	Integrity & Conflicts of Interest	●	●

ERM Top 10 Risks – Owners & BOV Alignment

Risk Area	Risk Statement	
	Owner(s)	BOV Committee(s)
1 - Geo- & Socio-Political Environment	Guide the university's response to external and global factors impacting its community and mission	
	Sands; Yianilos	Compliance, Audit, and Risk
2 - Legal & Regulatory	The university faces significant risks from increasing visibility and emphasis on legal and regulatory requirements, as well as potential non-compliance with policies and procedures	
	Heidbreder, Kurek	Compliance, Audit, and Risk
3 - Federal & State Funds	The university faces substantial risk exposure due to significant loss of state and or federal funding for university programs to support its operational and capital needs	
	Sebring; Allen; Yianilos	Finance and Resource Management
4 - Higher Education Value Proposition	Decreasing public trust in the value and transformative impact of education on individuals and society, encompassing academic, professional, personal, and societal benefits	
	Sands	Board Level
5 - Research: Competitive Growth	Grow and diversify the research portfolio by prioritizing strengths and focusing on emerging areas	
	Clarke; Sui	Academic, Research, and Student Affairs + Finance and Resource Management

ERM Top 10 Risks – Owners & BOV Alignment

Risk Area	Risk Statement	
	Owner(s)	BOV Committee(s)
6 - Technology & Security	Modernize IT Infrastructure and address the complexities of operating and securing the hybrid model of centralized and decentralize academic, research, and administrative computing	
	Sebring; Pitt	Governance and Administration
7 - Access & Affordability	Enhance ongoing resource availability and support for educational access and affordability	
	Sebring; Clarke; Pratt	Academic, Research, and Student Affairs + Finance and Resource Management
8 - Resource Diversification & Management	Diversify revenue and effectively allocate available university personnel, finances, and space in alignment with strategic goals	
	Sebring; Clarke; Allen	Finance and Resource Management
9 - Athletics	Navigate the increasingly complex and high-profile landscape of intercollegiate athletics, balancing regulatory compliance, financial sustainability, and reputational integrity amid rapid industry transformation	
	Babcock	Governance and Administration
10 - Employee Recruitment & Retention	Recruit, develop, and retain high-performing talent to meet projected workforce needs in support of strategic and human resource goals	
	Clarke; Fricker; Sebring; Garey	Academic, Research, and Student Affairs + Governance and Administration

RISK AREA – COMMITTEE ALIGNMENT

Academic, Research, and Student Affairs

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

Buildings and Grounds

- Facilities

Compliance, Audit, and Risk

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

Finance and Resource Management

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

Governance and Administration

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

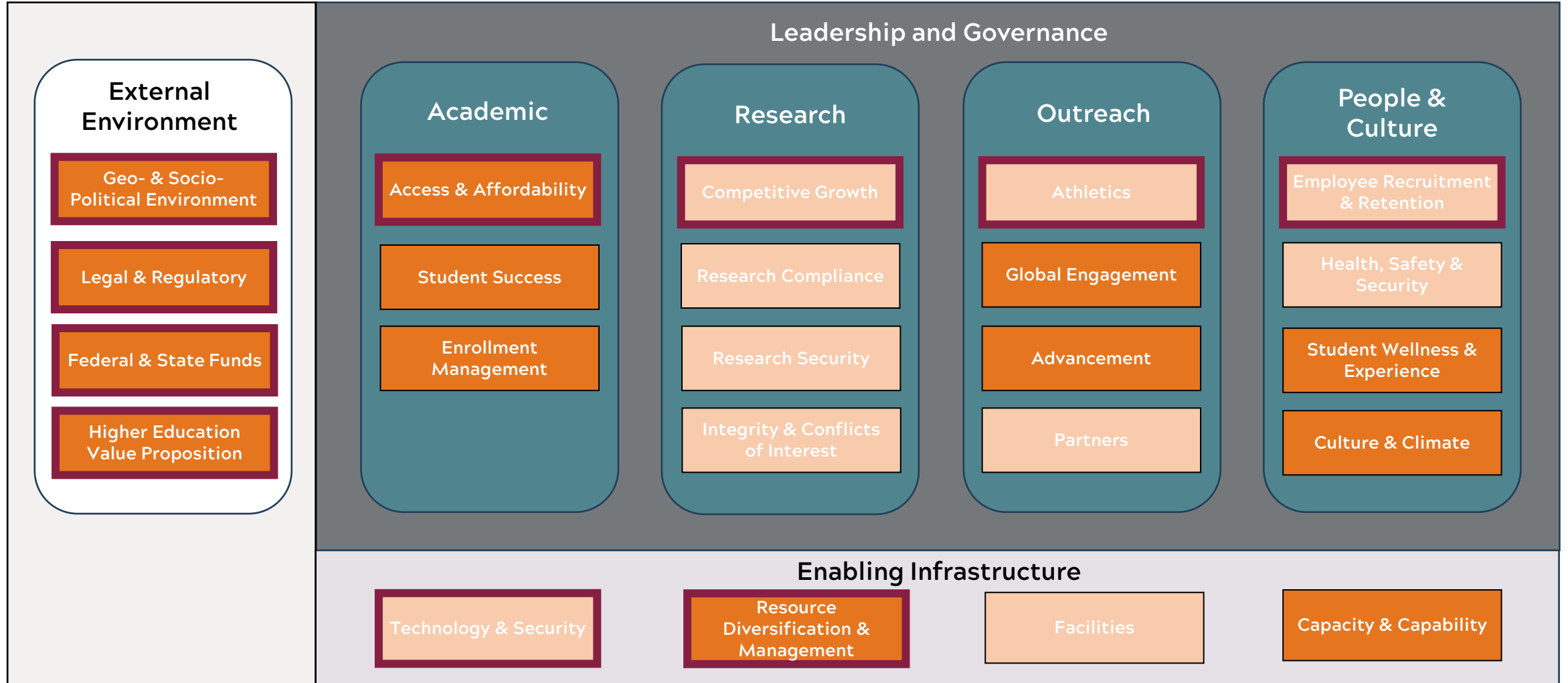
Board Level

- Higher Education Value Proposition *
- Culture & Climate
- Partners

Note: * indicates a Top Ten enterprise risk

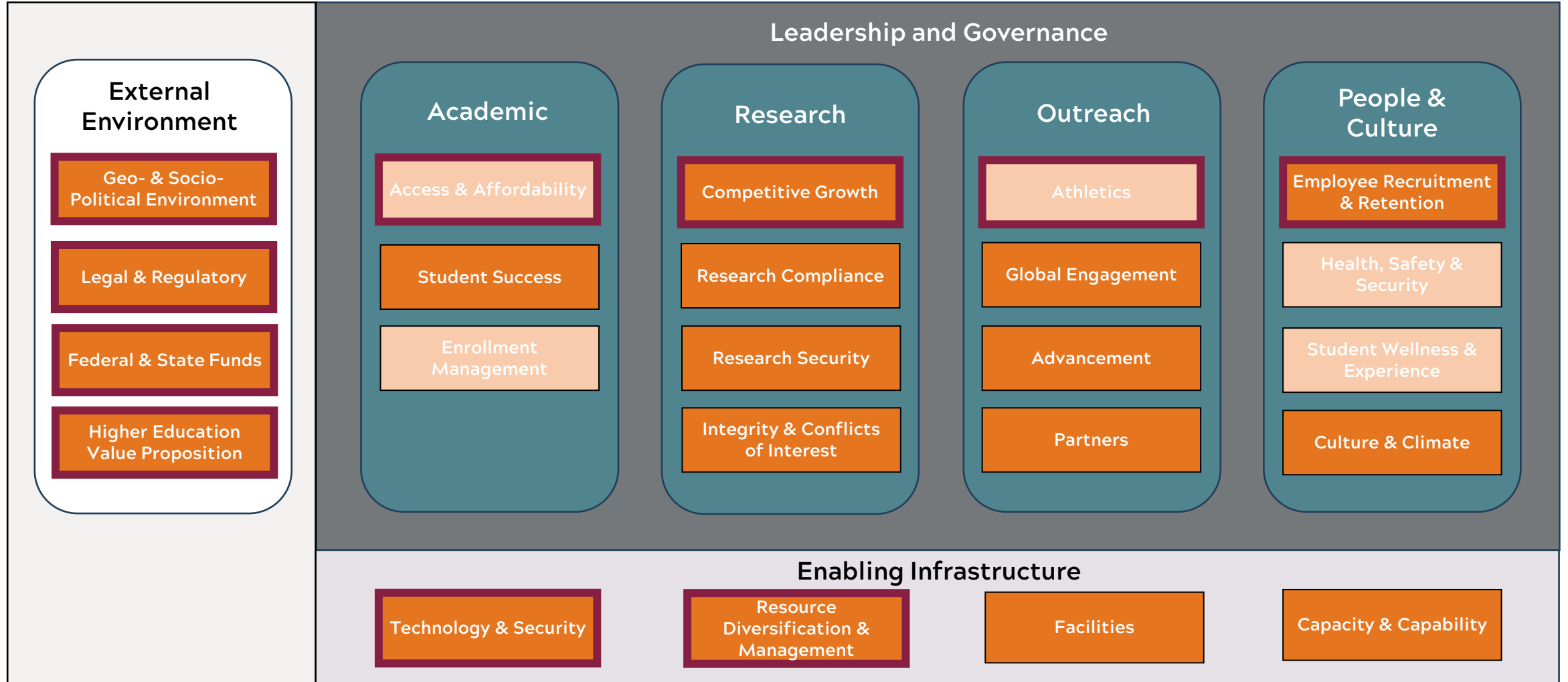
Mapping ERM to Strategic Priorities

Virginia Tech Advantage



Mapping ERM to Strategic Priorities

Virginia Tech Global Distinction



FY 2024-25 ERM Summary

- Conducted a tabletop exercise with the Risk & Compliance Steering Committee and research stakeholders on research security and compliance scenarios.
- Led an ERM exercise with President's Council on risk tolerance, appetite, mitigations, and opportunity risks in evolving regulatory landscape.
- Developed a comprehensive risk register for the university across risk, audit, compliance, and ARMICS programs. In process of implementing technology solution to visualize connected risk view and assist risk owners in monitoring and mitigation.
- Refreshed the OARC strategic plan, articulating program-level goals for the next three years, including:
 - Developing risk-level KRIs, KPIs, and mitigation strategies with risk owners
 - Utilizing GRC platform for dashboarding capabilities



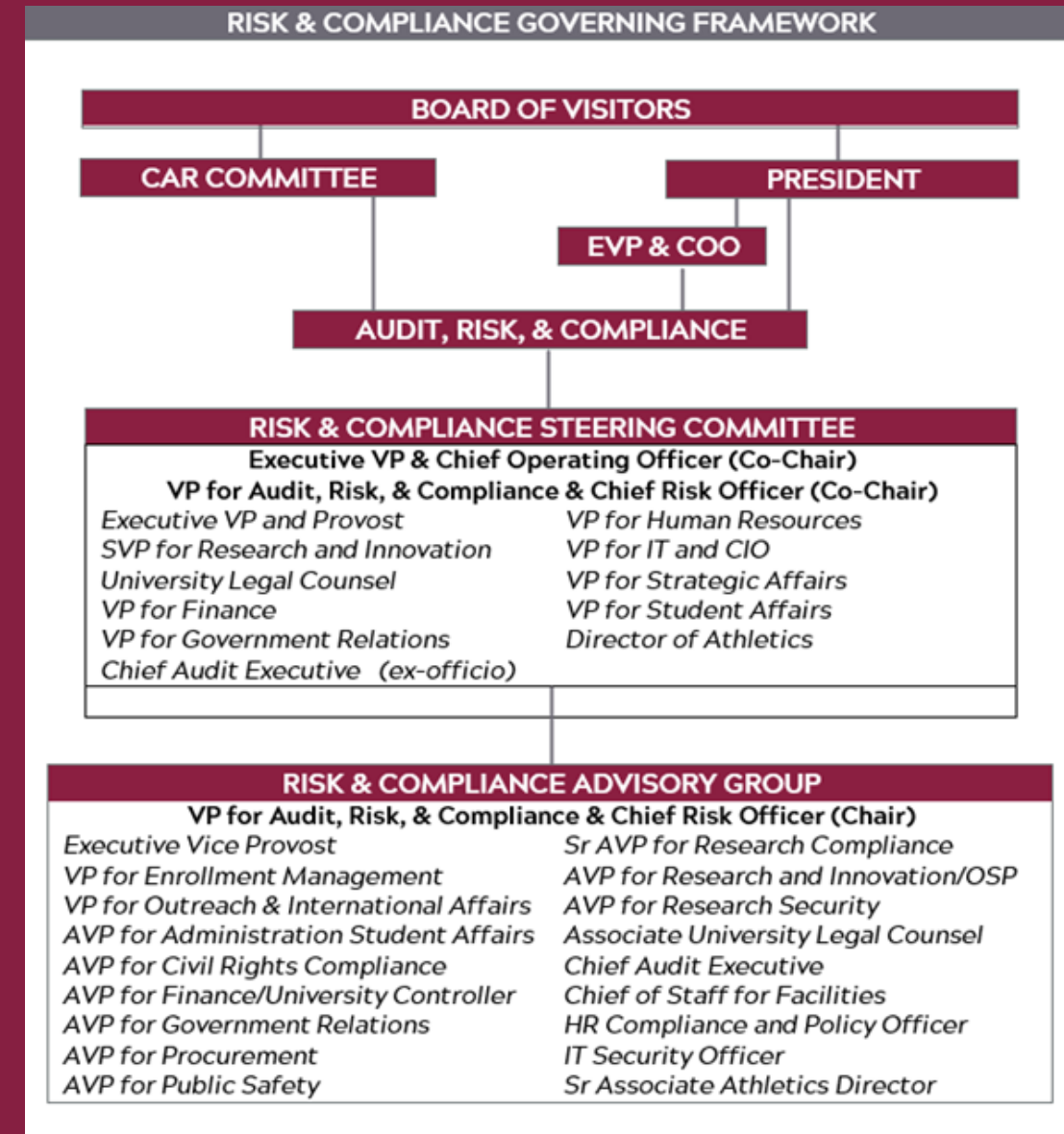
QUESTIONS?

APPENDIX

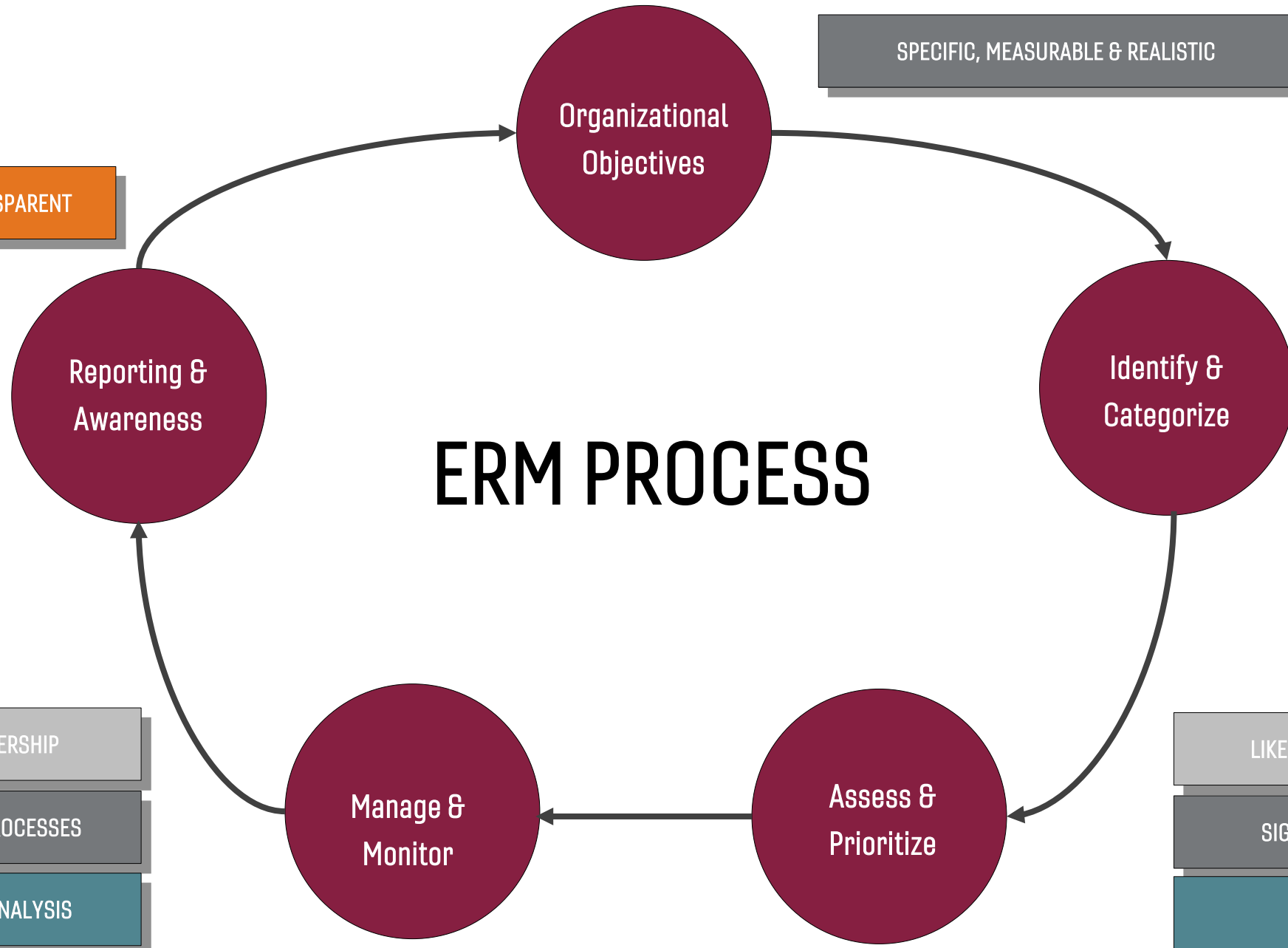
GOVERNANCE STRUCTURE

The Steering and Advisory Committees:

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



ERM PROCESS





Office of Audit, Risk, and Compliance
Fiscal Year 2025–26 Audit Plan
June 2, 2025

OVERVIEW

Internal Audit conducts risk-based assurance engagements, IT general controls reviews, management advisory services, and investigations. The risk-based assurance engagement is an objective examination of evidence to provide an independent assessment of governance, risk management, and the control systems within the university. IT general controls reviews seek to align Internal Audit's assurance activities with the Information Technology Security Office's guidance and efforts to increase the overall efficiency and effectiveness of IT risk coverage across the institution on an on-going basis. The nature and scope of management advisory service activities add value and improve the university's governance, risk management, and control processes without the internal auditor assuming management responsibility. Investigations are initiated from various sources, including the Office of Audit, Risk, and Compliance (OARC) managed Hokie Hotline, and are coordinated through the institutional compliance program with support from Internal Audit, as appropriate.

RISK ASSESSMENT PROCESS

Enterprise Risk Assessment

The institution's Enterprise Risk Management (ERM) program provides enhanced visibility into the university's risks and aligns strategic planning with risk awareness. OARC facilitates the ERM program by working with university leadership to establish and maintain the framework for collectively identifying, assessing, and managing risks across the enterprise. The ERM program intends to strengthen the university's ability to achieve its mission and strategic objectives by:

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

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

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

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

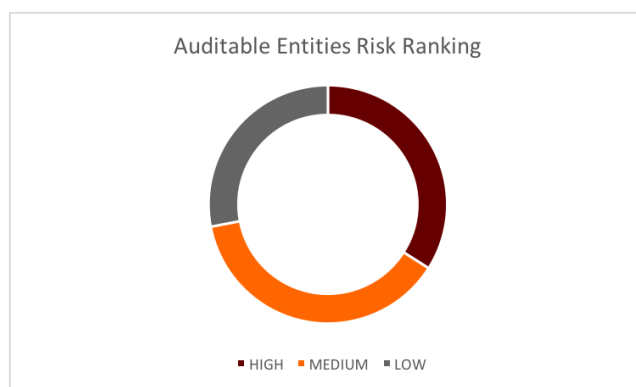
OARC Audit Planning Risk Assessment

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

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

Elements considered within these factors included:

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



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

IT Risk Assessment

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

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

The IT audit approach is bifurcated into two processes. First, the risk assessment contemplates topical audits to gain a better understanding and provide confidence on the university-wide control environment. Second, each senior management area receives a dedicated information technology general controls review to assess compliance with the institution's Minimum Security Standards on a cyclical basis. Beginning with this audit plan, Internal Audit will accelerate its prior five-year review cycle to a three-year cycle.

CORE AUDIT PLAN

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

The critical areas for core audit plan inclusion are:

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

The core audit plan includes several multi-year audits that will allow for ongoing reviews of selected components of entities with high compliance risk and complex operations. These entities are Athletics, Human Resources, Research, and University Scholarships and Financial Aid. While most years these four entities receive audit coverage, this is subject to external coverage and evaluated in light of the comprehensive risk assessment.

FISCAL YEAR 2025–26 AUDIT PLAN

The audit plan focuses on delivering value to the institution with an emphasis on the following risk areas: strategic, operational, financial, compliance, and IT. If new topics emerge during the audit plan period that require more immediate attention, reconfiguration of the plan can be undertaken to accommodate these changes. The fiscal year 2025–26 audit plan includes 34 projects, and Internal Audit's goal is to complete 85 percent of the audit plan. As each audit is undertaken, risks will be re-evaluated to ensure proper audit coverage with consideration of confidentiality, integrity, and availability.

Risk-Based Assurance

Planned Engagement	Overview	Risk Area
Affiliated Corporations	The institution maintains an extensive relationship with a matrix of affiliate corporations. These efforts seek to ensure selected corporations are meeting fiduciary responsibilities and appropriately managing risks. These efforts are coordinated with the Controller's Office and first started in 2025.	Operational – Financial Management
Air Transportation Services	Air Transportation Services, a unit within the Division of Auxiliary and Business Services, provides safe, on-demand air transportation for employees, or employees of university-related corporations, on official university business. The department is staffed by five pilots and supported by a flight operations manager and operates from a hangar located at the Virginia Tech Montgomery Executive Airport. The last audit was conducted in 2011.	Compliance – Operations
Animal Care and Resources	The Animal Resources and Care division provides resources and expertise to support scientifically sound animal research and teaching activities using healthy animals in the appropriate environment. By applying current veterinary standards and animal welfare practices that meet or exceed regulatory requirements, the division ensures humane animal care and use. The last audit was conducted in 2018.	Compliance - Research
Athletics *	The Department of Athletics, an approximately \$120 million enterprise, sponsors 22 athletic teams at the NCAA Division I level. A component of Athletics is typically included in the audit plan each year.	Compliance - Athletics
Bursar	The specific responsibilities of the Office of the University Bursar (OUB) include: providing timely and accurate billings to students and general users of the university's services and ensuring that payments and credits are received and properly applied to each customer's account in a timely manner; receipt and timely application of all other cash payments made to the university; and disbursement of payroll, all university payables, and collection of delinquent accounts and notes receivable. The last audit was conducted in 2019.	Financial – Financial Management
Capital Construction Audit Program	The institution has maintained an on-going capital construction audit program for all capital projects utilizing the guaranteed maximum price contracting methodology. Executed by third-party construction auditing experts and overseen by Internal Audit, these reviews are a partnership with the divisions of Facilities and Finance.	Financial – Facilities
Clery Act Compliance	The Clery Act requires all colleges and universities that participate in federal financial aid programs to keep and disclose information about crime on and near their respective campuses, including timely warnings of crimes that may represent a serious or ongoing threat to the safety of students or employees. A review of this activity has not been previously conducted.	Compliance – Safety and Security

Planned Engagement	Overview	Risk Area
College of Veterinary Medicine Research	Virginia-Maryland College of Veterinary Medicine has a robust research program that spans basic biomedical sciences in infectious (viral, bacterial, and parasitic) and non-infectious (immune-mediated and oncologic) diseases to veterinary clinical research to translational and public health. The program's overall goal is to apply research to improve the lives of pets and people. The last audit was conducted in 2015.	Operational – Academic
Controlled Substances	Controlled substances are drugs or chemicals whose production, possession, and use are regulated by the government. These substances are often categorized into schedules based on their potential for abuse, accepted medical use, and potential for addiction. The regulatory compliance requirements of these substances can be complex to manage and mitigate. A review of these activities has not been previously conducted.	Compliance – Safety and Security
Data: Student Residency Status	The establishment of residency status is an important step in student processing. This data centric review will seek to look at data to identify potential errant or inconsistent residency processes. The last audit was conducted in 2014.	Compliance – Enrollment Management
Facility & Event Safety	The institution operates a variety of venues and events where patron safety is high risk. The processes and procedures for managing these events are most often a hybrid effort across multiple offices. A review of these activities has not been previously conducted.	Operational – Safety and Security
Fire Code Compliance	The institution is subject to compliance requirements with the Virginia Statewide Fire Prevention Code and has policies and procedures deployed to comply and mitigate the identified risks. The last audit was conducted in 2018.	Compliance – Facilities and Operations
Health and Counseling Centers	The Cook Counseling Center and Schiffert Health Centers provide comprehensive mental and physical health services for students. Supported primarily by a student health fee, students are provided free or reduced cost access to these facilities. The last audit was conducted in 2015.	Operational – Student Services
Human Resources – Leave Accounting *	The institution offers an array of leave benefits to allow time off to meet various employee needs. Additionally, Human Resources is responsible for various federal and state leave programs such as FMLA and disabilities. The last audit was conducted in 2016.	Compliance – Financial Management
Immigration Services - Employees	As a global land-grant university, the institution teaches and employs a diverse set of international faculty, staff, and students. To assist these individuals in navigating the complex regulatory immigration environment, the institution has established several offices to provide support and to ensure compliance requirements are being met. The student components of these efforts were reviewed in 2025.	Compliance – Human Resources
Industrial and Systems Engineering	The Grado Department of Industrial and Systems Engineering, within the College of Engineering, engages a wide range of research including manufacturing systems, human factors and ergonomics, and management systems. The research enterprise seeks to positively influence society by providing new knowledge, and train students to develop into independent researchers who will continue to advance the forefront of science and technology. The last audit was conducted in 2009.	Operational – Academic
Internal Controls Monitoring	This review will establish an updated framework to review and report out on common internal controls across the entire institution. Utilizing the previous Policy Compliance Review framework, and in partnership with distribute control owners, we seek to develop an aggregated look at the level of compliance with basic control parameters across all senior management areas.	Compliance

Planned Engagement	Overview	Risk Area
IT: Centralized Logging and Monitoring	The institution's logging services collect and store logs from various campus systems in a secure, centralized location. This allows the institution to monitor activity, detect security incidents, and troubleshoot issues efficiently. The last audit was conducted in 2020.	Operational – Information Technology
IT: Data Backup and Recovery	Data backup and recovery are critical components to ensure the institution is positioned to respond to operational interruptions. Data loss, system failure, or cyberattacks are all events that warrant robust backup and recovery processes and tools. A dedicated review of these activities has not been previously conducted.	Operational – Information Technology
IT: Low-Risk Procurement Compliance	Department Heads or above are delegated the authority to sign contracts and make procurements of low-risk software and information technology services, including "click-through" agreements, that do not go through Procurement. The institution has deployed a standard and procedures to track these purchases. This review will seek to ensure units are adhering to these requirements. A review of these activities has not been previously conducted.	Compliance – Information Technology
Office of Sponsored Programs *	Office of Sponsored Programs (OSP) provides a comprehensive array of support services for faculty and staff as they pursue and manage external funding projects. OSP also functions as the steward of the institution's research portfolio and its staff are responsible for ensuring that all research proposals and projects comply with university, federal, and sponsor regulations, policies, and procedures. A component of Research, often in OSP, is typically included in the audit plan each year.	Operational – Research
School of Neuroscience	The School of Neuroscience, within the College of Science, aspires to be at the forefront of research and training in Neuroscience. The school was founded in 2016. This school has not been previously reviewed.	Operational – Academic
Virginia Cooperative Extension and 4-H Programs	Virginia Cooperative Extension (VCE) offers a comprehensive collection of resources, programs, and services that are research-proven, accessible, and contain actionable information that supports the success and resilience of individuals and communities throughout the Commonwealth of Virginia and beyond. Additionally, VCE coordinates the Commonwealth's 4-H youth program. This review will be conducted across the five divisional units. A review of this nature has not been previously conducted.	Operational – Off-Campus Locations

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

Reimagining Policy Compliance Reviews and Accelerated IT General Controls Reviews

Internal Audit will reimagine its traditional policy compliance review program to focus on two efforts. First, the traditional operational elements (e.g. financial, human resources, vehicle management) of the reviews will be reenvisioned as university-wide internal control environment reviews with a single report on compliance by senior management area. By doing so, the comprehensive report will provide senior leadership with a wider view of basic compliance with core internal controls to help focus compliance efforts and identify significant areas for attention.

Next, in accordance with the Board of Visitors request, each senior management area will receive an information technology general controls review which seeks to assess conformance with the institution's Minimum Security Standards once every three years, an acceleration from the current five-year cycle. Internal Audit will seek to align this activity with the Information Technology Security Office's risk assessment and monitoring efforts to

increase the overall efficiency and effectiveness of institution-wide coverage of this critical risk area. The scheduled areas for this year's review are noted below.

Planned Engagements
College of Science
Office of the Executive Vice President & Chief Operating Officer and Selected Related Areas
Office of the Executive Vice President & Provost
Office of the President
Pamplin College of Business
Vice President for Facilities
VTC School of Medicine

Management Advisory Services

Planned Engagements	Overview	Risk Area
CMMC Readiness Review	The Department of Defense is nearing the end of a lengthy rule-making process called the Cybersecurity Maturity Model Certification (CMMC). Once implemented, the goal is to reinforce cybersecurity safeguards across sensitive unclassified information. While the exact regulatory timeline is unknown, this project will review the steps taken by the institution to prepare for this regulation.	Compliance – Information Technology
Endpoint Management Processes	The Division of Information Technology is interested in identifying the various processes and software deployed across the decentralized information technology units to comply with the institution's standards for encryption, malware, and patching. Additional inquiry could include decentralized backup and recovery processes.	Operational – Financial Management
IT Procurement Processes	The Procurement Office is interested in reviewing information technology procurement processes. In addition to core policy and process review, the institution recently moved information technology procurement from the Division of Information Technology to Procurement within the Vice President for Finance's portfolio.	Operational – Information Technology
Research Accounting Processes – HERD	The National Science Foundation's Higher Education Research and Development (HERD) survey is the primary source of information on research and development expenditures at U.S. colleges and universities. The survey collects information on research expenditures by field of research and source of funds and gathers information on types of research, expenses, and headcounts of personnel. The survey is an annual census of institutions. At the university, the survey is a collaboration of processes that is spearheaded by the Controller's Office. This review will look at processes and procedures used to compile and review the survey for accuracy.	Operational – Financial Management

Miscellaneous Activities

Activity	Overview
Annual Risk Assessment and Audit Plan Development	Participate in the annual institutional risk assessment process, coordinated from OARC's ERM program, and develop the annual audit plan.
Audit Follow-Up	Conduct follow-up audit procedures to ensure that management is implementing controls as described within their responses to audit report recommendations.
External Audit Coordination	Manage and serve as the liaison for all external audit services, including contracted and regulatory-imposed audits.
Special Projects	Investigate fraud, waste, and abuse allegations.

AUDIT RESOURCES

The fiscal year 2025–26 audit plan is based on professional staffing of 12 full-time equivalents (FTEs). This plan includes a small adjustment to reflect historic trends of some turnover and extended family leave within the fiscal year. The FTE calculation includes the continuation of the student internship program in which two Virginia Tech students are employed, and the use of outsourced consultants for some information technology and construction audit engagements.

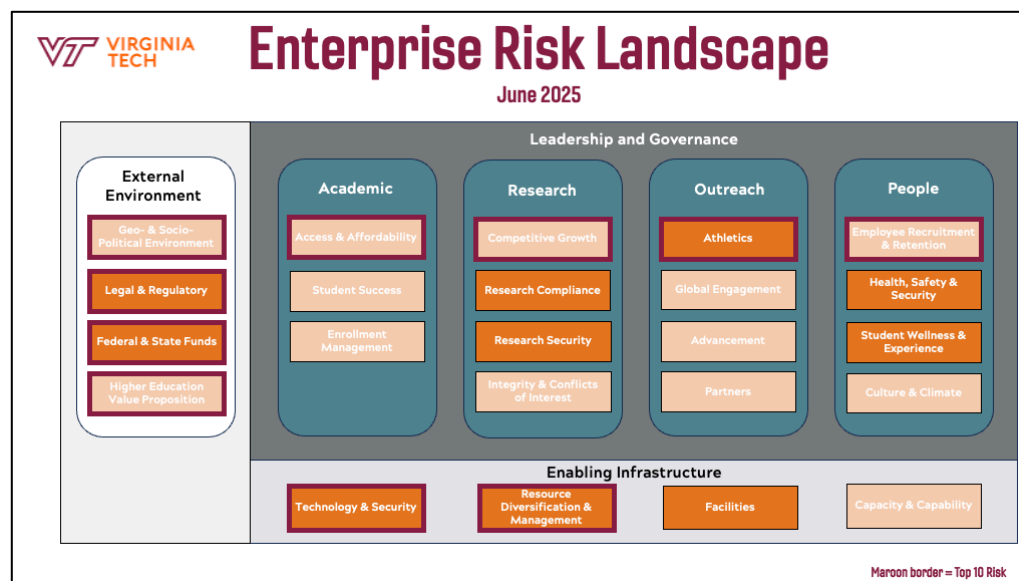
Approximately 77 percent of Internal Audit’s available resources are committed to the completion of planned audit projects, management advisory reviews, and investigations. The annual audit plan is designed to provide appropriate coverage utilizing a variety of audit methodologies, including audits of individual units, functional and process audits, university-wide reviews, and information system projects. Internal Audit conducts follow-up audit procedures throughout the year to ensure that management is implementing controls as described within their responses to audit report recommendations.

Audit resources are allocated as follows:

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

AUDIT PLAN MAPPED TO ERM

As part of the ERM program, university leadership has identified key residual risks across six thematic areas. This year’s plan spans all six thematic areas and 10 of 23 risk areas. Specific risk areas include:





Proposed Audit Plan

FISCAL YEAR 2025-26

Overview

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

OARC conducts:

- Risk-based Assurance Engagements
- IT General Controls Reviews
- Management Advisory Services
- Investigations

Risk Assessment Process

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

OARC Planning
Risk Assessment

IT Risk
Assessment



External Factors and
Benchmarking

ERM Risk
Landscape



Core Audit Plan

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

Academic Units

Auxiliary Enterprises and Athletics

Campus Safety and Security

Enrollment Services

Facilities and Operations

Financial Management

Human Resources

Information Technology

Off-Campus Locations

Research

Student Services

Risk-based Audit Projects

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

- Affiliated Corporations
- Air Transportation Services
- Animal Care and Resources
- Athletics
- Bursar
- Capital Construction Audit Program
- Clery Act Compliance
- College of Vet Medicine Research
- Controlled Substances
- Data Analytics: Student Residency Status
- Facility and Event Safety
- Fire Code Compliance
- Health and Counseling Centers
- Human Resources – Leave Accounting
- Immigration Services – Employees
- Industrial and Systems Engineering
- Internal Controls Monitoring
- IT: Centralized Logging and Monitoring
- IT: Data Backup and Recovery
- IT: Low Risk Procurement Compliance
- Office of Sponsored Programs
- School of Neuroscience
- Virginia Cooperative Extension and 4-H Programs

IT General Controls Reviews

Internal Audit will end its traditional policy compliance review program and deploy an accelerated IT general controls review process.

1. The critical internal controls reviewed as part of the previous policy compliance reviews will be conducted and synthesized as a university-wide review with a single report on compliance by senior management area.
2. In accordance with the Board of Visitors Compliance, Audit and Risk Committee's request, each senior management area will receive an information technology general controls review, which seeks to assess conformance with the institution's IT Minimum Security Standards, once every three years.
 - College of Science
 - Office of the Executive Vice President and Chief Operating Officer and selected related areas
 - Office of the Executive Vice President and Provost
 - Office of the President
 - Pamplin College of Business
 - Vice President for Facilities
 - VTC School of Medicine

Management Advisory Services

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

- CMMC Readiness Review
- Endpoint Management Processes
- IT Procurement Processes
- Research Accounting Processes – HERD (ongoing)



Audit Resources

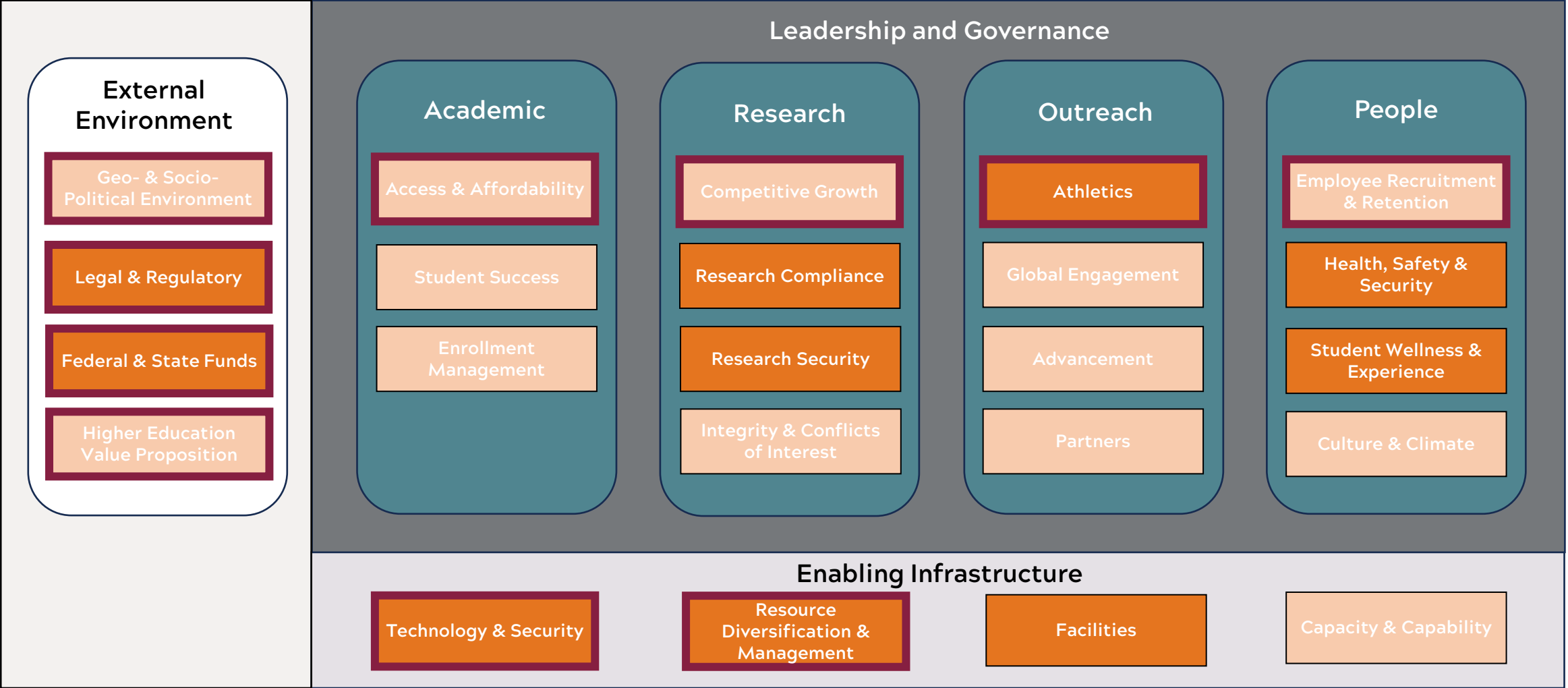
- 10 FTEs – professional audit staff
- 2 part-time graduate assistants
- Co-sourced partners
(construction, IT)

Resource Allocations

- 58% - completion of audit projects and follow up
- 11% - accommodate management requests
- 8% - conduct investigations
- 10% - professional development and administration
- 13% - compensated absences (annual, sick, holiday)

Enterprise Risk Landscape

June 2025



Questions?



VIRGINIA TECH™