



**VIRGINIA COMMONWEALTH
BOARD OF VISITORS
AUDIT, INTEGRITY AND COMPLIANCE COMMITTEE
March 21, 2022
7:45 a.m.¹
James Branch Cabell Library
901 Park Avenue – Room 303
Richmond, VA
&
Virtual
AGENDA**

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. CALL TO ORDER | Dr. Shantaram Talegaonkar, <i>Chair</i> |
| 2. APPROVAL OF MINUTES
December 10, 2021 | Dr. Shantaram Talegaonkar, <i>Chair</i> |
| 3. REPORT FROM EXECUTIVE DIRECTOR OF
AUDIT AND COMPLIANCE SERVICES | Ms. Karen Helderman, <i>Executive
Director, Audit and Compliance
Services</i>
Ms. Suzanne Milton, <i>Chief Ethics
and Compliance Officer</i> |
| a. Committee Dashboard Measures
b. Internal Audit Reports:
i. School of Education Child Development Center
ii. Non-Federal Grants and Contracts
iii. School of Social Work Internal Control Compliance Review
iv. Operations and Services Agreements
c. Handout: Audit Work Plan Status FY22
d. Ethics and Compliance Update | |
| 4. INFORMATION TECHNOLOGY UPDATE | Mr. Alex Henson, <i>Chief Technology
Officer</i> |
| 5. CLOSED SESSION – <i>Freedom of Information
Act Sections 2.2-3711 (A) (7) and (19), specifically:</i> | Dr. Shantaram Talegaonkar, <i>Chair</i> |

¹ The start time for the Board of Visitors meeting is approximate only. The meeting may begin either before or after the listed approximate start time as Board members are ready to proceed.

- a. Audit Reports for Discussion
 - i. COVID Data Security

Mr. David Litton, *Director,
Audit and Compliance Services*

- b. University Counsel Update

Mr. Jacob Belue, *Interim University
Counsel*

**6. RETURN TO OPEN SESSION
AND CERTIFICATION**

Dr. Shantaram Talegaonkar, *Chair*

Action Item:

Approval of items discussed in closed session if necessary

7. OTHER BUSINESS

Dr. Shantaram Talegaonkar, *Chair*

8. ADJOURNMENT

Dr. Shantaram Talegaonkar, *Chair*

In accordance with the Board's operating procedures and in compliance with the Virginia Freedom of Information Act, there will be no opportunity for public comment at this meeting.



**Board of Visitors
Audit, Integrity and Compliance Committee
7:45 a.m.
December 13, 2019
James Cabell Library
901 Park Avenue, Room 311, Richmond, Virginia**

Minutes

COMMITTEE MEMBERS PRESENT

Dr. Shantaram Talegoankar, Chair
Mr. Peter Farrell, Vice Chair
Mr. H. Benson Dendy III
Mr. Andrew Florance
Ms. Alexis Swann
Dr. Tonya Parris-Wilkins
Mr. Todd Haymore

COMMITTEE MEMBERS ABSENT

Ms. Coleen Santa Ana
Mr. Keith Parker

OTHERS PRESENT

Ms. Karen Helderman
Dr. Michael Rao, President
Mr. Jacob A. Belue
Staff from VCU

CALL TO ORDER

Dr. Shantaram Talegoankar, Chair, called the meeting to order at 7:45 a.m.

APPROVAL OF MINUTES

Dr. Talegoankar asked for a motion to approve the minutes of the September 17, 2021 meeting of the Audit, Integrity and Compliance Committee, as published. After motion duly made and seconded the minutes of the September 17, 2021 Audit, Integrity, and Compliance Committee meeting were approved. A copy of the minutes can be found on the VCU website at the following webpage <http://www.president.vcu.edu/board/minutes.html>.

REPORTS AND RECOMMENDATIONS

Audit, Integrity and Compliance Committee Dashboard Measures

Karen Helderman presented the current status of the dashboard measures. Indicators for Data Security, ERM Program were yellow, Compliance Oversight were red due to department vacancies and Planned Audits and other indicators were green.

Auditor of Public Accounts (APA) Reports for the FY Ending June 30, 2021

Mike Reinholtz, audit director with the Auditor of Public Accounts presented the university's financial statement audit results for the year ended June 30, 2021. The university is receiving an unmodified or clean opinion meaning the financial statements are presented fairly in accordance with the required accounting principles. Mr. Reinholtz will be emailing each board member the final audited financial statements and the report on internal control and compliance soon.

Report from the Executive Director of Audit and Compliance Services

Karen Helderman presented the results of a recent audit of Social Media governance and noted there are about 750 decentralized social media accounts in use at VCU with Facebook, Twitter and Instagram being the most popular platforms. The Social Media office approves these accounts and there are designated communication leaders who are responsible for managing the accounts and their content in accordance with VCU Guidelines. The audit recommended the Social Media office train the communication leaders on the Guidelines to reduce risk of improperly managed accounts.

Data Governance Update

Monal Patel, associate vice-provost of institutional decision and support provided an update on the university's data governance program and brought new committee members up to date on these efforts.

CLOSED SESSION

On motion made and seconded, the Audit, Integrity, and Compliance Committee of the Virginia Commonwealth University Board of Visitors convened into closed session under the Virginia Freedom of Information Act in order to discuss pursuant to Section 2.2-3711 (A) (1), personnel matters, more specifically relating to an audit report addressing individual use of discretionary funds and travel; and under Section 2.2-3711 (A) (7) and (8) for matters requiring the provision of legal advice by counsel, including an update on potential and current litigation in state and federal courts and other legal matters including pending investigations; and pursuant to Section 2.2-3711 (A) (19) for discussion of specific cybersecurity vulnerabilities and briefing by staff concerning actions take to respond to such matters, specifically relating to financial and IT processes.

RECONVENED SESSION

Following the closed session, the public was invited to return to the meeting. Dr. Talegaonkar, Chair, called the meeting to order. On motion duly made and seconded the following resolution of certification was approved by a roll call vote:

Resolution of Certification

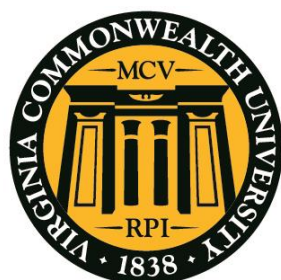
BE IT RESOLVED, that the Audit, Integrity, and Compliance Committee of the Board of Visitors of Virginia Commonwealth University certifies that, to the best of each member's knowledge, (i) only public business matters lawfully exempted from open meeting requirements under this chapter were discussed in the closed meeting to which this certification resolution applies, and (ii) only such public business matters as were identified in the motion by which the closed session was convened were heard, discussed or considered by the Committee of the Board.

<u>Vote</u>	<u>Ayes</u>	<u>Nays</u>
Dr. Shantaram Talegoankar, Chair	X	
Mr. Peter Farrell, Vice Chair	X	
Mr. H. Benson Dendy III	X	
Mr. Andrew Florance	X	
Ms. Alexis Swann	X	
Dr. Tonya Parris-Wilkins	X	
Mr. Todd Haymore	X	

All members responding affirmatively, the motion was adopted.

ADJOURNMENT

There being no further business Dr. Talegaonkar, Chair, adjourned the meeting at 8:53 a.m.



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

School of Education Child Development Center

*Final Report
December 16, 2021*

Audit and Compliance Services

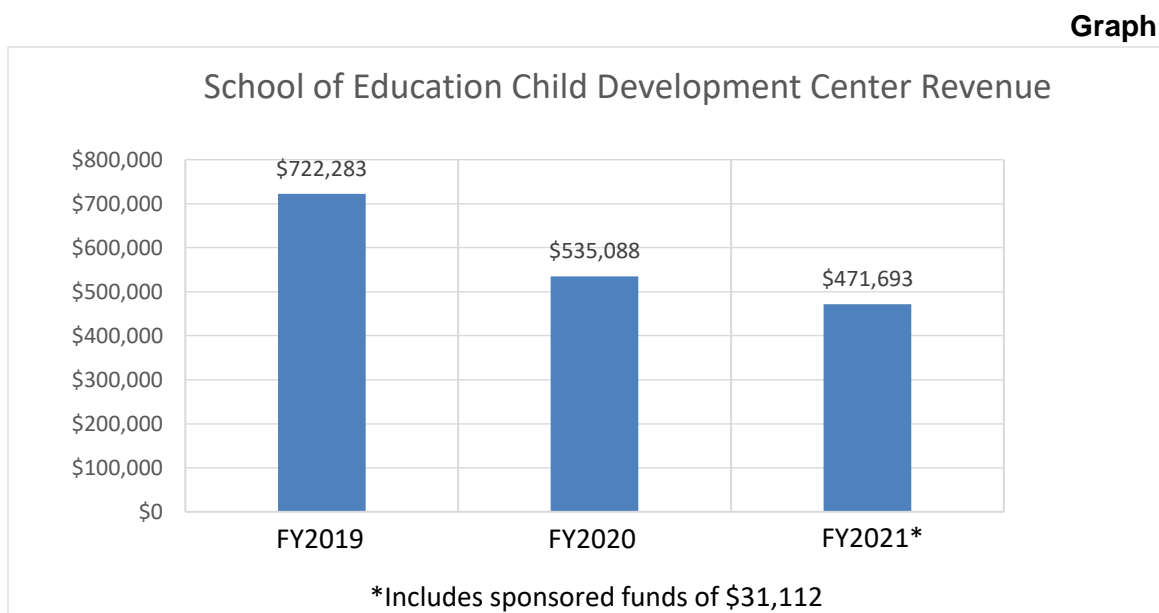
Overview

The mission of the VCU School of Education Child Development Center (Center) is to provide high quality, developmentally appropriate care and education for the children of faculty, staff, student families, and the community. The Center serves as a learning lab for student learning experience, faculty research, and community outreach.

The Center is licensed by the Virginia Department of Social Services and is inspected at least twice a year. Effective July 1, 2021 the Virginia Department of Education assumed oversight of child care licensing and monitoring. The center is accredited by the National Association for the Education of Young Children (NAEYC). The Center has six lead and six assistant teachers, the director, kitchen manager, assistant director, and overall lead teacher.

During FY2021, the Center received a four-year \$1.26 million grant to recruit PELL-eligible students as well as work within the community to establish programs that meet the needs of low-income families. Due to the COVID-19 pandemic, FY 2021 or Year 1 of the grant/program was impacted as VCU's campus was shut down and many students did not require the Center's services. One student was identified as PELL-eligible; however, efforts are underway to identify additional eligible students. Out of a total tuition fee of \$1100, \$700 is paid by the grant and the remaining fee is paid by the student.

Total revenue declined year-over-year from FY 2019 through 2021 as a result of the pandemic as shown in the Graph below.



Source: VCU Reporting Center – Revenue and Expenditure Organization Detail

Purpose

The objective of the audit was to determine whether the School of Education Child Development Center's operations were adequate and managed effectively.

Scope and Audit Procedures

Our scope of **Error! Reference source not found.** encompassed fiscal year 2019 through 2021 and included select financial and administrative processes, physical security of the Center's facility, background verification practices, operational practices and remediation status of discrepancies identified by Department of Social Services and NAEYC.

Our audit procedures consisted of the following:

- Interviews with:
 - Child Development Center Director
 - Finance fiscal and grant administrators
- Review of:
 - Center policies and procedures
 - NAEYC (2019) and Department of Social Services (2021) latest assessments
 - Physical security measures
 - Staff training requirements and supporting documentation (2020 and 2021)
 - Background verification records
- Evaluated:
 - Billing and payment processing
 - Enrollment records and expected revenue to actual revenue recorded (2019-2021)
 - Remediation status of discrepancies identified by NAEYC and Department of Social Services

Conclusion

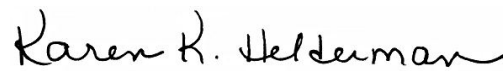
In our opinion, based on the results of our audit, School of Education Child Development Center's operations were adequate and managed effectively.

Prior to releasing this report in final form, the draft report was reviewed by:

Thomas Beatty
Andrew Daire
Fotis Sotiropoulos

Director, Child Development Center
Dean, School of Education
Provost and Senior Vice President of Academic Affairs

Our audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included an evaluation of internal controls and such procedures as we considered necessary in the circumstances.



Executive Director
Audit and Compliance Services



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

Grants and Contracts – Non-Federal

Final Report
December 16, 2021

Audit and Compliance Services

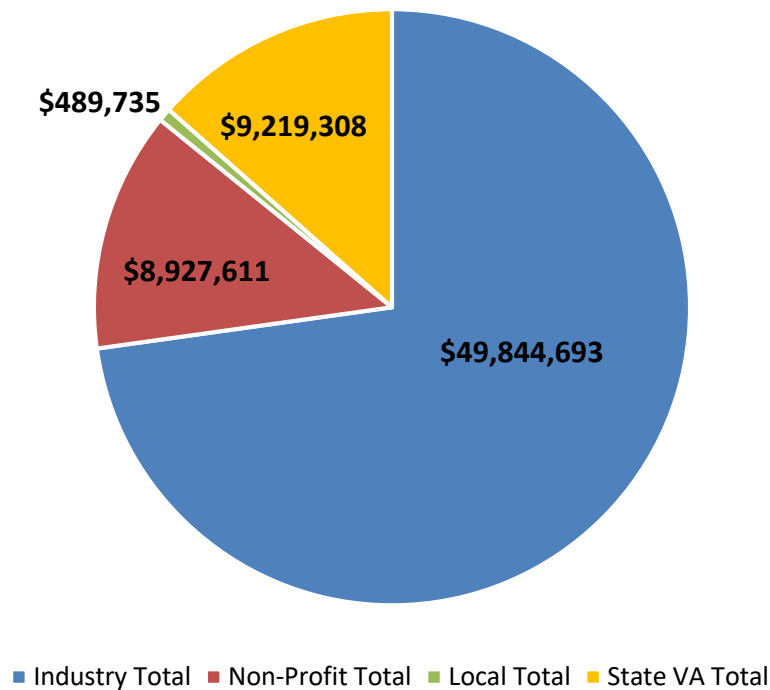
Overview

The Grants and Contracts Accounting and Effort Reporting (Grants and Contracts) department oversees pre- and post- award administration of Federal and non-Federal grants, coordinating activities such as compliance, grant accounting, billing and collection, cost overruns and financial reporting. Grant agreements specific to each award guide non-Federal award administration regarding effort, timing and manner of reimbursement and progress reporting. Nonetheless, internal grant accounting processes and procedures are alike for Federal and non-Federal awards.

Non-Federal Award Trends

Non-Federal awards originate from non-profit organizations, private industry and state sources. Active Non-Federal awards totaling \$68.5M as of June 30, 2021 were distributed as shown below:

FY 21 NON-FEDERAL AWARDS BY TYPE



Source: VCU Controller's Office (unaudited)

Since 2018 the amount of non-Federal awards has been fairly consistent from one year to the next with the exception of fiscal year 2019 when VCU received a one-time award to Massey Cancer Center for \$40M, causing a spike in awards for that fiscal year.

Billing and Collections

Grants and Contracts Accounting prepares periodic billings to sponsors for reimbursable expenditures. If billings become past due for up to 60 days, the grants and contracts accountant for the grant calls the sponsor to find out why payment has not been made. Between 60 and 90 days, the accountant calls the sponsor again and sends a follow-up letter and a copy of agreed terms and conditions of the grant to the sponsor requesting payment. After 90 days, accountants send notices to sponsors that their account has been sent to a collection agency. If claims exceed \$3,000, accountants send collection referral letters to the State Attorney General's Office for action. Ultimately, the expenditures not paid by the sponsor become the responsibility of departments where the grant originated.

Grants and Contracts compiles schedules of receivables, billing and collections data for university Treasurer's Office to use in transmitting quarterly and annual reports to the Department of Accounts (DOA). As of June 30, 2021, the DOA aging schedule showed non-Federal grants and contracts accounts receivable totaling \$12.9 million. Ninety-four percent of these receivables represent billings less than 30 days old and only about \$210,000 (1.6%) of them are outstanding 90 days or longer and in collections.

Grant Deficit Balances

The University Controller's Office Cost Overruns policy requires that departments ensure availability of adequate funds for expenditures, including payroll. The requirement stipulates that for funds in deficit positions for two consecutive months, departments may not process any further transactions against the deficit index until they eliminate the deficit. Grants and Contracts Accounting will report indexes in deficit for three consecutive months to the dean or administrative head with a request for a budget adjustment to address the deficit. If in deficit for four consecutive months, Grants and Contracts Accounting will report the condition to the appropriate Vice President for a transfer of funds to cover the imbalance.

Purpose

The objectives of the audit were to determine whether:

- Grants and Contracts financial processes adequately manage collections, deficits, grant accounting and expense reporting
- Conflicts of Interest are accurately reported and managed when applicable

Scope and Audit Procedures

Our scope of Grants and Contracts – Non-Federal encompassed fiscal year 2021

Our audit procedures included:

- Interviews with the Director of Grants and Contracts and staff to gain understanding of non-Federal post-award management procedures

- Evaluation of post-award policies and procedures for billings and collections, deficit management in addition to the Grants and Contracts Accounting Manual
- Data analytics on billing and collections, deficits, aging of accounts receivables, award amounts compared to collections, and variances between expenditures to date and time remaining for projects
- Review of grant progress reports for compliance with sponsor agreements
- Evaluation of monitoring efforts
- Review of conflicts of interest reporting

Conclusion

In our opinion, based on the results of our audit, Grants and Contracts financial processes adequately managed collections, deficits, grant accounting and expense reporting. Conflicts of Interest were accurately reported and managed when applicable.

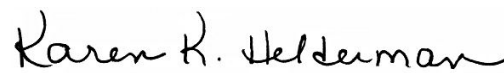
Additional recommendations to strengthen Grants and Contracts Non-Federal operations were included in a separate report furnished to management.

Prior to releasing this report in final form, the draft report was reviewed by, and management's action plans were provided or approved by, the following officials:

Javeria Kazi
Patricia Perkins
Karol Gray

Director, Grants and Contracts Accounting
Associate Vice President for Finance and University Controller
Senior Vice President and Chief Financial Officer

Our audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included an evaluation of internal controls and such procedures as we considered necessary in the circumstances.



**Executive Director
Audit and Compliance Services**



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

School of Social Work

Internal Controls Compliance Review

Final Report
December 16, 2021

Audit and Compliance Services



VCU

Audit and Compliance Services

918 West Franklin Street
Box 842503
Richmond, Virginia 23284-2503
Phone: (804) 828-2336
Fax: (804) 828-2356

To: Michael Rao
President

From: Karen Helderman
Executive Director of Audit and Compliance Services

Date: December 15, 2021

Subject: Internal Controls Compliance Review of School of Social Work

Internal Audit has completed an Internal Controls Compliance Review of selected internal controls related to the School of Social Work and included the results in the attached Dashboard Report.
















The report contains one issue and recommendation.

The report has been reviewed by Drs. Sotiropoulos and Daire.













Internal Controls Compliance Assessment Dashboard

Audit name:	School of Social Work
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Reason for audit:	Provide management with assurance that selected financial and administrative processes are performed and monitored properly.
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Conclusion by Process	Risk Rating
1. Financial Monitoring 1.1. Forecast Monitoring of approved budgets is performed 1.2. Budgets are reviewed and negative variances are addressed	 
2. Banner Reconciliations 2.1. Banner reconciliations are performed monthly or as required by the fiscal Administrator's Handbook 2.2. Reconciliations are signed and dated by both the reviewer and approver 2.3. Supporting documentation for transactions are readily available	  
3. Journal Vouchers 3.1. JVs are approved by the appropriate position depending on dollar amount 3.2. Documentation to support JVs is maintained	 
4. Petty Cash 4.1. Petty cash funds are secured according to the university Petty Cash policy 4.2. Custodian is the only authorized person with access to funds 4.3. Monthly and annual reconciliations performed timely 4.4. Annual Trainings has been completed by the custodian, dean/department head or designee 4.5. Petty cash fund maintained at the authorized amount at all times (combination of unreimbursed receipts and/or cash)	    
5. Purchases – 5.1. Purchases have a valid business purpose and are reasonable 5.2. There is adequate documentation to support emergency or sole source purchases	  





5.3. Purchases >\$10,000 go through Procurement Services for review and approval 5.4. Controls are in place to prevent the splitting of orders to avoid procurement rules 5.5. Supporting documentation is maintained electronically 5.6. Purchase orders are closed timely in RealSource	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
6. Travel 6.1. Travel > \$500 or air/rail is approved prior to traveling and reimbursements are processed through Chrome River 6.2. Transportation (air and rail) is booked through Christopherson 6.3. Travel is for allowable business purposes 6.4. Hotel and meals are within the appropriate per diem range	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
7. Purchase Cards (Pcards) 7.1. Granted to the minimum necessary number of cardholders and provide the minimum necessary spending and transaction limits 7.2. Applications are authorized by the cardholder's supervisor 7.3. Only used by the cardholder and are not shared 7.4. Individual cardholders are tasked with securing their Pcards 7.5. Regularly monitored to ensure documentation supporting transactions is complete and uploaded timely 7.6. Transactions are supported by receipts or valid invoices uploaded into the Pcard system 7.7. Activity is monitored in BoA Works to ensure reviewers and approvers are timely reviewing and approving transactions 7.8. Controls are in place to prevent Pcard holders from splitting transactions in to two or more transactions 7.9. Sales taxes are excluded from Pcard purchases where appropriate 7.10. Purchases are reconciled to receipts and to the cardholder's monthly statement 7.11. Purchases have a valid business purpose and are allowable based on the Purchasing Card Program Procedures	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
8. Record Management 8.1. Records are destroyed according to VCU's Record Retention Policy 8.2. The unit has identified a records custodian 8.3. Records custodian has attended records retention training 8.4. The unit has developed a records inventory	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>
9. Grants 9.1. Expenditures are in accordance with the grant agreement 9.2. Performance/progress reports are submitted to the sponsor timely where required	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/>

<p>10. Fixed Assets</p> <p>10.1. Annual inventory is completed and submitted to Fixed Asset Accounting Office</p> <p>10.2. Assets are properly tagged</p> <p>10.3. Assets stolen, traded-in, or transferred have appropriate forms filled out</p> <p>10.4. All HEETF purchases are recorded as fixed assets</p>	   
<p>11. ARMICS</p> <p>11.1. Yearly ARMICS documentation is completed and submitted by the due date set by the controller's office</p> <p>11.2. An appropriate level of testing was performed to provide sufficient evidence that controls were operating as intended</p> <p>11.3. ARMICS testing is completed timely and identified issues were addressed timely</p> <p>11.4. Supporting documentation for unit testing is readily available</p>	   
<p>12. Local Applications</p> <p>12.1. Annual access reviews for local applications are performed</p> <p>12.2. Local Applications are inventoried according to the Passwords Authentication and Access Standard</p> <p>12.3. Application server(s) administered or supported by central IT through a SLA</p> <p>12.4. Signed copy of the Service Level Agreement with Technology Services available</p>	   

Our assessment was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included an evaluation of internal controls and such procedures as we considered necessary in the circumstances.

Note: Risk Classifications/Definitions and Issue Table are included on following pages

Risk Classifications and Definitions

 Low	<ul style="list-style-type: none"> • Overall control environment representative of good practice, well-designed, effective, and functioning properly. • No improvement opportunities identified. Full Compliance.
 Medium	<ul style="list-style-type: none"> • Adequate control environment in most areas. • Moderate risk improvement opportunities identified, which require corrective action • Minor Findings of non-compliance.
 High	<ul style="list-style-type: none"> • Some key controls do not exist, or are not properly implemented, and there are high risk improvement opportunities. • Control environment is impaired. • Written corrective action needed.
 Priority	<ul style="list-style-type: none"> • Control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with Company policies. • Control environment contains insufficient internal controls to address key risks and the impact may be substantial in size or nature or their effect cannot be quantified. • Immediate corrective action should be implemented. • VP level involvement needed.
N/A	<ul style="list-style-type: none"> • Function is not applicable to the reviewed department/division.

Issues Table – this table included at the end of an internal control compliance review lists the detailed issues for management’s awareness and subsequent follow up.

Finding	Issues Table
<p>#1</p> <p>Petty Cash</p>	<p><i>Our review of the only petty cash fund in the School of Social Work revealed the following:</i></p> <ul style="list-style-type: none"> <i>Participants were being paid without completing and signing a substitute W-9 form. The custodian then had to track down participants and have them complete the form via docu-sign.</i> <i>Six of 60 substitute W-9 forms were missing social security numbers.</i> <i>The petty cash fund was not maintained at its appropriate level. The fund had an overage of \$30.</i> <i>Key to desk drawer where petty cash lock box was secured was kept in the same office in an unsecured location.</i> <p><i>The School of Social Work should:</i></p> <ul style="list-style-type: none"> <i>Implement a process that will allow for research participants to sign the docu-sign form prior to paying them, such as using an ipad, laptop, or cell-phone.</i> <i>Ensure that W-9 forms are fully completed, including the participant's SSN.</i> <i>Immediately perform a reconciliation to determine the reason for the overage and contact Treasury Services as required by the Petty Cash Policy</i> <i>Maintain keys to desk drawers where petty cash may be secured in a different office or on the custodian's person.</i>
<p>Management's Action Plan:</p>	<p><i>Response: Concur. A petty cash follow up audit was performed by the Director of Research Administration on 11/16/21, and the results were shared with Internal Audit. No discrepancies were noted. The Director of Research Administration will be meeting with the petty cash custodian at least every other week for the next few months to ensure compliance. We have instituted a requirement that the W-9 must be fully completed by the participants immediately prior to paying them. The custodian has been informed that the keys to the drawer where the petty cash is secured must be kept on their person.</i></p> <p><i>Responsible Party: Petty Cash Custodian and Director of Research Administration</i></p> <p><i>Completion date: 11/21</i></p>



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

Operations and Services Agreements

Final Report
March 8, 2022

Audit and Compliance Services

Overview

In June of 1997, Virginia Commonwealth University and the Medical College of Virginia Hospitals Authority, currently known as Virginia Commonwealth University Health System Authority (Health System) entered into an Affiliation Agreement and a Memorandum of Lease. Section 7.3 of the Affiliation Agreement requires the parties to execute, replace, amend or confirm annually, an Operations and Services Agreement. The Operations and Services Agreement became effective on July 1, 1997 and there are 21 distinct departments and offices that provide a variety of operational and administrative support to the Health System under this agreement. Those services include but are not limited to security/campus police, audit & management services, government relations, development, and university relations.

Operations and Services Agreements

Operations and services agreements are reviewed and updated annually. This effort originates each fall in the University Controller's Office, who sends each affected department a spreadsheet prefilled with information from the previous year. After departments update the spreadsheet with current information, the VCU Controller provides the information to the Health System Chief Financial Officer for discussion, negotiations, or adjustments as deemed necessary.

Below is a five year comparison of the Operations and Services Agreement costs from 2017-2021.



Source: SAS Enterprise Guide

There was a 3.5% increase in costs between fiscal years 2020 and 2021 which can be attributed to salaries (34%), with notable increases in Capital Assets and Real Estate, and VCUHS Development Support.

Master Lease

The Master Lease Agreement entered into by Virginia Commonwealth University (grantor) and the Medical College of Virginia Hospitals Authority (grantee), also in June 1997, included long-term leased premises and short-term leased premises. The term of the Master Lease for the long-term leased premises is 99 years ending on June 30, 2096 while short-term leased premises was five years and ended on June 30, 2002. With the exception of West Hospital, the grantee had the option to renew and extend the short-term leased premises for up to two additional consecutive terms of five years each. At the end of the exercised renewal of the five year lease terms, the lease automatically renews and continues in full force and effect from year to year.

Included in the short-term lease were spaces in buildings such as Sanger Hall, Massey Cancer Center, Samuel Putney House, Stephen Putney House, and Zeigler House. In June 2003 the Sports Medicine Building was added to the Master Lease as an intermediate-lease premise, which expires on June 30, 2028.

Purpose

The objectives of the review were to determine whether:

- Supporting documentation was maintained for Operations and Services Agreements
- Operations and Services Agreements were reviewed and approved annually and updated as needed
- Elements to develop Operations and Services Agreements were consistently applied and compared with market prices, specifically for leased space

Scope and Review Procedures

Our scope of Operations and Services Agreements encompassed a review of a sample of operations and service agreements and the master lease for fiscal year 2021.

Our review procedures included:

- Interviews with
 - University Controller
 - Health System Senior Director of Planning & Support Services
 - Personnel from
 - Government Relations
 - Real Estate
 - Facilities Management
- Research of 2020 Richmond area rental rates (most recent publicly available) for business space
- Review of
 - A sample of department operations and services agreements
 - Master Lease agreement and analysis of rental rates beginning in 1998 through 2021
 - Updates (certificates) to the Master Lease

Conclusion

In our opinion, based on the results of our review, supporting documentation was maintained for operations and services agreements; operations and services agreements were reviewed and approved annually and updated as needed; and elements used to develop operations and services agreements were consistently applied.

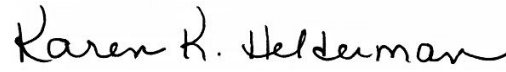
A detailed recommendation to strengthen Operations and Services Agreements was included in a separate report furnished to management.

Prior to releasing this report in final form, the draft report was reviewed by, and management's action plans were provided or approved by, the following officials:

Patricia Perkins
Karol Gray

Associate Vice President for Finance and University Controller
Senior Vice President and Chief Finance Officer

Our engagement was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included a compliance review and such procedures as we considered necessary in the circumstances.


Executive Director

Audit and Management Services
Status of Fiscal Year 2021-2022 Audit Work Plan
February 28, 2022

Area	Status
<u>Risk-based Audits/Other Reviews</u>	
Prior Work plan: RealSource Procurement & Payment	Completed
Prior Work plan: Outside Professional Activities	Completed
Prior Work plan: Remote Learning and Work Security	Completed
Prior Work plan: Social Media	Completed
Prior Work plan: Identity Access Management System	Completed
Grants & Contracts – State and Local	Completed
School of Education Child Development Center	Completed
School of Social Work Internal Control Review	Completed
HS & VCU Operations & Services Agreement	Completed
COVID Data Security	Completed
Various Fiscal & Administrative Reviews	In Progress
Steam Plant Billing & Allocation	In Progress
Unused Scholarships	In Progress
Banner Controls – AP and General Ledger	In Progress
External Memorandums of Understanding	In Progress
Physical Access Management (CBORD)	In Progress
SOC Reports - Integrated	Not Started
Various Petty Cash Audits	Not Started
Third-Party Management/SOC Reports	Not Started
Titanium System Review	Not Started
Maxient System Review	Not Started
Data Integrity – Database Security and Controls Review	Not Started

Audit and Management Services
Status of Fiscal Year 2021-2022 Audit Work Plan
February 28, 2022

<u>Annual Engagements and Activities</u>	
Annual Review of Audit Recommendations Outstanding – FY21	Completed
President's Discretionary Fund and Travel Activity Review – FY21	Completed
VCU Police Department – Unannounced Property Inspection – Part 1	Completed
Audit Risk Assessment – FYs23-24	In Progress
VCU Police Department – Unannounced Property Inspection – Part 2	Not Started

Special Project	Status
<u>Continuing Projects</u>	
State Employees Fraud, Waste, and Abuse Hotline	In Progress – 0; Closed – 1
<u>Other Projects</u>	
False Unemployment Claim Filings	Completed

AUDIT, INTEGRITY, AND COMPLIANCE COMMITTEE

DASHBOARD MEASURES

INFORMATION TECHNOLOGY GOVERNANCE - DATA INTEGRITY



DATA GOVERNANCE PROGRAM (development of program)



Program progressing successfully

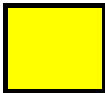


Barriers / challenges encountered that may have an impact on issue resolution or implementation. Executive Council to resolve challenge.



Significant challenge encountered; will require decision from Executive Leadership Team to resolve

The data warehouse build is progressing. The Data Governance Committee is creating data standards for appropriate reporting of certain data fields such as gender identity. These standards of best practices on reporting metrics will continue to grow. The committee is also considering a proposal for project management and coordination resources for increased visibility and integration into the data community.



DATA SECURITY (number of security incidents / breaches)



No data breaches have occurred or seem likely to occur; security risks are well understood and being mitigated; resources viewed as aligned with threat and risk environment



No breach has occurred, but minor security incidents or near-misses have occurred; significant audit findings have occurred but are being mitigated; some overload or barriers / challenges encountered that may require adjustment or reallocation of resources



Significant breach requiring notification has occurred or conditions exist where significant barriers/challenges are likely to produce unacceptably high levels of risk

Phishing remains the top threat affecting our organization, not only potentially resulting in the theft of credentials and/or money, but also potentially allowing more advanced threats such as malware downloaders for ransomware crime groups to enter the university computing environment. 2021 saw a 44% increase in phishing scams over 2020, and the recent geopolitical tensions have increased the number of advanced and targeted phishing scams seen by the university along with more aggressive network reconnaissance and exploit efforts from the Russian Federation and the Eastern European block.

Ransomware and cybercrime groups continue to be a significant threat as these groups are more organized and capable. The university has continuously enhanced its cyber security defense program by hardening its internal systems and leveraging some of the tools and intelligence sources offered from the government and industry intelligence sharing and collaboration centers. An enhanced security architecture to address the elevated threats and risks related to remote work is still being planned.

We have not detected any security incidents related to inadvertent disclosure in the past 6 months and we continue to train our employees on appropriate usage of technology in relation to sensitive information. While we have detected and responded to a number of intrusion attempts, no successful ransomware deployment or data theft were detected in the past 6 months.

The VCU Data Management System; which provides guidance on appropriate technology solutions for sensitive information, has been formally adopted into the Human Subject Research protocol submission process. This action has provided more clarity to the research community on available and appropriate technology provided through the university for research information handling. Significant efforts are being made to review data security plans for human subject research projects and we are continuing the collaboration with the Office of the Vice President for Research and Innovation to establish a Research Computing Center to better support research computing and the use of data.

ERM PROGRAM



Status of ERM mitigation plans



Program progressing on schedule

Program not on schedule; ERM Committee to address.

Program significantly behind schedule; Executive Management attention required.

Meetings are occurring with new Steering Committee and Cabinet members to review risk mitigation plans for their areas and gather their input. All of the risk owners are giving input on the Draft Risk Appetite statement. The Steering Committee is scheduled to meet several times to review, align and approve risk mitigation plans. They will then forward to the Cabinet for review and approval.

PLANNED AUDIT STATUS



PLANNED AUDITS (status of audits - planned and unplanned to available resources)



SPECIAL PROJECTS (status of special projects - planned and unplanned to available resources)



Progressing as planned and within overall budget

Some overload or barriers / challenges encountered that may require adjustment or reallocation of resources to resolve

Significant overload or barriers / challenges encountered resulting in major delays or changes to scheduled work plan

The audit plan is progressing; however, the Deputy Auditor's retirement at the beginning of the fiscal year along with the resignation of a senior auditor may delay the delivery of a few audits. We have successfully hired a new Deputy Auditor who will begin working in mid-December 2021 and have advertised the Senior Auditor vacancy.

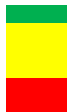
INSTITUTIONAL COMPLIANCE PROGRAM



Compliance requirements compared to known material violations



Compliance Program Oversight & Effectiveness



No known material noncompliance; or ownership and accountability for compliance risks are established and operating at explicitly or

Challenges encountered that have an impact on visibility, verification, strategy implementation or resolution

Significant challenges to institutional compliance strategy or resolution encountered

Notes: There are no known material compliance violations as related to regulatory, legal or university policies.



Board of Visitors
Audit, Integrity and Compliance Committee

March 21, 2022









VCU

For Action: Approval of Minutes

- Audit, Integrity and Compliance Committee Meeting held on December 10, 2021
- Motion to approve the Minutes

Committee Dashboard Measures

-  Data Governance Program
-  Data Security
-  ERM Mitigation Plans
-  Planned Audits
-  Planned Special Projects
-  Ethics and Compliance Program Oversight



University Audit Reports



Operations and Services Agreement

- Supporting documentation maintained; agreements reviewed & approved annually
- Elements to develop agreements consistently applied & compared to market
- No Board Level Findings

Grants and Contracts Non-Federal

- Adequate management of collections, deficits, grant accounting & expenses
- Conflicts of interests reported & managed, where applicable
- No Board Level Findings



University Audit Reports



School of Education Child Development Center

- Financial & administrative operations effectively managed
- No Board Level Findings

School of Social Work – Internal Control Compliance Review

- Selected financial & administrative internal control processes followed
- No Priority Level (Red) Findings

Ethics and Compliance Program Update

All vacant positions filled for Integrity and Compliance Office (ICO)

Annual Ethics and Compliance Basics Refresher Course

- Launched 03/01/22
- Completion deadline 4/8/22

State Economic Interest Disclosure complete

- All required disclosures complete

Policy Updates

Total University Policies

Out-of-Date
Policies

Key Policies Recently Approved
or in Approval Process

167

52
(31.1%)



Threat Assessment
and Violence Prevention



Hazing **NEW**



Effort Reporting **NEW**



Identity Theft Prevention



Alcohol and Other Drugs

Journey to a Strong Ethical Culture

“Culture eats strategy for breakfast.”

Peter Drucker, Consultant or Mark Fields, former President, Ford Motor Company

Strong ethical cultures produce positive ethical outcomes including:

- robust employee reporting,
- reduced misconduct,
- reduced retaliation and
- reduced pressure to compromise standards.*

How can we measure the strength of VCU’s ethical culture to guide improvement?

- Employee perceptions of leadership integrity and accountability
- Employee perceptions of safety in speaking up*

* 2021 Global Business Ethics Survey Report, pp. 6-9, 11-23
Ethics Research Center, the research arm of the Ethics & Compliance Initiative

Journey to a Strong Ethical Culture

- VCU's Culture and Climate Survey measures diversity, inclusion and engagement via "indexes" to focus progress.
- The survey already includes items that would lend themselves to the creation of an "Integrity Index" to help track progress on our vision for a culture of integrity.

Questions	Mean/Average 2019 and 2021	
	2021 Mean	2019 Mean
I can share my ideas or express concerns without fear of repercussions.	3.55	3.52
Arbitrary action, personal favoritism, and coercion are not tolerated in my unit.	3.66	3.56
I have trust and confidence in my supervisor.	4.12	3.99
Leaders maintain high standards of honesty and integrity.	3.74	3.73
Leaders are held accountable by their superiors.	3.39	3.46

1-Strongly Disagree 2-Disagree 3-Neither Agree or Disagree 4-Agree 5-Strongly Agree

Integrity Index

2019: 3.65

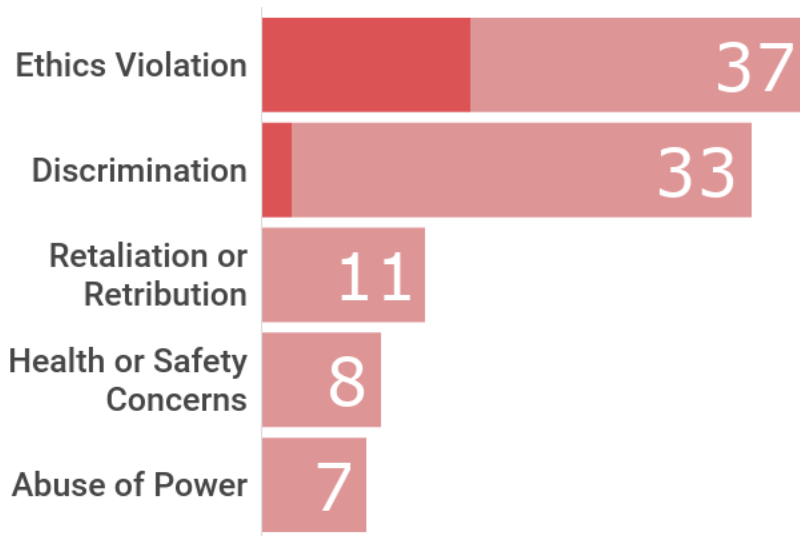
2021: 3.69

FY 22 Midyear Trends vs SPLY in University-Wide Reported Concerns

Total Volume
Reported Concerns **107**  **7%**
SPLY

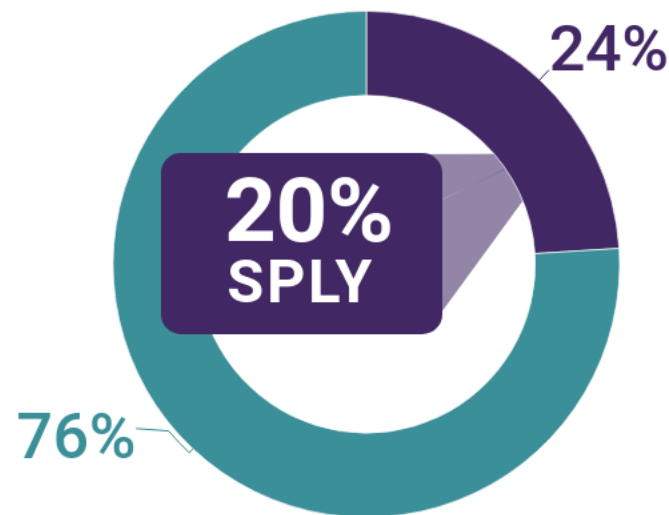
Severity **75** Low **4** High
27 Medium **1** Critical

Top Five Reported Concerns



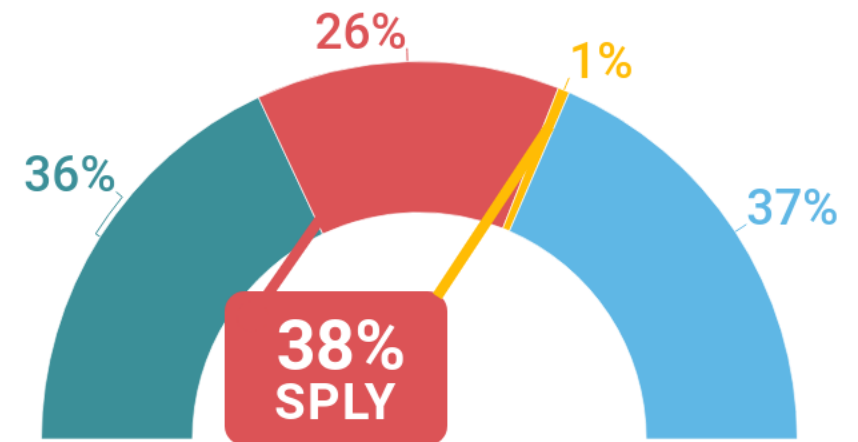
● Substantiated ● Not Substantiated

Overall Anonymous Reporting Rate








● Anonymous ● Not Anonymous

Overall Substantiation Rate



● Unsubstantiated ● Substantiated
● Partially Substantiated ● Other

FY 22 Midyear Trends vs Benchmarks in Reported Concerns

	 Cases per 100 Employees	 Anonymous Reporting Rate	 Substantiation Rate	 Concerns of Retaliation	 Most Common Issue Type
NAVEX Benchmark	1.7	58%	42%	0.9%	HR, Diversity, and Workplace Respect
VCU Internal Benchmark	4.1	22%	42%	4%	Ethics Violation
Current Fiscal Year	0.6	24%	27%	10%	Ethics Violation

Trends in Enforcement Practice

Recent Dept. of Justice (DOJ) Guidance and Results

GUIDANCE: Restoring prior DOJ guidance about the need for entities to provide all non-privileged information about all individuals involved in the misconduct to be eligible for cooperation credit;



RESULT: In government investigations, **entities will need to identify all individuals involved, not just those “substantially” involved, in the misconduct** and provide all non-privileged information about their involvement.

GUIDANCE: Taking account of an entity’s full criminal, civil, and regulatory record in making charging decisions, even if dissimilar from the conduct at issue;



RESULT: In charging decisions, **DOJ will review entity’s entire criminal, civil, and regulatory record.**

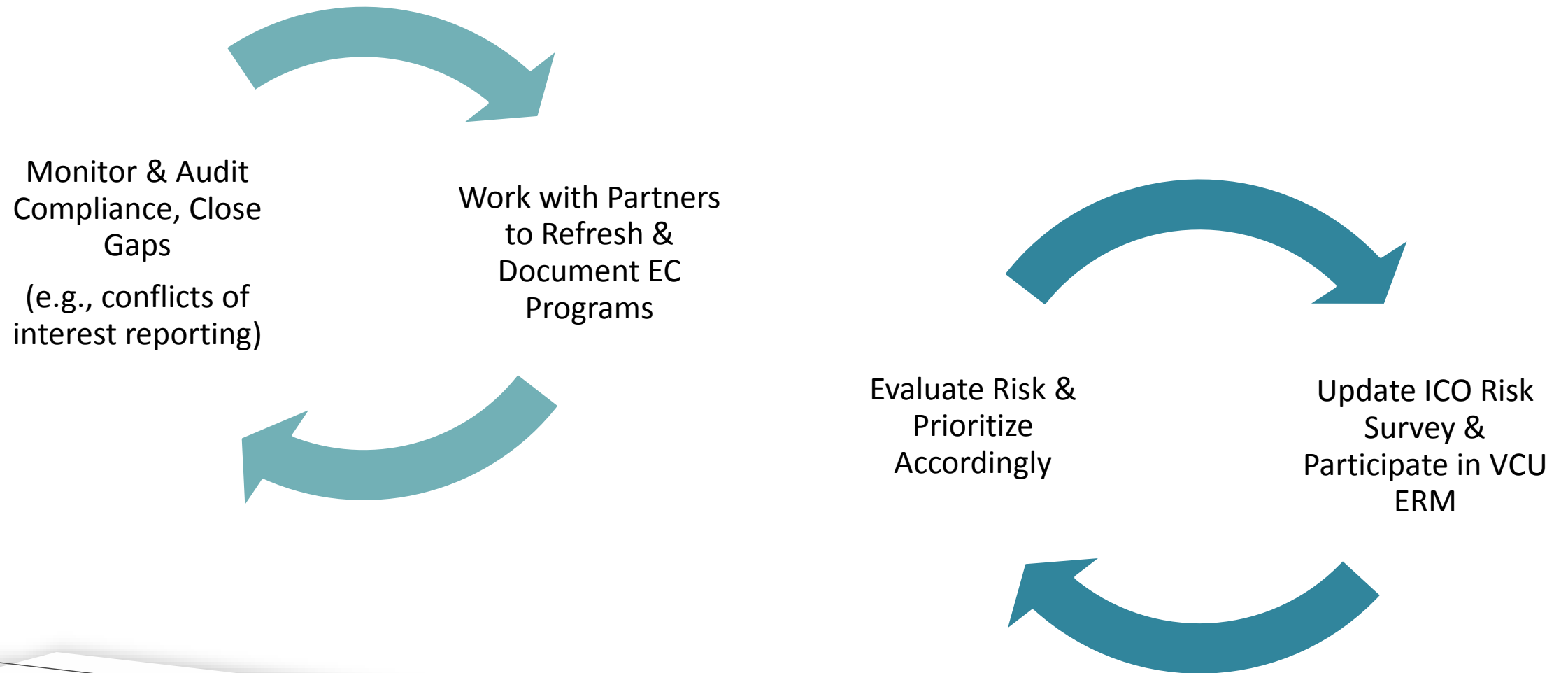
GUIDANCE: Making it clear that prosecutors are free to require the imposition of a monitor for an entity when they determine it is appropriate to do so.



RESULT: In case resolutions, **there is no presumption against the imposition of a compliance monitor for the entity, which may be imposed whenever DOJ prosecutors deem it appropriate** to do so.

KEY TAKEAWAYS: +Monitor compliance and remediate
+Focus on risks

Takeaways: How ICO is Responding





VCU

Technology Services

2022-23 Technology Roadmap

Board of Visitors Meeting

March 21, 2022

Alex Henson, Chief Information Officer

2022-23 Roadmap Key Themes

IT
Infrastructure
Optimization

Hybrid
University
Transformation

Strategic
Partnerships

Diversity &
Inclusion in IT
Workforce

IT Infrastructure Optimization



Technology Operations
Center

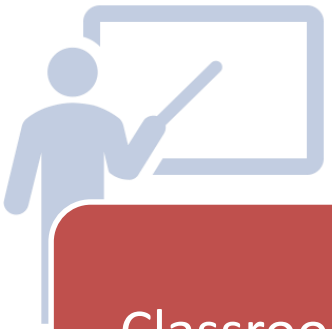


Cloud Strategy



Security Infrastructure

Hybrid University Transformation



Classroom
Technology
Standards



Online
Instructional
Technologies



Academic
Integrity
Initiative



Remote
Workforce
Optimization

Strategic Partnerships

**Actively
Collaborating to
Drive
Transformational
Innovation**

Strategic Enrollment Management and Student Success

Office of VP for Research and Innovation

Office of the Provost

Health Sciences

VCU Health System

Diversity, Equity & Inclusion in IT Workforce



RECRUITMENT



RETENTION



DEVELOPMENT



ENGAGEMENT



CLOSED SESSION