VIRGINIA COMMONWEALTH UNIVERSITY
BOARD OF VISITORS
AUDIT, INTEGRITY AND COMPLIANCE COMMITTEE MEETING
DECEMBER 8, 2022
12:30 p.m.
James Branch Cabell Library
901 Park Avenue – Room 311
Richmond, VA

AGENDA

1. **CALL TO ORDER** — **Shantaram Talegaonkar,** *Chair*

2. **ACTION ITEMS:** — **Karen Helderman,** *Executive Director, Audit and Compliance Services*
   (1 MINUTE) 12:30-12:31

   Approval of Minutes September 15, 2022

FOR INFORMATION:

3. **AUDITOR OF PUBLIC ACCOUNTS- REPORTS FOR THE FISCAL YEAR ENDING JUNE 30, 2022** — **Mike Reinholtz,** *Director, Auditor of Public Accounts*
   (9 MINUTES) 12:31-12:40

4. **REPORT FROM EXECUTIVE DIRECTOR OF AUDIT AND COMPLIANCE SERVICES** — **Karen Helderman,** *Executive Director, Audit and Compliance Services*
   (30 MINUTES) 12:40-1:10

   a. Committee Dashboard Measures
   b. Ethic and Compliance Program Update
   c. Internal Audit Quality Assurance Review
   d. Internal Audit Reports
      i. Faculty Initiated Change of Grade Process
      ii. Banner Controls – AP and General Ledger
      iii. Third-Party Financial Services Management
      iv. Government Relations Internal Controls Compliance Review
      v. Massey Cancer Center Internal Controls and Compliance Review

5. **ERM UPDATE** — **Tom Briggs,** *Assistant VP, Safety and Risk Management*
   (10 MINUTES) 1:10-1:20

CLOSED SESSION

6. Freedom of Information Act Section 2.2-3711 (A) (7) and (19), specifically:

   a. **Audit Report for Discussion** — **Karen Helderman,** *Executive Director Audit and Compliance Services*
      (15 MINUTES) 1:20-1:55

i. School of Arts Corrective Action Discussion
ii. President's Discretionary Account and Travel
iii. Maxient IT Control Review
iv. Third-Party Software Management

b. **University Counsel Litigation Update** — **Jake Belue,** *Associate University Counsel*
(10 MINUTES) 1:35 – 1:45

2. **RETURN TO OPEN SESSION AND CERTIFICATION** — **Shantaram Talegaonkar,** *Chair*
Approval of Committee action on matters discussed in closed session, if necessary

3. **ADJOURNMENT** — **Shantaram Talegaonkar,** *Chair*

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 enterprise cloud-based data warehouse build continues to progress, with a pilot making Admissions data available planned to be substantially complete in mid-December. Data from other phases of the student lifecycle will be rolled into the data warehouse in January and February. The migration of the Banner system into the managed cloud environment that will be completed in early December allows for the availability of more real-time data to feed reports and dashboards, and the committee will continue to provide governance around what dashboards are published. The committee continues to work toward establishing a model for increased visibility and integration into the data community and is awaiting a new leader of Institutional Research and Decision Support to continue in guiding these efforts forward.

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

Targeted phishing remains the top cyber threat and can lead to malware infections, ransomware deployments, as well as other fraud-related activities. Emerging multi-factor authentication bypass techniques being used by cyber criminals have prompted us to provide additional training to the university community as well as enhance security detection rules in our systems. The continued promotion of the "Security Heroes" program that encourages and rewards reporting of cyber threats has helped to stabilize the dwell time of phishing threats within the environment.

VCU has successfully procured a Secure Access Service Edge (SASE) solution that will provide consistent, location-agnostic, and enhanced security protections to all VCU-issued computers while providing employees using these computers with a seamless access experience that is simple and location-agnostic. The solution is currently being developed and tested, with implementation expected by the summer of 2023.

The Gramm-Leach Bliley Act (GLBA) Safeguards Rule was revised this year with a much more granular focus on the protection of Personally Identifiable Financial Information. Among other requirements, the revised GLBA Safeguards rule requires the university to report to its board on at least an annual basis its compliance. The VCU Information Security Office has actively worked with the Financial Aid office to identify all covered systems and potential gaps and is in the process of completing a full analysis and review. Upon completion, an action plan will be developed to address any identified gaps to ensure compliance with the GLBA Safeguards Rule and an update will be provided to this committee.

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.

The ERM Steering Committee has recently reviewed Risk Mitigation and Management Plans and identified those risks remaining out of tolerance. The Cabinet has approved the risks to focus on. VCU Safety and Risk Management will work with risk owners to mitigate risks by adding controls to reduce likelihood, determine the budget impact for controls and review emerging risks with the Steering Committee.

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)

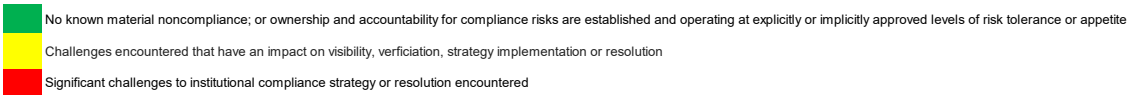
- Progressing as planned and within overall budget
- Some overload or barriers / challenges encountered that may require adjustment or reallocation of resources to resolve
- Significant overload or barriers / challenges encountered resulting in major delays or changes to scheduled work plan

The audit plan is progressing well. The audit team is now fully staffed and we anticipate completing our workplan on schedule, providing there are no required state hotline investigations.

INSTITUTIONAL COMPLIANCE PROGRAM

Compliance requirements compared to known material violations

Compliance Program Oversight & Effectiveness



Notes: **There are no known material compliance violations related to regulatory, legal or university policies. The Integrity and Compliance Office (ICO) is on track with a three-year**

Audit and Management Services
Status of Fiscal Year 2022-2023 Audit Work Plan
November 9, 2022

Area	Status
Risk-based Audits/Other Reviews	
Prior Work plan: Banner Controls – AP and General Ledger	Completed
Prior Work Plan – Third Party Management - Integrated	Completed
Prior Work Plan – Maxient System Review	Completed
Faculty Initiated Grade Change Process	Completed
Government Relations Internal Controls Review	Completed
Massey Cancer Center Internal Controls Review	Completed
Budget Process – Part 2	In Progress
Various Fiscal & Administrative Reviews	In Progress
Google Workspace	In Progress
Export Controls - Research	In Progress
Research Computing/High Performance Computing Security Review	In Progress
ERM RMM Plan Evaluation	In Progress
Data Integrity – VCU Website	In Progress
Financial Aid SCHEV Reporting	Not Started
Student-athlete name, image & likeness; Compliance Review	Not Started
Records Destruction	Not Started
Parking and Billing Analysis	Not Started
Software Asset Inventory	Not Started
School of Pharmacy	Not Started
Tableau Security	Not Started
Axium System Review	Not Started
Blackbaud CRM	Not Started

Audit and Management Services
Status of Fiscal Year 2022-2023 Audit Work Plan
November 9, 2022

Annual Engagements and Activities	
President's Discretionary Fund and Travel Activity Review – FY23	Completed
VCU Police Department – Unannounced Property Inspection – FY23 Part 1	In Progress
VCU Police Department – Unannounced Property Inspection – FY23 Part 2	Not Started
Annual Review of Audit Recommendations Outstanding – FY23	Not Started
Audit Risk Assessment – FY24	Not Started

Special Project	Status
Continuing Projects	
State Employees Fraud, Waste, and Abuse Hotline	In Progress – 1; Closed – 1
Other Projects	
Facilities Division – Surplus Vehicles	Completed

Audit and Management Services
Quality Assurance and Improvement Program
December 2022 Update

Within Audit and Compliance Services, Audit and Management Services (AMS) is responsible for providing internal audit services to both the Virginia Commonwealth University (VCU) and VCU Health System. The department has identified the International Professional Practices Framework (IPPF) as its conceptual framework. The IPPF represents authoritative guidance by the Institute of Internal Auditors (IIA) and mandates conformance with the following elements.

- Core Principles for the Professional Practice of Internal Auditing
- Definition of Internal Auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing (Standards)*

AMS maintains a quality assurance and improvement program to provide continual evaluation of conformance with the IPPF, to assess the efficiency and effectiveness of the internal audit activity and to identify opportunities for improvement. This evaluation is done through internal and external assessments.

Internal assessments of the AMS internal audits are conducted through ongoing monitoring by the audit management team as part of their supervisory review and through periodic self-assessments. The most recent periodic internal audit assessment was performed by Donna Crawford (Manager, Social Media Governance and Audit Quality) and was rated as “generally conforms,” the highest assessment scale rating listed in the IIA *Quality Assessment Manual*. This assessment did not identify any significant areas of nonconformance with the IPPF.

During the review period, Donna Crawford prepared and conducted department training focused on the IPPF and department standards in the areas of audit planning, testing, and reporting. Donna participated in departmental meetings, observed the continuous improvement of audit reporting, and reviewed board and other audit supporting documentation. Based on such exposure during fiscal year 2022 to date, the following statements can be made:

- AMS is effectively achieving the IIA Core Principles.
- AMS is considered to be in conformance with the definition of Internal Auditing.
- The internal auditors of AMS are in conformance with the IIA Code of Ethics.
- AMS is independent and objective.

An external quality assessment report (dated October 2019) was issued by Dixon Hughes Goodman LLP and presented to the board in December 2019. The highest rating of generally conforms was received. As stipulated by the *Standards*, an external assessment is due every five years or in 2024. External quality assessors are to be independent and objective. The board is encouraged to provide oversight during the external quality assessment process to reduce perceived or potential conflicts of interest.

VIRGINIA COMMONWEALTH UNIVERSITY

Faculty Initiated Change of Grade Process

Final Report

November 16, 2022

Audit and Compliance Services

Overview

The University's Registrar manages the VCU Office of Records and Registration (Records), a division of the Strategic Enrollment Management and Student Success department. Records consists of one university registrar/director, 17 staff, and 2 student workers. Records is dedicated to supporting student success and working collaboratively with the university community to ensure compliance with all federal, state, and university policies and procedures while providing outstanding customer service.

Records provides numerous services to support the university's students, faculty, staff, and alumni. Some of those functions include the following:

- Managing Academic Records
- Course Scheduling and Registrations
- Grade Reporting
- Degree Audits and Certifications
- Certifying Student Athlete Eligibility
- Transcripts
- Graduation Applications

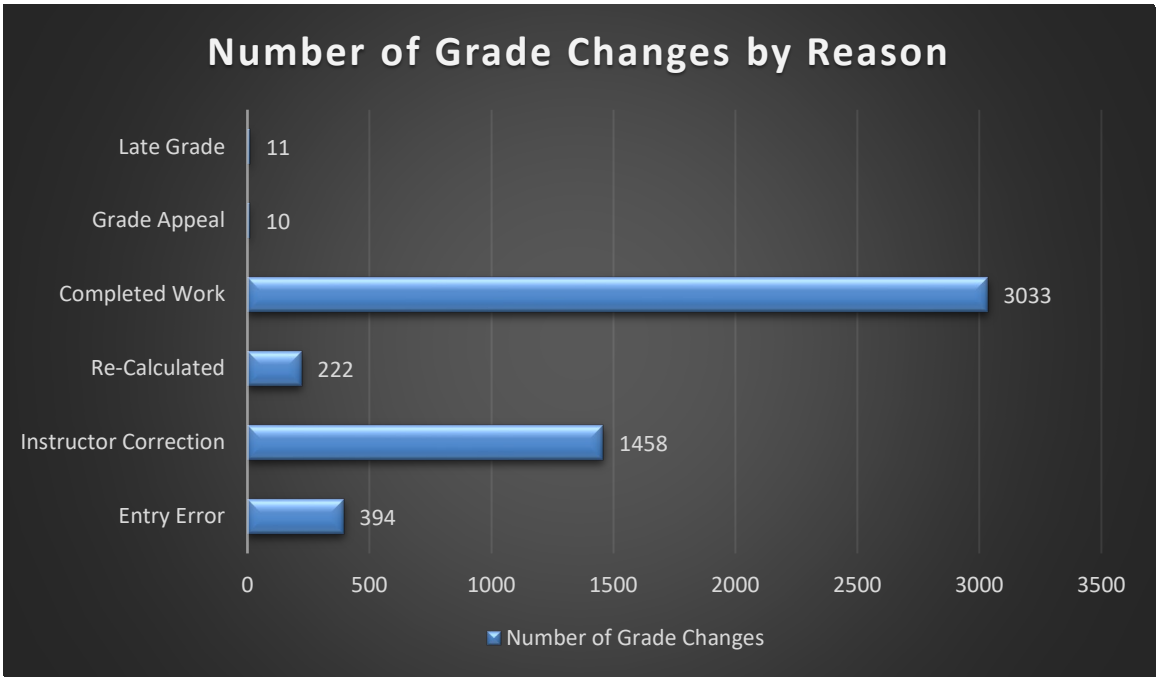
Records administers the university's Change of Grade Policy, which can be found in the VCU Bulletin. There are six faculty-initiated grade change reason categories, each of which routes through the grade change process to update a student's final grade in the Banner Student System. The six reasons for faculty-initiated grade changes are:

- Entry Error
- Late Grade
- Instructor Correction
- Completed Work
- Incomplete Converted to F
- Grade Appeal

The Process

Faculty can initiate student's final grade change with proper submission of the change of grade form for undergraduate or a special action form for graduate students. Faculty submit the change of grade form and it is automatically routed to the department chair and dean for review and approval. Once the appropriate approvals have been obtained, the form is submitted and automatically routed to the Office of Records and Registration for processing. Records is the only entity that can enter the grade change on the student's record in Banner after the initial grade entry deadline has passed. There were 5,128 faculty-initiated grade changes in the period under review (2020-2022)

The following graph depicts faculty grade changes by reason code processed by Records and Registration during academic years 2020-2022:



Source: VCU Office of Records and Registration (Banner)

Purpose

The objective of the audit was to determine whether Change of Grade Process and faculty-initiated grade change practices were sufficient and working as intended.

Scope and Audit Procedures

Our scope of University Grade Changes encompassed academic years 2020 through 2022. We focused our audit on the university change of grade policy and procedures; grade change forms and approvals, and the submission and approvals process.

Our audit procedures consisted of the following:

- Interviews with personnel in the following areas:
  - Office of Records and Registration
  - College of Engineering
  - College of Humanities and Sciences
  - School of Business
- Review of:
  - University Change of Grade Process
  - Grade Change Form
- Evaluated a sample of grade changes initiated by faculty for:
  - Grade change reason

- Proper submission of documentation
- Proper approval signatures
- Adherence to Change of Grade Process

Conclusion

In our opinion, based on the results of our audit, University Change of Grade Process and practices were sufficient and working as intended.

An additional recommendation to strengthen documentation of internal grade change procedures were included in a separate report furnished to management.

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

Bernard Hamm	University Registrar and Director
Sybil Halloran	Senior Associate Vice Provost
Tomikia LeGrande	Vice President for Strategy, Enrollment Management and Student Success
Fotis Sotiropoulos	Provost and Senior Vice President for 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.

Karen K. Helderman

Executive Director
Audit and Compliance Services

VCU

VIRGINIA COMMONWEALTH UNIVERSITY

Banner Controls - Accounts Payable and General Ledger

Final Report
October 7, 2022

Audit and Compliance Services

Overview

Implemented in 2006, Virginia Commonwealth University's financial system of record is the Banner Finance System. Banner houses the university's general ledger, a record of all financial transactions for the institution and processes the payments to vendor and employee bank accounts. The Associate Vice President for Finance and University Controller reviews and approves all changes made to the Banner finance security for accounts payable payments and general ledger. Key individuals in the Controller's office have access to implement these approved changes.

Transactions are input on Banner forms (online screens), forms are grouped into Banner finance security classes, which are assigned to users. The Controller's office restricts access to forms or functions that may create a segregation of duties issue through the assignment of security classes. Users may have multiple classes assigned to them depending on their job function and require their supervisor to request this access and be approved by finance security. There are approximately 35 Banner finance security classes and 1,030 Banner finance users in the university.

The Banner Finance System works in conjunction with RealSource, a system implemented in 2019 as VCU's electronic tool for supplier management, purchasing, accounts payable processes (except payments), and contract management. The majority of the accounts payable functions, such as vendor maintenance, invoices, and receiving are completed in RealSource.

Once an invoice has been matched with a previously issued purchase order and a receiving report, which is an industry standard control referred to as a "3-way match", the invoice is ready for payment. The approved invoice's information is transmitted to Banner via an interface to initiate that payment. Direct pays are entries that are keyed into Banner and RealSource that have no associated purchase order. A separate team aside from accounts payable, the vendor support team, verifies the correct dollar amount, remittance address and vendor name. Invoice approval for direct pay items is restricted to two accounts payable employees. We examined RealSource user access during an audit in 2021.

Purpose

The objective of the audit was to determine whether access controls and segregation of duties over Banner accounts payable and general ledger were sufficient.

Scope and Audit Procedures

Our scope of Banner Controls - Accounts Payable and General Ledger encompassed fiscal year 2022. We focused our audit on segregation of duties between user access in RealSource and Banner; security review and certification process; user status in comparison to termination dates; and user roles/permission levels compared to job duties.

Our audit procedures consisted of the following:

- Interviews with personnel in the following areas:
  - Auditor of Public Accounts
  - Controller's Office
  - Procurement Services
  - Human Resources technology services
  - VCU Technology Services
- Review of:
  - Banner access audit tool provided by the Auditor of Public Accounts
  - Banner finance user classes and permission levels
  - Banner finance forms
  - RealSource and Banner interface for access security controls
- Evaluated a sample of users for:
  - Segregation of duties of RealSource and Banner access
  - Banner finance users access
  - Banner user status and termination dates
  - Banner access security review and certification process

Conclusion

In our opinion, based on the results of our audit, Banner controls over accounts payable and general ledger were sufficient.

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

Patricia Perkins	Associate Vice President for Finance and University Controller
Karol Gray	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.

Karen K. Helderman

Executive Director
Audit and Compliance Services

VIRGINIA COMMONWEALTH UNIVERSITY

Third-Party Financial Services Management

Final Report

November 7, 2022

Audit and Compliance Services

Overview

Virginia Commonwealth University utilizes a variety of third-party service providers for information technology and financial service needs. These service providers are key to VCU operations as they allow the university to streamline internal resources while mitigating overall risk to the organization. Financial service providers include vendors such as Automatic Data Processing (ADP) for tax reporting and remission services, JP Morgan for investment services, Williams and Fudge for debt collection services, and Passport Labs, Inc. to provide parking payment processing.

A service organization control (SOC) report is an independent review performed by an external firm on a service provider vendor that provides a review of the internal control environment and processes to verify controls are operating effectively and best practices are being followed. A SOC 1 report provides a review of internal controls related to financial reporting and a SOC 2 report is heavily focused on IT information and security. The VCU Information Security department is responsible for gathering and reviewing university wide SOC 2 reports and the VCU Controller's office reviews SOC 1 reports as part of the annual Agency Risk Management and Internal Control Standards (ARMICS) certification to the Virginia Department of Accounts. ARMICS is a statewide directive from the Office of the Comptroller that requires each state agency and institution to certify on an annual basis the reliability of internal controls as it relates to fiscal processes and the submission of information to the Commonwealth's general ledger. As part of this certification, agencies that use a third-party service to perform significant functions or processes must obtain internal control assurance from the provider. This is accomplished through the acceptance and review of the SOC reports.

Purpose

The objective of the audit was to determine whether the third-party financial service providers' SOC reports review process was adequate.

Scope and Audit Procedures

Our scope of the third-party financial services management included a review of the financial services SOC reports process by the Controller's office for the FY2021 ARMICS certification submission. At the time of testing, the FY2022 SOC review process for ARMICS certification was in process. This audit focused on the SOC reports reviewed by the controller's office and was performed in conjunction with the IT audit entitled "Third-Party Software Management". We focused our audit on how financial services SOC reports are gathered on an annual basis, and the process for reviewing these reports for documented control weaknesses and end user control considerations.

Our audit procedures included an interview and walkthrough of SOC report gathering and review

procedures with the VCU ARMICS Coordinator and Senior Accountant. We reviewed the SOC report assessment and review procedures and selected a sample of SOC reports and ARMICS certification statements for review from FY2021. During this review, we analyzed the certification statements for reasonableness and completeness to verify that no significant control gaps existed.

Conclusion

In our opinion, based on the results of our audit, the process for monitoring and reviewing SOC reports over financial services was adequate.

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

Patricia Perkins	Associate Vice President for Finance and University Controller
Karol Gray	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.

Karen K. Helderman

Executive Director
Audit and Compliance Services

VIRGINIA COMMONWEALTH UNIVERSITY

Government Relations

Internal Controls Compliance Review

Final Report
November 23, 2022

Audit and Compliance Services

TABLE OF CONTENTS

Transmittal Memo 1

Internal Controls Compliance Assessment Dashboard 2

Risk Classification and Definitions 5

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

To: Matthew Conrad, Vice President for Government and External Relations

From: Karen Helderman
Executive Director, Audit and Compliance Services

Date: November 4, 2022

Subject: Internal Controls Compliance Review of Government Relations

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Internal Audit has completed an Internal Controls Compliance Review of selected internal controls related to Government Relations and have included the results in the attached Dashboard Report.

cc. Cindy Martin, Executive Assistant for Government Relations
Stephen Davenport, Administrative Director, President's Office
Charleyne Kelley, Budget Analyst, President's Office
Karah Gunther, Vice President of External Affairs and Health Policy

Internal Controls Compliance Assessment Dashboard

Audit name:	Government Relations

Reason for audit:	Provide management with assurance that selected financial and administrative processes were performed and monitored properly.

Conclusion by Process	Risk Rating
1. Financial Monitoring 1.1. Forecast Monitoring of approved budgets was performed 1.2. Budgets were reviewed and negative variances were addressed	☐ ☐
2. Banner Reconciliations 2.1. Banner reconciliations were performed monthly or as required by the fiscal Administrator's Handbook 2.2. Reconciliations were signed and dated by both the reviewer and approver 2.3. Supporting documentation for transactions were readily available	☐ ☐ ☐
3. Journal Vouchers 3.1. JVs were approved by the appropriate position depending on dollar amount 3.2. Documentation to support JVs was maintained	☐ ☐
4. Petty Cash 4.1. Petty cash funds were secured according to the university Petty Cash policy 4.2. Custodian was the only authorized person with access to funds 4.3. Monthly and annual reconciliations were performed timely 4.4. Annual Trainings were completed by the custodian, dean/department head or designee	N/A N/A N/A N/A
5. Purchases – 5.1. Purchases had a valid business purpose and were reasonable 5.2. There was adequate documentation to support emergency or sole source purchases	☐ ☐

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

9.2. Performance/progress reports were submitted to the sponsor timely where required	
10. Fixed Assets 10.1. Annual inventory was completed and submitted to Fixed Asset Accounting Office 10.2. Assets were properly tagged 10.3. Assets stolen, traded-in, or transferred had the surplus forms completed 10.4. All HEETF purchases $500 and above were recorded as fixed assets	N/A N/A N/A N/A
11. ARMICS 11.1. Yearly ARMICS documentation was completed and submitted by the due date set by the controller's office 11.2. ARMICS testing was completed thoroughly and identified issues were addressed timely 11.3. Supporting documentation for unit testing was readily available	☐ ☐ ☐
12. Local Applications 12.1. Annual access reviews for local applications were performed 12.2.Local Applications were inventoried according to the Passwords Authentication and Access Standard 12.3.Application server(s) were administered or supported by central IT through a SLA 12.4. Signed copy(s) of the Service Level Agreement with Technology Services were available	N/A N/A N/A N/A

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, if applicable, are included on following page.

Risk Classifications and Definitions

Full Compliance	• Overall control environment representative of good practice, well-designed, effective, and functioning properly. • No improvement opportunities identified. Full Compliance.
Verbal Finding	• Adequate control environment in most areas. • Moderate risk improvement opportunities identified, which require corrective action • Minor Findings of non-compliance. • Finding and recommendation verbally communicated to management and no written corrective action required.
Management Level Finding	• Some key controls do not exist, or are not properly implemented, and there are improvement opportunities. • Control environment is impaired. • Finding and recommendation communicated to management and written corrective action required.
Board Level Finding	• Control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with University 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. • Finding and recommendation communicated to the Board and written corrective action required.
N/A	• Function is not applicable to the reviewed department/division.

VIRGINIA COMMONWEALTH UNIVERSITY

Massey Cancer Center

Internal Controls Compliance Review

Final Report
November 7, 2022

Audit and Compliance Services

TABLE OF CONTENTS

Transmittal Memo……1

Internal Controls Compliance Assessment Dashboard……..2

Risk Classification and Definitions……5

Audit and Compliance Services
918 West Franklin Street
Box 842503
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Phone: (804) 828-2336
Fax: (804) 828-2356

To: Michael Rao
President

From: Karen Helderman
Executive Director, Audit and Compliance Services

Date: November 7, 2022

Subject: Internal Controls Compliance Review of Massey Cancer Center

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Internal Audit has completed an Internal Controls Compliance Review of selected internal controls related to The Massey Cancer Center and have included the results in the attached Dashboard Report.

cc. Michelle Lin, Chief Administrative Officer Massey Cancer Center
Robert Winn, Director Massey Cancer Center
Marlon Levy, Interim SVP for Health Sciences

Internal Controls Compliance Assessment Dashboard

Audit name:	Massey Cancer Center

Reason for audit:	Provide management with assurance that selected financial and administrative processes were performed and monitored properly.

Conclusion by Process	Risk Rating
1. Financial Monitoring 1.1. Forecast Monitoring of approved budgets was performed 1.2. Budgets were reviewed and negative variances were addressed	☐ ☐
2. Banner Reconciliations 2.1. Banner reconciliations were performed monthly or as required by the fiscal Administrator's Handbook 2.2. Reconciliations were signed and dated by both the reviewer and approver 2.3. Supporting documentation for transactions were readily available	☐ ☐ ☐
3. Journal Vouchers 3.1. JVs were approved by the appropriate position depending on dollar amount 3.2. Documentation to support JVs was maintained	☐ ☐
4. Petty Cash 4.1. Petty cash funds were secured according to the university Petty Cash policy 4.2. Custodian was the only authorized person with access to funds 4.3. Monthly and annual reconciliations were performed timely 4.4. Annual Trainings were completed by the custodian, dean/department head or designee	☐ ☐ ☐ ☐
5. Purchases – 5.1. Purchases had a valid business purpose and were reasonable 5.2. There was adequate documentation to support emergency or sole source purchases 5.3. Purchases >$10,000 were routed through Procurement Services for review and approval 5.4. Controls were in place to prevent the splitting of orders to avoid procurement rules 5.5. Supporting documentation was maintained electronically	☐ ☐ ☐ ☐ ☐

5.6. Purchase orders were closed timely in RealSource	☐
6. Travel 6.1. Travel > $500 or air/rail was approved prior to traveling and reimbursements were processed through Chrome River 6.2. Transportation (air and rail) was booked through Christopherson 6.3. Travel was for allowable business purposes 6.4. Hotel and meals were within the appropriate per diem range	 ☐ ☐ ☐ ☐
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 were authorized by the cardholder's supervisor 7.3. Only used by the cardholder and were not shared 7.4. Individual cardholders were tasked with securing their Pcards 7.5. Regularly monitored to ensure documentation supporting transactions was complete and uploaded timely 7.6. Transactions were supported by receipts or valid invoices uploaded into the Pcard system 7.7. Activity was monitored in BoA Works to ensure reviewers and approvers were timely reviewing and approving transactions 7.8. Controls were in place to prevent Pcard holders from splitting transactions in to two or more transactions 7.9. Sales taxes were excluded from Pcard purchases where appropriate 7.10. Purchases were reconciled to receipts and to the cardholder's monthly statement 7.11. Purchases had a valid business purpose and were allowable based on the Purchasing Card Program Procedures	 ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐ ☐
8. Record Management 8.1. Records were destroyed according to VCU's Record Retention Policy 8.2. The unit identified a records custodian 8.3. Records custodian attended records retention training 8.4. The unit developed a records inventory	 ☐ ☐ ☐ ☐
9. Grants 9.1. Expenditures were in accordance with the grant agreement 9.2. Performance/progress reports were submitted to the sponsor timely where required	 ☐ ☐

10. Fixed Assets 10.1. Annual inventory was completed and submitted to Fixed Asset Accounting Office 10.2. Assets were properly tagged 10.3. Assets stolen, traded-in, or transferred had the surplus forms completed 10.4. All HEETF purchases $500 and above were recorded as fixed assets	☐ ☐ ☐ ☐
11. ARMICS 11.1. Yearly ARMICS documentation was completed and submitted by the due date set by the controller's office 11.2. ARMICS testing was completed thoroughly and identified issues were addressed timely 11.3. Supporting documentation for unit testing was readily available	☐ ☐ ☐
12. Local Applications 12.1. Annual access reviews for local applications were performed 12.2.Local Applications were inventoried according to the Passwords Authentication and Access Standard 12.3.Application server(s) were administered or supported by central IT through a SLA 12.4. Signed copy(s) of the Service Level Agreement with Technology Services were available	☐ ☐ **N/A** **N/A**

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, if applicable, are included on following page.

Risk Classifications and Definitions

Full Compliance	• Overall control environment representative of good practice, well-designed, effective, and functioning properly. • No improvement opportunities identified. Full Compliance.
Verbal Finding	• Adequate control environment in most areas. • Moderate risk improvement opportunities identified, which require corrective action • Minor Findings of non-compliance. • Finding and recommendation verbally communicated to management and no written corrective action required.
Management Level Finding	• Some key controls do not exist, or are not properly implemented, and there are improvement opportunities. • Control environment is impaired. • Finding and recommendation communicated to management and written corrective action required.
Board Level Finding	• Control environment is unacceptable with critical issues, individually or in the aggregate, having been identified or major noncompliance with University 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. • Finding and recommendation communicated to the Board and written corrective action required.
N/A	• Function is not applicable to the reviewed department/division.

Board of Visitors Executive Summary
DEC 2022

PRESENTATION TITLE: ERM Steering Committee Progress	
Presenter Name and Title: Tom Briggs, Assistant Vice President for Safety & Risk Management	
Responsible University Division: Administration **BOV Committee:** Audit, Integrity, and Compliance Committee	
Quest Theme(s) and Goal(s) to be Addressed:	
Key Presentation Messages	ERM Risk Appetite Statement and Risk Ranking has been presented to and approved by Cabinet. Risks out of tolerance include: • Institutional Compliance and Ethics Expertise and Structure • Improper Activities and Relationships Due to Foreign Influence • Civil Rights Compliance • Emergency Preparedness • IT System Availability and Information Security • Safety & Risk Management • Police Operations • Clinical Research Administration Processes • Facilities & Space
Governance Implications	Maintain expectations of those involved with ERM governance.

Governance Discussion Questions	1. Is the Steering Committee reviewing these risks to determine if additional controls can bring them into tolerance? 2. Are there any risks that will be elevated for additional consideration.
Next Steps for Management (Responsible Division Head; Timeframe for Action)	Where applicable, actively participate in the: 1. Review risks out of tolerance. 2. The ERM Steering Committee will meet 6 times per year.

VCU Board of Visitors

Audit, Integrity and Compliance Committee
December 8, 2022

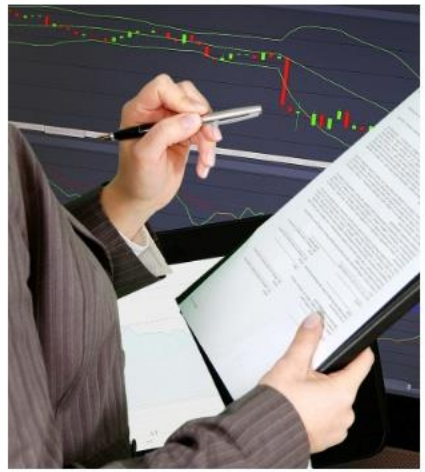
For Action: Approval of Minutes

- Audit, Integrity and Compliance Committee Meeting held on September 15, 2022
- Motion to approve the Minutes

Auditor of Public Accounts

Mike Reinholtz, Audit Director

- Annual Audit for Year Ended June 30, 2022
  - Independent Auditor's Report -Opinion on Financial Statements
  - Report on Internal Control and Compliance
  - Required Communications



Committee Dashboard Measures

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

Ethics and Compliance Program Update

November 11, 2022	December 8, 2022	March 23, 2023
Education Launched	Completion Deadline	Completion Stats Shared with Committee

Internal Audit Quality Assessment

Internal Assessment

An ongoing assessment performed by an internal resource

Assessment Results

- Conforms with IIA Standards
- Staff are independent and comply with Code of Ethics

External Assessment

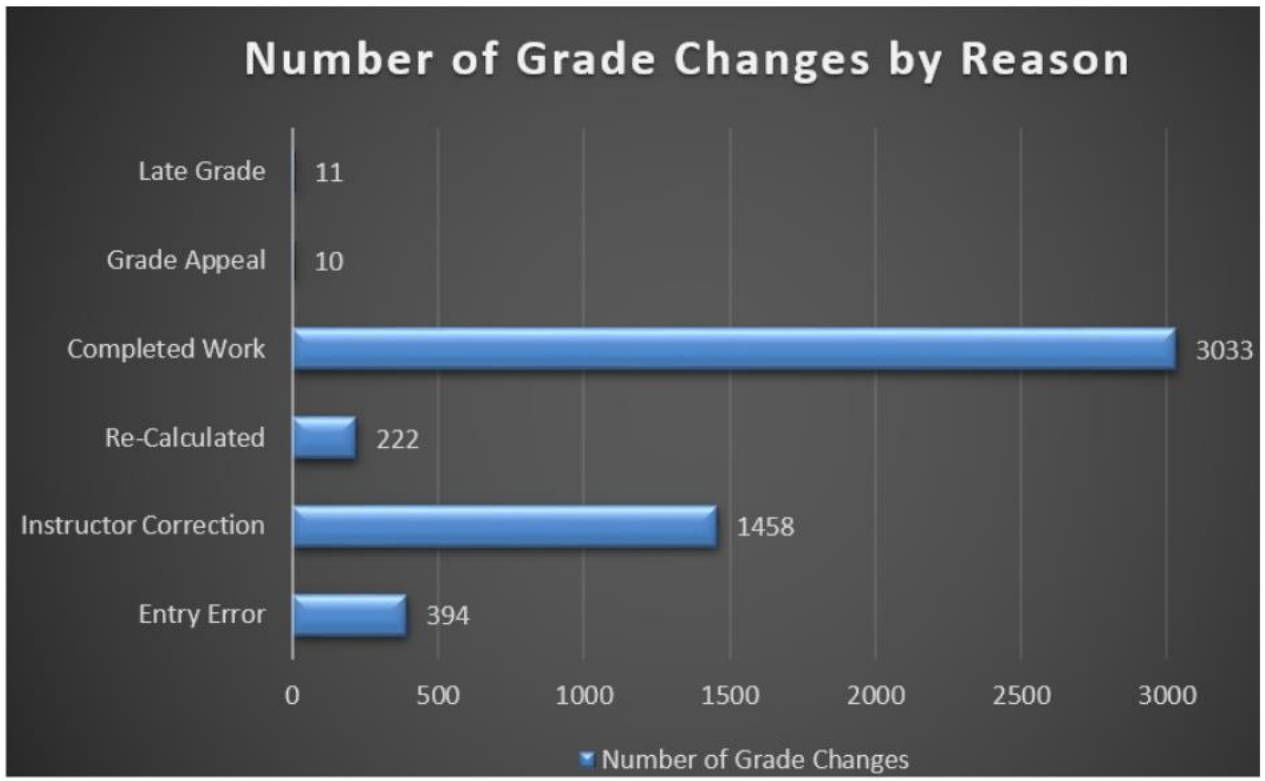
- Performed every 5 years by an external resource
- Last done in 2019

Faculty Initiated Change of Grade Process Audit

Conclusion: Grade change practices for academic years 2020-22 were sufficient & working as intended

No Board level findings

- There were approximately 548,500 graded courses during the audit period with 5,128 faculty initiated grade changes (1% of all grades)
- We reviewed a sample of faculty initiated grade changes for change reason, proper documentation and approving signatures



Banner Controls - AP and General Ledger Audit Report

Conclusion: Access controls and segregation of duties over Banner AP and general ledger were sufficient

No Board level findings

We used an automated tool to review the reasonableness of Banner user classes and permission levels, reviewed for appropriate segregation of duties between RealSource purchasing and Banner accounts payable, and ensured that terminated employees were removed timely

Third-Party Financial Services Management Audit Report

Conclusion: Monitoring & reviewing of third-party financial service providers' SOC reports were adequate

No Board level findings

- A Service Organization Control (SOC) report is an independent review performed by an external firm to verify a vendor's internal controls are operating effectively and best practices are followed.
- Obtaining and reviewing a vendor's SOC report is a best practice for ensuring controls that VCU expects from the vendor are in place and effective.
- The SOC review is also an opportunity for VCU to document the existence of its complementary end user controls

ADP Passport Williams & Fudge JPMorgan Chase & Co.

Internal Control and Compliance Reviews

Business areas reviewed: Government Relations and Massey Cancer Center

- Reviewed Selected Controls and Compliance Areas

  Reconciliations, purchases, PCards, fixed asset management

- No Board Level Findings

ENTERPRISE RISK MANAGEMENT

Identifying risks

VCU identifies risks to achieving strategic goals through a formal enterprise risk management strategy

Risks are assessed and ranked by impact versus likelihood (high – medium – low)

Common practice throughout private sector

Roles

Risk owners: Authority and responsibility to manage risks

Steering committee: Identifies and tracks enterprise risks; makes recommendations to Cabinet

Cabinet: Reviews risks and establishes risk tolerance

BOV: Reviews enterprise risks and audit findings of risk controls

Risk mitigation

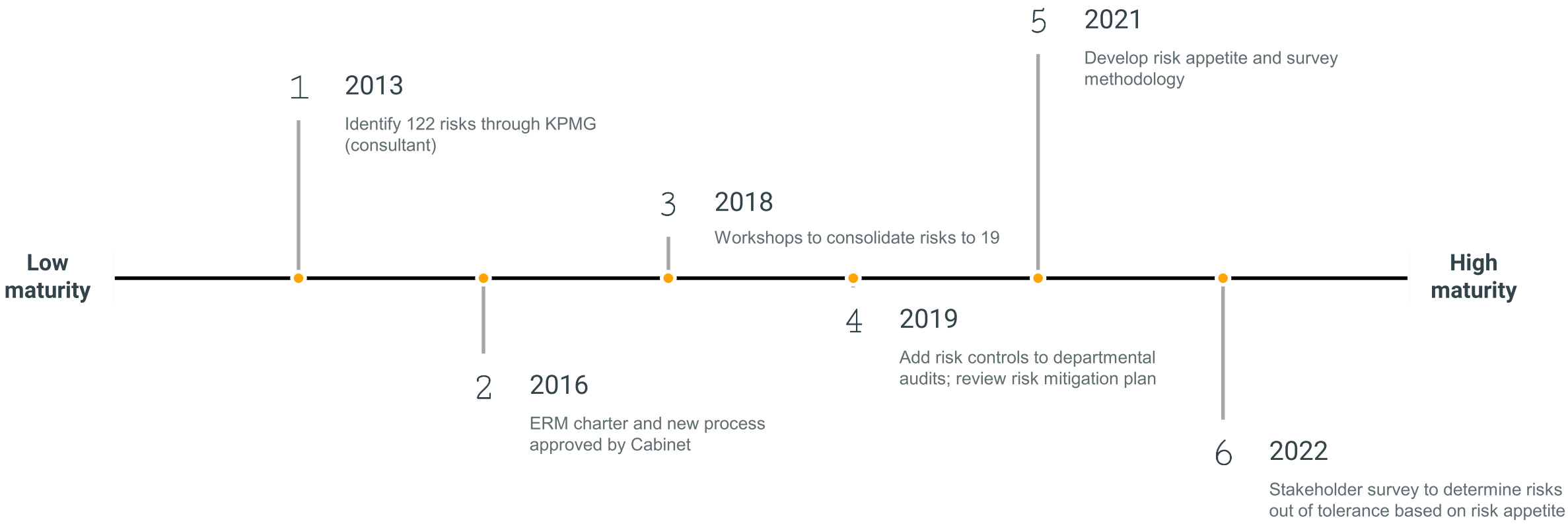
VCU Safety & Risk Management works with risk owners to mitigate risks by:

1. Adding controls to reduce likelihood

2. Determining the budget impact for controls

3. Reviewing emerging risks with the Steering Committee

VCU'S ERM MATURITY TIMELINE



RISK MITIGATION FOCUS AREAS

Civil rights compliance

Clinical research administration processes

Emergency preparedness

Facilities & space

Improper activities and relationships due to foreign influence

Institutional compliance and ethics expertise and structure

IT system availability and information security

Police operations

Safety & risk management

Appendix: Enterprise risks identified for VCU

- Academic Funding
- Attract, Develop and Retain Faculty & Staff
- Civil Rights Compliance
- Clinical Research Administration Processes
- Data Analytics, IT Functionality & Shadow Systems
- Development & Alumni Support
- Emergency Preparedness
- Enrollment Management
- Facilities & Space
- Global Programs and International Issues
- Improper Activities & Relationships Due to Foreign Influence
- Institutional Compliance & Ethics Expertise and Structure
- IT System Availability & Information Security
- Police Operations
- Research Funding
- Safety & Risk Management
- Strategic Plan Change Management
- Student Affairs
- Transportation

Closed Session