



VCU

**VIRGINIA COMMONWEALTH
BOARD OF VISITORS
AUDIT, INTEGRITY AND COMPLIANCE COMMITTEE MEETING
MAY 12, 2022
8:00 a.m.
James Branch Cabell Library
901 Park Avenue – Room 303
Richmond, VA**

AGENDA

1. CALL TO ORDER

Shantaram Talegaonkar, Chair

2. ACTION ITEMS:

10 minutes (8:00 – 8:10)

- a. Approval of Minutes March 21, 2022
- b. Proposed FY2023 Audit Workplan
- c. Proposed FY2023 University Ethics and Compliance Program Initiatives

**Karen Helderman, Executive Director,
Audit and Compliance Services**

FOR INFORMATION:

**3. AUDITOR OF PUBLIC ACCOUNTS (APA)
FY2022 AUDIT ENTRANCE CONFERENCE**

15 minutes (8:10 – 8:25)

**Mike Reinholtz, Director
Auditor of Public Accounts**

**4. REPORT FROM EXECUTIVE DIRECTOR OF
AUDIT AND COMPLIANCE SERVICES**

10 minutes (8:25 – 8:35)

- a. Committee Dashboard Measures
- b. Internal Audit Reports
 - i. Steam Plant
 - ii. Libraries Internal Control Compliance Review
 - iii. School of Business Internal Control Compliance Review
- c. Handout: Audit Work Plan Status FY22

**Karen Helderman, Executive Director,
Audit and Compliance Services**

**5. ENTERPRISE RISK MANAGEMENT UPDATE
10 minutes (8:35 – 8:45)**

**Tom Briggs, Assistant Vice President,
Safety and Risk Management**

6. CLOSED SESSION

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

a. Audit Reports for Discussion

10 minutes (8:45 – 8:55)

i. CBORD

Karen Helderman, *Executive Director*
Audit and Compliance Services

b. University Counsel Litigation Update

10 minutes (8:55 – 9:05)

Jake Belue, *Associate*
University Counsel

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

- Approval of Committee action on matters discussed in closed session, if necessary

Shantaram Talegaonkar, *Chair*

8. ADJOURNMENT

Shantaram Talegaonkar, *Chair*

**CONFIDENTIAL SUMMARY
AIC COMMITTEE
OF THE BOARD OF VISITORS
MAY 12, 2022
OPEN SESSION**

ACTION ITEMS:

- Approval of Minutes from March 21, 2022
- Approval of FY2023 Audit Workplan
- Approval of FY2023 University Ethics and Compliance Program Initiatives

FOR INFORMATION/COMMITTEE REVIEW:

1) Items that may be action items at upcoming committee meeting:

- None

2) Items that the board needs to be aware of, but will not require action (all linked here)

- Dashboard Measures: Review the committee dashboard that provides a snapshot of relevant oversight areas.
- Steam Plant audit report: All audit objectives concluded positively and there are no Board level audit findings
- Libraries Internal Control Compliance Review
- School of Business Internal Control Compliance Review
- Handout Only:
 - a. Audit Work Plan Status FY22 – This handout provides the committee with information regarding the completion of the approved audit plan.

EXECUTIVE REPORTS

- Mr. Reinholtz, audit director with the Virginia Auditor of Public Accounts will meet with the committee to discuss the FY2022 annual financial statement and compliance audit of the university. Topics covered will include audit timing, scope and objectives, management responsibilities, and auditor responsibilities.
- Ms. Helderman will briefly cover the Dashboard Measures and the audit reports as listed above. Most current presentation linked.
- Mr. Briggs will provide an update regarding VCU's Enterprise Risk Management (ERM) program and planned activities



**Board of Visitors
Audit, Integrity and Compliance Committee
7:45 a.m.
March 21, 2022
James Cabell Library
901 Park Avenue, Room 303, Richmond, Virginia**

Minutes

COMMITTEE MEMBERS PRESENT

Mr. Peter Farrell, Vice Chair
Mr. Keith Parker
Dr. Tonya Parris-Wilkins
Ms. Coleen Santa Ana
Ms. Alexis Swann

COMMITTEE MEMBERS ABSENT

Dr. Shantaram Talegaonkar, Chair
Mr. Andrew Florance

OTHERS PRESENT

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

CALL TO ORDER

Mr. Peter Farrell, Vice Chair, called the meeting to order at 7:45 a.m.

APPROVAL OF MINUTES

Mr. Farrell asked for a motion to approve the minutes of the December 10, 2021 meeting of the Audit, Integrity and Compliance Committee, as published. After motion duly made and seconded the minutes of the December 10, 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>.

Audit, Integrity and Compliance Committee Dashboard Measures

Karen Helderman presented the current status of the dashboard measures. Indicators for Data Security, ERM Program and Ethics and Compliance Program Oversight were yellow and other indicators were green.

Report from the Executive Director of Audit and Compliance Services

Karen Helderman gave an update on the fiscal year 2022 audit work plan completion.

Audit Update for Information

Karen Helderman reported the results of four recent audits involving Grants and Contracts, The Child Development Center, Operations and Services Agreements with the Health System and the School of Social Work. There were no Board level findings. Suzanne Milton, Chief Ethics and Compliance Officer provided an overview of compliance trends and discussed plans to benchmark and measure the effectiveness of training and communications on improving VCU's culture of integrity. She noted the volume of reported concerns is up seven percent over the same period last year and about ten percent of the individuals reporting concerns continue to express fear of retaliation. The campus-wide training currently underway is aimed at reminding everyone that VCU does not tolerate retaliation. Finally, Alex Henson, Chief Technology Officer, provided a technology update focused on four themes: IT Infrastructure Optimization, Hybrid University Transformation, Strategic Partnerships and Diversity and Inclusion in the IT Workforce.

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 **Section 2.2-3711 (A)(7) and (8)**, of the Virginia Freedom of Information Act for consultation with legal counsel pertaining to specific legal matters requiring legal advice by counsel and actual or probable litigation, where such consultation of briefing in open meeting would adversely affect the negotiating or litigating posture of the university, namely a survey of and status report on the university's positions in potential and current litigation in state and federal courts and other legal matters relating to pending investigations; and under **Section 2.2-3711 (A)(19)** for discussion of specific cybersecurity vulnerabilities and briefing by staff concerning actions taken to respond to such matters, specifically pertaining to human subjects research data and related IT processes.

RECONVENED SESSION

Following the closed session, the public was invited to return to the meeting. Mr. Farrell, Vice 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>
Mr. Peter Farrell, Vice Chair	X	
Mr. Keith Parker	X	
Dr. Tonya Parris-Wilkins	X	
Ms. Coleen Santa Ana	X	
Ms. Alexis Swann	X	

All members responding affirmatively, the motion was adopted.

ADJOURNMENT

Proposed Two Year Audit Workplan

FY23	FY24
Financial Aid SCHEV Reporting	Foreign Influence
Export Controls - Research	Student Organizations
ERM RMM Plan Evaluation	Federal Work Study Spending
Data Integrity - VCU Website	Course Substitution Process
Grade Change Process	Faculties and Administrative Cost Recoveries
Student-athlete name, image & likeness; Compliance Review	Faculty Workload
Budget Process - part 2	HR - Compensation and Classification
Record Destruction	VCU Card Office
Parking and Billing Analysis	Online Distance Learning Controls
Various Fiscal & Administrative Reviews	Various Fiscal & Administrative Reviews
IT Audits:	IT Audits:
Software Asset Inventory	Massey Cancer Center
Research Computing/High Performance Computing Security Review	Centers and Institutes Technical Review
Google G-Suite	Business Continuity Planning
School of Pharmacy	College of Humanities and Sciences
Tableau Security	Pyramed System Review
Axium System Review	Sunapsis System Review
Blackbaud CRM	Web Services and Applications Security Review

THREE YEAR WORKPLAN, ETHICS AND COMPLIANCE, AUDIT AND COMPLIANCE SERVICES
April 18, 2022

Program Structure/Resources <i>Theme: Refresh, Reevaluate</i>	FY 2023	FY 2024	FY 2025
EC Team	<ul style="list-style-type: none"> • Internal, external learning for team • Cross-training • Organizational member, ECI • SCCE Certification (Jones) 	<ul style="list-style-type: none"> • Continue internal, external learning • Partner with ECI to create higher education HQP assessment 	<ul style="list-style-type: none"> • Team fully cross-trained • Ongoing career development in EC • Adult Ed/Instructional Design MA (McQuillen)
EC Compliance Partners	<ul style="list-style-type: none"> • Restructure Compliance Advisory Committee • Document programs (“snapshot”) • Gap closure, support • Assess, review utility of accountability matrix 	<ul style="list-style-type: none"> • Snapshot of VCU compliance programs • CAC Steering Committee • Include compliance partners section in Annual Report • Environment, Social, Governance (ESG) support • Enhance accountability matrix 	<ul style="list-style-type: none"> • VCU EC Summary • BOV dashboard includes key compliance partner metrics • ESG issues in annual report • Comprehensive accountability matrix completed, updated ongoingly
EC Program Assessment	<ul style="list-style-type: none"> • Integrate prior action plan into 3-year plan 	<ul style="list-style-type: none"> • Complete ECI High Quality Program Assessment 2 	<ul style="list-style-type: none"> • Complete ECI HQP 3 for Higher Education
Culture <i>Theme: Leader focus, Leverage current metrics</i>	Year 1	Year 2	Year 3
Integrity Index	<ul style="list-style-type: none"> • Technical discussions • Consider historical data • Begin leader consultations • Create plan for 2023 survey 	<ul style="list-style-type: none"> • Deliver Integrity Index in 2023 Survey, target 10% improvement vs 2021 • Disseminate best practices in leader consultations • Partner with Grace Harris Leadership on EC content • Share benchmarking data with BOV, leaders 	<ul style="list-style-type: none"> • Target 10% improvement in Integrity Index for 2025 Survey • Continue best practice dissemination • Recognize successful leaders and teams
Assess incentives, discipline and performance management related to integrity	<ul style="list-style-type: none"> • Begin data analysis with Audit on leader PM • Study discipline outcomes by issue type, level 	<ul style="list-style-type: none"> • Consider actions with HR to support consideration of integrity in PM • Consider actions with leaders, HR to address any discipline inconsistencies 	<ul style="list-style-type: none"> • Deploy improved PM practices • Deploy improved discipline practices

Policies <i>Theme: Upgrade, Expand scope</i>			
System upgrade to DocTract	<ul style="list-style-type: none"> • DocTract implementation begins 	<ul style="list-style-type: none"> • Complete DocTract implementation 	
Expand, update scope of policies	<ul style="list-style-type: none"> • Evaluate attestation process, design enhancements • Assess policy gaps (e.g., FCPA, Supplier Code, ESG, Code of Conduct update) 	<ul style="list-style-type: none"> • Deliver attestation enhancements • Deliver new or updated policies as assessed from 2023 and ERM (Code of Conduct?) • Create directory of compliance expertise/monitoring by subject area 	<ul style="list-style-type: none"> • Deliver comprehensive annual attestation reminders, data, and documentation • Create system to share/update monitoring data
Develop and implement new policy and system for disclosing and tracking individual and institutional conflicts of interest	<ul style="list-style-type: none"> • Develop new interim policy and shepherd it through approval process • Pilot test disclosure system and policy in several schools, including manager training • Based on results, plan final policy and full disclosure system rollout in calendar 2023 	<ul style="list-style-type: none"> • Implement new COI policy • Roll out new disclosure system university-wide with employee and manager training • Develop aggregate reporting on COIs 	<ul style="list-style-type: none"> • Ensure smooth functioning of disclosure system and resolution process • Standardize aggregate reporting on COIs
Investigations/Accountability <i>Theme: Standards, Quality assurance, Training</i>			
Guidelines	<ul style="list-style-type: none"> • Update and disseminate investigative process guidelines to all university compliance partners 	<ul style="list-style-type: none"> • Measure/monitor investigative quality based on guidelines, provide feedback • Create/adopt an Investigator Code of Professional Conduct 	<ul style="list-style-type: none"> • Standardize investigative quality metrics
Quality assurance/Analytics	<ul style="list-style-type: none"> • Continue quality assurance work in all aspects of Convercent system, resolve any issues • Consider future enhancements to monitor possible retaliation against reporters by system and individual follow-up. • Begin root cause analysis on significant substantiated matters 	<ul style="list-style-type: none"> • Deliver Convercent user training • Deliver analytics on prevention/improvement by issue type (YOY) • Deliver analytics on retaliation (YOY) • Implement pilot of retaliation monitoring process • Continue expanding root cause analysis to all substantiated matters 	<ul style="list-style-type: none"> • Standardize prevention/improvement analytics • Standardize retaliation analytics • Standardize retaliation monitoring process • Standardize root cause analytics and reporting
Partner training	<ul style="list-style-type: none"> • Deliver investigations training to all personnel who conduct investigations at VCU 	<ul style="list-style-type: none"> • Continue investigations training annually 	<ul style="list-style-type: none"> • Continue investigations training annually

Add shared resource	<ul style="list-style-type: none"> • Develop justification and memo of understanding for shared resource investigator for Monroe Park/Health Sciences/ICO • Recruit for investigator to report into ICO as a shared resource for Monroe Park and Health Sciences campus matters • Deploy new resource for casework and training 		
Training and Communications <i>Theme: Refocus, Reengage, Innovate</i>			
Refocus and reengage with employees on ethics and compliance	<ul style="list-style-type: none"> • Create comprehensive internal EC training and communication calendar to hone messaging • Create and deliver monthly blog including key messages and case summaries • Make EC a presence at university events as appropriate (Technology Fair, Benefits Fair, field visits, etc.) 	<ul style="list-style-type: none"> • Continue comprehensive messaging 	
Support compliance partners in training and communication needs	<ul style="list-style-type: none"> • Provide support to compliance partners as requested on training and communication needs including feedback, design, upgrade of materials, strategies. 	<ul style="list-style-type: none"> • Continue comprehensive partner support in training, communications 	
Begin planning for future training enhancements	<ul style="list-style-type: none"> • Develop plans for 2023 and beyond to make training more targeted, engaging, effective, involving leaders • Consider partnering with SOTA or other university resource for creative work 	<ul style="list-style-type: none"> • Deliver enhanced 2024 EC training with scenario-based element and quiz/test or other assessment, involve/feature leaders • Continue various methods to deliver risk-based, targeted messages, guidance • Begin to build comprehensive compliance training plan by job category • Develop SOTA or other partnerships 	<ul style="list-style-type: none"> • Deliver 2025 EC training in new format with quiz/test/assessment, feature leaders • Deliver comprehensive compliance training plan by job category • Develop in-house library of training and other best practice tools for use by leaders, others • Continue, enhance SOTA or other partnerships

Risk Assessment Theme: Restart, Integrate			
Complete ICO Risk Assessment, Action Plan	<ul style="list-style-type: none">• Summarize CAC reported risks• Assess other missing EC risks• Share with Audit for 3-year plan• Action plan for any immediate compliance gaps	<ul style="list-style-type: none">• Complete any 2023 gap action plans, identify new• Standardize collection of risk data from CAC/Steering Committee• Integrate any risk assessment with ERM process• Share with Audit for plan	<ul style="list-style-type: none">• Standardize risk assessment process/output for EC risks, aligned with ERM• Share with Audit for plan• Complete any 2024 gap action plans, identify new
Participate, support ERM restart	<ul style="list-style-type: none">• Participate actively in ERM restart	<ul style="list-style-type: none">• ERM baseline completion• Align EC program with top risks	<ul style="list-style-type: none">• ERM standardized, EC participates and program aligns/changes with top risks

Virginia Commonwealth University
Audit, Integrity and Compliance Committee
Entrance Conference
May 12, 2022

1. APA audit team and resources

Project Manager – J. Michael Reinholtz (mike.reinholtz@apa.virginia.gov)

In-Charge – Chuck Schauvliege (chuck.schauvliege@apa.virginia.gov)

2. Audit timing – Our audit will cover the audit period July 1, 2021 through June 30, 2022. Our Office's workplan requires completion of the Universities that are material to the Commonwealth's Annual Comprehensive Financial Report (UVA, VCU, and VT) in the fall of each year.

3. Timeline of the audit completion – We will begin control and transaction testing in the late spring and will complete substantive testing during the summer and fall. We will also test the consolidation of the VCU Health System Authority and Foundations' financial information as part of the University financial statement audit process. Our anticipated deadline is November 2022.

4. Audit objectives – Our main audit objective is to provide an opinion on the University's financial statements. More specifically, our audit objectives include:

- Ensuring the financial statements present fairly the financial position, the changes in financial position, and the cash flows for the period under examination in conformity with accounting principles generally accepted in the United States;
- Determining whether the University has adequate internal control over financial reporting sufficient to mitigate the risk of material misstatements; and,
- Determining compliance with significant laws, grants, and provisions of contract agreements.

5. Statewide single audit support – Federal funding received by institutions in the Commonwealth of Virginia is subject to the Single Audit Act.

- Research and Development Cluster – audited in FY20
- Student Financial Assistance Program Cluster – audited in FY21
- Education Stabilization Fund – audited in FY21

6. Audit scope – We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University. We will issue a report on internal controls and compliance that will include any findings or recommendations that we identify as a result of the audit

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

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



Required Communications with the Board

Responsibilities during the audit process:

- **The Auditor's (APA) Responsibilities**

- **Overall Audit Objectives**

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audits contained in the *Government Auditing Standards*. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- **Audit Procedures-General**

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*.

- **Audit Procedures-Internal Control and Compliance**

Our audit will include obtaining an understanding of internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate in writing to management and those charged with governance any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants

- **Audit Procedures – Group Audits**

Our audit will include obtaining an understanding of the consolidated group, sufficient to assess the risks of material misstatement of financial information derived from significant components to design the nature, timing, and extent of further audit procedures, including the basis for the decision to make reference in our audit opinion to audits of significant components performed by other auditors.

- **Those charged with governance**

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

- **Management's Responsibilities**

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

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- As received, forward copies of each federal audit performed on agency or institution programs or activities to the Auditor of Public Accounts as required by Chapter 854 § 4-8.02 a. of the 2019 Virginia Acts of Assembly
- Informing the APA of any potential documents that are FOIA exempt
- Ensuring that financial information is reliable and properly recorded
- Making all financial records and related information available to the APA
- Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
- Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information
- Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
- Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
- For Group audits, management is responsible for the following:
 - Informing the component's management of any matter that the group engagement team becomes aware that may be significant to the financial statements of the component, but of which component management may be unaware.
 - Implementing procedures to determine if there are subsequent events for components through the APA's audit report date.

- Implementing procedures to identify and disclose the component's related parties and related party transactions.
 - Implementing policies and procedures related to the consolidation of group financial information.
- **Audit, Integrity and Compliance Committee**
 - Communicate with APA about audit scope
 - Communicate with management and internal audit regarding progress
 - Receive reports and findings from management and external audit

Other Elements of the audit process:

- **Overall planned scope of the audit**
 - **Approach to internal control** – We review internal controls to identify those areas where we can replace substantive testing with transactional testing. We look for management to have written formal policies and procedures and check for the implementation of those procedures.
 - **Concept of materiality** – We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University.
- **Identification of potential fraud risks**
 - **Approach to fraud** – Most of our audit is focused on our opinion on the financial statements and materiality. Our primary interest related to fraud would be in how it may affect the financial statements and those controls that the financial statements rely upon. The audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we review policies and procedures for fraud risk and may direct our testwork towards addressing fraud risk.
 - **Responsibility for identifying fraud risks and fraud** – Auditing standards require us to assess fraud risk, interview management and staff about their knowledge of fraud and fraud risk, and review exceptions for indications of possible fraudulent transactions. Auditors should be looking for red flag fraud indicators. Even though government entities are not always profit oriented, the auditors remain vigilant about financial statement fraud.
 - **Report fraudulent transactions as required by Code of Virginia § 30-138** Agencies are responsible for reporting circumstances that suggest a reasonable possibility that a fraudulent transaction has occurred involving funds or property under their control, where an officer or employee of the state or local government may be involved. Items should be reported to the Auditor of Public Accounts, the State Inspector General, and the Superintendent of State Police.
- **Audit Reporting**
 - We will issue a written report upon completion of our audit of the University's financial statements. We will make reference to the Component Auditor's audit of the Health System Authority, and the University's Foundations in our report on the University's financial statements. Our report will be addressed to the Board of Visitors of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter

paragraph(s). If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

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

AUDIT, INTEGRITY, AND COMPLIANCE COMMITTEE

DASHBOARD MEASURES

INFORMATION TECHNOLOGY GOVERNANCE - DATA INTEGRITY



DATA GOVERNANCE PROGRAM (development of program)



Program progressing successfully

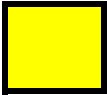


Barriers / challenges encountered that may have an impact on issue resolution or implementation. Executive Council to resolve challenge.



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

We have not detected any security incidents related to inadvertent data disclosure since our last meeting, and while we have detected and responded to a number of intrusion attempts, no instances of successful ransomware deployment or data theft have been detected.

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. 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. For example, the number of phishing attempts we received in March, 2022 is almost double that of March, 2021. Continuous simulated phishing exercises and awareness training continue to be effective mitigation methods as we have little to no clicks in the simulations and no repeat offenders.

Adding the use of the VCU Data Management System as a required step in the Human Subject Research protocol submission process has provided more clarity to the research community on available and appropriate technology provided through the university for research information handling. Significant efforts continue in the collaboration with the Office of the Vice President for Research and Innovation to better support research computing and the use of data.

VCU is currently working through renewing our cyberliability insurance. Given changes in the IT Security environment, the requirements to obtain insurance are more stringent and premium costs will likely increase. There are also changes to the Gramm-Leach-Bliley Act (GLBA) that will add additional security standards and reporting requirements. We are analyzing these now and while we do not see significant gaps in our capability to comply, we will need to change some practices/procedures.

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.

Risk Mitigation and Management Plans (RMMP) are up to date (FY22) and the ERM Steering Committee approved the draft risk appetite statement in FY22. Approval of the risk ranking overall is behind schedule, the initial survey for risk ranking was not broad enough. New members in DEI; SEMS; and OVPRI are being on-boarded and RMMPs developed or revised. Once complete in July, a new risk ranking survey will be sent to cabinet members and risk owners. The risk appetite statement and ranking presentation to Cabinet will follow in September 2022. Of note, the ERM Steering committee will only meet twice in FY22 (rather than four times as required by charter).

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



No known material noncompliance; or ownership and accountability for compliance risks are established and operating at explicitly or implicitly approved levels of risk tolerance or appetite

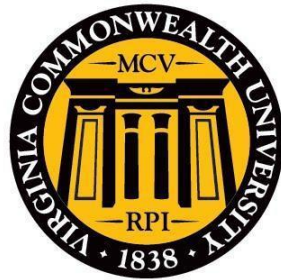


Challenges encountered that have an impact on visibility, verification, strategy implementation or resolution



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.



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

Steam Plant Billing and Allocation

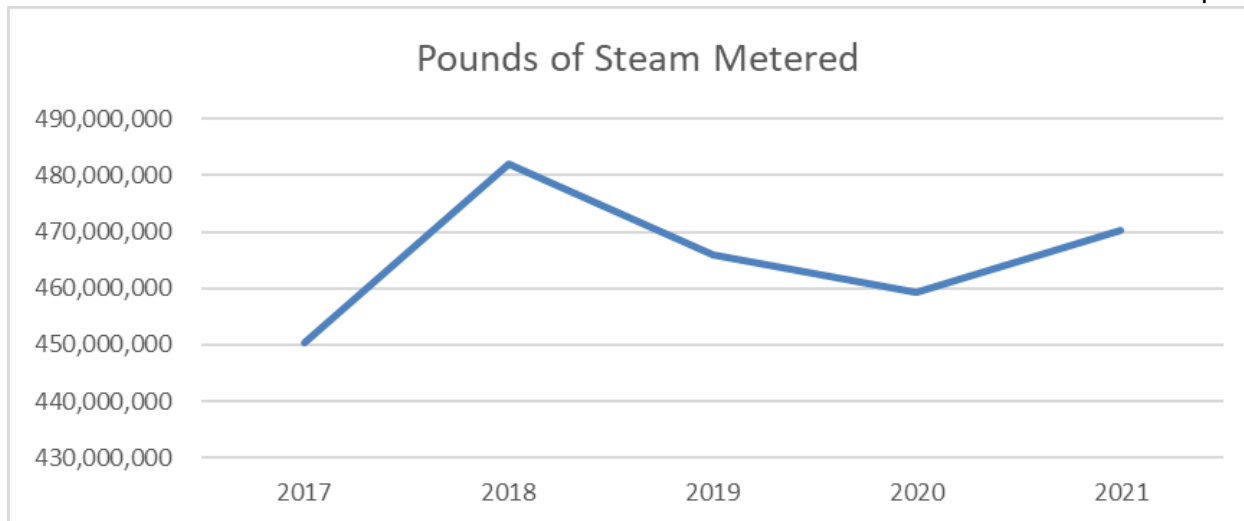
Final Report
April 14, 2022

Audit and Compliance Services

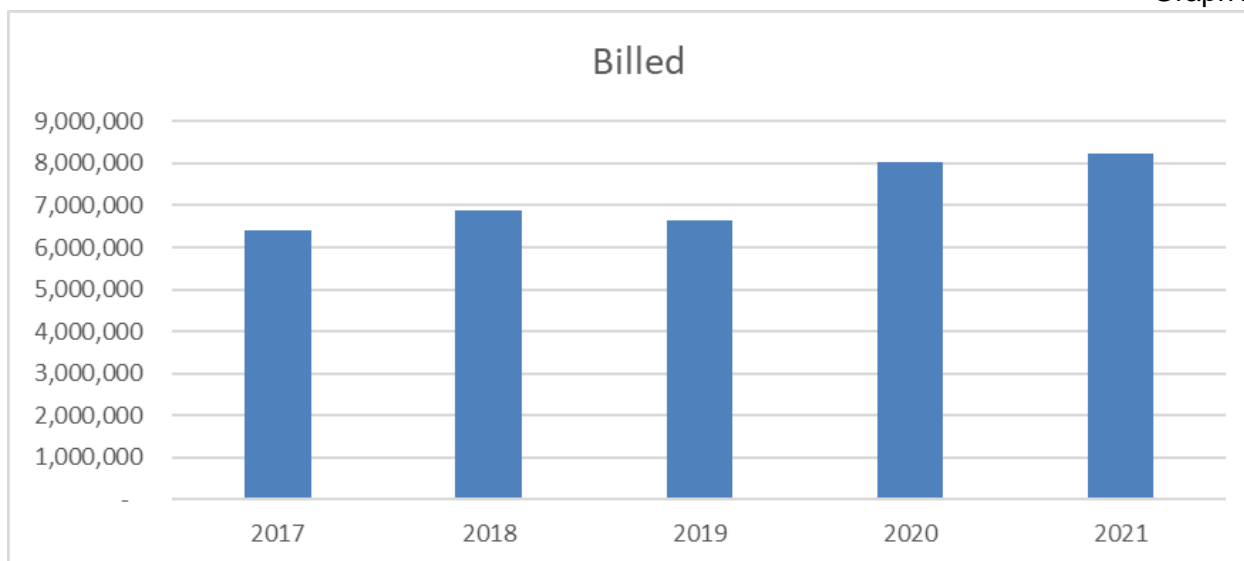
Overview

The steam plant operates within the Facilities Management Engineering and Utilities department and provides steam for VCU Health, the Monroe Park Campus, and several independent entities outside VCU. As an auxiliary enterprise, it is responsible to operate within budget, and to establish reserves according to State Council of Higher Education for Virginia (SCHEV) and VCU Controller guidelines. In the past five fiscal years ending in fiscal year 2021, the steam plant delivered an average of 465.6 million pounds of steam per fiscal year (Graph 1), billing an average revenue of \$7.2M per fiscal year (Graph 2).

Graph 1



Graph 2



Source: Engineering and Utilities (unaudited)

Steam usage can vary from year to year depending on factors such as building usage and weather. Likewise, billing revenue can vary and there is not a direct correlation to steam usage since the cost to produce the steam can rise and fall depending on economic conditions. For example, steam usage fell in the last half of fiscal year 2020 due to reductions in building occupation amidst VCU's response to the COVID-19 pandemic, resulting in lower volume of steam metered. However, steam rates increased during the same period from \$14.25 to \$17.50 per thousand pounds, yielding an overall increase in billing revenue.

Rates and Reserves Calculations

The Director of Engineering and Utilities (Director) determines steam billing rates and reserves utilizing inputs from Facilities Management sources. Steam is billed per thousand pounds of steam metered. While rate calculation methods are not mandated by a policy statement, the Director bases billing rates on historical natural gas and other costs.

Purpose

The objective of the audit was to determine whether Steam Plant billing and allocation processes were satisfactory.

Scope and Audit Procedures

Our scope of the audit of Steam Plant Billing and Allocation encompassed fiscal year 2021 and focused on whether:

- Reserves were calculated and maintained according to SCHEV and VCU Controller's repair, replacement and renovation reserve policies
- Steam plant billing rates were determined based on a supportable rationale, include complete and documented costs, and were consistently allocated for all users
- VCU steam customers reviewed and understood steam billing methods and verified billing rates and usage

Our audit procedures included:

- Interviews with the Director of Engineering and Utilities to gain an understanding of processes of determining steam rates and reserves, as well as Facilities Management Division Financial Services directors to gain an understanding of billing processes
- Examining historical and current data on metered usage and billed amounts
- Evaluating calculations of billing rates and reserves, including projected calculations, and documentation supporting calculations
- Verifying whether billing rates were applied consistently among customer types

Conclusion

In our opinion, Steam Plant billing and allocation processes were satisfactory. A detailed recommendation to strengthen Steam Plant rate and reserve calculations 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:

Michael Trzesniowski	Director, Engineering and Utilities
Richard Sliwoski	Associate Vice President, Facilities Management Division
Meredith Weiss	Vice President Administration

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

VCU Libraries

Internal Controls Compliance Review

Final Report

March 28, 2022

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: March 28, 2022

Subject: Internal Controls Compliance Review of VCU Libraries















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

There is one management issue to strengthen financial and administrative processes.










Internal Controls Compliance Assessment Dashboard

Audit name:	VCU Libraries
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Reason for audit:	Provide management with assurance that selected financial and administrative processes are 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. Financial Dashboard Certifications or Banner Reconciliations 2.1. Certifications and reconciliations were performed monthly or as required by the fiscal Administrator's Handbook 2.2. Certifications and 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 (these are change fund, by nature more than one person has access to the funds) 4.3. Monthly and annual reconciliations performed timely 4.4. Annual Trainings had been completed by the custodian, dean/department head or designee	   
5. Purchases – 5.1. Purchases had a valid business purpose and are reasonable 5.2. There was adequate documentation to support emergency or sole source purchases 5.3. Purchases >\$10,000 go through Procurement Services for review and approval	  





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

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 appropriate forms filled out 10.4. All HEETF purchases 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 timely, thoroughly and identified issues were addressed timely 11.3. Supporting documentation for unit testing is 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) administered or supported by central IT through a SLA 12.4. Signed copy of the Service Level Agreement with Technology Services 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 are included on following page

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 required.
 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.



VCU

VIRGINIA COMMONWEALTH UNIVERSITY

School of Business

Internal Controls Compliance Review

Final Report
April 21, 2022

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, Audit and Compliance Services

Date: April 21, 2022

Subject: Internal Controls Compliance Review of VCU School of Business

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












The report does not contain issues or recommendations.
























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










Internal Controls Compliance Assessment Dashboard

Audit name:	VCU School of Business
--------------------	------------------------

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

Conclusion by Process	Risk Rating
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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 NA – School does not currently operate petty cash funds 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	N/A N/A N/A N/A
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	   





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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.

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N/A	<ul style="list-style-type: none"> • Function is not applicable to the reviewed department/division.

Audit and Management Services
Status of Fiscal Year 2021-2022 Audit Work Plan
April 29, 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
Steam Plant Billing & Allocation	Completed
Physical Access Management (CBORD)	Completed
Various Fiscal & Administrative Reviews	In Progress
Unused Scholarships	In Progress
SOC Reports - Integrated	In Progress
External Memorandums of Understanding	In Progress
Banner Controls – AP and General Ledger	In Progress
Third-Party Management/SOC Reports	In Progress
Titanium System Review	In Progress
Various Petty Cash Audits	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
April 29, 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	Completed
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 – 1; Closed – 1
<u>Other Projects</u>	
False Unemployment Claim Filings	Completed



Board of Visitors
Audit, Integrity and Compliance Committee

May 12, 2022



VCU

Approval of Minutes

- Audit, Integrity and Compliance Committee Meeting held on March 21, 2022
- Motion to approve the Minutes



Risk Assessment Process

- FY21 effort generated FY22 - FY24 work plan
- Work plan reviewed and revised annually to reflect newly identified risks
- Board approves audit plan each May for next fiscal year

Proposed FY23 Audit Plan

Engagement Type	FY 2023
<i>Risk Based Audits and Other Reviews</i>	Financial Aid SCHEV Reporting Export Controls - Research ERM Risk Mitigation Plan Evaluation Data Integrity - VCU Website Grade Change Process Athletics - Name, Image, Likeness Compliance Review Budget - Part 2 Record Destruction Parking Billing and Reserves
<i>Internal Control Compliance Reviews</i>	Various Fiscal and Administrative Reviews
<i>Information Technology</i>	Software Asset Inventory Research Computing/High Performance Computing Security Review Google G-Suite School of Pharmacy Tableau Security Axium System Review Blackbaud CRM
<i>Annual Engagements</i>	Presidents Discretionary Fund Police Evidence Room - Twice a Year Follow-Up on Outstanding Recommendations Risk Assessments IT Strategic Management

FY23 Proposed Audit Work Plan

Engagements	5,600
Annual Audits/Projects (President's discretionary account, police evidence room, follow-ups, risk assessment)	1,650
Other Projects (Management requests, special projects, investigations, workpaper system)	<u>2,450</u>
Total Hours	<u>9,700</u>

Ethics & Compliance FY2023 Workplan Highlights

Program Structure/Resources: *refresh, reevaluate*

- Restructure Compliance Advisory Committee
- Support compliance partners in documenting programs and closing gaps

Culture: *new metrics, leader focus*

- Calculate historical Integrity Index, consult with leaders on methods to improve
- Create plan to include in 2023 Culture/Climate survey

Policies: *upgrade system, expand scope*

- Implement new policy management system, workflow
- New integrated Conflicts of Interest policy, electronic disclosure system pilots and roll-out

Ethics & Compliance FY2023 Workplan Highlights

Investigations/Accountability: *standards, quality, training*

- Update & disseminate investigative process guidelines to university compliance partners
- Investigative training for all university personnel who conduct investigations

Training and Communications: *refocus, reengage, innovate*

- Create/deliver monthly blog including key messages, case summaries based on real VCU cases
- Develop & execute plans for more targeted, effective and engaging training tools

Risk Assessment: *restart, integrate*

- Complete assessment of ethics and compliance risks, share with audit & assess gaps
- Participate in Enterprise Risk Management restart

Auditor of Public Accounts

VCU FY2022 Audit Entrance Conference

Mike Reinholtz, Audit Director

- Timing, objectives, scope
- Responsibilities during the audit process
- Other elements of the audit process



Committee Dashboard Measures

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



VCU Steam Plant Billings and Allocations



- Audit scope:
 - Reserves were calculated according to SCHEV and VCU Controller policies
 - Billing rates were determined based on supported rationale
 - VCU steam customers verified billings rates and usage
- Conclusion:
 - VCU Steam Plant billing and allocation processes are operating effectively
 - No Board level findings



Internal Control Compliance Reviews



VCU Libraries

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

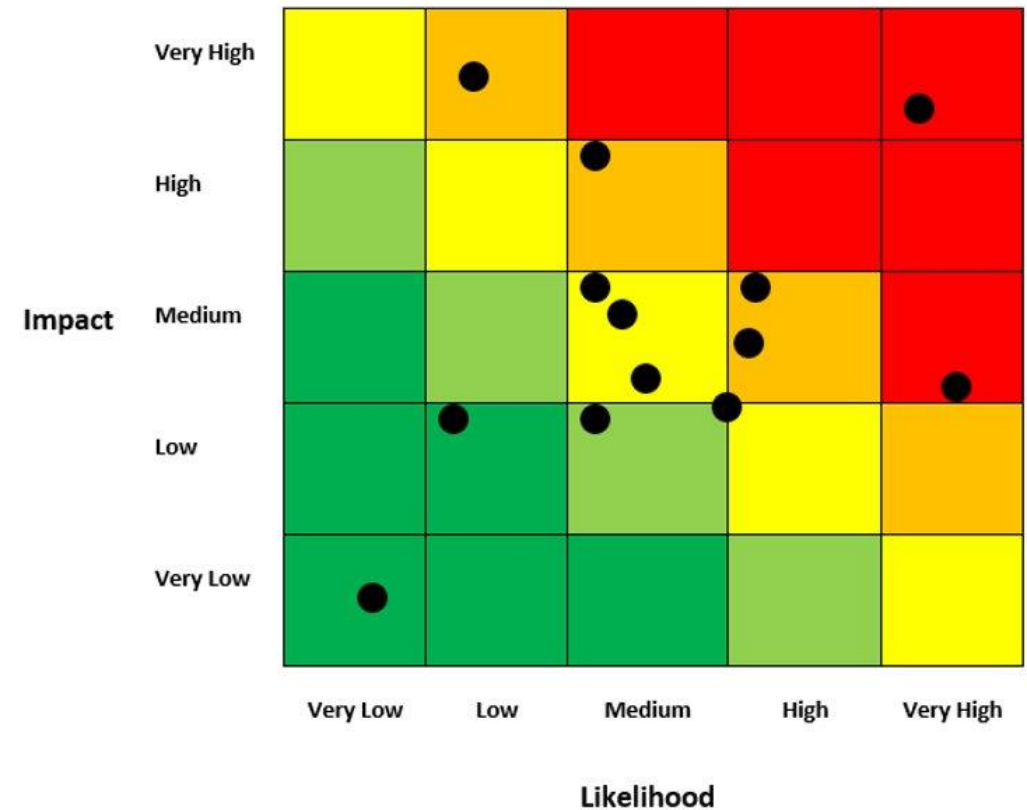
School of Business

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

Enterprise Risk Management Steering Committee Update

Tom Briggs

AVP Safety and Risk Management



ERM Steering Committee Update

Tasks Completed:

- Updated Risk Mitigation and Management Plans (RMMPs)
- Approved draft risk appetite statement
- On-board new members: DEI, SEMS and OVPRI (ongoing)

Next Steps:

- New risk ranking survey will be sent to cabinet members and risk owners.
- Present the risk appetite statement and rankings to the Cabinet for approval

ERM Steering Committee Update

Timeline:

- July – August: New risk ranking survey will be sent to cabinet members and risk owners.
- September - Risk Appetite Statement and ranking presentation to Cabinet.

Closed Session

