

## MEMORANDUM

TO: Board of Visitors Audit and Compliance Committee

Jerri F. Dickeski, Chair  
Jay Harris, Vice Chair  
Lisa B. Smith (*ex-officio*)  
Kay A. Kemper (*ex-officio*)  
Carlton F. Bennett  
R. Bruce Bradley  
Robert S. Corn

FROM: Greg DuBois  
Vice President for Administration and Finance

DATE: September 9, 2019

SUBJECT: Meeting of the Committee, September 19, 2019

The Board of Visitors Audit and Compliance Committee will meet on Thursday, September 19, 2019, from 8:00-9:00 a.m. in Committee Room A (Room 2203) of Kate and John R. Broderick Dining Commons. The agenda for the meeting is noted below.

### AGENDA

- I. Approval of Minutes – The Committee will consider a motion to approve the minutes of the Audit and Compliance Committee meeting held on Thursday, June 13, 2019.
- II. Report from the Independent External Assessor – William H. Cole, Jr., will brief the Committee on the External Quality Assurance Review of the University Audit Department.
- III. Report from the Chief Audit Executive – Amanda Skaggs
  - A. Committee Charter – Discussion of Responsibilities
  - B. Internal Quality Assurance Improvement Program
    1. FY2019 Program Results
    2. Annual Independence Confirmation

3. Proposed Revisions to Board of Visitors Policy 1610 – Charter of the University  
Audit Department
- C. Presentation of Completed Audit Reports
1. Institutional Scholarships
  2. Study Abroad
  3. College of Health Sciences
  4. Payment Card Industry Compliance
- D. Status of Open Audit Issues
- E. Discussion of Open Audit Reports
1. Design and Construction
  2. Office of the President Annual Engagement
  3. Active Directory
  4. NCAA Compliance – Financial Aid
  5. Office of Research
  6. Information Technology Services
  7. Police Department
  8. Academic Affairs
  9. Payroll Benefits
  10. Other Audit Activities

# EXECUTIVE SUMMARY

The *International Standards for the Professional Practice of Internal Auditing* requires that an external quality assessment (QA) of an internal audit activity must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the QA process. The QA can be accomplished through a full external assessment or a self-assessment with independent validation.

The chief audit executive (CAE) discussed the form and frequency of the QA, as well as the independence and qualifications of the external assessor from outside the organization, including any potential conflicts of interest with the board. Upon consultation and agreement by the board, the University Audit Department of Old Dominion University conducted a self-assessment of its internal audit activity (IA) and engaged William H. Cole, Jr. as the qualified, independent external assessor to conduct a validation of the self-assessment.

Based on the self-assessment, it is our overall opinion that the University's Audit Department generally conforms to the *Standards* and Code of Ethics. This opinion was confirmed by the independent assessor. During the self-assessment and validation process the audit department and assessor identified several positive contributions, and the independent assessor identified opportunities for improvement and enhanced business practices that will strengthen the effectiveness of the department. Details of these positive observations and opportunities for improvement are included in this report in the sections titled: Detail – Successful Internal Audit Practices and Detail – Opportunities for Continuous Improvement.

## **Opinion as to Conformance with the *Standards* and the Code of Ethics**

**It is our overall opinion that the University Audit Department generally conforms with the *Standards* and the Code of Ethics.** A detailed list of conformance with individual standards and the Code of Ethics is shown in attachment A.

The IIA's *Quality Assessment Manual for the Internal Audit Activity* suggests a scale of three rankings when opining on the internal audit activity: "Generally Conforms," "Partially Conforms," and "Does Not Conform." The ranking of "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics. "Partially Conforms" means that deficiencies in practice are noted that are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does Not Conform" means that deficiencies in practice are judged to deviate from the *Standards* and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities. A detailed description of conformance criteria can be found in attachment A.

## **Objectives, Scope, and Methodology**

### **Objectives**

- The principle objective of the QA was to assess IA's conformance with the *Standards* and the Code of Ethics.
- IA also evaluated its effectiveness in carrying out its mission (as set forth in the internal audit charter and expressed in the expectations of ODU's management); and identified successful internal audit practices demonstrated by IA.
- An external independent assessor ("assessor") validated the results of IA's self-assessment. The main focus was to validate the conclusion of IA related to conformance with the *Standards* and the Code of Ethics. The independent assessor also reviewed IA observations related to successful internal audit practices and offered opportunities for continuous improvement.

### **Scope**

- The scope of the QA included IA, as set forth in the internal audit charter and approved by the board, which defines the purpose, authority, and responsibility of IA.

- The QA was concluded on July 31, 2019 and provides senior management and the board with information about IA as of that date.
- The *Standards* and the Code of Ethics in place and effective as of May 1, 2019, were the basis for the QA.

## **Methodology**

- IA compiled and prepared information consistent with the methodology established in the *Quality Assessment Manual for the Internal Audit Activity*. This information included completion of detailed planning guides, together with all supporting documentation; an evaluation summary, documenting all conclusions and observations; and the self-assessment report by the IA.
- IA identified key stakeholders (IA staff, senior management and the board, and the external auditors) and sent surveys to each individual identified. Responses were tabulated with confidentiality by the assessor. Survey results were shared with IA during their self-assessment process.
- Prior to commencement of the on-site validation portion of the IA self-assessment, the assessor held a preliminary meeting with IA to discuss the status of preparation of the self-assessment, identification of key stakeholders to be interviewed during the on-site validation, and finalization of logistics related to the QA.
- To accomplish the objectives, the assessor reviewed information prepared by IA and the conclusions reached in the QA report. The assessor also conducted interviews with selected key stakeholders, including the audit and compliance committee chair, senior executives of ODU, the external auditor, and IA management and staff; reviewed a sample of audit projects, associated workpapers and reports; reviewed survey data received from ODU stakeholders, IA management and staff; and prepared assessment tools consistent with the methodology established for a QA in the *Quality Assessment Manual for the Internal Audit Activity*.
- The assessor prepared an “Independent Validation Statement” to document conclusions related to the validation of IA’s self-assessment. This statement is included as attachment B to this report.

## Summary of Observations

IA operates in a well-structured and progressive environment, where awareness and understanding of the *Standards* is promoted. The Code of Ethics is effectively applied, and management endeavors to provide useful audit tools and implement appropriate practices. Observations made and detailed below are intended to build on this foundation.

Observations are divided into three categories:

- **Successful Internal Audit Practices** – These are areas where IA is operating in a particularly effective or efficient manner when compared to the practice of internal auditing demonstrated in other internal audit activities. The identification of these items is intended to provide IA stakeholders with a view on items IA is doing in a leading practice manner. Leading and exemplary practices in effect are summarized below and more details are provided in the Detail – Successful Internal Audit Practices section of this report:
  - Standard 1000 – Purpose, Authority, and Responsibility – The internal audit charter is comprehensive and contains the mandatory elements of the International Professional Practices Framework.
  - Standard 1200 – Proficiency and Due Professional Care - The department is known to possess many years of audit experience and extensive knowledge of the institution’s operations. Continuing professional education is highly valued for gaining knowledge and awareness for developing new skills.
  - Standard 2200 – Engagement Planning – A library of standardized work plan steps and work paper templates has been implemented to assist in ensuring that each engagement’s objectives, scope, and resources are identified during planning.
  - Standard 2500 – Monitoring Progress – The documentation and reporting of open action items is robust and utilizes a formal electronic tracking system.
  - Standard 2600 – Communicating the Acceptance of Risks – A university

level policy approved by the President establishes the expected course of action if management chooses to accept risk in lieu of taking IA recommended actions.

- **Gaps to Conformance** – No gaps to conformance with the *Standards* or Code of Ethics were identified.
- **Opportunities for Continuous Improvement** – Observations of opportunities to enhance the efficiency or effectiveness of IA’s infrastructure of processes. These items do not indicate a lack of conformance with the *Standards* or the Code of Ethics, but rather offer operational recommendations obtained while working with other internal audit activities. Opportunities for continuous improvement identified are summarized below and detailed in the Detail – Opportunities for Continuous Improvement section of this report along with Internal Audit’s response and action plan to address each opportunity noted:
  - The Audit and Compliance Committee should consider the use of executive sessions with the Chief Audit Executive.
  - The CAE should work with Executive Management and the Audit and Compliance Committee to determine the opportunity to provide administrative support to the University Audit Department.

# **OLD DOMINION UNIVERSITY AUDIT AND COMPLIANCE COMMITTEE CHARTER**

## **PURPOSE AND AUTHORITY**

To assist the Board of Visitors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control, the internal and external audit processes, and the University's process for monitoring compliance with laws and regulations and the code of ethics. In so doing, it is the responsibility of the Committee to maintain free and open communication among the Committee, independent auditors, the internal auditors, Compliance Advisory Committee, and management of the University. The Committee has such authority as is provided for in the Code of Virginia, the Board Bylaws and as assigned by the Board as a whole.

## **COMPOSITION**

The Audit and Compliance Committee will consist of five members of the Board of Visitors. Committee members and the chair shall be appointed through the normal processes as defined in the Board Bylaws. Members of the Audit and Compliance Committee should have some basic knowledge of generally-accepted accounting procedures and financial reporting and controls. Members of the Audit and Compliance Committee may serve on the Administration and Finance Committee; however, a majority of the Audit and Compliance Committee may not serve on the Administration and Finance Committee. The Chair should also not serve on the Administration and Finance Committee.

## **MEETINGS**

Meetings of the Committee will occur in conjunction with regular meetings of the Board of Visitors, which happen no less frequently than four times each year on such dates and in such places as may be set by the Rector and the Board of Visitors. The Committee will have the authority to convene additional meetings as circumstances require. All committee members are expected to attend each meeting — in person or via teleconference or videoconference. The committee will invite members of management, auditors, or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared and distributed in advance of subsequent meetings.

## **RESPONSIBILITIES**

The Committee's general responsibilities are as defined in Section 4.02 (d) of the Board Bylaws:

“The Committee is responsible for (1) oversight of financial reporting and financial statement matters and any critical accounting and reporting issues; (2) reviewing annually the audited financial statements with the external auditors, determining that the administration has been open and has acted in good faith in



connection with the audit; (3) oversight of the internal audit function, including receiving reports and approval of the annual audit plan; and (4) oversight of the University's compliance function."

More specifically, the below are some of the duties of the committee:

### **Financial Statements**

- Receive entrance and exit communications with the external auditors regarding their annual audit of the University, and any other communications as necessary.
- Review with management and the external auditors the results of the audit, including any difficulties encountered.

### **Internal Control**

- Consider the effectiveness of the University's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Determine whether internal control recommendations made by internal and external auditors have been implemented by management.

### **Internal Audit**

- Review with management and the University Auditor the charter, plans, activities, staffing, and organizational structure of the internal audit function.
- Approve annual internal audit plans.
- Periodically review and update the internal audit function's audit charter.
- Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the Chief Audit Executive.
- Review the effectiveness of the internal audit function, including compliance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. This includes receiving the results of periodic peer reviews conducted on the internal audit function.
- Review the results of significant audit activities, audit reports, and management responses, and ensure the Committee is informed about fraud, illegal acts, deficiencies in internal control and other audit-related matters.
- Monitoring the adequacy and timeliness of corrective actions taken in response to audit activities.
- On an as needed basis, meet separately with the Chief Audit Executive to discuss any matters that the committee or internal audit believes should be discussed privately.

### **External Audit**

- Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing standards.
- Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- Monitor audits performed by the external auditors.

- On an as needed basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### **Compliance**

- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies and any auditor observations.
- Review the process for communicating the code of ethics to University personnel and for monitoring compliance therewith.
- Obtain regular updates from management, internal audit, the compliance function and University legal counsel regarding compliance matters.

### **Reporting Responsibilities**

- Regularly report to the Board of Visitors about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board of Visitors.

### **Other Responsibilities**

- Perform other activities related to this charter as requested by the Board of Visitors.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

**NUMBER:** 1610

**TITLE:** Charter of the University Audit Department

**APPROVED:** November 14, 1981; Revised May 15, 1982; Revised April 5, 1990; Revised September 13, 2002; Revised June 17, 2010; Revised June 12, 2014; Revised September 24, 2015; Revised September 21, 2017; Revised September 20, 2018

### Purpose and Mission

The purpose of Old Dominion University's internal audit activity is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice and insight. The internal audit activity helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

This charter as adopted herein will serve as a guide for the activities of the University Audit Department at Old Dominion University. This charter does not include, nor is it intended to include, all of the department's duties or responsibilities as they may exist from time to time.

### Objectives and Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examination of evidence for the purpose of providing independent assessments to the Audit **and Compliance** Committee and management on the adequacy and effectiveness of governance, risk management and control processes for Old Dominion University.

1. Evaluating financial and operating procedures for adequacy of internal controls and providing advice and guidance on control aspects of new policies, systems, processes and procedures;
2. Ascertaining the extent of adherence, by the University and its employees, to established policies, plans, and procedures, and compliance with state and federal laws and regulations;
3. Determining whether resources and assets are acquired economically, and protected adequately;
4. Determining the propriety and accuracy of financial transactions and data;
5. Working with management to identify opportunities for process improvements, cost savings and revenue enhancements;
6. Evaluating the accuracy, security, effectiveness and efficiency of the University's information technology and processing systems;

7. Evaluating the effectiveness and efficiency of operations and programs along with determining whether the results of operations or programs are consistent with established goals and objectives;
8. Assisting in the education and training of employees in University policies and procedures, as well as the need for and characteristics of strong internal controls;
9. Assisting management in the deterrence of fraud and investigating any instances of such activity discovered at the University; and
10. Coordinating audit efforts with the Auditor of Public Accounts and other external auditors.

### Standards for the Professional Practice of Internal Auditing

The Institute of Internal Auditors, Inc., an international organization dedicated solely to the advancement of the internal auditing profession, has adopted "The International Professional Practices Framework (IPPF)." The four mandatory elements of the IPPF are the core principles for the professional practice of internal auditing, definition of internal audit, Code of Ethics, and the International Standards for the professional practice of internal auditing (Standards).

The University Audit Department will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework. The Chief Audit Executive will periodically report to senior management and the Audit and Compliance Committee regarding the internal audit activity's conformance to the Code of Ethics and the *Standards*.

### Reporting and Responsibilities

The University Audit Department is functionally accountable and reports to the Board of Visitors through the Audit and Compliance Committee. The Chief Audit Executive will meet with the Audit and Compliance Committee at each of the scheduled quarterly Board meetings.

The Department reports administratively to the President's Office and works with the President or through a designated representative for the purpose of the day-to-day operations.

The Chief Audit Executive shall have direct access to the President and to the Audit and Compliance Committee of the Board of Visitors in any instance where the Chief Audit Executive believes that such access is needed to fulfill the stated objectives of the department.

The Chief Audit Executive shall periodically report to senior management and the Audit and Compliance Committee of the Board of Visitors regarding:

1. The department's purpose, authority and responsibility.
2. Risk-based audit plan and performance relative to the plan along with any adjustments needed to the plan.
3. Conformance with the IIA's Code of Ethics and *Standards*, and action plans to address any significant conformity issues.

4. Significant risk exposures and control issues to include fraud, governance issues and other matters requiring the attention of, or requested by, the Audit and Compliance Committee.
5. Results of audit engagements and other activities.
6. The propriety of any limitations on the scope of internal audits that may be imposed by University management.
7. Resource requirements.
8. Any response to risk by management that may be unacceptable to the University.

As used herein, the term "external" shall refer to representatives of or the activities of the Auditor of Public Accounts for the Commonwealth of Virginia, individual certified public accountants (the "CPA") and auditors from organizations, governmental or commercial, outside the University.

Code of Virginia §2.2-307 et seq., established the Office of the State Inspector General (OSIG) effective July 1, 2012, and charged the office with providing services in three core areas: (1) investigating complaints alleging fraud, waste, abuse, or corruption; (2) conducting performance reviews of executive branch agencies; and (3) coordinating and requiring standards for internal audit programs existing as of July 1, 2012, and developing and maintaining other internal audit programs. As the OSIG is required to coordinate and require standards for those internal audit programs, ODU's University Audit Department will adhere to any OSIG directives.

#### Authority

The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with, the Audit and Compliance Committee, including private meetings without management present.

The Audit and Compliance Committee authorizes the internal audit activity to:

Have full, free, and unrestricted access to all university activities, property, personnel, and records which are relevant to fulfillment of the department's mission to the University.

- It is understood that certain items of the university are confidential in nature and special arrangements will be made when examining and reporting upon such items.
- Allocate resources, set frequencies, select subjects, determine scope of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Old Dominion University, as well as other specialized services from within or outside of the University, in order to complete the engagement.

## Independence and Objectivity

The University Audit Department shall be free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. The University Audit Department shall be free from control or undue influence in the determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination.

If the Chief Audit Executive determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the appropriate parties. The Chief Audit Executive will disclose to the Audit and Compliance Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

## System Planning and Development

The University Audit Department will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer-based and manual systems to ensure that:

1. Adequate controls are incorporated in the system;
2. A thorough testing of the system is performed at appropriate stages;
3. System documentation is complete and accurate; and
4. The intended purpose and objective of the system implementation or modification has been met.

The internal auditor participating in such a review should ensure that the extent of participation does not affect independence, thus suggested audit trails or other controls will be transmitted through formal correspondence.

## Responsibility for the Detection of Errors or Irregularities

The staff of the University Audit Department have a professional responsibility to conduct reviews with an attitude of professional skepticism, recognizing that the application of internal auditing procedures may produce evidential matter indicating the possibility of errors or irregularities.

If the internal audit staff believe that an error or irregularity may exist in an area under review or in any other area of the university, the Chief Audit Executive shall be notified at once. The Chief Audit Executive should consider the implications of such an error or irregularity and its disposition with the President and/or the President's designated representative. If the Chief Audit Executive believes that both of the individuals are directly involved, then the disclosure of potential errors or irregularities should be made directly to the chairman of the Audit and Compliance Committee of the Board of Visitors.

The University Audit Department cannot be solely responsible for the detection and prevention of all errors and irregularities which may occur within the university. This is a responsibility shared by all members of the university management team.

## Coordination of External Auditors

The Chief Audit Executive is responsible for coordinating the audit efforts of the University Audit Department with those of the Auditor of Public Accounts for the Commonwealth of Virginia and other external auditors that have business with the University. This coordination of audit efforts should be in the planning and definition of the scope of proposed audits so the work of auditing groups is complementary and will provide a comprehensive, cost-effective audit.

## Audit Plan

Each year, a proposed detailed audit plan for the next fiscal year will be submitted to the Audit and Compliance Committee. Upon approval of the plan by the Committee, audits will be initiated pursuant to the plan.

A block of time will be set aside for unexpected audits, special request audits and consulting, and cases received from the Commonwealth's fraud, waste and abuse hotline. In excess of this, any additions to the plan will require written documentation as to the need for such additions with final approval for the request being made by the President and Committee.

A copy of all approved revisions to the audit plan will be submitted to the President and the Audit and Compliance Committee.

## Audit Reports

At the conclusion of each audit, the department or activity audited will be provided an opportunity to respond in writing to the findings, conclusions, and recommendations of the University Audit Department. In addition, an exit conference will be held with the individual in charge of the department or activity under review. All findings, conclusions and recommendations will be discussed and any differences of opinion settled or so noted. A formal audit report will be prepared after the exit conference is held and draft report reviewed. This report will contain a summary of

the function of the department or area, the objective of performing the audit, the audit methods used, detailed explanations of any issues noted and recommendations for improvements thereon. A section of the audit report will include the department's response to the recommendations made by the University Audit Department.

Audit reports will be discussed with the vice president responsible for the area under review prior to the issuance to the President. All final audit reports will be issued to the President, with copies to the Vice President of the area audited and the department head. Executive summaries of all final audit reports will be presented to the members of the Audit and Compliance Committee. Final Audit Reports are also shared with the Office of the State Inspector General as required. Further distribution will be at the discretion of the Chief Audit Executive.

The University Audit Department will conduct a follow-up review on issues noted within the final audit reports to determine whether recommendations have been considered and acted upon. A status of open audit issues will be provided to the Committee periodically/semi-annually.

#### Detection, Investigation and Reporting of Fraud

The University Audit Department shall be notified in all cases where the discovery of circumstances suggests a reasonable possibility that assets have, or are thought to have, been lost through defalcation or other security breaches in the financial, operating or information systems. Upon such notifications, the Chief Audit Executive should ensure that the proper authorities within the department and the University have been notified of the potential loss. The Chief Audit Executive should work to ensure that the University promptly notifies other state departments as required under Section 30-138 of the Code of Virginia.

The University Audit Department will perform sufficient tests to identify the weaknesses in financial and operating procedures, both automated and manual, which permitted the loss and evaluate the impact the weaknesses have with respect to other activities of the institution. In addition, the University Audit Department will recommend improvements to correct the weaknesses and incorporate appropriate tests in future audits to disclose the existence of similar weaknesses in other areas of the institution.

#### Consulting Activities

As part of its mission, the University Audit Department will engage in evolving forms of value-added services which are consistent with the broad definition of internal auditing. As such, the Department from time to time may be asked to perform a variety of non-standard audit services, such as advisory activities and consulting engagements, both of which may involve formal or informal advice, analysis or assessment. These services will be provided at the discretion of the Chief Audit Executive where they do not represent a conflict of interest or detract from the Department's obligation to the Board of Visitors or the President.

Decisions to adapt or implement recommendations as a result of consulting activities should be made by management. It must be understood that consulting services cannot be rendered in a manner that masks information that, in the judgment of the Chief Audit Executive, should be provided to the Board of Visitors and senior management. In the conduct of consulting activities,



the Department will be guided by the IIA Code of Ethics and the Standards for the Professional Practice of Internal Auditing.

### Personnel

The ultimate quality of the University Audit Department's performance is directly related to the quality of the people employed. The internal audit function should be directed by and staffed with qualified and competent individuals.

Minimum qualifications for each position within the audit function have been established; however, additional experience, training, specialized skills, as well as intelligence, adaptability, promotability, an inquiring mind, analytical ability, good business judgment, and an ability to communicate with individuals should be considered in the employment process.

The Chief Audit Executive should report annually to the Audit and Compliance Committee and the President and/or a designated representative as to the effectiveness of the present staff in fulfilling the stated objective of the University Audit Department.

### Continuing Professional Development

The university recognizes the need for internal auditors to enhance their knowledge and skills and other competencies through continuing professional development.

To fulfill this need, it is required that each representative of the department obtain at least forty (40) hours of continuing professional education credits annually, subject to funding availability.

### Quality Assurance and Improvement Program

Old Dominion University recognizes the benefits to be derived from a quality assurance review of the internal audit function. The internal audit activity will maintain a quality assurance and improvement programs that covers all aspects of the internal audit activity. The program will include an evaluation of the department's conformance with the Standards and an evaluation of whether the internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the department and identify opportunities for improvement.

The Chief Audit Executive will communicate to senior management and the Audit and Compliance Committee on the department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments at least once every five years by a qualified, independent assessor, or assessment team from outside the University.

# UNIVERSITY AUDIT DEPARTMENT OF OLD DOMINION UNIVERSITY

## Audit of Institutional Scholarships

### AUDIT SUMMARY

<b>Department Head:</b> Vera Riddick, Director of Student Financial Aid	<b>Auditor:</b> Lauren Eady, Senior Auditor
<b>Responsible Executives:</b> Jane Dané, Associate VP for Enrollment Management; Don Stansberry, Interim Vice President for Student Engagement and Enrollment Services	<b>Audit Report Date:</b> 08/15/2019

#### Background

The Office of Student Financial Aid supports the mission of the university by assisting students and families seeking educational programs at Old Dominion University. The Office administers financial aid programs funded by federal, state, University, and private sources in the form of grants, federal work-study programs, and merit and need-based scholarships. Institutional scholarships are awards funded by tuition and student fees. They are awarded by ODU employees but are not endowed by outside gifts. The Office of Student Financial Aid coordinates and processes all institutional scholarships, but the selection of awardees occurs either within the Office of Student Financial Aid or within departments across the University depending on the specific scholarship. The total amount of institutional scholarships awarded in FY 2018 and included in this review was \$18,640,626. \$6,511,854 was awarded to students chosen by the Office of Student Financial Aid and \$12,128,772 was awarded by the various departments.

#### Scope and Objectives

The objectives of the audit were to evaluate institutional scholarship management to determine whether:

1. All available scholarship funds are distributed,
2. Scholarships funds are awarded in accordance with their criteria,
3. Awards are properly documented, and
4. Proper controls are in place over institutional scholarship processes.

The audit methodologies primarily included examining criteria, procedures, reports, and other documents, performing analysis on a comprehensive and sample basis and conducting interviews. The period reviewed was fiscal year 2018. The auditor reviewed all institutional scholarships awarded in FY18 except Student Athlete Scholarships (8SX04), Student Athlete Cost of Attendance (8SY45) and Foreign Exchange Program (8IN30) due to coverage from other audits currently in process.

Overall Risk Exposure <sup>1</sup>	Audit Conclusion: System of Internal Controls
<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> <b>High</b>	<input type="checkbox"/> Strong <input checked="" type="checkbox"/> <b>Adequate</b> <input type="checkbox"/> Need for Improvement

<sup>1</sup> Risk exposure is based on the inherent risk of the audited area and not the results or conclusions of the audit.

Issue	Planned Corrective Action
The Office of Student Financial Aid along with departments across campus are involved in awarding institutional scholarships; however, responsibilities of each have not been clearly established to ensure proper administration.	The Financial Aid Scholarship Coordinator will ensure policies and procedures are well-defined, maintained and scholarship criteria are updated annually and adhered to by all. Financial Aid will create procedures that will ensure more than one person is included in the selection process, funds are being monitored for underutilization and the exceptions process is defined. They will communicate all updates among the various departments.
Monthly reconciliations of the Office of Student Financial Aid's budget accounts need enhancement to ensure completeness and proper segregation of duties.	Financial Aid will enhance the reconciliation process by implementing a monthly report by fund type. The report will be used to reconcile scholarship awards posted by the Scholarship Coordinator with corresponding financial accounts.

# UNIVERSITY AUDIT DEPARTMENT OF OLD DOMINION UNIVERSITY

## Office of Study Abroad Audit

### AUDIT SUMMARY

<b>Department Management:</b> Michael Dean, Associate Director; Paul Carrant, Senior International Officer  <b>Responsible Vice President:</b> Austin Agho, Provost and Vice President for Academic Affairs	<b>Auditors:</b> Natalie MacCall, Senior Auditor; Glenn R. Wilson, IT Audit Manager  <b>Audit Report Date:</b> 08/15/19
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#### Background

The Office of Study Abroad administers overseas academic programs, which range from faculty-led programs in the summer and over spring break to semester and academic year study abroad programs and reciprocal student exchange programs. The Office of Study Abroad also offers programs through study abroad consortia that sponsor high quality programs around the globe, providing opportunities for ODU students in more than 70 countries. The Office has 4 employees and total expenses for fiscal year 2018 was approximately \$1 million.

The operational portion of the audit focused on activities in effect during FY 2018 and covered participant safety, international insurance, contract administration, requirements of abroad programs, emergency management plans, budget activities, revenue, refunds, expense transactions, performance evaluations and other administrative requirements. The information technology portion of the audit focused on Terra Dotta StudioAbroad, a third-party hosted software as a service application that supports the primary business mission and objectives of The Office of Study Abroad.

#### Scope and Objectives

The operational objectives of the audit was to provide management with an independent assessment of the design of internal controls and operations of the department and to determine whether (1) adequate internal controls and operating procedures exist; (2) The department is in compliance with State and University policies, procedures and guidelines; (3) The department is operating efficiently and effectively; (4) Financial transactions are appropriate and monitored.

The information technology component objectives were to determine whether the systems owned, operated or contracted for by the Office are (1) appropriately controlled to ensure that data integrity is maintained, availability meets business requirements, access is authorized, appropriate, and secured; (2) managed in accordance with applicable standards and regulatory compliance with regard to the nature and sensitivity of the underlying information.

Overall Risk Exposure <sup>1</sup>	Audit Conclusion: System of Internal Controls
<input type="checkbox"/> Low <input checked="" type="checkbox"/> <b>Moderate</b> <input type="checkbox"/> High	<input type="checkbox"/> Strong <input checked="" type="checkbox"/> <b>Adequate</b> <input type="checkbox"/> Need for Improvement

<sup>1</sup> Risk exposure is based on the inherent risk of the audited area and not the results or conclusions of the audit.

#### Audit Issues

Issue	Planned Corrective Action
Formal budget reconciliations were not performed by the department for the 40 accounts they are responsible for.	Monthly budget reconciliations will be conducted, and a list of exchange participants will be compiled.
An employee who is not authorized to sign on behalf of the University is signing contracts for faculty led programs.	All contracts will now be signed by the authorized individuals.
The international insurance policy in effect for education abroad programs does not meet the coverages required.	After reviewing the insurance policy changes to the University Policy were presented to the Policy Review Committee.
The department's Continuity plan is outdated, and an Emergency Action Plan does not exist.	The plans will be complete and up to date and communicated to unit personnel.
There is not a documented risk assessment for StudioAbroad	Study Abroad is working with ITS to complete the risk assessment and will maintain the document as required.
The account management procedures in effect over the StudioAbroad application do not ensure that access is maintained only for active employees, all users are assigned to at least one group role, and permissions meet the standard security principle of least privilege.	Study Abroad will perform periodic audits of user accounts, register for receipt of the HR Termination notices, add other user group roles as appropriate, ensure that all users are assigned to at least one group role, and add a second Super User for contingency purposes.

# UNIVERSITY AUDIT DEPARTMENT OF OLD DOMINION UNIVERSITY

## Audit of the College of Health Sciences

### AUDIT SUMMARY

<b>Department Head:</b> Bonnie Van Lunen, Dean of College of Health Sciences <b>Responsible Vice President:</b> Austin Agho, Provost and Vice President for Academic Affairs	<b>Auditor:</b> Nina Preston, Senior Auditor <b>Audit Report Date:</b> 08/27/2019
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#### Background

The mission of the College of Health Sciences is to provide leadership in healthcare by offering excellent educational experiences in a quality learning environment. The College offers undergraduate majors, minors, masters and doctoral programs. The College is comprised of five schools: Community and Environmental Health, Dental Hygiene, Medical Diagnostic and Translational Services, Nursing, Physical Therapy and Athletic Training. The College has two clinics, the Dental Hygiene and Physical Therapy. The College's budgeted operating accounts for FY 2018 totaled \$16,279,609.

#### Scope and Objectives

The objective was to provide management with an independent assessment of the design of internal controls and operations of the College, and determine whether (a) adequate internal controls and operating procedures exist; (b) the College complies with State and University policies, procedures and guidelines; (c) the College is operating efficiently and effectively; and (d) financial transactions are appropriate and monitored. The audit included reviewing fixed assets, budget monitoring, records management, emergency management plans, expenses, and timesheet approvals, as well as, a review of operations of the performance evaluations, graduate program requirements, volunteers and visiting scholars agreements, drug screening and background checks for Nursing students and staffing level for School of Nursing. The period reviewed was FY2016-18, with emphasis on FY2018.

Overall Risk Exposure <sup>1</sup>	Audit Conclusion: System of Internal Controls
<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> <b>High</b>	<input type="checkbox"/> Strong <input checked="" type="checkbox"/> <b>Adequate</b> <input type="checkbox"/> Need for Improvement

<sup>1</sup> Risk exposure is based on the inherent risk of the audited area and not the results or conclusions of the audit.

Reportable Observations	Planned Corrective Action
While the College of Health Sciences has measures in place over the performance evaluation process, improvements are needed to strengthen the process for Teaching and Research Faculty, including Adjunct Faculty members.	The College will monitor timeliness and complete performance evaluations for Adjunct Faculty members, including those positions with dual classifications.
There are no agreements on file for known volunteers and visiting scholars as required.	Training will be conducted, and agreements will be completed and retained.
An effective monthly reconciliation process has not been implemented, which contributed to several accounts ending the year with deficits from FY 2016 through FY 2018.	Reconciliations will be completed and monitored monthly. Further, account deficiencies will be addressed with Academic Affairs.
While the College has identified a Records Coordinator, it is noted that records are not consistently managed as required.	The College will work with the University's Records Manager to strengthen the records management process, which includes designating one Records Coordinator for each School.
The College's process over fixed assets does not consistently conform to University requirements.	Assets will be reviewed to determine proper tags, physical location and will submit form for assets not found. Further, each School's or department's designated fixed asset coordinator will obtain training.
Transactions for the purpose of community engagement events were not consistently properly documented, in accordance with University requirements.	The College will schedule a review of the requirements for expenses.
The majority of timesheet approvers within the College did not approve time consistently in FY 2018, resulting in forced approvals.	Communications and periodic reminders of timely approval of timesheets within the College will be made.
Reviews of students' graduation requirements were conducted by the Program Director prior to graduation for majority of the programs, apart from School of Nursing, where an employee not in a Program Director role conducted the reviews without formal delegation.	A formal delegation letter will be completed to designate graduation requirement authority to the Admin and Office Specialist III.
The College's Continuity of Operations Plan is obsolete, and the College does not have an Emergency Action Plan in place, both of which are required.	The College will work with Emergency Management on creation of EAP for each building. Further, the Continuity of Operations Plan will be updated.

# UNIVERSITY AUDIT DEPARTMENT OF OLD DOMINION UNIVERSITY

## Payment Card Industry (PCI) Compliance

### AUDIT SUMMARY

<b>Department Heads:</b> Mary Deneen, Assistant Vice President for Finance, University Controller; Deb Swiecinski, Associate Vice President for Financial Services <b>Responsible Vice President:</b> Greg DuBois, Vice President for Administration and Finance	<b>Auditor:</b> Glenn Wilson, IT Audit Manager  <b>Audit Testing Completed:</b> 03/27/2019 <b>Audit Report Date:</b> 08/26/2019
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#### Background

The Payment Card Industry (PCI) Data Security Standard is designed to ensure that all merchants that accept, process, store or transmit credit card information maintain a secure environment for cardholder data. The Payment Card Industry Security Standards Council, an independent body created by the major payment card brands in 2006, publishes the Data Security Standard.

Merchants are required to submit annual self-assessments and remediation records to banks and credit card companies for continuing validation. In the event of a cardholder data breach, potential liabilities include fraud losses, cost of reissuing new payment cards, fines, penalties, increased bank transaction fees and Federal Trade Commission audits. Actual consequences are commensurate with the magnitude of the breach and degree of non-compliance. The payment card brands and merchant's bank are responsible for enforcing compliance, not the Payment Card Industry Security Standards Council.

The Office of Finance has developed a PCI compliance program and established a PCI Compliance Committee to administer it. The committee members include a PCI Compliance Specialist and Policy Analyst within the Office of Finance, and a Security Officer for Security Operations from Information Technology Services. The program utilizes the services of CampusGuard, a leading PCI compliance planning and assessment provider.

#### Scope and Objectives

The scope and objective of the audit engagement was to provide management with an independent assessment of the program in place for Payment Card Industry Data Security Standard compliance (PCI DSS). The initial period of PCI related documentation requested was the three years prior to the start of the audit in September 2018. During the audit, additional information was obtained for detailed testing.

Overall Risk Exposure <sup>1</sup>	Audit Conclusion: System of Internal Controls <sup>2</sup>
<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> <b>High</b>	<input checked="" type="checkbox"/> <b>Strong</b> <input type="checkbox"/> Adequate <input type="checkbox"/> Need for Improvement

<sup>1</sup> Risk exposure is based on the inherent risk of the audited area and not the results or conclusions of the audit.  
<sup>2</sup> Based on the Audit Rating System

#### Opinion on Internal Controls

In our opinion, the PCI Compliance Program is well developed and mature with a strong system of internal controls in effect during the period of review. There are established processes for ongoing assessment and improvements to keep up with evolution of the Payment Card Industry Security Standard.

Issue	Planned Corrective Action
The compliance control in effect over PCI awareness training does not ensure that the entire population of personnel with PCI responsibilities receive training.	Management updated Office of Finance Procedures 1-215 and 1-222 in April 2019 to strengthen the existing internal controls in place to meet PCI DSS requirements. Additional internal controls were added including routine confirmation with current Merchants regarding those employees who are handling cardholder data and sending new security agreements out to current employees who handle cardholder data as their agreements expire.



# OLD DOMINION UNIVERSITY

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## **Activity and Status of Audit Issues since May 2019**

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University Audit Department  
September 3, 2019

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## Activity and Status of Audit Issues Since May 2019

The University Audit Department follows up with management as to the status of previously recommended corrective actions related to issues identified in previous audit reports. In accordance with the Statement of Policies of the University Audit Department, which was approved by the Board of Visitors, the Chief Audit Executive is responsible for ensuring that individual departments have taken appropriate actions to correct internal control weaknesses and matters of compliance, which were reported at the conclusion of the audit engagements.

For purposes of the follow-up, interviews with appropriate departmental personnel were conducted to obtain updates on the corrective actions outlined by management responses to the original audit report. In order to confirm corrective action, examination of documentation and appropriate audit testing was also conducted. The following scale was used to rate management's actions for the degree to which they address the audit point.

Status Rating	Criteria
Complete	Actions taken completely address the concerns cited in the audit point and recommendations made or were rectified to the extent reasonably possible.
In Progress	Corrective action is actively taking place; some aspects may be complete; however additional steps need to be completed to address all the main concerns of the original issue.
Planned	An action plan has been decided upon but has not yet commenced or only minimally begun.

### Summary of Activity

There were 41 open action items in the May 2019 report, of which 15 are now complete. Since May 2019, 7 new action items have been added of which 2 are now complete. The University Audit Department is actively tracking the remaining 31 open action items. The status of new and previously reported issues are presented by engagement title, executive area, and report date in the tables that follow.

## Activity and Status of Audit Issues Since May 2019

### Issue Status by Engagement

Engagement Title	Report Date	# of Issues Closed Since 05/29/2019	# of Issues Open as of 09/03/2019
NCAA Compliance: Recruitment, Title IX, Academic Advising	8/22/16	0	1
Distance Learning	11/23/16	0	2
College of Engineering and Technology	3/08/17	0	1
Confucius Institute 2015	4/15/17	0	2
Facilities Management	8/01/17	0	1
Dental Hygiene Care Facility	3/21/18	1	1
Institutional Equity and Diversity	3/22/18	0	3
College of Education	5/31/18	6	0
Procurement Services	9/06/18	1	0
General Accounting	9/10/18	1	0
Card Center Information Technology	11/14/18	3	0
Confucius Institute 2016 and 2017	3/01/19	0	3
Office of the University Registrar	3/15/19	1	6
Institutional Equity and Diversity - Training	3/27/19	0	1
Department of Human Resources	4/02/19	2	5
Transportation and Parking Services	5/29/19	2	5



## Activity and Status of Audit Issues Since May 2019

### Summary Status by Executive Area

Audit Engagement Title	Report Date	# of Issues Closed since 05/29/2019	# of Issues Open as of 09/03/2019
<b>Academic Affairs</b>			
Distance Learning	11/23/16	0	2
College of Engineering and Technology	3/08/17	0	1
Confucius Institute 2015	4/15/17	0	2
Dental Hygiene Care Facility	3/21/18	1	1
College of Education	5/31/18	6	0
Confucius Institute 2016 and 2017	3/01/19	0	3
<b>Administration and Finance</b>			
Facilities Management	8/01/17	0	1
Procurement Services	9/06/18	1	0
General Accounting	9/10/18	1	0
Card Center Information Technology	11/14/18	3	0
Transportation and Parking Services	5/29/19	2	5
<b>Athletics</b>			
NCAA Compliance: Recruitment, Title IX, and Academic Advising	8/22/16	0	1
<b>Human Resources</b>			
Institutional Equity and Diversity	3/22/18	0	3
Institutional Equity and Diversity – Training	3/27/19	0	1
Department of Human Resources	4/02/19	2	5
<b>Student Engagement and Enrollment Services</b>			
Office of the University Registrar	3/15/19	1	6

## Activity and Status of Audit Issues Since May 2019

### Action Plan Status by Report Date

VP Area	Audit Title	Audit Observation	Category	Report Date	Original Due Date	Status
Athletics	NCAA Compliance: Recruitment, Title IX, and Academic Advising	Enhance Compliance Efforts for Title IX Gender Equity in Athletics	Compliance	8/22/16	9/30/17	In Progress
Academic Affairs	Distance Learning	Web Accessibility Compliance	Compliance	11/23/16	1/31/17	In Progress
		IT Governance and Risk Management	Info. Tech.	11/23/16	6/01/17	In Progress
Academic Affairs	College of Engineering and Technology	College Managed Room Access	Security	3/08/17	10/01/17	In Progress
Academic Affairs	Confucius Institute 2015	Financial Matters	Financial	4/15/17	3/31/18	In Progress
		Agreement	Financial	4/15/17	3/31/18	In Progress
Administration and Finance	Facilities Management	Key Collection Process is Insufficient	Security	8/01/17	9/30/17	In Progress
Academic Affairs	Dental Hygiene Care Facility	Fee Schedule	Compliance	3/21/18	3/09/18	In Progress
		User Account Management	Info Tech	3/21/18	4/06/18	Complete
Human Resources	Institutional Equity and Diversity	University Discrimination Policy	Compliance	3/22/18	9/13/18	Planned
		PeopleFluent System	Info Tech	3/22/18	6/15/18	In Progress
		Record Retention Needs to be Addressed	Compliance	3/22/18	5/15/18	In Progress
Academic Affairs	College of Education	Fixed Asset Control	Control	5/31/18	9/30/18	Complete
		Internal Fee Schedule Alignment	Financial	5/31/18	7/01/18	Complete
		Web Server Vulnerabilities	Info Tech	5/31/18	9/30/18	Complete
		Business Continuity Planning and Data Backup	Info Tech	5/31/18	9/30/18	Complete
		System Risk Assessment Updates	Info Tech	5/31/18	9/30/18	Complete
		Data Retention	Info Tech	5/31/18	9/30/18	Complete
Administration and Finance	Procurement Services	Technology Contracts	Control	9/06/18	10/01/19	Complete
Administration and Finance	General Accounting	Investment Portfolio	Compliance	9/10/18	6/01/19	Complete
Administration and Finance	Card Center Information Technology	Taxation of Meal Plan and Flex Point Sales	Compliance	11/14/18	8/31/18	Complete
		Panic Button Testing	Operational	11/14/18	5/15/19	Complete
		Data Retention	Compliance	11/14/18	5/15/19	Complete
Student Engagement and Enrollment Services	Office of the University Registrar	Grade Changes	Control	3/15/19	6/30/19	In Progress
		Financial Monitoring	Control	3/15/19	4/30/19	Complete

### Activity and Status of Audit Issues Since May 2019

VP Area	Audit Title	Audit Observation	Category	Report Date	Original Due Date	Status
		Support for Domicile Decisions	Compliance	3/15/19	9/01/19	Planned
		Veterans Affairs Reporting	Compliance	3/15/19	9/30/19	Planned
		Graduate Degree Certification and Exception Granting Process	Control	3/15/19	9/01/19	Planned
		Exception Granting Process for Undergraduate Programs	Control	3/15/19	9/01/19	Planned
		Degree Works User Access Provisioning Controls	Info Tech Control	3/15/19	9/01/19	Planned
Academic Affairs	Confucius Institute 2016 and 2017	Reconciliations	Control	3/01/19	10/01/19	Planned
		Financial Matters	Compliance	3/01/19	7/01/19	Planned
		Agreements	Compliance	3/01/19	10/01/19	Planned
Human Resources	Institutional Equity and Diversity - Training	Sexual Harassment Training	Compliance	3/25/19	8/15/19	Planned
Human Resources	Department of Human Resources	Short-Term Disability	Compliance and Control	4/02/19	4/15/19	Complete
		Family Medical Leave Act	Compliance	4/02/19	9/15/19	In Progress
		Compensation Adjustments	Compliance	4/02/19	6/25/19	Complete
		Performance Evaluations	Effectiveness	4/02/19	11/30/19	In Progress
		New Hire Training	Compliance	4/02/19	12/31/19	In Progress
		Records Management	Compliance	4/02/19	3/15/19	In Progress
		Emergency Hires	Documentation	4/02/19	4/15/19	In Progress
Administration and Finance	Transportation and Parking Services	Employee Recognition Gifts	Financial	5/29/19	12/01/19	Planned
		Records Management	Compliance	5/29/19	8/16/19	In Progress
		Internal Fee Schedule	Financial	5/29/19	7/01/19	Complete
		Emergency Action and Business Continuity Plans	Compliance	5/29/19	8/30/19	Planned
		Transit and Enforcement Employees' Timekeeping	Control	5/29/19	6/30/19	In Progress
		T2 Privileged User Access	Info Tech	5/29/19	3/12/19	Complete
		Controls Over Collections Services Billing	Financial	5/29/19	8/01/19	In Progress