

APPROVED BY COMMITTEE 9/19/19

OLD DOMINION UNIVERSITY
BOARD OF VISITORS
AUDIT AND COMPLIANCE COMMITTEE
June 13, 2019

MINUTES

The Audit and Compliance Committee of the Board of Visitors of Old Dominion University met Thursday, June 13, 2019, at 8:00 a.m. in Committee Room A of the Kate and John R. Broderick Dining Commons on the Norfolk Campus. Present from the Committee were:

Ross Mugler, Chair
R. Bruce Bradley, Vice Chair
Carlton F. Bennett
Jerri F. Dickseski
Donna L. Scassera

Also present were:

Austin Agho	Amanda Skaggs
John Broderick	Don Stansberry
Mary Deneen	Holly Stout (APA)
Greg DuBois	Doug Streit
Lauren Figg (APA)	Deb Swiecinski
Mike Frizzell	Vanessa Walker
Todd Johnson	Rusty Waterfield
Donna Meeks	Jay Wright
Earl Nance	

The meeting was called to order at 8:00 a.m.

- I. Closed Session - Upon a motion made by Ms. Dickseski and seconded by Mr. Bradley, the Committee approved a motion for closed session to discuss the evaluation of the Chief Audit Executive (*Dickseski, Bradley*).
- II. Reconvene in Open Session and FOIA Certification – After reconvening in open session, the Committee approved the FOIA Certification (*Dickseski, Bradley*).
- III. Approval of Minutes – Upon a motion made by Ms. Dickseski and seconded by Mr. Bradley, the minutes of the meeting held on April 25, 2019, were approved by all members present and voting (*Bradley, Dickseski, Scassera*).

- IV. Report from the Auditor of Public Accounts – Ms. Holly Stout, Audit Manager from the Office of the Auditor of Public Accounts, reported that they issued an unmodified opinion on the University’s financial statements for the year ended June 30, 2018. The Internal Controls and Compliance Report notes three significant deficiencies, two of which relate to Federal Student Financial Aid, and one relates to management’s lack of documentation and retention regarding an analysis done of the cost/benefit to the Commonwealth when prepaying expenses at fiscal year-end, as required by the Commonwealth’s Accounting Policies and Procedures.

The two instances of noncompliance for Federal Student Financial Aid were inaccurate reporting of enrollment changes to the U.S. Department of Education through the National Student Loan Data System for students who withdrew and/or graduated, and not properly calculating the return of Title IV funds. Management’s response has been received and corrective action is being or has already been taken.

Ms. Stout noted that each year the audit includes a detailed review of information systems security. For at least the past three years, no findings were noted. This is very uncommon and speaks very well for the University’s IT department.

No indications of fraudulent transactions or illegal acts were found. All material audit adjustments were discussed with management, agreed upon, and properly reflected in the financial statements. The auditors concurred with management’s application of accounting principles and found that accounting estimates appears to be reasonable and consistent with prior periods. There were no changes to accounting and reporting policies that had a material impact on the financial statements, however implementation of a new accounting standard resulted in the addition of a new post-employment benefit liability, asset and a related reduction to the University’s beginning net position by approximately \$70 million. This new standard similarly impacted all institutions’ financial statements. There were no material alternative accounting treatments or unusual transactions or significant accounting policies in controversial or emerging issues identified, and there were no disagreements with management about auditing, accounting, or disclosure matters.

Vice President DuBois recognized Mary Deneen and Vanessa Walker from the Office of Finance for their work in completing the University’s Financial Statements. Mr. Mugler commented that this is one of the best audit reports he’s received and also commended the ODU team.

- V. Information Security Briefing – Mr. Doug Streit, Chief Information Security Officer, briefed the Committee on the University’s risk assessment and reduction program as part of a comprehensive IT security program. He explained that assessment and review is just one small but important part of the University’s overall information security program, involving layers of assessments to map major business functions to specific IT resources in order to develop plans to protect the University’s business interests. An annual security review is performed to review industry standards and trends, higher education and sister institutions to make recommendations for investments. System level reviews are also done

on those that have regulated and/or restricted data, and software decision analysis reviews are performed for all IT related purchases or renewals.

Mr. Streit focused on two examples of risk and the efforts being taken to mitigate those risks. About four years ago it was discovered that login credentials weren't safe because people were giving away their passwords, so two-factor authentication was implemented. It was initially deployed to specific University departments and last year to faculty and staff. This past year it was is deployed to students, including their Gmail accounts. Plans to add two-factor authentication of Office365 are underway.

Business Email Compromise (BEC) is a relatively new trend that bypasses Advance Threat Protection (ATP) implemented two years ago to address malicious attachments and URLs. An example of BEC is someone creating an email in the name of John Broderick and sending emails to his colleagues in an attempt to get recipients to do something they would not normally do in order to scam the University out of money or information. ITS has established an awareness partnership with the Police Department, Student Engagement & Enrollment Services, the Office of Finance and ITS Marketing, and developed awareness information to distribute to business units. A custom email rule has also been created for ODU executives.

Vice President DuBois complimented Mr. Streit as an accomplished professional in IT security and said the University is fortunate to have him. Mr. Waterfield added that the comments by the APA regarding the University's information security program are largely due to the work of Doug and his colleagues.

- VI. Report from the Chief Audit Executive – Ms. Amanda Skaggs, Chief Audit Executive, briefed the Committee on the status of the FY 2019 Audit Plan. She reported that 11 reports were completed and presented to the Committee. Of the seven wrap-up audits on the plan, six are complete and the last engagement is in the reporting phase. She noted that Payroll Benefits requested that their audit begin in August, so she will ask the Committee to approve removing it from the FY 2019 audit plan and adding it to the FY 2020 plan. She reviewed the status of the 12 active audits, noting that the Design & Construction audit has two phases. Her staff is doing an internal review and Fort Hill Associates has been hired to look at the Owens House and football stadium construction projects.

Ms. Skaggs distributed the credentials of the external validator, Bill Cole, who will be conducting the quality assurance review. He will be on site in July conducting interviews and reviewing the department's self-assessment and will follow up with recommendations based on his findings. The consultant will meet with Ross Mugler she asked if any other committee members are interested in meeting with him during his visit to let her know. Other initiatives for her department include a consulting engagement with one of the colleges, three open investigations, and follow-up on open action items.

Ms. Skaggs reviewed the steps taken in conducting the annual risk assessment that results in the proposed audit plan for the upcoming year. She then shared the details of the proposed FY 2020 audit plan, noting that the scheduled risk based audits, annual

engagements, wrap-audits, and other audit activities total 7805 hours. Because only 6500 audit hours are available to the staff, she expects some of those activities to carry forward to the following year. Following her presentation a motion was made and seconded to approve the modification to the FY 2019 Audit Plan and the proposed FY 2020 Audit Plan. The motion was unanimously approved (*Bennett, Bradley, Dickseski, Scassera*).

Ms. Skaggs reported on the audit on Transportation and Parking Services. The audit focused on fixed assets, refunds, citation appeals, budget monitoring, revenue & expenses, contracts, and hours worked/leave management. The IT component included user access, configuration, interfaces, compliance and contracts. T2 is the main system in use that supports all permit sales, citations, and event management. This audit was rated adequate, meaning that it identified seven reportable conditions but it has not caused or is not likely to cause significant errors, omissions, fraud or other adversities. Management should undertake corrective action to address the issues identified. The specific audit issues are as follows:

- The department makes purchases for employee recognition gifts from funds that are disallowed without a formal approved recognition program in place.
- A well-established program was not in place for records management. Prior to April 2019, the department did not have a records management process and had not submitted any records destruction forms.
- Rates being charged for special events and summer camps were not approved through the University's tuition & fee schedule.
- The existing Emergency Action and Continuity planning documents do not meet requirements. The department has procedures for winter storms, hurricanes and coastal flooding, but they have not utilized the required template that considers many other events. The continuity plan is missing key elements because it also does not utilize the template and was not communicated to unit personnel.
- Weaknesses were found within the transit and enforcement employee timekeeping practices.
- Permissions for various T2 roles do not meet the internal accounting management standard for granting the least privilege necessary for a user to perform their job duties. One role inadvertently grants access to administer user accounts. This role was assigned to five users.
- The department has not verified that fees charged by their collections vendor are accurate.

Ms. Skaggs reported that 48 open audit issues were tracked during this reporting cycle. Of the 48, seven are completed and 41 are planned or in progress.

The meeting adjourned at 9:02 a.m.