

# **Virginia State University**

## **Board of Visitors**

### **Audit and Compliance Committee Update**

**Shawri King-Casey**

*Vice President of Institutional Integrity & Compliance*

**and**

**Nannette Williams**

*Chief Audit Executive*

**February 9, 2023**

## **Management Remarks:**

- Recap of January 2023 Audit and Compliance Committee Meeting**
- Fiscal Year 2021 Auditor of Public Accounts (APA) Audit Report New Findings and Repeats**
- Introduction of Fiscal Year 2022 APA Audit**
- Status of Internal Audit Plan and Activity**

## Risk-Based Approach to Tackling Audit Findings



## RISK

Risk is the possibility that an adverse event, a bad thing, will happen.

- Identified risks are normally prioritized based on **likelihood** and **impact**.

*When you get into your car everyday, you are assuming risk. There is the possibility that you will get into an accident. Both the likelihood and impact of the risk occurring go up, for instance, in the case of inclement weather.*



## **RISK TREATMENT OPTIONS**

Options for treating risk:

- **Avoid**/resolve the risk (completely eliminate or forego risk) – *In our driving example, you avoid the risk by choosing not to drive.*
- **Mitigate** the risk (reduce the likelihood or impact of risk) – *Rearview mirrors, brakes, stop signs and traffic signals are controls meant to mitigate driving risk to an acceptable level.*
- **Transfer** the risk (assign or move the risk to a third-party) – *Purchase car insurance or take an Uber/Taxi.*
- **Accept** the risk (acknowledge the risk and choose not to resolve, transfer or mitigate) – *Driving without insurance is choosing to accept to the risk.*

## FINDINGS, CORRECTIVE ACTION, AND RISK

- Audit **findings** represent risks to the University – as such they should be classified as to likelihood and impact – and then prioritized for corrective action. We can't eat the whole elephant in one bite.
- We also have to consider **costs vs. benefit** – if the cost to the University to implement corrective action to mitigate the risk is greater than the potential loss, it may not make business sense to do so. Management can decide to accept a certain level of risk.



## ROLES OF AUDIT, COMPLIANCE, AND THE BOARD

When it comes to risks/findings and corrective actions – we play different roles.

- Compliance and Audit - our role is to advise and inform. We prioritize, present, and explain the risks to management and the Board.
- Management and the Board – your role is to decide which risk treatment option(s) to pursue, based on the University’s risk appetite or tolerance.

\*avoid\*

\*mitigate\*

\*transfer\*

\*accept\*

- *Management and the Board may decide to accept a risk, and sign off that they understand the risk as presented, and are willing to accept that risk. All businesses operate with some level of risk; not all risks have to be eliminated or even mitigated.*

**NEW APA Fiscal Year 2021 FINDINGS**

**\*Perform Information Technology Security Audits**

**\*Test and Update Disaster Recovery Plans**

**\*Improve the Management and Recording of Receivables**

**\*Perform a Physical Inventory of Capital and Controlled Assets**

**\*Improve Contract Administration**

**\*Finalize and Approve Policies and Procedures to Ensure Compliance  
with the Conflict of Interests Act**

**\*Promptly Return Unclaimed Aid to Department of Education**

**\*Improve Exit Counseling Notification for Federal Direct Loan Borrowers**



## **STATUS UPDATES/REPEATS:**

**Human Resources - 2**

**Information Technology - 3**

**Procurement - 3**

**Student Enrollment - 1**

**Student Accounts- 1**



<b>IN PROGRESS COMMENTS - 11</b>	<b>Risk Rating</b>	<b>Estimated Date of Completion</b>
<b>Implement Procedures to Improve Documentation of Emergency and Sole Source Procurement (REPEAT)</b>	<b>Medium</b>	<b>Fiscal Year 2023</b>
<b>Improve Contract Administration (NEW)</b>	<b>Medium High</b>	<b>Fiscal Year 2024</b>
<b>Develop and Implement Controls to Prevent Unauthorized Purchases and Enforce Procurement Policy (REPEAT)</b>	<b>High</b>	<b>Fiscal Year 2024-2025</b>

<b>IN PROGRESS COMMENTS, <i>cont'd</i></b>	<b>Risk Rating</b>	<b>Estimated Date of Completion</b>
<b>Properly Reconcile Student Account Collections (REPEAT)</b>	<b>Medium Low</b>	<b>Fiscal Year 2024</b>
<b>Report Student Status Enrollment Changes Accurately and Timely to Nation Student Loan Data System (REPEAT)</b>	<b>Medium Low</b>	<b>Fiscal Year 2024</b>
<b>Improve Access and Account Management Controls (REPEAT)</b>	<b>Medium</b>	<b>Fiscal Year 2024</b>
<b>Test and Update Disaster Recovery Plans (NEW)</b>	<b>Medium</b>	<b>Fiscal Year 2024</b>

<b>IN PROGRESS COMMENTS, <i>cont'd</i></b>	<b>Risk Rating</b>	<b>Estimated Date of Completion</b>
<b>Perform a Physical Inventory of Capital and Controlled Assets (NEW)</b>	<b>Low</b>	<b>Fiscal Year 2024</b>
<b>Continue to Improve Infrastructure Device Security (REPEAT)</b>	<b>Low</b>	<b>Fiscal Year 2024</b>
<b>Continue to Implement Procedures to Review and Document System and Organization Control Reports of Third-Party Service Providers (REPEAT)</b>	<b>Medium Low</b>	<b>Fiscal Year 2024</b>
<b>Ensure Updated Employment Eligibility Verification Procedures are Effective (REPEAT)</b>	<b>Medium Low</b>	<b>Fiscal Year 2024</b>

<b>COMMENTS WITH CORRECTIVE ACTION FORTHCOMING - 3</b>	<b>Risk Rating</b>	<b>Estimated Date of Completion</b>
<b>Improve the Management and Recording of Receivables (NEW)</b>	<b>Low</b>	<b>N/A</b>
<b>Finalize and Approve Policies and Procedures to Ensure Compliance with the Conflict of Interests Act (COIA) (NEW)</b>	<b>Low</b>	<b>Fiscal Year 2024</b>
<b>Promptly Return Unclaimed Aid to the Department of Education (NEW)</b>	<b>Low</b>	<b>N/A</b>

<b>COMPLETED COMMENTS - 4</b>	<b>Risk Rating</b>	<b>Estimated Date of Completion</b>
<b>Improve Exit Counseling Notification for Federal Direct Loan Borrowers (NEW)</b>	<b>Low</b>	<b>Fiscal Year 2022-2023</b>
<b>Improve Administration of Purchase Cards (REPEAT)</b>	<b>Medium</b>	<b>Fiscal Year 2022-2023</b>
<b>Perform Information Technology Security Audits (NEW)</b>	<b>Medium</b>	<b>Fiscal Year 2022-2023</b>
<b>Update Leave Policy and Procedures (REPEAT)*</b>	<b>Medium High</b>	<b>Fiscal Year 2022-2023</b>



Keeping **Momentum**  
&  
Staying the **Course**

It's that time again . . .



*Introducing*

**The Fiscal Year 2022 APA Audit**



# **Status of Internal Audit Plan and Activity**

## **INTERNAL AUDIT CORRECTIVE ACTION PLAN STATUS UPDATE**

- All existing internal findings generated by the previous CAE have been closed.
- Audit will re-test those areas that had the majority of the old findings, Procurement and Capital Outlay.

## **FINDINGS VS. RECOMMENDATIONS**

**Finding:** A finding is a **compliance issue** – the University is out of compliance with a law, mandate, standard or policy. These must be corrected.

**Recommendation:** A recommendation is an auditor's **opinion**. Some examples might be a best practice, an efficiency, or a strengthening of controls. These are provided for the Board's and management's consideration and may or may not be implemented.

## **INTERNAL AUDIT CURRENT STATUS**

- We are currently conducting an audit of the procurement office, to include the small purchase charge card program. The scope is limited to fiscal year 2023 (July 1 – present).
- Planned discussions with Information Technology, specifically the Chief Information Officer (CIO) and the Information Security Officer (ISO), to determine if VSU should bring the IT audit function back in house or continue to outsource it to VITA.

## **INTERNAL AUDIT: NEXT STEPS DUE BY APRIL MEETING**

- **Annual Risk Assessment** will begin in February.
- **FY 24 Workplan** will be developed based on results of the risk assessment and discussions with management and will be presented to the Board for consideration at the **April Board Meeting**.

## MAKING GREATER HAPPEN

- The University's **Office of Internal Audit** is here to serve management and the Board – how can we best serve you?
- We can do more than audits – we can serve as consultants to the University in areas such as process change. We can provide **recommendations** (vs. findings).
  - *We can review areas with APA findings once they have implemented corrective actions to ensure that the corrective actions are working as intended.*

**QUESTIONS?**