

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
COMMITTEE ON AUDIT AND COMPLIANCE
1:00 PM, THURSDAY, FEBRUARY 9, 2023
Gateway Dining & Events Center
(on the campus of Virginia State University)**

(No Public Comment Period Scheduled)

AGENDA

CALL TO ORDER.....Mr. Jon Moore, Chair

ROLL CALL

INVOCATION

APPROVAL OF AGENDA

APPROVAL OF PREVIOUS MEETING MINUTES (if any)

- January 20, 2023 Meeting Minutes

PRESIDENT'S REMARKSDr. Makola M. Abdullah

REPORTS AND RECOMMENDATIONS

- FY 2021 Auditor of Public Account Audit Report
 - FY2021 APA Draft Report and Opinion Letter..... Mr. George Strudgeon,
Audit-In-Charge, Commonwealth of Virginia Auditor of Public Accounts
 - Management Remarks by Ms. Shawri King-Casey, Vice President, Institutional Integrity and Compliance; Ms. Nannette Williams, Chief Audit Executive
 - Corrective Action Plan for FY 21 Audit Points – Keeping Momentum and Staying the Course
 - Status of Internal Audit Plan and Activity

CONCLUDING REMARKS

OTHER BUSINESS

ADJOURNMENT

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS
COMMITTEE ON AUDIT AND COMPLIANCE
THURSDAY, FEBRUARY 9, 2023
MINUTES**

CALL TO ORDER

Mr. Jon Moore, Committee Chair, called the Audit and Compliance Committee (“Committee”) meeting to order at 1:14 PM.

ROLL CALL

Mr. Jon Moore
Mr. William Murray
Dr. Robert Denton, Jr.
Dr. Harold Green, Jr.
Dr. Leonard Haynes, III
Mr. Edward Owens (*participated by electronic communication*)
Dr. Valerie Brown, Rector (ex-officio)

A quorum was present.

Other Board Members Present

Mr. Victor Branch
Ms. Shavonne Gordon
Mr. Glenn Sessoms

Legal Counsel:

Cynthia H. Norwood Marquez, Senior Assistant Attorney General

Administration Present:

Dr. Makola M. Abdullah, President
Dr. Annie C. Redd, Chief of Staff/Director, Board Operations & Relations

Others Present:

Nanette Williams, Internal Audit
Ahmad Lewis, Internal Audit
Deborah Jefferson, President’s Office
Marjorie Muse, President’s Office
Travis Edmonds, Technology Services
Yourdonus James, Director, Conference Services

INVOCATION

Pastor Graham gave the invocation.

APPROVAL OF AGENDA

The Committee approved the agenda by voice vote.

COMMITTEE ON AUDIT AND COMPLIANCE
THURSDAY, FEBRUARY 9, 2023
PAGE 2

APPROVAL OF PREVIOUS MINUTES

The Committee approved the minutes from the previous meeting by voice vote.

PRESIDENT'S REMARKS

President Abdullah gave his opening remarks and thanked the Board of Visitors for stewarding the University, particularly with the recent formation of the Audit and Compliance Committee ("Committee"). Additionally, President Abdullah reaffirmed the productivity of the January 20th meeting.

REPORTS AND RECOMMENDATIONS

FY 2021 Auditor of Public Account Audit Report

After President Abdullah concluded his remarks, Chair Moore acknowledged George Strudgeon, FY22 APA Audit Project Manager and Staci Henshaw, Auditor of Public Accounts to speak on the FY22 audit. Afterwards, Shawri King-Casey, Vice President for Institutional Integrity & Compliance, and Nannette Williams, the University's Chief Audit Executive ("CAE"), were to discuss progress with the FY21 audit and upcoming Office of Internal Audit status updates and initiatives. Mr. Strudgeon began by describing the audit team's make up for the FY22 audit and audit logistics. Per Mr. Strudgeon, the FY22 audit entrance conference was complete. In terms of staffing, he is the project manager. There are two in charge of the audit and seven staff members with a variety of specialties from grants management, information security, pension, etc. He described them as a "robust audit team."

Regarding the audit's timing, Mr. Strudgeon explained there are three large universities material to the state's budget to which the APA must initially direct its attention. The Statewide Single Audit was scheduled to be published the week following the Committee meeting. Once the AP A concludes those items, then, according to Mr. Strudgeon, the AP A can turn its attention to the remainder of the schools. Mr. Strudgeon expressed his hope to issue an opinion on the financial statements at the conclusion of the engagement.

Next, Mr. Strudgeon discussed the relationship between the APA and Internal Audit. APA is the external auditor for the Commonwealth of Virginia and Ms. Henshaw reports to the General Assembly, according to Mr. Strudgeon. Internal Audit is responsible for the institution's internal work plan. Per Mr. Strudgeon, the AP A relies on the foundation and real estate foundation auditors, as well.

Finally, Mr. Strudgeon spoke on risk and encouraged Board members to provide input on the University's risk and anything else in planning the audit. He asked Board members to direct their comments to the committee chair or the chief audit executive. Mr. Strudgeon stated his intent to meet with Chair Moore to discuss his perception of the University's risks and go over the terms of engagement so that Chair Moore can accept the terms on behalf of the governing body.

At the conclusion of Mr. Strudgeon's remarks, Chair Moore opened the floor for questions. He then asked Mr. Strudgeon whether there was anything different in FY22's scope versus FY21's scope about which the Board should be aware. In response, Mr. Strudgeon described the new accounting standards related to leases. There were no additional questions.

COMMITTEE ON AUDIT AND COMPLIANCE
THURSDAY, FEBRUARY 9, 2023
PAGE 3

Management Remarks

Chair Moore invited Ms. King-Casey and Ms. Williams to the podium for their presentation. Ms. King-Casey opened her remarks with introductions, an agenda overview, and a recap of the January 20, 2023, Audit and Compliance Committee meeting. She thanked the APA for their attendance at the meeting. She also highlighted collaboration, communication, and commitment as key components of the meeting and what will be required to continue to make progress and successfully address the comments. As an example of the fruit of this effort, communication and collaboration between the University and APA in addition to a decision letter from the USDA affirming satisfactory corrective action, facilitated the removal of the NIFA comment from the FY21 audit findings and reduced the number of findings from 19 to 18.

Ms. King-Casey further summarized discussions about the timing of the audits and the practical as well as logistical problems the University is facing with corrective action due to being in arrears with the audits. She pointed to the potential impact on the University's SACSCOC accreditation as an example of the effects of the audits' timing.

Finally, Ms. King-Casey spoke about the University's corrective action trajectory. She reiterated a point made in the January 20th meeting that the University may see an uptick in findings before seeing a downward trend. This trend, however, reflects the University getting its arms around the issues and properly marshalling resources to resolve them.

At the conclusion of her recap, Ms. King-Casey yielded the floor to Ms. Williams to discuss an approach to addressing the remaining 18 findings from FY21. Ms. Williams began by describing the components of a risk-based management approach. She defined risk as the possibility that a bad thing is going to happen and explained that risk should be prioritized for corrective action based on the likelihood and impact of the bad thing occurring. Once the risk is identified, the possible risk treatment options are to avoid, mitigate, transfer, or accept the risk.

Ms. Williams further explained that findings such as the 18 from the FY21 audit are risks to the University which need to be classified as to likelihood and impact and then prioritized for corrective action. A cost versus benefit analysis must also be considered. That is to say, if the cost to the University to implement corrective action to mitigate the risk is greater than the potential loss, then mitigation may not be the best option.

Finally, Ms. Williams clarified stakeholders' roles in the risk-based management approach. Per Ms. Williams, Compliance and Internal Audit should advise and inform. Management and the Board of Visitors must decide which risk treatment option (avoid, mitigate, transfer, or accept) is best based on the University's risk appetite or tolerance.

During the next portion of the presentation, Ms. King-Casey provided an overview of the FY21 audit findings and categorized each finding as either "new" or "repeat." She discussed the eight new FY21

COMMITTEE ON AUDIT AND COMPLIANCE
THURSDAY, FEBRUARY 9, 2023
PAGE 4

audit findings noting that two of the comments originated from the Statewide Single Audit. Per Ms. King-Casey, the University was already familiar with a lot of the findings and the list of new findings was representative of the University's ongoing effort to modernize processes. As for the repeat findings Ms. King-Casey noted that the findings as listed in the presentation were divided into their respective business unit of origin. She also noted that a lot of the repeat findings were representative of the University's systemic issues which were previously discussed.

Ms. King-Casey and Ms. Williams then turned attention to prioritization of the findings using the previously discussed risk-based management approach. The prioritization would assist the University in marshalling resources appropriately. The risk designations included the following: low, medium low, medium, medium high, high.

To begin, Ms. King-Casey and Ms. Williams focused on explaining the Procurement finding's "high risk" designation. Per Ms. Williams, Procurement transactions tend to be high dollar and high volume. Currently, the University has a fairly decentralized model of procurement operation which heightens the possibility of fraud. To level up, or go to Level 2, per Ms. Williams, the University would need to address these issues. Ms. King-Casey followed up by highlighting ongoing corrective action including the Executive Procurement Director's effort to tighten up policies procedures as well as the Small Purchase Charge Card Administrator's progress with ensuring reconciliation of purchases.

After the discussion about Procurement, Ms. King-Casey yielded the floor to Chair Moore to provide direction on whether the Committee wanted to hear the risk analysis for the remaining findings. Chair Moore responded by acknowledging that a lot of conversation previously happened regarding these findings and the Management Response. Per Chair Moore, he is confident in Ms. Williams's experience and appreciated the prioritization of the findings because not all findings have the same level of urgency. He also expressed appreciation for the status reports and emphasized the University's need to hold people accountable for completion of corrective action. Chair Moore noted that the fiscal year completion dates are further out. Consequently, he asked the Committee to keep this point in mind and to exercise patience because there will be repeats. At the conclusion of his remarks, Chair Moore asked for questions or comments and yielded the floor back to Ms. King-Casey.

Ms. King-Casey completed an abbreviated review of the remaining "In Progress" comments and provided the estimated date of completion for each. Ms. King-Casey noted that none of the comments rose to the designation level of "material weakness." As for comments under the header "Comments with Corrective Action Forthcoming," Ms. King-Casey explained that the University still needs to assess, develop and implement corrective action for those items.

Committee members had several questions following the risk prioritization portion of the presentation. To begin, a Visitor inquired about how Ms. King-Casey and Ms. Williams determined the estimated completion dates. In response, Ms. King-Casey explained that there were meetings held with each business unit that included discussions about what would be necessary to affect the corrective action. This

COMMITTEE ON AUDIT AND COMPLIANCE
THURSDAY, FEBRUARY 9, 2023
PAGE 5

assessment was benchmarked out to identify clear deadlines and decide on a reasonable fiscal year completion date.

A Visitor then asked several follow up questions regarding staffing resources to possibly expedite completion. Ms. King-Casey responded that while the University has resources to hire more people, the challenge would be the time needed to train them. As a follow-up, Chair Moore also explained the impact of the school fiscal year on the audit and corrective action plan. Additionally, Chair Moore reiterated the intentional approach used to select the CAE so that the University would have assistance with corrective action efforts. President Abdullah also mentioned that the University is examining the best way to address staffing to assist with resolving the findings.

Next, a Visitor inquired about accounts receivable to which Ms. Williams responded the number is not enough to raise the risk designation to a higher level. She further communicated the need to examine how accounts receivable is handled including the possibility of raising the hold amount for student accounts to a realistic amount. The Visitor followed up with an inquiry about possible issues with the University and its vendors. Ms. Williams responded that Internal Audit could look into this issue during its Procurement audit. Kevin Davenport, Senior Vice President for Administration/Finance and CFO, further commented that the University is currently compliant with the Prompt Pay Act.

Ms. King-Casey concluded the FY21 discussion by highlighting the great work being done by the business units. She also encouraged them to keep up the momentum and stay the course. Ms. King-Casey forewent the discussion on the FY22 audit due to Mr. Strudgeon's earlier presentation and yielded the floor to Ms. Williams to discuss the status of the University's Office of Internal Audit (IA).

Ms. Williams began by explaining that she inherited a large Corrective Action Plan. She noted that many of the items dated back approximately five years and that extensive personnel and process changes occurred throughout that time period. Consequently, Ms. Williams closed out all items on the Corrective Action Plan. Ms. Williams, however, shared her plan to re-test Procurement and Capital Outlay because those areas had the most comments on the Corrective Action Plan.

Ms. Williams next discussed the distinction between findings and recommendations. A finding, per Ms. Williams, is a compliance issue that must be corrected and will appear on the Corrective Action Plan. Recommendations, by contrast, are more of an informed opinion provided for consideration and may or may not be implemented.

Ms. Williams went on to update the Committee about Internal Audit's current activity including an internal Procurement audit which has been limited to FY23 (July 1 – present). In addition to Procurement, Ms. Williams noted a planned discussion with Information Technology (IT) to determine if the University IT audit function should be brought in-house or continue being outsourced to VITA despite the University receiving an audit point because VITA was behind and short staffed. Furthermore, she shared that the Annual Risk Assessment will begin in February. She also expressed her plan to begin work on the FY24 Workplan which will include conversations with management, President Abdullah, and Chair Moore and will be presented at the April meeting.

COMMITTEE ON AUDIT AND COMPLIANCE
THURSDAY, FEBRUARY 9, 2023
P AGE 6

Ms. Williams concluded her remarks by asking the Committee about how IA can best serve them. She introduced her staff, Ahmad Lewis, and noted two vacancies on her team. She also explained that IA can do more than just conduct audits. Particularly as it pertains to the FY21 audit, Ms. Williams further elaborated that IA may be more helpful at the moment for consultations as she does not want IA to be in the business of generating audit points. IA will follow up via testing on the AP A Corrective Action Plan to make sure business units have done the work they committed to do.

CONCLUDING REMARKS

At the conclusion of this portion of the presentation, the Chair instructed and encouraged Ms. Williams to be comfortable talking to the Board about resources as she brings recommendations. Per Chair Moore, the resource issue was a prudent point during the FY21 discussion. The University has been experiencing a huge amount of growth. So, additional resources may be needed. Chair Moore shared his excitement about the audit plan and the opportunity for the Committee to further understand the issues. He also expressed his excitement about progress. Chair Moore then opened up the floor to other questions.

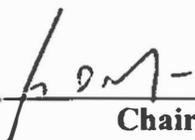
A Visitor inquired about the efforts to fill the two vacancies. Ms. Williams shared her desire to hire as soon as possible. She also noted the possibility of having to hire an IT auditor. Chair Moore provided additional context to the vacancies by explaining that the CAE position was a huge priority. At one point, the Office of Internal Audit only had one vacancy. However, the interim CAE left due to another opportunity. Per Chair Moore, it was important to let the new CAE build out the team. He then asked Ms. Williams to provide a progress update on the hiring status effort to which she agreed. A Visitor commented that although there are a lot of findings, the University has made significant progress and she is hopeful the University is moving in the right direction.

President Abdullah reaffirmed the wisdom of the Board in establishing the Audit and Compliance Committee and thanked them for doing so.

ADJOURNMENT

After closing remarks from Rector Brown and Chair Moore, the Chair asked for a motion to adjourn. It was moved and properly seconded to adjourn the meeting. The meeting adjourned at 1:57 PM.

Approved:



Chair

4/20/2023

Date