

MEMORANDUM

TO: Board of Visitors Audit Committee

Ross Mugler, Chair
R. Bruce Bradley, Vice Chair
Lisa B. Smith (*ex-officio*)
Kay A. Kemper (*ex-officio*)
Carlton F. Bennett
Jerri F. Dickseski
Donna L. Scassera
Robert M. Tata

FROM: Gregory E. DuBois
Vice President for Administration and Finance

DATE: September 10, 2018

SUBJECT: Meeting of the Committee, September 20, 2018

The Board of Visitors Audit Committee will meet on Thursday, September 20, 2018, from 8:00 to 9:00 a.m., in Committee Room A (Room 2203) of the 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 Committee meeting held on Thursday, June 14, 2018.

Memorandum to Audit Committee
September 10, 2018
Page Two

- II. Report from the Chief Audit Executive – Amanda Skaggs, Chief Audit Executive
 - A. University Audit Department’s Quality Assurance Improvement Plan
 - 1. FY2018 Program Results
 - 2. Annual Independence Confirmation
 - 3. Proposed Revisions to Board of Visitors Policy 1610 – Charter of the Internal Audit Department (Enclosed)
 - B. Active Audit Projects
 - 1. Card Center Information Technology
 - 2. Office of the University Registrar
 - 3. College of Health Sciences
 - 4. Department of Human Resources
 - 5. Transportation and Parking Services
 - 6. Office of the President FY2018 Annual Audit
 - 7. Special Projects/Other Engagements
 - C. Presentation of Completed Audit Reports (Summaries Enclosed)
 - 1. General Accounting
 - 2. Procurement Services
 - D. Investigations (Closed Session)
- III. Report from Vice President for Administration and Finance
 - A. University Compliance

NUMBER: 1610

TITLE: Charter of the ~~University~~Internal 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

Introduction

~~Old Dominion University supports Internal Audit, as defined by the Institute of Internal Auditors, as "an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes." This charter as adopted herein will serve as a guide for the activities of the Internal 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.~~

~~This charter will:~~

- ~~1. Provide a written record of formally approved policies of the Internal Audit Department;~~
- ~~2. Provide a basis for the evaluation of the performance of the Internal Audit Department by the management of the University and the Audit Committee of the Board of Visitors;~~
- ~~3. Serve as a basic document in the organization and administration of the Internal Audit Department.~~

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. Internal Audit was established to assist the Board of Visitors and management of Old Dominion University in providing the Commonwealth and the country with the best possible educational institution for the 21st century. As appropriate to accomplish this mission, Internal Audit will have a dual focus; (1) to provide an independent and objective appraisal of the University's financial, operational and information systems, and to evaluate the internal control environment; and (2) to work with management in a proactive and creative manner to ensure the development and provision of services and processes in the most efficient and effective manner.~~

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 Committee and management on the adequacy and effectiveness of governance, risk management and control processes for Old Dominion University. The underlying objectives for accomplishing the Internal Audit Department's mission include, but are not limited to, the following procedures:-

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; Ensuring that proper safeguards are maintained to protect University assets from loss, and if necessary, verify their existence;
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; Appraising the results of operations to ascertain the effectiveness and efficiency of organizations in accomplishing their missions, objectives and goals;
8. Assisting in the education and training of employees in University policies and procedures, as well as the need for and characteristics of ~~stronggood~~ internal controls;
9. Assisting management in the deterrence of fraud and ~~to~~ investigate 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 Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards. In the performance of its mission, the Internal Audit Department of Old Dominion University hereby adopts the IPPF and the "Standards for the Professional Practice of Internal Auditing," which it includes, as an integral part of the department's statement of policies.

Reporting and Responsibilities

The ~~University~~Internal Audit Department is functionally accountable and reports to the Board of Visitors through the Audit Committee. The Chief Audit Executive will meet with the Audit 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~~direction needed by the department in the mediation of audit scope and scheduling, plus budgetary and personnel concerns.

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

The ~~Chief Audit Executive~~Internal Audit Director shall periodically report to senior management and, at a minimum, meet in executive session, to the extent permitted by law, with the Audit Committee of the Board of Visitors regarding each of the scheduled quarterly Board Meetings to discuss:

1. The department's purpose, authority and responsibility.~~Audit reports issued;~~
2. Risk-based audit plan and performance relative to the plan along with any adjustments needed to the plan. ~~Detailed audit plan for the forthcoming fiscal year;~~
3. Conformance with the IIA's Code of Ethics and Standards, and action plans to address a any significant conformity issues. ~~Relationships between the Internal Audit Department and external auditors;~~
4. Significant risk exposures and control issues to include fraud, governance issues and other matters requiring the attention of, or requested by, the Audit 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.

~~The Internal Audit Director may also present materials, such as the annual audit plan, to the Administration and Finance Committee in an informational capacity.~~

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 the Old Dominion University~~ University Internal 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 Committee, including private meetings without management present.

The Audit Committee authorizes the internal audit activity to:

~~Have full, free, and unrestricted access~~To the extent permitted by law, the Internal Audit Department shall have timely and unrestricted access to all university activities, propertyies, 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 ~~by the audit department~~ 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

Programming

The ~~University~~Internal 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 selection-determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination and application of audit techniques, procedures, and programs.

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 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.

Reporting

~~The Internal 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.~~

Investigative

~~The Internal Audit Department shall be free from undue influence in the selection of areas, activities, personal relationships, and managerial policies to be examined. No legitimate source of information is to be closed to the auditor.~~

General

~~Objectivity is an essential element of independence. The independence of the department may be compromised if the internal auditor participated directly in the preparation or reconstruction of accounting systems, data, or records; thus members of the Internal Audit Department will be used only in an advisory capacity.~~

System Planning and Development

The ~~University~~Internal 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~~Internal 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~~Internal Audit Director shall be notified at once. The ~~Chief Audit Executive~~Internal Audit Director 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~~Internal Audit Director 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 Committee of the Board of Visitors.

The ~~University~~Internal 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~~Cooperation With~~ External Auditors

The ~~Chief Audit Executive~~Internal Audit Director is responsible for coordinating the audit efforts of the ~~University~~Internal 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.

~~The Internal Audit Department shall assist the Audit Committee of the Board of Visitors in the evaluation of the external auditors' examination of the University.~~

Audit Plan

Each year, a proposed detailed audit plan for the next fiscal year will be submitted ~~by the Internal Audit Director~~ to the Audit Committee. Upon approval of the plan by the ~~Audit Committee~~, ~~the Internal Audit Director will~~ audits will be initiated ~~audits~~ 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 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 Internal~~ 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 Internal~~ Audit Department.

~~Audit~~This reports will be discussed with the vice president responsible for the area under review prior to the issuance to the President ~~of the University~~. All final audit reports will be issued to the President ~~of the University~~, 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 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 Internal Audit Director~~.

The ~~University Internal~~ Audit Department will conduct a follow-up review on issues noted within the final audit reports ~~issued to~~ determine whether ensure that all recommendations have been considered and acted upon. A status of open audit issues will be provided to the Committee semi-annually. A comprehensive follow-up report will follow that of the original report.

Detection, Investigation and Reporting of Fraud

The ~~University Internal~~ 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 Internal Audit Director~~ should ensure that the proper authorities within the department and the University have been notified of the potential

loss. The ~~Chief Audit Executive~~~~Internal Audit Director~~ 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~~~~Internal~~ 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~~~~Internal~~ 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~~~~Internal~~ 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~~~~Internal Audit Director~~ 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~~~~Internal Audit Director~~, 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~~~~Internal~~ 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~~~~Internal Audit Director~~ should report annually to the Audit 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~~~~Internal~~ Audit Department.

Continuing Professional Development~~Training~~

The university recognizes the need for internal auditors to enhance their knowledge and skills and other competencies through continuing professional development.~~members of the Internal Audit Department to "stay current" on accounting issues and auditing techniques in the university.~~

To fulfill this need, ~~it is required that the Internal Audit Department will require~~ each representative of the department ~~to~~ obtain at least forty (40) hours ~~(1 week)~~ of continuing professional education credits annually. ~~(Training is subject to funding availability.)~~

Quality Assurance and Improvement Program Review

Old Dominion University recognizes the benefits to be derived from a quality assurance review of the internal audit functions. 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 Committee on the department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments. A full scope quality assurance review of the University's internal audit function will be performed at least once every five years by a qualified, independent assessor, or assessment team from outside the University in accordance with the Institute of Internal Auditors standards.

UNIVERSITY AUDIT DEPARTMENT OF OLD DOMINION UNIVERSITY
Audit of General Accounting FY 2017

AUDIT SUMMARY

<p>Department Heads: Mary Deneen, Assistant Vice President for Finance, University Controller; Deb Swiecinski, Associate Vice President for Financial Services</p> <p>Responsible Vice President: Greg DuBois, Vice President for Administration and Finance</p>	<p>Auditor: Natalie MacCall, Senior Auditor</p> <p>Audit Report Date: 9/10/2018</p>
--	---

Background

General Accounting is responsible for ensuring the accuracy of the University's financial statements, maintaining accounting records and also the following:

- Reconciling all University bank accounts, all general ledger accounts and University investments
- Ensuring that information contained in the University's Banner system matches information communicated to the Commonwealth's accounting system
- Grant accounting
- Cost and fixed asset accounting
- Preparation of financial reports
- Daily cash management
- Month-end and year-end closing
- Preparation of indirect cost allocations for auxiliary accounts
- Maintaining University lease transactions

Scope and Objectives

The audit period coverage included FY15-18 with an emphasis on the last two fiscal years. The objectives of the audit are to (1) assess the operational effectiveness and efficiency of the department's methods and procedures; (2) determine the extent of adherence to policies, plans, and procedures and to verify compliance with applicable State and Federal laws, regulations and standards and (3) determine that risks are appropriately removed or satisfactorily mitigated through a systematic process of controls, self-assessment, training, change management, and effective use of technology.

Overall Risk Exposure¹	Audit Conclusion: System of Internal Controls
<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> High	<input type="checkbox"/> Strong <input checked="" type="checkbox"/> Adequate <input type="checkbox"/> Need for Improvement

¹ 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 instruments currently being invested in do not match those allowed per Board of Visitors Policy.	Review the existing policy to ensure it meets today's market conditions and realign portfolio accordingly.
There are a number of employees with the ability to initiate and approve their own journal entries.	Finalize update of access for one individual in the Budget Office and update procedure #2-550-Journal Entry Audit to include Budget Office.
The University Policy which requires departments to file police reports for lost assets is not enforced.	Update policy numbers 3400 and 3800 to remove statement indicating a requirement to obtain a police report for lost and vandalized equipment and add requirement to submit "Missing Asset Explanation Form."
Documentation efforts to support the monthly reconciliations between Banner and Cardinal are not sufficient enough to demonstrate that all variances have been fully and completely investigated.	Obtain the necessary written approval from the Department of Accounts for the alternate procedure.

UNIVERSITY AUDIT DEPARTMENT OF OLD DOMINION UNIVERSITY
Audit of Procurement Services FY 2018

AUDIT SUMMARY

Department Heads: Deborah Swiecinski, Associate Vice President for Financial Services; Etta Henry, Director of Procurement Services	Auditors: Lauren Eady, Senior Auditor Glenn Wilson, IT Audit Manager
Responsible Vice President: Greg DuBois, Vice President for Administration and Finance	Audit Report Date: 9/6/2018

Background

The Department of Procurement Services is responsible for the procurement of goods, services and construction for Old Dominion University. The mission of the Department of Procurement Services is to provide innovative, value-added procurement and property control solutions and services. The budget for the department for FY2018 was \$1,119,885, which includes Ledger 1 and Ledger 6 funds. Procurement Services facilitated 28 sole source contracts, 36 general contracts and 22 construction contracts during the audit period reviewed.

Information technology systems owned, operated or contracted for by Procurement Services that were in scope for the information technology portion of the audit included eVA, which is Virginia’s eProcurement Portal, the Cobblestone Insight Contract Management system, and Bank of America Works used for purchasing card administration. eVA and Bank of America Works are software as a service (SAAS) applications. Cobblestone Insight is an in-house hosted, contract management system that primarily stores vendor information, contract details and associated scanned documents.

Scope and Objectives

The general objective 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 (a) adequate internal controls and operating procedures exist; (b) the department is in compliance with State and University policies, procedures and guidelines; (c) the department is operating efficiently and effectively; and (d) financial transactions are appropriate and monitored.

The information technology component of the audit was to determine whether the systems in scope meet University IT standards, Commonwealth of Virginia technology standards and applicable federal requirements.

The audit methodologies primarily included examining procedures, reports, and other documents, performing transactional analysis on a comprehensive and sample basis and conducting interviews. The period reviewed was fiscal years 2016, 2017 and 2018.

Overall Risk Exposure¹	Audit Conclusion: System of Internal Controls
<input type="checkbox"/> Low <input type="checkbox"/> Moderate <input checked="" type="checkbox"/> High	<input type="checkbox"/> Strong <input checked="" type="checkbox"/> Adequate <input type="checkbox"/> Need for Improvement

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

Audit Issues

Category	Issue	Planned Corrective Action
Information Technology	The Cobblestone Insight administrative portal is configured to allow unencrypted connections between the client browser and web application server, which is not secure.	This has been corrected. Procurement Services worked with ITS to ensure encrypted connection.
Contract Control	Technology related contracts are executed without Information Technology Services' input and/or without undergoing the formal ITS intake process.	Procurement Services will collaborate with ITS prior to contract implementation on all software related contracts. For systems implemented prior to the formal intake assessment process, Procurement Services will reach out to ITS prior to renewal.