

APPROVED BY COMMITTEE ON 9/22/16

OLD DOMINION UNIVERSITY
BOARD OF VISITORS

AUDIT COMMITTEE
Thursday, June 9, 2016

MINUTES

The Audit Committee of the Board of Visitors met on Thursday, June 9, 2016 at 8:01 a.m. in the York/Potomac River Rooms on the Norfolk campus. Present from the Committee were:

Judy O. Swystun, Chair
Frank Reidy, Vice Chair
Ronald C. Ripley '72 (*ex-officio*)
John F. Biagas (*ex-officio*)
Mary E. Maniscalco-Theberge '78
Robert M. Tata '86

Other Board of Visitors members present were:

Petra Szonyegi

Absent were:

David L. Bernd

Also present were:

President John R. Broderick	Melanie O'Dell
Mary Deneen	Eric Sandridge
Velvet L. Grant	Jenny Schoeller
David F. Harnage	Amanda G. Skaggs
Donna Meeks	Deb Swiecinski
R. Earl Nance	James D. Wright

The Chair called the meeting to order at 8:01 a.m. Dr. Maniscalco-Theberge moved to approve the minutes from the April 21, 2016 meeting. Mr. Reidy seconded the motion and the minutes were unanimously approved by all members present and voting. (*Biagas, Maniscalco-Theberge, Reidy, Ripley, Swystun, Tata*)

Eric Sandridge, Auditor Director for Higher Education from the Auditor of Public Accounts, was introduced. His office has completed their audit for the fiscal year 2015. An unmodified opinion was issued which is the new language for an unqualified opinion. During the review Mr. Sandridge stated that auditors looked at internal controls and compliance and obtained a sufficient understanding of internal control to plan the audit and to determine the nature, timing and extent

of audit procedures. They did not identify any internal control deficiencies during the audit process and applauded the control structure efforts implemented by David Harnage, Deb Swiecinski and Melanie O'Dell. There were no instances of non-compliance, fraudulent transactions or illegal acts. There were no significant material changes to any accounting or reporting policies. He also noted that the University successfully implemented GASB Statement 68 which is a very significant accounting standard. There were no material alternative accounting treatments and they concur with management's application of accounting principles. They also reviewed management's basis for any estimates and determined that the amounts appear to be reasonable and that they are consistent with previous years. There were no unusual transactions in controversial or emerging issues during the audit. There were no audit adjustments necessary as a result of their audit work. There were no disagreements with management about any audit accounting or disclosure matters. Mr. Sandridge concluded his report by stating that ODU received a clean audit and that APA has a positive relationship with ODU's staff. A copy of the audit report will be sent by the end of the month.

Dr. Maniscalco-Theberge inquired about how risk is assessed, the appropriate timing of audits and if all areas that are at risk are being audited. Mr. Sandridge stated that he works closely with ODU's internal audit office to ensure that there is complete University coverage as a whole; however, their focus is in different areas. APA is more focused on financial statements and financial risk. There are times that APA might use the work of the internal auditor's office to reduce his office's work in areas, so from that standpoint, they look at the risk-assessment process to determine where they are focusing their work. With regard to evaluating whether there is sufficient coverage of all University-wide risks, they do not focus on this.

Dr. Maniscalco-Theberge congratulated members of the Office of Finance on receiving an unmodified opinion for the FY15 audit. Mr. Sandridge followed up by stating that there is usually one recommendation on minor audit adjustments but to have none is very rare.

Amanda Skaggs, Internal Audit Director, updated the Audit Committee on the department's internal audits in progress. Currently in the fieldwork stage is NCAA Compliance which focuses on both on- and off-campus recruitment as it relates to NCAA bylaws. This will include a review of Title IX/Gender Equity and Academic Advising. Also in the fieldwork stage is Third-Party Hosted Systems which focuses on six different outsourced systems including those used by Purchasing, Student Engagement, Housing, Assessment Repository, Human Resources and the Physical Therapy Clinic. This involves contract compliance controls specific to a third-party hosted environment. Another project in fieldwork stage is Accounts Payable Vendor Payments. This focuses on vendor set up, proper segregation of duties, general controls around payments and compliance with the DOA's requirement of prompt payment. The Distance Learning audit is being conducted as an integrated audit that involves the pairing of an operational auditor with an IT auditor. The operations auditor is in the fieldwork stage looking at proctoring and financial controls, and the IT auditor is finishing up the preliminary survey and will begin field work shortly. Lastly, Cognos/Insight, the operational data store used to pull reports from Banner, is in the planning stage.

Ms. Skaggs noted that most audits on the general plan have been completed with the exception of Strategic Communication and Marketing and the Office of Counseling Services which will be

presented today. Also, the office has received an update on the Audit Software Update and Review test environment to ensure it would be safe and beneficial for the department to use. The update is scheduled to be brought into production within the next two weeks. It was noted that the Quality Assurance Review is a new addition to the audit plan. This review complements the required five-year external review. A report on this will be issued to the committee in September. Going forward, the review will be done on an annual basis.

Lastly, Ms. Skaggs discussed the annual risk assessment process which uses two assessments including a department risk assessment and a system risk assessment. The department risk assessment involves meetings with members of University community held in the spring during which time the audit department explains how its services can be helpful. These meetings also introduce the audit matrix used and ensure that the department is in the correct vice presidential area. The current audit plan, along with any changes, is discussed and the audit matrix is reviewed. The matrix uses 10 different risk drivers that are items common among departments and include: compliance, compliance resources, reputational impact, transaction dollars, volume, revenue, effectiveness of different controls, health and safety impact, and how closely the department aligns with the University’s strategic plan. The information obtained is loaded into the audit software program which provides a ranking scale and is then further subdivided into different tiers. Ninety-two departments were reviewed and fell into one of the following categories: Very Low – 2, Low – 25, Moderate – 38, High – 25, Very High – 2.

Areas falling into the very high category included Dining Services and Facilities Maintenance. An audit was just completed on Dining Services and Facilities Management will be included in the 2017 audit plan.

The second assessment used in the annual review is the system risk assessment and focuses on systems services and information technology. ODU has 57 systems. These systems were ranked using three criteria: confidentiality, integrity and availability. Systems receiving a high ranking in any of these categories are considered sensitive. Using these rankings, it was determined that ODU has 33 sensitive systems.

In addition to the aforementioned, University audits are determined by using risk-driver information, input from management, concerns from the Audit Committee, input from the APA and any major regulatory changes. Areas with the highest risk propensity are conducted first.

Next, Ms. Skaggs presented the department’s proposed FY2017 Audit Plan as noted below:

<i>General Audits</i>	<i>Area</i>	<i>Hours</i>
Facilities Management	University Services	350
General Accounting	Financial Services	350
<i>General Audits (cont’d)</i>	<i>Area</i>	<i>Hours</i>
College of Engineering and Technology	Academic Affairs	350
Research Center for Bioelectrics	Office of Research	300
SOBRAN Facility Contract	Office of Research	200

NCA Compliance	Office of the President	300
International Programs: Study Abroad	Academic Affairs	300
Confucius Institute CY2016 Annual Audit	Academic Affairs	100
Human Resources	Human Resources	350
Institutional Equity and Diversity	Office of the President	350
Educational Accessibility	SEES	350
Office of the President FY 2016 Annual Audit	Office of the President	100
<i>Information Technology Audits</i>	<i>Area</i>	<i>Hours</i>
Banner Document Management System (BDMS)	ITS	300
<i>Integrated Audits</i>	<i>Area</i>	<i>Hours</i>
Accounts Receivable: Cashing, Student Billing and Touchnet College of Education	Financial Services Academic Affairs	600 500
<i>Wrap-Up Audits</i>	<i>Area</i>	<i>Hours</i>
Cognos/Insight (Operational Data Store)	Financial Services	150
Accounts Payable Vendor Payments	Financial Services	40
Distance Learning	AA/ITS	280
Third-Party Hosted Systems (6 Systems)	Various	20
NCAA Compliance: Recruitment	President's Office	30
Confucius Institute CY2015 Annual Audit	Academic Affairs	120
<i>Other Activities (Cont'd)</i>	<i>Hours</i>	
Fraud Waste and Abuse Hotline	250	
Audit Follow-Up: Quarterly Recommendation Status Updates	250	
Compliance Calendar Update	40	
Policy Review Committee	200	
<i>Other Activities (Cont'd)</i>	<i>Hours</i>	
Audit Software Updates and Review	150	
Quality Assurance Review	200	
Special Requests/Unscheduled Audits	200	

Dr. Maniscalco-Theberge inquired about the ability to review the audit schedule yearly to determine if adjustments are necessary. This is done at the end of audit using the audit check list for budgeted hours. If there is a variance of more than 10 percent, then an explanation is documented. This is also addressed in the new Annual Quality Assurance Review.

Dr. Maniscalco-Theberge presented a resolution that the Audit Committee of the Board of Visitors approve the FY2017 Audit Plan as recommended by the administration. Mr. Biagas seconded the motion. The plan was unanimously approved by all members present and voting. *(Biagas, Maniscalco-Theberge, Reidy, Ripley, Swystun, Tata)*

Dr. Maniscalco-Theberge read a closed session statement and moved to convene in closed session. Mr. Biagas seconded the motion. The Committee then received, in closed session, details of recent audits and reviews performed in the areas of Student Engagement and Enrollment Services and the Office of the President. Specifically covered were the audits of the Offices of Counseling Services and Strategic Communication and Marketing. Also presented was a summary of the Commonwealth's hotline investigations that were referred this past year to the Internal Audit Office.

The Committee reconvened in open session. The Chair read the certification statement for the closed session. The certificate was unanimously approved and agreed upon by all members present and voting. *(Biagas, Maniscalco-Theberge, Reidy, Ripley, Swystun, Tata)*

There being no further business, the meeting was adjourned at 8:45 a.m.