

**OLD DOMINION UNIVERSITY
BOARD OF VISITORS
September 21, 2017**

**AUDIT COMMITTEE
MINUTES**

The Audit Committee of the Board of Visitors of Old Dominion University met on Thursday, September 21, 2017, at 8:15 a.m. in Committee Room A of the Broderick Dining Commons on the Norfolk campus. Present from the Board were:

Ross Mugler, Chair
Bruce Bradley
Donna L. Scassera
Robert M. Tata
Ivan Militar (Student Representative)

Absent from the Board were:

Carlton Bennett (*ex-officio*)
Frank Reidy
Lisa B. Smith (*ex-officio*)

Others present were:

Austin Agho	Earl Nance
John R. Broderick	Amanda Skaggs
Leigh Comsudis	Rusty Waterfield
Gregory DuBois	Jay Wright
Donna Meeks	

Mr. Ross Mugler, Chair, called the meeting to order at 8:12 a.m. Mr. Bob Tata moved to approve the minutes from the June 8, 2017 meeting. Mr. Bruce Bradley seconded the motion and the minutes were unanimously approved by all members present and voting. (*Bradley, Scassera, Tata*)

Ms. Amanda Skaggs, Internal Audit Director, distributed the Internal Audit Charter and introduced Mr. Gregory DuBois, the Vice President for Administration and Finance, noting that he will be the University's administrative representative for the Audit Committee meetings.

Vice President DuBois said he is happy to be at Old Dominion University and said as the administrator for the Internal Audit Department, his role is to support Ms. Skaggs and to ensure that the University has a robust audit function. He added that this Committee plays an important role in ensuring that management is fulfilling its responsibility and is responsible for oversight of financial reporting.

Ms. Skaggs presented the report on the Internal Audit Department's quality assurance improvement program and the results of the program as required by the Institute of Internal Auditor's Standards.

It was moved and duly seconded to approve the proposed Revisions to the Board of Visitors' Policy #1610, Charter of the Internal Audit Department, and the organizational independence of the Internal Audit Department. The motion was unanimously approved by all members present and voting. (*Bradley, Scassera, Tata*)

The Internal Audit Quality Assurance Improvement Program (QAIP) is designed to evaluate the Internal Audit's conformance with the Definition of Internal Auditing and the Standards and Code of Ethics. The program also assesses the efficiency and effectiveness of the Internal Audit and identifies opportunities for improvement. Ms. Skaggs added that this year they conducted an internal assessment in order to validate the office's conformance to the Internal Audit's professional standards and to complement the five-year external review process. She said it was last performed in July, 2014 and due again in July, 2019. Ms. Skaggs noted that this year's engagement focused on the on-going monitoring and periodic self-assessment.

Vice President DuBois said it is critically important to maintain Ms. Skaggs' independence, noting it is important that she has direct access to this Committee and to the President. He added that his role is to break down barriers and to support her day-to-day activities, ensuring she is properly resourced and that she has the proper staff available to her.

The Committee was then briefed on the details of recent engagements performed in the areas of Administration and Finance and Academic Affairs. Specifically covered were Facilities Management and the Confucius Institute.

Mr. Tata asked, for instance, regarding NCAA topics to be audited, does the auditor assigned have subject matter expertise and understand the specific topic? Ms. Skaggs responded yes, there is a lot of guidance available for auditors to use to navigate complex topics. There are NCAA guidelines that are read, as well as a checklist of compliance that is available through the Association of College and University Auditors, for which all of the auditors are members. She added that there are many materials available to auditors for what steps to go through. Additionally, the Audit staff attends at least 40 hours of professional continuing education each year.

Mr. Bradley asked, given the complexity of the University, what is the frequency of audits. Ms. Skaggs added that for the Office of the President, an audit is done every year, for NCAA compliance every year on a different component, but repeats on a three- to four-year cycle. For the other units across campus a risk-based approach relying on the annual risk assessments internal audit performs, which could be seven years before returning to an area. Ms. Skaggs added that there are not many high-risk findings at this time and she is not seeing something that would require more frequent audits.

The system of internal controls, in effect over Facilities Management, was noted as adequate with five reportable items relating to (1) small purchase card charge use and reconciliations; (2) key collection process; (3) gas card interdepartmental transfers; (4) labor rates not agreeing to the University Tuition and Fees Schedule; and (5) the monitoring of fuel pumps. Ms. Skaggs noted that there were several issues with the usage and reconciliation for the small purchase credit cards held by Facilities Management employees, which included missing documents and potentially improper transactions. There are 38 employees in the department that have a Small Purchase Credit Card (SPCC). There were three potential split orders by three separate cardholders, six types of issues related to the SPCC reconciliations that included missing bank statements, not dated by the cardholder, and illegible approver signature, missing reconciliation and also some signed after the due date, as well as some signed before the last transaction cycle end. It was recommended to develop a tracking sheet and to have more than annual reminders of the cardholder responsibilities.

In addition, there was a problem with keys not being returned and consequences for not returning keys are not widely communicated or enforced. It was recommended that the current procedures be updated and develop additional practices to increase the rate of key return and enhance communication between separating employee and supervisors and also updating the workflow to include supervisors in the process.

Also, gas card transfers and logs are not processed properly. Gas card transfers were not processed during an entire fiscal year and signatures and dates for several gas card transaction logs were not found. It was recommended that they develop a process to ensure Internal Department Transfers are completed on a regular basis and reminders sent to departments to sign and date transaction logs.

Some labor rates have been entered incorrectly and do not match the University's Tuition and Fees schedule, which resulted in the wrong rates being charged. It was recommended to review fees in the Maintenance Direct and ensure alignment with the Tuition and Fees schedule and audit fees annually when the Tuition and Fees schedule is updated.

The final item noted in Facilities Management was fuel pump monitoring. The last audit, which was done approximately six years ago, noted that they were not monitoring the fuel pumps adequately to deter misuse. Some controls were noted to be in place to prevent misuse, one of which was every vehicle was assigned a key that fits into the fuel master pump and the vehicle must also have an assigned password. The transaction will cancel if the odometer reading is not greater than the last entry. It was recommended that annual communication to the departments

who use the fuel pump include the responsibilities, and to be sure to include the tank size in department reports.

Next was the Confucius Institute, which noted there are agreed upon procedures that were performed for the Confucius Institute, at the request of the granting agency, and it was determined that there was a lack of internal controls over the reporting by the Confucius Institute to Hanban (the granting agency) for calendar year 2015. There were reportable items related to (1) the required match contribution; (2) the amount of funds reported as spent; (3) Banner reconciliations; and (4) tracking of expenses by project.

An Internal Auditor reviewed the agreement with Hanban, which was signed in 2012, and evaluated Old Dominion University's obligations. The Minzu Agreement listing of Old Dominion University members of the Board of Advisors is not current and the Agreements lacked clarity as to the allowable period and reporting deadlines. The APA report for July 1, 2014 – June 30, 2015, was reviewed and no findings were noted that would have any effect on the Institute's operations.

Banner budgets are not being reconciled and the final reports submitted to Hanban are not reconciled to actual transactions. In addition, funds actually received from Hanban were \$156,209. But the reports by the Confucius Institute personnel was \$163,608.50 (over reported by \$7,339.50). Rollover funds at the beginning of FY2017 of nearly \$300,000 indicate that not all prior year funds were spent.

It was recommended to identify project budget line items for each expense real time to include tracking personnel time as appropriate, reconcile expenses to Banner monthly, identify a methodology for valuing in-kind amounts to include tracking the match values and retaining appropriate documentation, including sources of estimates for values used for the office and classroom spaces. Also, reconcile budget to actual expenses prior to final submission, and communicate variances timely and to retain submittal documentation. Budget and final expense reports should be reviewed by the Confucius Institute Director's supervisor prior to submission. In addition, amend agreements as necessary to include updating the list of advisory board members, clarify allowable spending period, clarify the date of reports and mutual agreement for when the funds from Hanban are due.

There being no further business, the meeting was adjourned at 9:00 a.m.