

**OLD DOMINION UNIVERSITY
BOARD OF VISITORS
Audit, Compliance, and Human Resources Committee
April 20, 2023**

MINUTES

The Audit, Compliance, and Human Resources Committee of the Board of Visitors of Old Dominion University met on Thursday, April 20, 2023, at 11:00 a.m. in the Board Room of the Kate and John Broderick Dining Commons. Present from the Committee were:

Armistead D. Williams, Jr., Chair
R. Bruce Bradley (*ex-officio*)
P. Murry Pitts (*ex-officio*)
Robert A. Broermann
Peter Decker, III
Brian K. Holland
Toykea S. Jones
Wie Yusuf (*Faculty Representative*)
Antra Patel (*Student Representative*)

Absent from the Committee: Larry R. Hill
Maurice D. Slaughter, Vice Chair

Also present from the Board: Jerri F. Dickseski
Kay A. Kemper

Also present were:

Brian O. Hemphill, President	Donna Meeks
Austin Ago	Tom Odom
Alonzo Brandon	Chad Reed
Justin Ferrell	September Sanderlin
Annie Gibson	Ashley Schumaker
Nina Rodriguez Gonser	Garrett Shelton
Jaime Hunt	Amanda Skaggs
Todd Johnson	Rusty Waterfield
LaToya Jordan, APA	Rob Wells
Amber Kennedy	JaRenae Whitehead
Maggie Libby	Allen Wilson

The meeting was called to order by the Chair at 11:00 a.m.

- A. **Approval of Minutes** – Upon a motion made by Murry Pitts and duly seconded, the minutes of the Audit, Compliance, and Human Resources Committee meeting held on

December 8, 2020, was approved by all members present and voting (*Bradley, Broermann, Decker, Holland, Jones, Pitts, Williams*).

- B. Report from the Auditor of Public Accounts Regarding the FY2022 Financial Statement Audit** - Ms. LaToya Jordan, Deputy Auditor for Human Capital and Operations from the Auditor of Public Accounts, presented the results of the FY2022 Financial Statement audit. She introduced Justin Ferrell, Audit Manager, who was part of the audit team. She thanked Amanda Skaggs and the members of her team who helped execute the external audit. She reviewed the timing and objectives of the audit and reported that they issued an unmodified opinion was issued on the University's financial statements for the year ended June 30, 2022. From an internal control perspective, they were able to gain a sufficient understanding of internal controls, any changes in internal controls, and plan and execute the audit procedures that resulted in the report issued on March 30, 2023.

Five internal control findings were identified during the audit. The first one, continue to improve the financial reporting process, constitutes a material weakness in financial reporting and is a repeat finding for the University. Auditing standards dictate that a material weakness is a deficiency or a combination of deficiencies such that management will not be able to prevent or detect misstatement of the financial statements in a timely manner. She pointed out, however, that due to the timing of the audit, management was limited in its ability to fully rectify the issue. The next four findings, classified as significant deficiencies are improve controls over financial reconciliations (new finding), improve accounting for accounts payable (new finding), improve controls over capital asset inventory (new finding), and promptly return unearned Title IV funds to Department of Education (repeat finding).

Ms. Jordan also briefed the Committee on the status of the remaining prior year findings. Two of the five – improve controls over residential system access and properly complete exit counseling for Federal Direct Loan borrowers – have been resolved. Corrective action was still underway on the last three findings – strengthen policies and procedures related to terminated employees, promptly return unclaimed aid to the Department of Education, and improve compliance over enrollment reporting – so follow-up has been deferred to the FY23 audit.

One instance of non-compliance was found related to the prompt return of unearned Title IV funds to the Department of Education. The audit team assessed the risk of fraud through a collaborative brainstorming process and conducted interviews of employees throughout the University asking about known or suspected fraud and fraud opportunities and no fraud or illegal acts were identified as a result of the audit. Other than implementation of GASB Statement 87, no significant changes to accounting and reporting policies or standards were identified during the year. The basis for accounting estimates used were reviewed and it was determined that these estimates were reasonable and fairly stated. They also identified proper treatment of accounting principles, no material alternative accounting treatments, and had no significant disagreements with management during the audit.

Ms. Jordan shared significant audit adjustments that were reviewed with management and recorded in the audited financial statements. She specifically mentioned the adjustments related to leases and the implementation of GASB Statement No. 87, which was new and

complex and required significant preparation and effort from Finance prior to implementation.

As part of the audit process, management provides representations regarding their roles and responsibilities. Those are in written form and will be shared with the Board. At the conclusion of her report, Ms. Jordan noted new accounting standards effective for the FY23 financial statements, one of which, GASB 96, relates to subscription-based IT agreements. Vice President Reed and Maggie Libby are aware of this and have a plan in place to make sure that it is implemented correctly.

The APA has issued the higher education comparative report. At the request of the Rector, Vice President Reed said he would share that report and is planning to do a presentation on the report at a future meeting.

- C. **Closed Session** – The Chair recognized Mr. Pitts, who read the following motion: “Mr. Chair, I move that this meeting be convened in closed session, as permitted by Virginia Code Section 2.2-3711(A), subsection (1), to evaluate the performance of specific departments of the University where that evaluation necessarily involves discussion of the performance of specific individuals.” The motion was duly seconded and approved by all members present and voting (*Bradley, Broermann, Decker, Holland, Jones, Pitts, Williams*).

In addition to the Committee members in attendance, the following individuals were in attendance during the closed session: President Hemphill, Vice President Reed, Ms. Skaggs, Ms. Schumaker, and Mr. Wilson.

- D. **Reconvene in Open Session and FOIA Certification** – At the conclusion of Closed Session, the Chair reconvened the meeting and the following Freedom of Information Act Certification was read: “Any person who believes that the Board discussed items, which were not specifically exempted by law or not included in the motion, must now state where they believe there was a departure from the law or a departure in the discussion of matters other than that stated in the motion convening the closed session. I shall now take a roll call vote of the Board. All those who agree that only lawfully exempted matters and specifically only the business matters stated in the motion convening the closed session were discussed in closed session say “aye.” All those who disagree say “nay.” The certification was approved by roll-call vote (*Ayes: Bradley, Broermann, Decker, Holland, Pitts, Williams; Nays: None*).

- E. **Report from the Chief Audit Executive** - Ms. Amanda Skaggs, Chief Audit Executive, presented the completed audit reports for the Police Department Fiscal Activities FY2022, Desktop Management, Office of the President FY2022 Expenditures, and the College of Sciences.

1. **Police Department Fiscal Activities FY2022** –Specific coverage for the engagement included the review of budget management, Web Time Entry approvals and timesheets, expenses including review of contract administration related to pricing, signature authority to budget accounts, purchasing cards reconciliations and transactions, and travel expenses. Strong internal controls were found in the areas of travel expenses,

purchasing card sign offs and transaction receipt uploads, WTE approvals and signatory authority. Corrective actions to address conditions observed were recommended for expenses, budget management, and fixed assets. For expenses, all had a valid business purpose and were properly approved, however, exceptions included improper receipts, charging the wrong account, paying state tax, and pricing not agreeing to contract terms. Recommendations are to request and retain line-item receipts; confirm transactions are charged to the correct account and make any necessary transfers; confirm sales tax is not assessed and, if charged, seek a refund; and contact vendor for pricing explanation and obtain reimbursement as needed. For budget management, none of their five accounts were overspent and financial data was provided to CALEA as required, however, two accounts without activity were not reconciled, two accounts had undocumented variances, and some reconciliations did not contain the expected sign-offs. It was recommended that the department establish a monthly reconciliation process that conforms to University policy requirements. Fixed asset processes did not conform to University requirements. Exceptions were noted in a sample of 22 assets and included inaccurate locations and missing tags. It was recommended that the department update locations and request new permanent tags.

2. Desktop Management – The audit objective was to determine whether the design and operating effectiveness of controls over desktop management sufficiently achieved expected compliance and objectives. The audit concluded that the system of internal controls in effect over desktop management was strong during the period of review and established methods and procedures were conducted as expected and in accordance with internal ITS desktop management standards and general industry practices. An opportunity for improvement was identified in the approach to remediating desktops failing to receive the expected patches or otherwise not configured to internal requirements. A considerable number of active devices are not patched and/or configured to expected levels and formal procedures do not exist to address non-compliant devices nor is there overall monitoring of remedial activities. For increased assurance and more efficient use of available resources, recommendations included establishing formal risk-based procedures to systematically address non-compliant devices and establishing key performance metrics and monitoring the effectiveness of Technical Support Professional (TSP) triage activities.
3. Office of the President –The system of internal controls in effect for expenditures within the Office of the President was strong during the period of review. Based on testing, expenditures and other transactions of the Office of the President were reasonable and appropriate. The categories of expenditures reviewed included personnel costs; travel to include mileage, lodging, meals and incidentals; memberships in local or national organizations; entertainment in connection with University functions hosted by the President; expenditures from the use of the small purchase charge card; and other general expenses. Additionally, authority for the Office of the President budget accounts was reviewed to determine proper delegation to current employees. Web Time Entry timesheet and leave report submissions were reviewed to determine whether they were approved prior to Payroll submission deadlines.

4. College of Sciences – The audit objectives were to determine whether adequate internal controls and procedures exist, the College follows applicable requirements, the College is operating efficiently and effectively, and financial transactions are appropriate and monitored. The system of internal controls in effect over the College was adequate during the period of review. Eight issues that need to be addressed were identified and brought to management’s attention. (1) Some departments have not fully established all necessary processes for records management. Departments should continue to establish processes and create the necessary documents for records management in accordance with the Virginia Public Records Act and University policy. (2) With guidance and support from Office of Emergency Management, all University buildings are required to maintain a current, all-hazards Building Emergency Action Plan that serves as the written framework for facilitating individual or departmental emergency response actions during all-hazards incidents, emergencies, and events. The College occupies seven buildings for which BEAPs need to be created. (3) Fixed asset processes do not fully conform to internal requirements. Based on a sample of 45 assets, some were not properly recorded and reported. Departments should remind their fixed asset coordinators of the expectation to develop necessary internal processes and communicate them to all who have a responsibility for assets. (4) Chemical inventory reporting is not in compliance with internal requirements and Federal regulations. A process needs to be created to ensure inventories are reported as required. (5) Adjunct faculty evaluations were not consistently completed and procedures for evaluation were not established. Departments should establish procedures for timely evaluation of adjunct faculty in accordance with the General Adjunct Faculty Handbook. (6) Web Time Entry overrides occurred due to six of 37 approvers not consistently approve time entries over the last year. Management should emphasize to approvers the importance of reviewing and approving time and the requirement for hourly employees to submit their timesheets as expected. (7) Departments’ budget reconciling processes do not meet internal requirements. They should be reconciled on a monthly basis and signed by both the preparer and reviewer. Any accounts without activity should be evaluated for closure. (8) Funds allocated to discretionary accounts are not utilized as expected; six were missing MOUs that provide spending restrictions, funds with different restrictions were comingled without separate tracking, and one account contained transactions that were disallowed by the MOU. It was recommended that the College enhance its strategic planning to include annual funding considerations based on expected spending, work with the Foundation to update MOUs where spending needs have changed and obtain or develop missing MOUs, work with the Budget Office to establish separate accounts for comingled funds, and work with Finance to determine if disallowed expenses need to be reimbursed.

Ms. Skaggs provided a status report on 33 open audit issues, noting that five are complete, 20 are in progress, and eight are planned. Active audit projects include the Athletic Business Office, Housing and Residence Life, Enterprise Data Storage and Recovery, and Salesforce/Target X Customer Relations Manager, as well as special projects and other activities.

F. Report from the Vice President for Human Resources, Diversity, Equity, and Inclusion – Ms. September Sanderlin, Vice President for Human Resources, Diversity, Equity, and Inclusion, briefed the Committee on the following items:

1. CAPTRUST Update on Supplemental Requirement Retirement Plans – In light of recent bank failures including Silicon Valley Bank, and First Republic Bank, CAPTRUST, an independent advisory firm and co-fiduciary for the University's tax-sheltered annuity and cash match plans, conducted a portfolio analysis for investment exposure that indicates very slight exposure, which for Fidelity was \$21,000 out of \$43,000,000 in assets, or 0.05%, and for TIAA was \$14,000 out of \$87,000,000 in assets or 0.02%.
2. Administrative and Faculty Professional Faculty Senate – With the support of President Hemphill, an Administrative and Professional Faculty Senate is being created to serve as a liaison between A/P faculty and University administration, It will make recommendations or provide input on policies and procedures that promote the professional and personal interest of A/P faculty and represent A/P faculty on University initiatives such as the strategic planning process and campus master planning. A working group has developed the Senate's Bylaws, which were provided in OnBoard.
3. University-wide Compensation Study for A/P Faculty and Classified Employees – The University has engaged the services of The Segal Group, a human resources consulting firm nationally recognized for its work with hundreds of higher education institution in the country, to help address several challenges, including increased turnover, difficulty attracting and retaining talent, decreased applicant pools, and classified salaries lagging the market. The objective is the development of a market competitive compensation program to include a total compensation philosophy, job structure and documentation review, market assessment, market-based salary structure, pay administration policies and guidelines, and implementation strategy and action planning. Vice President Sanderlin shared the project phases and timeline and provided an update on Phases 1 and 2.

G. Adjournment - There being no further business, the meeting adjourned at 12:27 p.m.