



**VirginiaTech**  
*Invent the Future*



# **University Internal Audit Compliance Audit Overview**

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# Agenda

- Introductions
- What is Internal Audit
- Compliance Review
- Questions

# Internal Audit Mission

- Provide independent, objective assurance and advisory services designed to **add value** and improve the university's operations.
- Help the organization accomplish their objectives by bringing a systematic, disciplined approach to identify opportunities for improvement.





# Internal Audit @ VT

## Org Structure

**Board of Visitors**

**Finance and Audit Committee**

**President**

**Functionally**

**Administratively**

**Internal Audit**



# Audit Plan

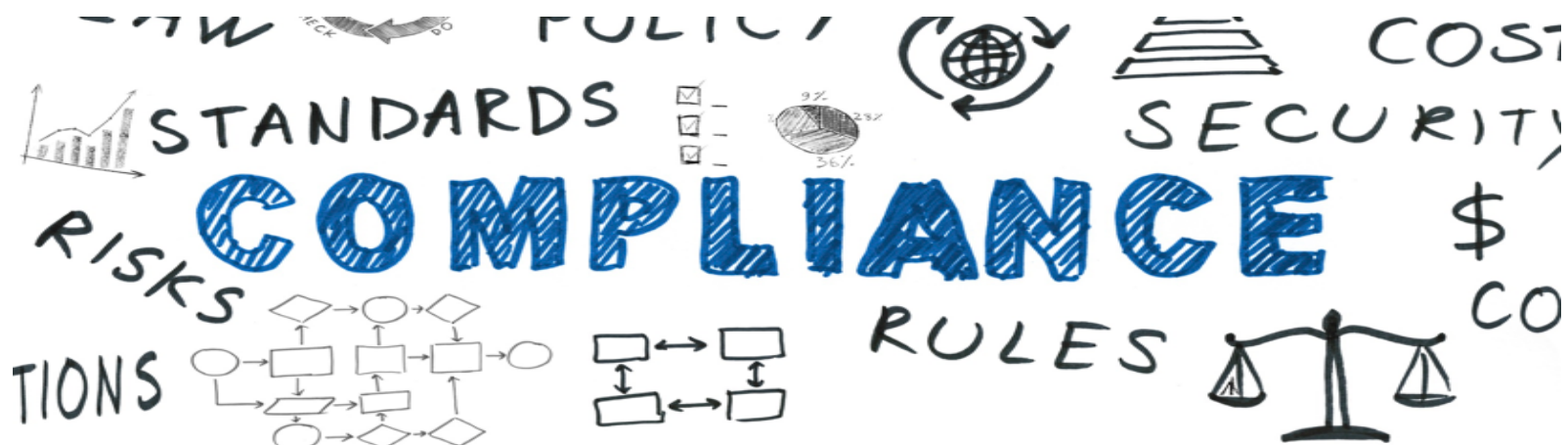
- Roughly 30-35 audits a year – depending on staff level
- 4-5 of these are compliance reviews





# Compliance-Based Audit

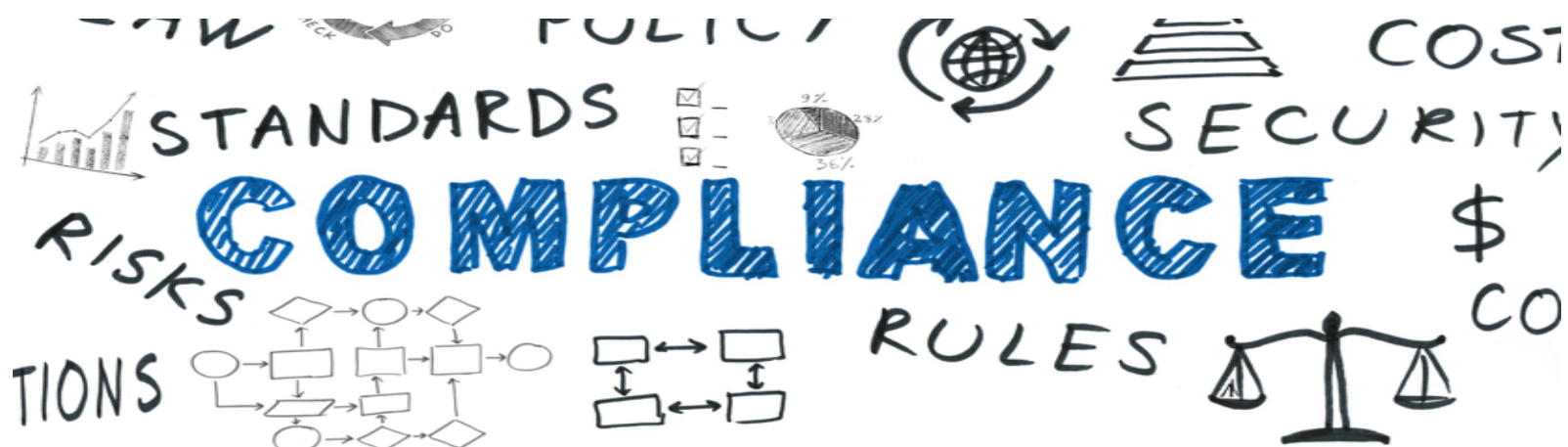
- The objective of the compliance review is to ensure all senior management areas receive periodic visits from Internal Audit for testing compliance with major university business policies.





# Compliance-Based Audit

- Review business practices and compliance with key university policies.
- We review at the senior management level (approximately 25 @ VT).
- Each will typically be reviewed at least once during every five-year cycle.



# Compliance-Based Audit

- Fiscal Responsibility
- Employee Compensation and Leave Reporting
- Expenditures
- Fixed Asset Management
- Funds Handling
- University Key Control
- Information Technology
- Emergency Preparedness
- State Vehicle Maintenance
- Family Educational Rights and Privacy Act
- Conflicts of Interest



- **Fiscal Responsibility**
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# Fiscal Responsibility

- Policy 3100: Fiscal Responsibility
  - Purpose: Internal controls include organizational plans and procedures that are designed to verify the accuracy and reliability of accounting data and other management information.
  - As part of their responsibility to monitor and review the funds assigned to them, managers shall perform monthly reviews of financial transactions.
  - Managers are strongly urged to complete their reviews soon after the close of each month so that corrections can be completed within sixty days of the original posting in the accounting system.

# Fiscal Responsibility

- Policy 3100: Fiscal Responsibility
  - The manager can delegate all or a portion of this monthly review to others, but the manager is responsible for the adequate performance of the monthly review.
  - The fact that the monthly review was performed must be documented by certifications that are signed by the person or persons who performed the initial reconciliation as well as by the manager responsible for final review of the funds.
- Procedure 10305a: Review of Financial Activities
  - The printout and certification should be retained in the department files for a period of three years.

# Fiscal Responsibility

- What we look for?
  - Detailed reconciliation process
  - Retained Snapshot By Org & supporting documentation
  - Signed by the preparer within 45 days
  - Signed by approver within 60 days
  - Retained for three years



# Compliance-Based Audit

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# Employee Compensation and Leave Reporting

- Includes:
  - Wage Payroll
  - Overtime Compensation
  - Leave Reporting
  - P-14 Appointments
  - HR Processes (Questionnaire)



# Employee Compensation and Leave Reporting

- Policies
  - Wage Payroll - Policy 4298: Wage Employee Time Worked Records
    - Purpose: University departments are responsible and accountable for the collection, entry, reconciliation, and retention of wage time records.
  - Overtime Compensation - Policy 4320 - Guidelines for the Fair Labor Standards Act
    - Purpose: Virginia Tech is a public employer committed to serving the public interest and accountable to the tax payers. It is the policy of Virginia Tech that employees are not paid for time that they do not work.

# Employee Compensation and Leave Reporting

- Policies
  - Leave – Faculty Handbook, DHRM policies (staff), and leave reporting requirements\*
  - P-14 – Policy 4296: Adjunct and Wage Faculty Payment Process
    - Purpose: The purpose of this policy is to identify the proper use of adjunct and wage faculty payments (also called P14 payments), stipends that are paid on a per pay period basis over the course of the performance of professional services or as one-time fee payments.

\*(<http://www.hr.vt.edu/benefits/leave/leave-reporting.html>)



# Wage Payroll

- What we look for:
  - Are hours worked appropriately entered and approved.
  - That the timekeeping system hours were compared to the Wage Payroll Reconciliation Report (PZRTED).
  - The reconciler was not the employee that entered the hours or the supervisor who approved the hours worked.
  - Time records retained for four years.

# Overtime Compensation

- What we look for:
  - Due to new leave system, we no longer test calculations or retention of paper work. Focus is on process for written and proper approval.
  - Non-Exempt Employees: Overtime should be authorized only by the supervisor and primarily for exceptional requirements.
  - Exempt Employees: Must be approved by the appropriate Dean or Vice President, and pre-authorized by Human Resources for occasional, special circumstances or projects.



# Leave Reporting

- What we look for:
  - Due to the new leave system, we no longer test retention of paper leave reports. Focus is on timeliness and non-submitted leave reports.
  - Leave needs to be reported in the new leave system.
  - Applicable to all employees (Staff, Faculty)

Leave & Time Worked Reporting System

# P-14 Appointments

- What we look for:
  - For Classified Employees:
    - The employee's department head has approved the payment.
    - Payment request and the rate of pay has been approved in advance by Human Resources.
  - For CY or AY Faculty:
    - The P-14 payments do not exceed one third of their total salary for the fiscal year or prior academic year respectively.
    - Principal Investigator signed the P-14A if the position is research funded.

# P-14 Appointments

- What we look for (cont.):
  - Offer letter and P-14 is on file.
  - The duties involved do not fall within the realm of the Payee's normal job duties, where applicable.
- Little know fact:
  - AY Faculty do not need to receive an offer letter for summer session.

# HR Questionnaire

- What we look for:
  - Background checks & I-9s completed properly.
  - Employees assigned a job description and performance plan.
  - Are training plans considered for employees.
  - Separation checklists completed.
  - Are wage and emergency hires brought on board and retained according to policies.



# Compliance-Based Audit

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# Expenditures

- Includes:
  - Purchase Cards (P-Cards)
  - “Other” Expenditures





# P-Card Testing

- Policy 3200: Disbursements
  - Purpose: All expenditures of the university are subject to scrutiny by State authorities, sponsors, auditors, and other interested parties. Persons authorizing expenditures should assure that the expenditures of university funds are necessary, reasonable, and directly related to the goals and missions of the university.
- Procurement Department's Corporate Purchasing Card Procedure\*
  - Purpose: Establishes responsibilities for cardholders and department heads in conducting university business with the Corporate Purchasing Card.

\*(<https://secure.hosting.vt.edu/www.procurement.vt.edu/Department/Procedures/ge.html>)

# P-Card Testing

- Rules for P-Cards:
  - Can be used for purchases up to \$2000\*
  - Over the counter sales with local vendors
  - Purchases from the US Post Office
  - Membership and association dues
  - Conferences, training, and other registration fees
  - Advertising for employment opportunities
  - With vendors that do not accept HokieMart



# P-Card Testing

- What we look for:
  - Determine if purchases are necessary, reasonable, and directly related to the goals and mission of the university.
  - The signed Payment Certification Form and the original P-Card statement must be submitted to the Controller's Office by the 10th of the following month.
  - The “original” receipts are maintained.
  - The P-Card has not been shared.
  - Split purchases
  - Weekend or oddly timed purchases (holiday).
  - Retention is typically 5 years.



# P-Card Testing

- What we look for:
  - Unusual or unallowable charges:
    - Books for classes (unless they remain property of the University)
    - Holiday decorations or parties
    - Alcohol
    - Non-business related newspapers or magazine subscriptions
    - Gifts and flowers
    - Charitable contribution or sponsorships
    - Coffee makers, toasters, and other small appliances for employee use (refrigerators and microwave ovens are allowed for central breakrooms only; however, small appliances are not).
    - All expenses related to personal negligence of the employee, such as traffic fines and towing.



# **“Other” Expenditures**

- What we look for:
  - Determine if purchases are necessary, reasonable, and directly related to the goals and mission of the university, are thoroughly documented and properly authorized.
  - Ensure purchasing card expenditures are transacted in accordance with Commonwealth of Virginia and University guidelines.



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# Fixed Asset Management

- Policy 3950 - Fixed Asset Accounting
  - Purpose: To ensure all the university's fixed assets are acquired, safeguarded, controlled, disposed and accounted for in accordance with state and federal regulations, applicable accounting pronouncements and in a manner that adequately supports the maximum recovery of Facilities and Administrative (indirect) costs associated with these assets.
- What we look for:
  - How are assets tracked within the department
  - Has a equipment coordinator been assigned.
  - Are all assets assigned to a custodian.
  - Are there assets classified with no custodian, or has home use been justified.



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# Funds Handling & Petty Cash

- Includes:
  - Funds Handling
  - Petty Cash Funds
- Policy 3600: Funds Handling and Deposit of State and Local Funds, related funds handling guidelines
  - Purpose: Any department involved in a funds handling effort must use sound business practices when taking cash, making deposits, etc.
- Petty Cash Change Fund and Disbursement Fund Procedures\*

# Funds Handling & Petty Cash

- Funds Handling – What we look for:
  - Is there a funds handling plan approved by the Bursar (if required).
  - Review departmental procedures and processes for compliance with the university's funds handling policy.
  - Verify deposit activity for timeliness and accuracy of documentation.
  - Retained for 3 years.
- Petty Cash – What we look for:
  - Verify internal reconciliation of Petty Cash funds.
  - Reconcile Petty Cash funds to the original amount.
  - Retained for 3 years.



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# University Key Control

- Policy 5620: Key Control Policy
  - Purpose: establishes access control practices that university departments should follow to limit and monitor physical access to university buildings and property.
- What we look for:
  - Has a Key Coordinator been assigned.
  - How is key inventory maintained and secured.
  - Were non-key access points approved.
  - Proper reporting on lost vs. stolen keys
- Little known fact:
  - If a key is lost, you must let the Key Shop know. If a key has been known to be stolen, both the Key Shop and VTPD must be notified.



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- Policies 1060, 7010, 7105:
  - Policy on Social Security Numbers
  - Policy for Securing Technology Resources and Services
  - Policy for Protecting University Information in Digital Form
- What we look for:
  - Are your IT assets (servers, unused equipment) secured and protected.
  - Are hardware and software licensing agreements monitored.
  - Are PCs secured using strong password controls, A/V, etc.
  - Are users local administrators of their machine.
  - Is PII encrypted when stored or transmitted over the network.
  - Do you regularly scan for PII using Identity Finder on your computers.



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# Emergency Preparedness

- Policy 1005: Health and Safety
  - Purpose: the Office of Emergency Management establish departmental responsibility for creating, maintaining, and implementing emergency action and continuity of operations plans.
- What we look for:
  - Verify that the organization/department EAP and COOP is on file, documented on the latest template, and revised annually (by stated deadlines: COOP – March 15; EAP – Aug 1).
  - Verify the the EAP contains evacuation routes, emergency teams, and a meeting point.
  - Ensure the EAP has been communicated to all employees.
- Little known fact:
  - As of March 2017, EAPs and COOPs are managed by 1 system.





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# State Vehicle Maintenance

- Policy 5500: State Vehicle Maintenance
  - Purpose: establishes responsibilities and procedures to ensure proper operation, purchasing, disposal, inventory, and maintenance of all state vehicles.
- What we look for:
  - If a vehicle was purchased by the department was it justified with a FS-1
  - Are FS-2 maintained for employees that have operated a state vehicle?
- Little know fact:
  - FS-2 forms are required for all employees in a department that has/will use a fleet/state vehicle. Often suggested to complete during onboarding.



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- Various university policies include reference to requirements for university constituents regarding stewardship and protection of academic records.\*
- FERPA Definition:
  - Guarantee individuals' rights to the access of their academic record.
  - Students have the right to inspect and review their academic record; right to control disclosure (designate confidentiality), and; request amendment to the educational record if an error is recorded.

- What we look for:
  - How is FERPA requirements communicated to employees within the department.
  - Are employees with access to FERPA data aware of the law's requirements.
  - How is FERPA data shared (if necessary).
- Little know fact:
  - The generated student identification is defined as personally identifiable information by federal legislation, FERPA, and is prohibited from disclosure except to education officials with legitimate business/educational interest.

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# Conflict of Interest

- Policy 13010: Individual Conflicts of Interest and Commitment
  - Purpose: Establish a framework for the management and monitoring of external activities to promote and safeguard the interests of the university.
- Policy 4070: Additional/Outside Employment Policy for Salaried Classified and University Staff
  - Purpose: Policy regarding additional employment within the university and outside the university for salaried classified and university staff employees. Additional employment refers to any paid employment outside the employee's normal responsibilities of his/her salaried university position.

# Conflict of Interest

- Applicability
  - Policy 13010 applies to all employees - including faculty, staff, or full time or part time employed students.
  - Policy 4070 applies to full and part-time classified and university staff.
- What we look for:
  - Is there a process to identify applicable employees.
  - How are applicable employees notified of their responsibilities.
  - How are forms maintained.





# Conflict of Interest

- Little know fact:
  - The purchase of goods or services by the university from an entity owned by an employee of the university, or by a member of the employee's immediate family, is a prohibited conflict of interest under state law when the value of the purchase or contract is equal to or greater than \$500. The conflict exists even if the purchase is being made by a department/unit other than the employee's home department.



# Compliance Audit Results

- Two levels of ratings:
  - Overall report rating:
    - Effective
    - Improvements are Recommended
    - Significant Improvements are Needed
    - Unreliable
  - Departmental Scorecard



⌈

	Business Functions Reviewed														
Department	Fiscal Resp.	Wage	HRIS Access	OT Comp	Leave	P14s	Expend- itures	Fixed Assets	Cash Deposits	Key Control	IT	EAP & COOP	State Vehicles	FERPA	Conflict of Interest
XXXXXX	🟢	🟢	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢
XXXXXX	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
XXXXXX	🟢	N/A	🟢	N/A	🟡	🟢	🟢	🟢	N/A	🟢	🟢	🟢	N/A	N/A	🟢
XXXXXX	–	–	🟢	N/A	🟢	🟢	🟢	🟢	N/A	🟡	N/A	🟢	N/A	N/A	🟢
XXXXXX	🟠	–	🟢	N/A	🟢	–	–	–	N/A	🟢	🟢	🟢	–	N/A	🟢
XXXXXX	🟡	🟢	🟢	N/A	🟡	🟢	🟢	🟢	–	🟢	🟢	–	N/A	–	🟢
XXXXXX	🟢	🟢	🟢	N/A	🟢	N/A	🟢	🟢	N/A	🟢	🟢	🟢	N/A	–	🟢
XXXXXX	🟡	🟢	🟢	🟢	🟡	🟢	🟢	🟢	–	🟢	🟢	🟢	N/A	N/A	🟢
XXXXXX	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	N/A	N/A	🟢
XXXXXX	🟢	🟢	🟢	🟢	🟠	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
XXXXXX	🟢	🟢	🟢	🟢	🟢	🟢	🟠	🟢	🟢	🟢	🟢	🟢	🟢	🟢	🟢
Percentage of Units Rated Effective	70%	100%	100%	100%	55%	100%	90%	100%	100%	82%	100%	100%	100%	100%	100%
Overall	🟡	🟢	🟢	🟢	🟠	🟢	🟡	🟢	🟢	🟡	🟢	🟢	🟢	🟢	🟢

# Questions??





# Contact Information



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Visit our website at: <http://www.audit.vt.edu/>