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April 27, 2017

The Audit Committee of the Board of Visitors met on Thursday, April 27, 2017 at 8:08 a.m. in Committee Room A (Room 2203) of Broderick Dining Commons on the Norfolk campus. Present from the Committee were:

- Frank Reidy, Vice Chair
- Carlton Bennett, '86
- Mary E. Maniscalco-Theberge '78

Other Board of Visitors members present were:

None

Absent were:

- Fred Whyte, Chair
- Donna Scassera
- Lisa Smith, '86
- Robert M. Tata '86

Also present were:

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| President John R. Broderick | Casey Kohler |
| Velvet L. Grant | Amanda G. Skaggs |
| David F. Harnage | James D. Wright |

Mr. Reidy, Vice Chair, called the meeting to order at 8:08 a.m. Dr. Maniscalco-Theberge moved to approve the minutes from the December 8, 2016 meeting. Mr. Bennett seconded the motion and the minutes were unanimously approved by all members present and voting. (B...)

Next, Amanda Skaggs, Internal Audit Director, gave the Auditor's Report. First, she discussed five audits currently underway by her department.

The audit staff is wrapping up the audit on SoBran Facility Operations which is a joint

effort between the Office of Research and the Old Dominion University Research Foundation. SoBran manages a portion of the University's laboratory space. The audit is looking at the delineation of responsibilities, revenue and expense processes, fixed asset control, internal and external facility inspections and facility access.

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In the Frank Batten College of Engineering and Technology, the audit is focusing on budget management, small purchase credit cards, building access, centers and institutes, use of restricted funds, asset tracking and travel.

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The audit staff is wrapping up field work for calendar year 2015 transactions in the Confucius Institute. Funds provided by Hanban support Chinese language programs at educational institutions. The funding source has requested that audits of the Confucius Institute be performed regularly.

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The audit will review different campus programs for which Facilities Management is responsible. It includes fuel and gas cards and cost recoveries after performing maintenance work for various campus departments. Also under review are contract management by the department, planning and estimating, key distribution and retrieval, budget management including expenses, transfers, PCard purchases and preventative maintenance.

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the system is operated and configured in a secure, reliable and compliant manner.

Next, Ms. Skaggs discussed other ongoing activities in the department.

- 1) ~~5/1~~ – This assessment will determine where high risk areas are so that an audit plan can be drafted for the upcoming year.
- 2) ~~5/1~~ – The office is currently involved in two engagements.
- 3) ~~5/1~~ – The office must investigate tips that are received from the Fraud, Waste and Abuse Hotline. There are seven investigations that have been initiated this year with four currently underway. Three claims have been closed and deemed unsubstantiated.
- 4) ~~5/1~~ – It is a requirement that every five years the Office of the Internal Auditor must be audited. During this time, the State Inspector General's Office offers the option to coordinate and find other auditors within the state to perform the review. If an office takes advantage of this coordination, the stipulation is that the same

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9.1.13

Lease payments and utility payments were being excluded from the University's prompt payment reporting without meeting the criteria for an allowable exclusion.

Prompt payment provisions require state agencies that acquire goods and services, or that conduct business through contractual agreement with nongovernmental and privately owned businesses, to pay by the required payment due date for delivered goods and services. The University must submit a quarterly report to the state that shows the percentage of on-time payments which includes the number of payments and payment amounts based on criteria set forth in the regulations. Higher education institutions are considered to be in compliance if they report that at least 95% of payments are made on time. For the four quarters tested, Old Dominion reported at least a compliance rate of 95%.

The audit found that while lease and utility payments were being paid on time, they were being excluded from the University's prompt payment reporting without meeting the criteria for an allowable exclusion. Mr. Harnage noted that originally, when prompt payment reports started, there were exclusions for lease and utility payments. This has changed over time. If these payments are included in the report, the University's prompt payment improves. Ms. Skaggs stated that quarterly lease payments approximate \$2 million and quarterly utility payments approximate \$1.5 million. She also noted that there are some exclusions. These include prepaid leases and vendor payments to governmentally-owned utilities. She stated that the department is now adhering to this reporting requirement.

9.1.14

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The process designed to intercept vendor payments to offset debts owed to state agencies was not consistently working as intended.

The state has a program that is designed to intercept vendor payments when vendors owe debt to state agencies. The University's process includes retrieving data from the state as to which vendors owe debt and matches those vendors with a list of vendors with which the University does business. When there is a match, the vendor record is flagged so that payments are remitted to the state instead of directly to the vendor. Some vendors were not properly flagged as debt set-off eligible which was caused by the sequence of processing files which overwrote the flag for debt set-off processing. It was

Mr. Reidy inquired about any past account breaches to the system resulting from this deficiency. Ms. Skaggs stated that she was not aware of any accounts in this system being breached as a result of this issue.

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Additional actions are needed to ensure security is maintained at levels commensurate with highly confidential and regulated data.

Since the login page is directly accessible from the public internet and is the primary logical access control, the strength of its security should be ascertained.

The application has not been assessed for vulnerabilities with a dedicated web application scanner. An important security implementation is to restrict network traffic to only those

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