



# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

## REPORT ON AUDIT FOR THE YEAR ENDED JUNE 30, 2019

Auditor of Public Accounts  
Martha S. Mavredes, CPA

[www.apa.virginia.gov](http://www.apa.virginia.gov)

(804) 225-3350



## AUDIT SUMMARY

We have audited the basic financial statements of the Virginia Polytechnic Institute and State University (Virginia Tech) as of and for the year ended June 30, 2019, and issued our report thereon, dated December 13, 2019. Our report, included in Virginia Tech's Financial Report, is available at the Auditor of Public Accounts' website at [www.apa.virginia.gov](http://www.apa.virginia.gov) and at Virginia Tech's website at [www.vt.edu](http://www.vt.edu). Our audit found:

- the financial statements are presented fairly, in all material respects;
- no internal control findings requiring management's attention; and
- an instance of noncompliance or other matters required to be reported under Government Auditing Standards.

We did not perform audit work related to the prior audit finding entitled "Improve Reporting to the National Student Loan Data System" because Virginia Tech did not implement corrective action until July 2019, which was outside of our audit period. We will follow up on this finding during the fiscal year 2020 audit.

– TABLE OF CONTENTS –

|  | <u>Pages</u> |
|--|--------------|
| AUDIT SUMMARY  |              |
| COMPLIANCE FINDING AND RECOMMENDATION  | 1            |
| INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER<br>FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS | 2-4          |
| UNIVERSITY RESPONSE  | 5-6          |
| UNIVERSITY OFFICIALS   | 7            |

## COMPLIANCE FINDING AND RECOMMENDATION

### **Improve the Process to Identify Individuals in a Position of Trust**

**Type:** Compliance

**Severity:** Not Applicable

**Repeat:** No

Virginia Polytechnic Institute and State University (Virginia Tech) is not properly identifying and tracking individuals in a position of trust, to ensure such individuals complete the Statement of Economic Interest (SOEI) requirements. Virginia Tech did not identify seven individuals in a position of trust that had approval over contracts or audit. In addition, 28 individuals identified in a position of trust did not complete the required training, and seven individuals on Virginia Tech's filer list did not file the SOEI disclosure form.

Executive Order Number Eight (2018) requires Virginia Tech to submit a report to the Office of the Secretary of the Commonwealth identifying, by name and job title, the positions that are required to file a SOEI form. Additionally, per the Executive Order, positions of trust for institutions of higher education include presidents, vice presidents, provosts, deans, and any other person as designated by the institution including those persons with approval authority over contracts or audits. The Executive Order also requires that the head of each agency, institution, board, commission, council, and authority within the Executive Branch to be responsible for ensuring that designated officers and employees file their statements of economic interests in accordance with § 2.2-3114 of the Code of Virginia. Section 2.2-3130 of the Code of Virginia requires individuals in a position of trust to receive training within two months upon hire and every two years thereafter.

By not identifying and tracking all individuals in a position of trust, Virginia Tech cannot ensure that these individuals are filing a SOEI form as required. Unidentified individuals that should have filed may be unable to recognize a conflict of interest or unable to resolve the conflict due to the lack of the required training. Virginia Tech increases their risk for fraud and possible lawsuits involving the respective employees. Additionally, employees in a position of trust who do not complete the required SOEI form may, as stated by the Code of Virginia § 2.2-3124, be subject to a \$250 civil penalty.

The current controls related to the identification of positions of trust in Virginia Tech's Human Resources system did not adequately identify all potential job positions that should require the employee to file an SOEI form and complete the required training because the process did not consider part time employees. In addition, there has been turnover within the SOEI program coordinator position, which resulted in miscommunication in both documentation and tracking.

Virginia Tech should modify existing procedures or implement additional procedures to ensure that the SOEI program coordinator identifies employees in positions of trust upon hire or change in employee job responsibilities to include part time employees. They should also ensure that an adequate tracking mechanism exists to ensure filers are completing their required training.



Martha S. Mavredes, CPA  
Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

December 13, 2019

The Honorable Ralph S. Northam  
Governor of Virginia

The Honorable Thomas K. Norment, Jr.  
Chairman, Joint Legislative Audit  
and Review Commission

Board of Visitors  
Virginia Polytechnic Institute and State University

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of **Virginia Polytechnic Institute and State University** as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Virginia Tech's basic financial statements and have issued our report thereon dated December 13, 2019. Our report includes a reference to other auditors. We did not consider internal controls over financial reporting or test compliance with certain provisions of laws, regulations, contracts, and grant agreements for the financial statements of the component units of Virginia Tech, which were audited by other auditors in accordance with auditing standards generally accepted in the United States of America, but not in accordance with Government Auditing Standards.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Virginia Tech's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Virginia Tech's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Virginia Tech's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Virginia Tech’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under Government Auditing Standards and which is described in the section titled “Compliance Finding and Recommendation” in the finding entitled “Improve the Process to Identify Individuals in a Position of Trust.”

### **The University’s Response to Findings**

The University’s response to the findings identified in our audit is described in the accompanying section titled “University Response.” Virginia Tech’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Status of Prior Findings**

We did not perform audit work related to the finding included in our report dated November 28, 2018, entitled “Improve Reporting to the National Student Loan Data System” because Virginia Tech did not implement corrective action until July 2019, which was outside of our audit period. We will follow up on this finding during the fiscal year 2020 audit.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Audit Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Martha S. Mavredes  
AUDITOR OF PUBLIC ACCOUNTS

DBC/clj

December 9, 2019

Martha Mavredes, CPA  
Auditor of Public Accounts  
P. O. Box 1295  
Richmond, Virginia 23218

Dear Ms. Mavredes:

We have reviewed the audit finding and recommendation resulting from the fiscal year 2019 audit by the Auditor of Public Accounts (APA) and Virginia Tech concurs with the audit finding. The following contains the APA's finding and management's response to the finding.

**Finding of the APA:**

**Improve the Process to Identify Individuals in a Position of Trust**

Virginia Polytechnic Institute and State University (Virginia Tech) is not properly identifying and tracking individuals in a position of trust, to ensure all such individuals complete the Statement of Economic Interest (SOEI) requirements. Virginia Tech did not identify seven individuals in a position of trust that had approval over contracts or audit. In addition, 28 individuals identified in a position of trust did not complete the required training, and seven individuals on Virginia Tech's filer list did not file the SOEI disclosure form.

Executive Order Number Eight (2018) requires Virginia Tech to submit a report to the Office of the Secretary of the Commonwealth identifying, by name and job title, the positions that are required to file a SOEI form. Additionally, per the Executive Order, positions of trust for institutions of higher education include presidents, vice presidents, provosts, deans, and any other person as designated by the institution including those persons with approval authority over contracts or audits. The Executive Order also requires that the head of each agency, institution, board, commission, council, and authority within the Executive Branch to be responsible for ensuring that designated officers and employees file their statements of economic interests in accordance with § 2.2-3114 of the Code of Virginia. Section 2.2-3130 of the Code of Virginia requires individuals in a position of trust to receive training within two months upon hire and every two years thereafter.

By not identifying and tracking all individuals in a position of trust, Virginia Tech cannot ensure that these individuals are filing a SOEI form as required. Unidentified individuals that should have filed may be unable to recognize a conflict of interest or unable to resolve the conflict due to the lack of the required training. Virginia Tech increases their risk for fraud and possible lawsuits involving the respective employees. Additionally, employees in a position of trust who do not complete the required SOEI form may, as stated by the Code of Virginia § 2.2-3124, be subject to a \$250 civil penalty.

Virginia Tech should modify existing procedures or implement additional procedures to ensure that the SOEI program coordinator identifies employees in positions of trust upon hire or change in employee job responsibilities to include part time employees. They should also ensure that an adequate tracking mechanism exists to ensure filers are completing their required training.



**University Response:**

We concur that Virginia Tech failed to identify and track all eligible faculty and staff required to complete the Statement of Economic Interest form and training. Recognizing the criteria pose inherent challenges to tracking and compliance, we are moving forward with the following actions:

**Completion Dates: October 1, 2019 through May 1, 2020**

- Assign coordinator for SOEI program (completed October 1, 2019)
- Complete review of all 17,506 employees, including review with COI team to include their list (complete by December 20, 2019)
- Update SOEI spreadsheet identifying all required positions (complete by Dec 30, 2019)
- Review of new hires/terms (monthly, starting in December 2019, and monthly thereafter through 2020)
- Add/review required positions and initiate communication with new hires (monthly starting in December 2019 through 2020)
- Review monthly those who have completed the new hire requirements (monthly starting in December 2019 through 2020)
- Notify employee two times then senior management if the employee has not completed form or training
- Explore the possibility of adding SOEI tag to position descriptions in Page Up (complete review by March 31, 2020 – if feasible, complete by May 1, 2020)
- Explore additional options for onboarding communication
- Report those who do not complete the required training to senior management (Provost or SVP as appropriate) for further review (start in January 2020 with the annual reporting date)

Virginia Tech successfully completed the required processes for 256 faculty/staff in the prior year and we are confident we can close the gap with the measures above.

**Responsible Person:** Bryan Garey, VP for Human Resources

Sincerely,



Kenneth Miller  
Interim VP for Finance & AVP for Finance & University Controller  
Virginia Tech

# VIRGINIA POLYTECHNIC INSTITUTE AND STATE UNIVERSITY

As of June 30, 2019

## BOARD OF VISITORS

Dennis H. Treacy  
Rector

Horacio A. Valeiras  
Vice Rector

|                  |                      |
|------------------|----------------------|
| Edward H. Baine  | Robert J. Mills, Jr. |
| Greta J. Harris  | L. Chris Petersen    |
| Charles T. Hill  | Deborah L. Petrine   |
| Anna L. James    | Mehul P. Sanghani    |
| Mehmood S. Kazmi | Jeffrey E. Veatch    |
| Letitia A. Long  | Preston M. White     |

John B. Ferris  
Faculty Representative

Robert M. Sebek  
Staff Representative

Rachel E. Iwicki, Lorenzo D. Amani  
Student Representatives

Kim O'Rourke  
Secretary to the Board of Visitors

## ADMINISTRATIVE OFFICERS

Dr. Timothy D. Sands  
President

M. Dwight Shelton, Jr.  
Vice President for Finance and Chief Financial Officer

Cyril R. Clarke  
Executive Vice President and Provost