

**VIRGINIA STATE UNIVERSITY BOARD OF VISITORS  
COMMITTEE ON AUDIT AND COMPLIANCE  
11:30 AM, FRIDAY, JANUARY 20, 2023  
Room 310, VIRGINIA HALL  
(on the campus of Virginia State University)  
(No Public Comment Period Scheduled)**

**DRAFT AGENDA**

CALL TO ORDER ..... Jon Moore, Chair

ROLL CALL

INVOCATION

APPROVAL OF AGENDA

APPROVAL OF PREVIOUS MEETING MINUTES (if any)

PRESIDENT'S REMARKS ..... Dr. Makola M. Abdullah

REPORTS AND RECOMMENDATIONS

- FY 2021 Auditor of Public Account Audit Report
  - FY2021 APA Draft Report ..... George Strudgeon, Audit-In-Charge  
Commonwealth of Virginia Auditor  
of Public Accounts
  - Management Remarks ..... Shawri King-Casey, VP Institutional  
Integrity and Compliance

Nannette Williams, Chief Audit Executive

CONCLUDING REMARKS

OTHER BUSINESS

ADJOURNMENT

**DRAFT MINUTES**  
**January 20, 2023**

**CALL TO ORDER**

Mr. Jon Moore, Chair, called the Audit & Compliance Committee meeting to order at approximately 11:40 a.m. in the President's Conference Room, 310 Virginia Hall.

**ROLL CALL**

A quorum was present.

*Committee Members Present:*

Mr. Jon Moore

Dr. Robert Denton, Jr.

Dr. Harold Green, Jr.

Dr. Leonard Haynes III (*electronic communication*)

Mr. William Murray

Dr. Valerie Brown, Rector (ex-officio) (*electronic communication*)

*Other Board Members Present:*

None

*Legal Counsel:*

Ms. Cynthia Norwood Marquez, Senior Assistant Attorney General

*Administration Present:*

Dr. Makola M. Abdullah, President

Kevin Davenport, Senior Vice President for Finance & Administration/CFO

Shawri King-Casey, Vice President for Institutional Integrity and Compliance

Nannette Williams, Chief Audit Executive

Dr. Annie C. Redd, Chief of Staff/Director, Board Operations and Relations

Maurion Edwards, Chief Information Officer

Kendra White, Office of Compliance

**APPROVAL OF AGENDA**

The Committee approved the agenda by voice vote.

**APPROVAL OF PREVIOUS MEETING MINUTES (if any)**

The Committee approved the minutes from the September 15, 2022 committee meeting.

**OPENING REMARKS -**

Chairman Moore gave brief remarks regarding the meeting's purpose which was to review the fiscal year 2021 (FY21) Auditor of Public Accounts (APA) audit and Virginia State University Management's (Management) response. Additionally, he outlined his plan to give the Committee time between this meeting and the next Audit and Compliance Committee meeting held during the February 2023 Board of Visitors (BOV) meeting to consider next steps. He encouraged members to ask questions and get clarity during this committee meeting.

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The Chair then acknowledged both the APA and Management's efforts to produce the product before the Committee and expressed gratitude to the Committee for their willingness to come together for an off-cycle meeting. After his acknowledgements, Visitor Moore yielded the floor to Mr. George Strudgeon, Auditor-in-Charge, for Virginia State University's (VSU) FY21 APA audit.

## **REPORTS AND RECOMMENDATIONS**

Mr. Strudgeon began his opening remarks by informing the Committee of the requirement to cover stock language regarding the audit. Per Mr. Strudgeon, the APA has an unmodified opinion on VSU's Financial Statements. He is working on final tweaks which will be in the final report.

Next, Mr. Strudgeon discussed scope of work and stated that internal controls and compliance were separate reports from the Financial Statements. He highlighted particular points regarding the audit including:

- The APA had obtained sufficient understanding of the internal controls.
- Twelve instances of non-compliance were found (7 new and 5 carry-over).
- There was no indication of fraudulent actions or material acts.
- There were no changes in accounting noted.
- The APA concurred with Management on accounting principles and deemed consistent the review basis methodology.
- There were no significant or unusual transactions.
- There were discussions with Management about the FY22 leases and IT information arrangements.
- Eleven audit adjustments were reviewed and two less material adjustments found.
- There was no disagreement with Management regarding accounting and disclosures.

Finally, Mr. Strudgeon concluded his report by underscoring the need to review Management's response to identify any necessary redactions for security reasons. Mr. Strudgeon also communicated his intent to include a comment to bridge the internal control report and management comments.

The Chair responded to Mr. Strudgeon's opening remarks by highlighting the issue of timeliness throughout the FY21 audit and referenced his conversation with Mr. Strudgeon and statements from the September 2021 Board of Visitors meeting regarding the issue. The Chair stated that VSU trails other schools in terms of timing of the completion of its audit and inquired about the causes for delay.

Mr. Strudgeon responded that timeliness was impacted by strained staffing at APA including staff poaching. He further explained that once an audit goes off-cycle, it is hard to jump ahead. According to Mr. Strudgeon, the spring budget for staff has been increased and the goal is to get VSU's report cycle consistent with other schools – excluding the "big three." The target date for the fiscal year 2022 (FY22) draft report is Memorial Day weekend 2023.

The Chair responded that by not having a draft report before the start of the next fiscal year, the University encounters difficulty with moving forward into the next fiscal year. Mr. Strudgeon replied that nothing prevented or prevents Management from sharing the Financial Statement and Internal Control recommendations drafts with the Board of Visitors. The first draft of those reports is the APA's understanding. Subsequent drafts come from revisions and adjustments based on conversations. Mr. Strudgeon described the audits as "pretty open."

After Mr. Strudgeon completed his response, the Chair acknowledged Ms. Shawri King-Casey, Vice President for Institutional Integrity & Compliance, and yielded the floor to her to provide Management's remarks. Ms. King-Casey opened her remarks by introducing Ms. Nannette Williams, VSU's Chief Audit Executive (CAE). Ms. King-Casey next thanked the APA for their assistance with process efforts while noting the University's ongoing commitment to improvement of institutional processes. As an example of this assistance with the University's commitment, she described how the collaboration between APA and VSU during the December 1st Exit Conference and the APA's additional inquiry yielded the removal of NIFA as a comment from the FY21 audit. The removal of the comment, per Ms. King-Casey, permits greater focus on other systemic issues across the University.

Ms. King-Casey continued with her remarks by describing VSU as a university in the midst of modernization efforts even as it continues to emerge from the pandemic's unprecedented impact. Despite these challenges, according to Ms. King-Casey, VSU made strides with external and internal compliance partners. She noted that the audit report contained no proposed findings known to the University that are material weaknesses. She discussed the University's intent to provide sustained focus in the areas of Procurement, Human Resources and Information Technology. She also noted that the timing of the audit cycles put the University in a unique position regarding corrective action efforts because the University is positioned in its current audit cycle to not receive credit for corrections in the same year the corrections are made. Nonetheless, per Ms. King-Casey, the University will continue to be diligent.

The Chair opened the floor for questions from the Committee at the conclusion of Ms. King-Casey's remarks. A Visitor began this segment of the meeting by asking whether the APA listed the reason for the lateness of the report in the audit report. Mr. Strudgeon acknowledged that the understaffing was not listed in the report.

A Visitor asked whether Mr. Strudgeon could highlight any of the findings that needed more attention than others. Mr. Strudgeon responded that Management highlighted the areas of focus in their response.

A Visitor then expressed frustration with the undue burden of the cycle on the University noting that the APA should list information regarding said burden in the audit report.

President Abdullah followed the Visitor's comments with a question about whether the University could do anything to assist the APA with the effort to get VSU on the right audit schedule. He further inquired about whether some of the timing issues were based on resources and explained that the concern was rooted in the impact the repeat findings could ultimately have on VSU's re-accreditation efforts.

Mr. Strudgeon's response to President Abdullah noted that during the Entrance Conference, the audit team received honest answers about the status of corrective action as of 6/30/2021 (i.e., department in the

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process of hiring someone; department has not made transactions, etc.). The honesty saved time and resources and prompted APA to reframe comments as status updates.

Visitor Moore re-emphasized the impact of the timing issues noting that the repeat findings will continue because of the timing issues. Per Visitor Moore, it appeared VSU followed up on items but did so after the period of measure which limited the University's ability to get credit. Visitor Moore noted that this series of events was not reflected in the audit report. Mr. Strudgeon stated that discussions about Management's efforts were in the body of the status updates and noted that the APA attempted to do the best they could do.

Visitor Moore further stated that in his experience as someone who deals with audit reports, repeats are typically not something one should see because the organization has time to fix the issue before the next audit. In VSU's case, however, VSU has not had a chance to respond during the fiscal year before the next audit. Accordingly, Visitor Moore inquired about whether the University was getting credit in the repeat findings for corrective actions that occur off cycle due to the audit's timeliness issues. Mr. Strudgeon responded by mentioning the use of status updates to tell the story of progress.

Visitor Moore further expounded on his concern regarding the lack of context surrounding the timing of the audits. Per Visitor Moore, because the APA report is a public document where nuances of tardiness are not reflected, a layman reading the document would not get an accurate view of VSU's audit story. Visitor Moore proposed to the Committee the creation of a resolution to provide context to the audit if the context and circumstances are not going to be reflected in the audit report. Visitor Moore noted that VSU is once again about to go into an Entrance Conference without a finalized report.

Visitor Murray suggested highlighting the issue in Management's response in lieu of a Board of Visitors' resolution. Afterwards, Visitor expressed concern about the impact of the audit's timing on the University's upcoming Southern Association of Colleges and Schools (SACS) accreditation. The Visitor stated the APA's audit timing issues could put the University in jeopardy with its SACS accreditation. He also emphasized to Mr. Strudgeon the need to recognize the magnitude of the problem because Mr. Strudgeon was also aware of the audit's implications on the University's accreditation efforts.

Another Visitor shared an observation that someone reading the report as it currently stands without the context would say that the University is "trifling." The Chair added that a public sector observer seeing the repeats on the audit report would think the University is not making progress. This status is contrary to what is actually happening because, in fact, the University is making a great deal of progress but the progress is not reflected in the audit report because of the timeliness issues of the audit.

A Visitor also highlighted the need to stress that Covid-19 affected operations and, therefore, should be considered.

Another Visitor made the comment about the impact of not providing context to the report by stating that people who read the report see "significant deficiencies" without context, therefore, getting the impression that the University is not making progress.

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A Visitor then requested that Mr. Strudgeon contextualize the total number of observations, deficiencies, and findings. Mr. Strudgeon prefaced his response by explaining that his response would compare the University to other entities that faced challenges. Per his experience, in the instance where an entity that has faced multiple cycles of struggle but are making corrective efforts, there tends to be an uptick in

findings/deficiencies in year 1 and 2 as people within the organization are addressing the issues. Afterward, a decrease in the number of findings/deficiencies occurs.

Mr. Strudgeon noted his observation of the passion for correction in the University's Chief Audit Executive (Ms. Williams), the BOV Audit and Compliance Committee, and the Vice President (Ms. King-Casey). Per Mr. Strudgeon, in the face of the passion he has to maintain an unbiased approach. The evidence of correction, per Mr. Strudgeon, has to come to him so he can determine the status of the progress. To him, all indications are that the right people are in place to make the corrections happen. There needs to be time so that operational effectiveness can occur to be able to reflect is happening. Per Mr. Strudgeon, he calls "balls and strikes" and does not get into numbers. He encouraged the Committee to keep going because it looks like the University's corrective action trajectory is appropriate.

Mr. Strudgeon noted his experience with auditing the Medicaid program and telling them about an issue that its management should have known. He noted, however, that to correct the issue could take three to four years to "right the ship." Per Mr. Strudgeon, that is the same circumstance the University faces in that it will take time to make corrections.

President Abdullah addressed Mr. Strudgeon's comparison remarks by expressing his concern and echoing Visitor's previous remarks that the current draft of the audit report does make the University look "trifling." President Abdullah further stated that the APA's acknowledgement of the timing issue would be meaningful in providing context to the report.

Mr. Strudgeon replied that the APA provides external validation but Internal Audit will give early signals to the University. Per Mr. Strudgeon, Management should always have the resources internally to keep the house in order before the external audit shows up.

Chair Moore announced Rector Brown's virtual presence and yielded the floor to Ms. Williams who noted that she joined the University at the end of the audit; so, she was not there when the work was performed. Ms. Williams also noted her previous work experience as an APA auditor as well as acknowledged her professional acquaintance with Mr. Strudgeon. She proceeded to outline the expectations for the FY22 APA audit including:

- Ms. Williams's inclusion in the FY22 APA audit;
- Communication of management comments through Ms. Williams;
- Collaboration on the audit between Ms. Williams and Stephen Huffman, the University's Controller;
- Commitment from Mr. Strudgeon and the APA to provide the audit report to the University by June 30, 2023; and
- Review and acknowledgement of the University's corrective actions even if actions are completed off-cycle.

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Ms. Williams stated that the FY21 has a gross number of management comments— none of which are critical. She also informed about the University's intent to reduce the number of comments and acknowledged the effort that is being applied to correct the issues the University knows to correct. As part of this effort, Ms. Williams provided information about Internal Audit's collaborative and proactive work with the University's Office of Procurement Services and the intent to work as a partner to facilitate

process improvements. She concluded her remarks by stating her Office's intent to serve in a consultant role as the University navigates through the upcoming audit and continues its corrective action efforts.

At the conclusion of Ms. Williams's remarks, A Visitor inquired about the existence of the Op 6 Group and suggested the possibility of speaking with them. President Abdullah informed of plans to pursue that conversation.

The Chair turned his attention to the Committee's next steps and encouraged members to review the materials for future discussions of the University's standing and the next audit. He affirmed his confidence in the strength of the management team as well as the University's direction. The Chair also conveyed his excitement about the opportunity to react to an audit that concludes before the start of a new fiscal year.

Chair Moore asked for remarks from Visitors who participated virtually who concurred that the University was making progress. Rector Brown stated she concurred with the Chair's remarks and articulated her confidence in the strength of the management team as well as her belief that the timeliness of the audits will curtail the number of findings. Per Rector Brown, now it is just a matter of determining next steps.

**ADJOURNMENT**

There being no further business, Chairman Moore called for a motion to adjourn the meeting. The motion was received, properly seconded; and the committee voted by voice vote. The Chairman adjourned the meeting at approximately 12:18 p.m.

Approved:

\_\_\_\_\_

Chair

\_\_\_\_\_

Date