



Board of Visitors

**BUSINESS AFFAIRS AND AUDIT COMMITTEE MEETING
1:30 P.M.
FEBRUARY 15, 2018
MARY ANN JENNINGS HOVIS MEMORIAL BOARD ROOM
THIRD FLOOR, MARTIN HALL, RADFORD, VA**

MINUTES

COMMITTEE MEMBERS PRESENT

Mr. Robert A. Archer, Chair
Mr. Gregory A. Burton
Dr. Debra K. McMahan

COMMITTEE MEMBERS ABSENT

Dr. Jay A. Brown, Vice Chair
Dr. Javaid Siddiqi

BOARD MEMBERS PRESENT

Mr. Mark S. Lawrence, Rector
Mr. Randy J. Marcus, Vice Rector
Dr. Rachel D. Fowlkes
Dr. Susan Whealler Johnston
Ms. Georgia Anne Snyder-Falkinham
Ms. Krisha Chachra
Ms. Lisa Throckmorton
Dr. Jason Fox, Faculty Representative (Non-voting Advisory Member)
Ms. Jessica Wollman, Student Representative (Non-voting Advisory Member)

OTHERS PRESENT:

President Brian O. Hemphill
Mr. Richard S. Alvarez, Vice President for Finance and Administration and Chief Financial Officer
Mr. Mike Biscotte, Director of Facilities Planning and Construction
Mr. Joe Carpenter, Vice President for University Relations and Chief Communications Officer
Ms. Karen Castele, Secretary to the Board of Visitors/Special Assistant to the President
Ms. Meghan Finney, Auditor of Public Accounts
Ms. Stephanie Jennelle, Associate Vice President for Finance and University Controller
Mr. Danny M. Kemp, Vice President for Information Technology and Chief Information Officer
Ms. Ann Marie Klotz, Vice President for Student Affairs
Ms. Margaret McManus, University Auditor
Mr. Chad Reed, Associate Vice President for Budget and Financial Planning
Mr. Mike Reinholtz, Auditor of Public Accounts

Ms. Ashley Schumaker, Chief of Staff, Office of the President
Dr. Dietra Trent, Former Secretary of Education, Commonwealth of Virginia
Mr. Allen Wilson, Senior Assistant Attorney General, Commonwealth of Virginia
Other Radford University Faculty and Staff

CALL TO ORDER

Mr. Robert A. Archer, Chair, formally called the meeting to order at 1:28 p.m. in the Mary Ann Jennings Hovis Board Room, Second Floor, Martin Hall, Radford University, Radford, Virginia.

APPROVAL OF AGENDA

Mr. Archer requested a motion to approve the February 15, 2018 meeting agenda, as published. Dr. McMahon so moved, Mr. Burton seconded and the agenda was unanimously approved, as published.

APPROVAL OF MINUTES

Mr. Archer requested a motion to approve the December 7, 2017 minutes, as published. Mr. Burton so moved, Dr. McMahon seconded the motion and the minutes were unanimously approved, as published.

REPORTS AND RECOMMENDATIONS

Report from the Auditor of Public Accounts

Mr. Mike Reinholtz, Project Manager, with the Auditor of Public Accounts, presented information regarding the upcoming audit of the University's financial statements for the fiscal year ending June 30, 2017. He discussed the responsibilities of the auditors and management, as well as the planned scope and timeline of this year's audit. A copy of the APA Engagement Memorandum is attached hereto as *Attachment A* and is made a part hereof.

Report from the University Auditor

Ms. Margaret McManus, University Auditor, presented an oral report on the University Discretionary Fund review for the quarter ending December 31, 2017. One hundred percent of University Discretionary Fund expenditures were reviewed, and all were found in compliance with the Board of Visitors' guidelines. Ms. McManus also updated the Committee on the department's Quality Assurance and Improvement Program.

Capital Projects Update

Mr. Richard S. Alvarez, Chief Financial Officer and Vice President for Finance and Administration, provided an update on capital projects currently in progress. A copy of the report is attached hereto as *Attachment B* and is made a part hereof.

Governor's Budget Update

Mr. Alvarez presented an overview of the incremental funding included for Radford University in the Governor's 2018-2020 Executive Budget Proposal. He reported the Governor's proposed budget included contributions to increase need-based student financial aid and maintenance reserve. The Biennial Budget proposal also includes a two percent salary increase for state employees effective November 10, 2019. A copy of the Information Items regarding the Governor's Amended 2016-2018 Biennial Budget Proposal & Budget Update is attached hereto as *Attachment C* and is made a part hereof. The outcome of the proposed 2018-2020 budget will not be known until the completion of the 2018 General Assembly session. An update will be provided at the May Board of Visitors meeting.

ACTION ITEMS

Recommendation to Board to Approve Updated Delegation of Authority for Approval of Fees

Mr. Alvarez, explained the background for the delegation of authority for approval of certain fees and discounts to the Chief Financial Officer and Vice President for Finance and Administration. Following discussion, Mr. Archer asked for a motion to recommend that the Board of Visitors approve the Resolution delegating authority for approval of fees to the Chief Financial Officer and Vice President for Finance and Administration. Mr. Burton so moved, Dr. McMahon seconded the motion and the motion carried unanimously. A copy of the report together with the proposed Resolution is attached hereto as *Attachment D* and is made a part hereof.

Recommendation to Board to Approve Resolution Certifying Compliance with the Radford University Debt Management Policy

Ms. Stephanie Jennelle, Associate Vice President for Finance and University Controller, explained that this certification is required annually by the Secretary of Finance for the Commonwealth of Virginia as part of Institutional Performance Standards reporting. She provided documentation of the required ratio calculation that demonstrates that the University is in compliance with its Debt Management Policy. Mr. Archer asked for a motion to recommend that the Board of Visitors approve the Resolution certifying that the University is in compliance with its Debt Management Policy. Dr. McMahon so moved, Mr. Burton seconded the motion, and the motion carried unanimously. A copy of the report together with the proposed Resolution is attached hereto as *Attachment E* and is made a part hereof.

Recommendation to Board to Approve Internal Control Policy

Ms. Jennelle presented the proposed Internal Control Policy for Radford University to the committee. This Internal Control Policy replaces and expands upon the Policy Statement on Internal Control adopted by the Business Affairs Committee of the Board of Visitors on February 17, 1999. The Internal Control Policy was submitted to and approved by the President's Cabinet on January 8, 2018. Mr. Archer asked for a motion to recommend that the Board of Visitors approve the Resolution to approve the Internal Control Policy. Dr. McMahon so moved, Mr. Burton seconded the motion, and the motion carried unanimously. A copy of the policy together with the proposed Resolution is attached hereto as *Attachment F* and is made a part hereof.

Recommendation to Board to Approve Internal Audit Charter

Ms. McManus explained the background of the Internal Audit Charter, which was established in 1985, and last revised in September 2014. Ms. McManus discussed the revisions that were being made to the current Internal Audit Charter. The revised Internal Audit Charter was submitted to and approved by the President's Cabinet on January 8, 2018. Mr. Archer asked for a motion to recommend that the Board of Visitors approve the Resolution for the revised Internal Audit Charter. Dr. McMahon so moved, Mr. Burton seconded the motion, and the motion carried unanimously. A copy of the charter together with the proposed Resolution is attached hereto as *Attachment G* and is made a part hereof.

ADJOURNMENT

With no further business before the committee, Mr. Archer asked for a motion to adjourn the session. Dr. McMahon so moved and Mr. Burton seconded. The motion carried unanimously. The meeting adjourned at 2:12 pm.

Respectfully submitted,

Pamela Fitchett
Administrative Assistant to the Vice President for Finance and Administration
and Chief Financial Officer

**APA Audit Engagement Memorandum
Radford University
Business Affairs and Audit Committee
February 15, 2018**

- APA Audit Team:
 - J. Michael Reinholtz, Project Manager (mike.reinholtz@apa.virginia.gov)
 - Meghan Finney, Auditor In-Charge (meghan.finney@apa.virginia.gov)

- Audit Period – July 1, 2016 through June 30, 2017

- Audit Deadline – May 2018

- Audit Objectives, to ensure:
 - The financial statements present fairly the financial position, the changes in financial position, and the cash flows for the 2017 fiscal year in conformity with accounting principles generally accepted in the United States of America.
 - Disclosures in the financial statements are adequate and fairly stated.
 - Management has appropriately reviewed the financial statements, accruals, adjustments and disclosures.
 - Adequate internal controls exist over material account balances and transactions.
 - The University is in compliance with applicable laws, regulations, and provisions of contracts or grant agreements.

- Discussion of Risk
 - The APA encourages the Board of Visitors to provide input regarding the risks they perceive to the University in completing its mission. The Board members can direct their comments to the Audit Committee Chair, the Internal Audit Director, or the APA Project Manager.



Terms of the Engagement

The Auditor's (APA) Responsibilities

Overall Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and standards for financial audits contained in the *Government Auditing Standards*. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Audit Procedures-General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable, rather than absolute assurance, about whether the financial statements are free of material misstatement whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*.

Audit Procedures-Internal Control and Compliance

Our audit will include obtaining an understanding of internal controls, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, we will communicate in writing to management and those charged with governance any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit. Also, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants

Those charged with governance

We are responsible for communicating significant matters related to the financial statement audit that are, in the auditor's professional judgment, relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. GAAS do not require the auditor to design procedures for the purpose of identifying other matters to communicate with those charged with governance.

Management's Responsibilities

Our audit will be conducted on the basis that Management acknowledge and understand that they have the following responsibilities:

- Preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America
- Design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error
- Identify and ensure compliance with applicable laws, regulations, contracts, and grant agreements
- Informing the APA about all known or suspected fraud affecting the entity involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements
- Informing the APA (and others as required by the Code of Virginia § 30-138) of knowledge of any allegations of fraud or suspected fraud affecting the University received in communications from employees, former employees, regulators, or others
- As received, forward copies of each federal audit performed on agency or institution programs or activities to the Auditor of Public Accounts as required by Chapter 836 § 4-8.02 a. of the 2017 Virginia Acts of Assembly. To forward these reports to the Auditor of Public Accounts, use APAFederal@apa.virginia.gov. If the federal report is only available in hardcopy or contains FOIA exempt information, DO NOT email the report, use this same email account to notify the Auditor of Public Accounts of the federal report and provide the contact information of the individual with the report.
- Informing the APA of any potential documents that are FOIA exempt
- Ensuring that management is reliable and financial information is reliable and properly recorded
- Making all financial records and related information available to the APA
- Providing the APA with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence
- Responding to audit findings and recommendations, as well as providing your planned corrective actions and the timing and format for providing that information
- Providing the APA at the end of the audit with a written letter confirming certain representations made during the audit
- Adjusting the financial statements to correct material misstatements and providing the APA with a representation that the effects of any uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole
- Preparation of the supplementary information in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Audit Committee Responsibilities

- Communicate with APA about audit scope

- Communicate with management and internal audit regarding progress
- Receive reports and findings from management and external audit

Other Elements of the audit process:

Overall planned scope of the audit

Approach to internal control – We review internal controls to identify those areas where we can replace substantive testing with transactional testing. We look for management to have written formal policies and procedures and check for the implementation of those procedures.

Concept of materiality – We do not review all transactions or accounts in detail. We use materiality to focus our work on those financial statement line items and those transactions that are material or significant to the University.

Identification of potential fraud risks

Approach to fraud – Most of our audit is focused on our opinion on the financial statements and materiality. Our primary interest related to fraud would be in how it may affect the financial statements and those controls that the financial statements rely upon. The audit is not designed to detect error or fraud that is immaterial to the financial statements. However, we review policies and procedures for fraud risk and may direct our testwork towards addressing fraud risk.

Responsibility for identifying fraud risks and fraud – Auditing standards require us to assess fraud risk, interview management and staff about their knowledge of fraud and fraud risk, and review exceptions for indications of possible fraudulent transactions. Auditors should be looking for red flag fraud indicators. Even though government entities are not always profit oriented, the auditors remain vigilant about financial statement fraud.

Report fraudulent transactions as required by Code of Virginia § 30-138 Agencies are responsible for reporting circumstances that suggest a reasonable possibility that a fraudulent transaction has occurred involving funds or property under their control, where an officer or employee of the state or local government may be involved. Items should be reported to the Auditor of Public Accounts, the State Inspector General, and the Superintendent of State Police.

Audit Reporting

We will issue a written report upon completion of our audit of the University's financial statements. We will make reference to the Component Auditor's audit of the Radford University Foundation in our report on the University's financial statements. Our report will be addressed to the Board of Visitors of the University. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion or add an emphasis-of-matter or other-matter paragraph(s). If our opinions on the financial statements are other than unqualified (unmodified), we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or to issue a report as a result of this engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements as required by *Government Auditing Standards*. The report on internal control and compliance will include a statement that the report is intended 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.

**RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs and Audit Committee
February 15, 2018**

**Information Item
Capital Projects Update**

Item: Facilities Planning and Construction update on capital projects.

Background: Currently, the University has **two active capital projects** in progress. Following is an update and project summary for each:

1. Renovate Residence Halls Umbrella Project

Project Budget-----\$36,000,000
9c Bond

Architect/Engineer Firm (Phase 1) -----VMDO
Charlottesville, VA

Contractor (Phase 1) -----G&H Contracting
Salem, VA

Architect/Engineer Firm (Phase 2) -----Waller, Todd, Sadler
Virginia Beach, VA

Contractor (Phase 2) -----G&H Contracting
Salem, VA

Multiple residence hall renovations have been funded through a \$36,000,000 blanket umbrella project authorization.

Phase 1 of the umbrella project included renovations of Pocahontas, Bolling, and Draper Halls and the new Moffett Quad chilled water loop, and is complete and has been closed out.

Phase 2 of the residence hall renovations project includes the upgrade of life safety systems for Muse Hall. This project addresses the most critical life safety infrastructure needs of Muse Hall, including a new fire alarm system, new lightning protection system, replacement or refurbishment of all seven elevators, and upgrades to exit stairways and exterior ramps. The project also includes renovations to a number of support spaces on the first floor, including a new lounge and refurbished lobby along with a new fire command center.

The project was broken into an early demolition and electrical service package, which was awarded to G&H Contracting in May 2016 and completed in August 2016, and a complete project construction package, awarded also to G&H in September 2016. The total of both awards is \$6,661,109.

Fire alarm and elevator installation activities occurred throughout fall of 2016 and spring of 2017 for public area fire alarm components and connections, along with the replacement of two of the tower high-rise elevators. The remaining project work, including replacement of the other two tower high-rise elevators and the freight elevator, refurbishment of the two wing low-rise elevators, and fire alarm components in student rooms occurred during the summer of 2017 while the entire building was vacated. The project achieved substantial completion in time for August 2017 move-in, with final completion of remaining punch list items and selected additional scope items during winter break of 2017.

2. Reed-Curie Renovation

Project Budget ----- \$33,262,000

Architect/Engineer Firm----- Cannon Design

Construction Manager----- Branch and Associates

The Reed-Curie renovation project was approved in the spring 2016 state bond package, as described in the RU six-year capital plan submission to the state. The project will completely renovate the existing Reed Hall and Curie Hall science buildings to complement the recent addition of the Center for the Sciences, ultimately providing an overall state-of-the-art facility for nearly all of RU’s Artis College of Science and Technology departments.

Occupants in the renovated building will include the Departments of Physics, Geology, Geospatial Sciences, and the Office of the Dean. The Cyber Security Center will also be housed in the renovated building, along with support spaces for the Chemistry and Biology Departments. The Green House will also remain adjacent to the renovated building.

The state initially approved funding for detailed planning for the project, and the Architect-Engineer completed initial field work and programming meetings with the occupants. The Schematic Design package was submitted to BCOM in late February 2017 and to the state’s Art and Architectural Review Board in late March, and the Preliminary Design was submitted to BCOM in May. With approval of all of these submissions, the state approved final funding for the remainder of design and the construction on June 30 2017. The Working Drawings have been submitted to the state, and incorporation of comments for final permit approval is scheduled for February.

CM-at-Risk construction delivery method approval was obtained from BCOM, and the CM pre-construction contract was awarded to Branch and Associates in March 2017. During the summer of 2017, RU completed the relocation of staff and equipment to various swing spaces on campus to render the building unoccupied. Permit documents and an Interim GMP for an Early Release Demolition Package were submitted to BCOM and the AG for approval, with an NTP executed on January 5 2018. RU completed several tasks during winter break to facilitate demolition/construction startup, including removal and surplus of remaining furnishings, hazardous materials abatement, and establishment of construction entrance and laydown area and fencing. The GMP and associated CM construction contract for the full renovation project are scheduled to be awarded in March 2018, with project construction final completion in December 2019 for classes in January 2020.

Additional Projects: Currently, the University is also engaged in a project that has been appropriated to the Roanoke Higher Education Authority.

1. Nursing Simulation Center Expansion at RHEC

Project Budget-----\$1,882,000

Architect/Engineer Firm-----SFCS
Roanoke, VA

Contractor -----Avis Construction Company
Roanoke, VA

The existing Nursing Clinical Simulation Center (CSC) operated by Radford University at the Roanoke Higher Education Center (RHEC) will be expanded by this project. Capacity will be expanded by increasing hospital and examination simulation rooms from six to twelve, adding student debriefing and video review spaces, adding separate space for standardized patients, adding a computer classroom, and reconfiguring administrative space for overall effectiveness. The expansion will allow the student population served to increase by more than 50 percent.

SFCS was awarded the design contract in early 2017. The AE completed initial field work and schematic design, including meetings with the CSC occupants, and the Preliminary Design package was submitted to BCOM in February. Final project funding was approved by the state in March. The design was completed and construction awarded to Avis Construction in May, with construction underway throughout the summer of 2017. Final construction completion and a ribbon-cutting ceremony was held in November 2017, with final simulation equipment fitout and testing such that classes can commence a full schedule in Spring 2018.

Action: None; informational only.

**Radford University Board of Visitors
Business Affairs & Audit Committee
February 15, 2018**

**Information Item
Governor's Amended 2018-2020 Biennial Budget Proposal & Budget Update**

Item:

Overview of the Governor's Executive Budget Proposal for the 2018-2020 biennium.

Background:

On Monday, December 18, 2017, Governor McAuliffe presented his Executive Budget Proposal for the upcoming 2018-20 biennium to the General Assembly Joint Money Committee. Joining him for the announcement was Governor-elect Ralph Northam and Lieutenant Governor-elect Justin Fairfax. Both newly elected officials took office in January 2018 and have begun working to build upon the state's budget set forth in Governor McAuliffe's proposal.

As was initially expected, the Governor's proposal was largely focused on strengthening the overall fiscal position of the Commonwealth, while making investments in mandated services. The proposed budget includes planned contributions to building the Commonwealth's cash reserves through the creation of a Revenue Cash Reserve at two percent of the Commonwealth's operating appropriations. This reserve will be in addition to the Revenue Stabilization Fund, also known as the *Rainy Day Fund*, and will serve to maintain the fiscal integrity of the Commonwealth.

The following is an overview of the funding changes proposed for Radford University's operating budget. Attachment A is the financial summary of these recommendations while Attachment B is the State Council of Higher Education for Virginia's (SCHEV) summary analysis for all institutions of higher education.

Operating Items:

- **Undergraduate Student Financial Assistance:** The Governor's proposed budget includes increased general fund support for need-based, in-state undergraduate student financial aid of \$807,335 in 2018-19 and \$1,375,857 in 2019-20. The contributions seek to make undergraduate higher education more affordable for all Virginians.
- **Incentive Funding:** The Governor's proposed budget seeks to restore institutional performance funding, including proceeds from interest earnings and credit card rebates. This contributes an estimated \$180,000 in support of E&G operations in each year of the biennium.
- **Faculty and Staff Salaries:** The Governor's proposed budget includes a two percent salary increase for state employees effective November 10, 2019. The preliminary amount of general fund support for the salary increase is estimated at \$569,425 for 2019-20.

- **Central Appropriations and Central Systems Adjustments (Fringe Benefit Rates, Workers Compensation, Insurance Premiums, etc.):** Language in the Executive Budget Proposal, as per item 474 and 475, indicated changes in central distribution funding with an estimated impact of \$604,216 in 2018-19 and \$1,554,932 in 2019-20. The largest contributor to the increase is changes in health insurance premiums of 6.1 percent in 2018-19 and 8.5 percent in 2019-20. Other nominal increases are expected to cover changes in workers compensation, system charges, and the distribution of other centrally funded items.

Capital Items:

- **Maintenance Reserve:** The Governor's proposed budget includes a strategic investment in the Maintenance Reserve program for the 2018-20 biennium of \$50.0 million across all institutions. This provides an additional \$672,107 in each year of the biennium for Radford University to address infrastructure and improvement requirements.
- **Renovation of Curie and Reed Halls:** The Governor's proposed budget also included \$3,375,000 for Facilities, Furniture, and Equipment (FF&E) in support of the ongoing \$33.2 million renovation to Reed and Curie Halls, which houses a portion of the Artis College of Science and Technology.

Language:

- **Mandatory Non-E&G Fee:** The Governor's proposed budget includes language that would change the limit on annual mandatory fee increases for non-E&G activity from five percent to three percent.
- **Reserve Fund:** The Governor's proposed budget includes language for institutions of higher education to establish an institutional reserve fund. The institution specific funds would be supported by unexpended E&G appropriations that remain at the end of the fiscal year. The fund would be limited to a contribution of three percent of current E&G general fund appropriations and would require appropriate BOV approval on any draw of fund balances.

The final outcome of the 2018-20 Executive Budget will not be known until the completion of the General Assembly session during the spring of 2018. The General Assembly convened on January 10, 2018, and has begun the process of considering the Governor's budget proposals. Updates will be provided throughout the session as additional information is known.

Action:

None. Information item only.

2018-20 Biennium Budget
Governor's Executive Budget Proposal
Radford University Summary

December 18, 2017

	2018-19			2019-20		
	General Fund	Nongeneral Fund	Total	General Fund	Nongeneral Fund	Total
Operating Budget						
University Division						
Educational and General (E&G)						
Interest Earnings & CC Rebate *	180,000	0	180,000	180,000	0	180,000
Central Appropriation Adjustments *	604,216	0	604,216	1,554,932	0	1,554,932
State Employee 2.0% Salary Increase *	0	0	0	569,425	0	569,425
Subtotal E&G	\$784,216	\$0	\$784,216	\$2,304,357	\$0	\$2,304,357
Student Financial Aid (SFA)						
Undergraduate SFA	807,335	0	807,335	1,375,857	0	1,375,857
Subtotal SFA	\$807,335	\$0	\$807,335	\$1,375,857	\$0	\$1,375,857
Subtotal University Division	\$1,591,551	\$0	\$1,591,551	\$3,680,214	\$0	\$3,680,214
Capital Budget						
E&G Maintenance Reserve	672,107	0	672,107	672,107	0	672,107
Total Capital Support	\$672,107	\$0	\$672,107	\$672,107	\$0	\$672,107
Total Operating & Capital Support	\$2,263,658	\$0	\$2,263,658	\$4,352,321	\$0	\$4,352,321

* Indicates estimated funding which is based on language provided in the Governor's Executive Budget Proposal

Governor's 2018-20 Biennial Budget Proposal

**Preliminary Summary of
Major Items in the Governor's Introduced Budget Amendments
for Higher Education in the 2018-20 Biennium**

Item	2018-20 Budget for Operations
<i>(A) Base Operation and Student Financial Aid</i>	
Increase undergraduate financial aid	\$16.2 million in FY2019 and 29.3 million in FY2020.
Increase base funding for operational costs	\$5.3 million in FY2019 and \$10.7 million in FY2020. Provide funding to bring the following institutions to full funding by FY2020. <ul style="list-style-type: none"> ▪ ODU -- \$5 million in FY19 and \$10.1 in FY20 ▪ VMI - \$269,721 in FY19 and \$539,422 in FY20 ▪ RBC - \$128,143 in FY20 ▪ EVMS - \$1.7 million in FY19 and \$3.4 million in FY20
Salary Increase in FY2020	Provide a 2% salary increase for T&R faculty and state classified employees in FY2020. The raise will be effective November 10, 2019.
Restore financial benefits (interest earnings and credit card rebates)	\$6.5 million per year.
Virtual Library of Virginia (VIVA)	\$300,000 in FY19 and \$600,000 in FY20 to sustain VIVA collections for public institutions.
Virginia Research Investment	Level funding at \$8 million per year in 2018-20 biennium.
HEETF	Level funding at \$80 million per year in 2018-2020 biennium. Allocation is the same as FY2018.
<i>(B) Institution-Specific Operating Budget</i>	
CWM	\$160,050 in FY19 and \$287,850 in FY2020 to establish specialized programs for counseling veterans.
GMU	\$4 million in FY19 and \$10 million in FY20 for base operation due to enrollment growth
NSU	\$501,410 in FYFY19 and \$782,420 in FY20 for research in cybersecurity/cyber psychology/ and eco-friendly biofuel production
UVA	<ul style="list-style-type: none"> ▪ \$100,000 per year for Foundation Humanities ▪ \$115,000 in FY19 for Weldon Cooper Center participation in the federal Local Update of Census Addresses (LUCA) ▪ \$175,000 per year for Weldon Cooper Center for the production of population projects.
UVAW	<ul style="list-style-type: none"> ▪ \$2 million per year to enhance academic programs ▪ \$892,880 in FY19 and \$832,069 in FY20 to enhance and expand the college network and security systems.
VSU	<ul style="list-style-type: none"> ▪ \$737,063 in FY19 and \$617,176 in FY20 to modernize network communications

Governor's 2018-20 Biennial Budget Proposal

	<ul style="list-style-type: none"> ▪ \$259,243 in FY19 and \$104,022 in FY20 to upgrade police radio system
RBC	\$256,070 in FY19 and \$279,350 in FY20 to fill essential positions to address audit findings. This funding is part of reaching RBC full base funding by FY2020.
VCCS	<ul style="list-style-type: none"> ▪ \$550,000 per year to move teacher computer science training appropriations from Direct Aid for public institutions at Virginia Department of Education to VCCS. ▪ \$200,000 in FY19 to plan an initiative for Virginia students to obtain a workforce credential or associate degree in targeted fields at no cost.
VIMS	<ul style="list-style-type: none"> ▪ \$605,210 in FY19 and \$202,869 in FY20 to upgrade the institute's information technology infrastructure ▪ \$378,486 in FY19 and \$490,753 in FY20 to utilize advanced modeling and assessment technologies to monitor the water quality in the Chesapeake Bay.
SCHEV Budget	<ul style="list-style-type: none"> ▪ \$2 million per year for New Economy Workforce Credential Grant program. ▪ \$335,589 in FY20 for Two-Year Transfer Grant to address anticipated enrollment increase. ▪ \$225,000 in FY20 to provide additional \$500 award for students pursuing teacher degrees in addition to \$3,350 award to undergraduate students participating in TAG. ▪ \$1.6 million in FY2020 to increase individual award to \$3,350 for undergraduate students in TAG. ▪ \$115,333 in FY19 and \$124,000 in FY20 to establish a student loan ombudsman position ▪ \$232,647 in FY19 and \$252,652 in FY20 to increase funding to support the Virginia Research Investment Committee (VRIC) ▪ Restore funding of \$500,000 per year for cyber security scholarships.
Central Budget Items Impacting Higher Education	<p>The following items are proposed for general fund adjustments with no specific allocation:</p> <ul style="list-style-type: none"> ▪ Changes in state employer's share of health benefit plans (Item 474, paragraph G) ▪ Savings in the cost of state employee retirement contributions (Item 474, paragraph H.4) ▪ Employee share of health insurance premium increase (Item 474, paragraph J.4) ▪ Line of Duty Act premiums to reflect new rates (Item 474, paragraph Q) ▪ Worker's compensation premiums (Item 474, paragraph R) ▪ Information technology costs (Item 474, paragraph G) ▪ Changes in the cost of rent (Item 475, paragraph J) ▪ Information technology auditors and security officers (Item 475, paragraph K)

Governor's 2018-20 Biennial Budget Proposal

	<ul style="list-style-type: none"> ▪ Cardinal charges (Item 475, paragraph L) ▪ Personnel Budgeting System charges (Item 475, paragraph M) ▪ Executive branch agencies to fund agency charges for the state payroll system (Item 475, paragraph N) ▪ Costs of the Personnel Management Information System (Item 475, paragraph O)
(C) Language	
Reserve fund for higher education institutions (§4-1.05, paragraph 1.b)	<ul style="list-style-type: none"> ▪ Provide authority for institutions of higher education to establish an institutional reserve fund supported by any unexpended education and general appropriations of the institution at the end of the fiscal year. The establishment of such a fund is designed to foster more long-term planning, promote efficient resource utilization and reduce the need for substantial year-to-year increase in tuition, thereby increasing affordability for Virginians. ▪ Independent of the provision §23.1-1001, institutions are authorized to carry over education and general unexpended balances to establish and maintain a reserve fund in an amount not to exceed three percent of their general fund appropriation for educational and general programs in the most recently-completed fiscal year. ▪ Any use of the reserve fund shall be approved by the Board of Visitors of the affected institution, and the institution shall immediately report the details of the approved plan for use of the reserve fund to the Governor, the Secretary of Education, the Secretary of Finance and the Chairmen of the House Appropriations and Senate Finance Committees.
Mandatory non-E&G fee increase ((§4-2.01b, paragraph 8.a)	Change the limit on mandatory fees for other than educational and general programs from five to three percent.
Performance measures (§4-9.02)	Additional educational measure for Level II institutions will no longer be used by SCHEV for certification of meeting performance measures.
Item	2018-20 Budget for Capital Outlay
Maintenance Reserve	Additional \$50 million in 2018-20 biennium
Equipment funding	Provides equipment funding related to previously authorized capital projects (\$49.8 million for higher education institutions)
Supplemental VCBA/VPBA funding	<ul style="list-style-type: none"> ▪ GMU – Construct Bull Run IIIB Addition (\$21.1 million) ▪ SWVHEC – Service Corridor, Storage Area, Replace Generator (\$833,000)
Funding for new project	<ul style="list-style-type: none"> ▪ SWVHEC – Replace HVAC system (\$3.4 million)

Governor's 2018-20 Biennial Budget Proposal

**Summary of the Governor's Introduced Budget for 2018-19
(General Fund Only)**

Educational and General Programs										
Inst	Base Adequacy	Institution-specific	2% T&R Faculty Salary	Central Appropriations (CA)*	Total E&G	% Increase (excl CA) over FY2018 E&G	% Increase over FY2018 E&G	Undergraduate Financial Aid	Other Inst-Specifics	Total Additions
CNU				\$1,471,971	\$1,471,971	0.0%	5.3%	\$149,430		\$1,621,401
CWM		\$160,050		\$2,300,686	\$2,460,736	0.4%	5.9%	\$104,510		\$2,565,246
GMU		\$4,000,000		\$5,755,050	\$9,755,050	3.0%	7.4%	\$6,520,989		\$16,276,039
JMU				\$4,515,491	\$4,515,491	0.0%	5.7%	\$1,363,345		\$5,878,836
LU				\$1,291,604	\$1,291,604	0.0%	4.8%	\$585,017		\$1,876,621
NSU		\$501,410		\$1,474,439	\$1,975,849	1.1%	4.3%	\$289,250		\$2,265,099
ODU	\$5,034,057			\$4,366,573	\$9,400,630	4.3%	8.0%	\$666,561		\$10,067,191
RU				\$2,675,593	\$2,675,593	0.0%	5.4%	\$807,335		\$3,482,928
UMW				\$1,144,915	\$1,144,915	0.0%	4.4%	\$104,051		\$1,248,966
UVA		\$390,000		\$3,614,493	\$4,004,493	0.3%	3.2%	\$190,389		\$4,194,882
UVAW		\$2,892,880		\$215,574	\$3,108,454	18.6%	20.0%	\$218,252		\$3,326,706
VCU				\$8,753,580	\$8,753,580	0.0%	5.1%	\$2,663,480		\$11,417,060
VMI	\$269,721			\$564,760	\$834,481	2.9%	8.8%	\$31,762		\$866,243
VSU		\$996,306		\$1,122,397	\$2,118,703	2.9%	6.2%	\$248,243		\$2,366,946
VT				\$6,748,068	\$6,748,068	0.0%	4.3%	\$474,238		\$7,222,306
RBC		\$256,070		\$292,139	\$548,209	3.9%	8.4%	\$543,966		\$1,092,175
VCCS		\$750,000		\$13,776,388	\$14,526,388	0.2%	3.9%	\$1,266,737		\$15,793,125
Interest earnings										\$6,543,416
Inst Total	\$5,303,778	\$9,946,716	\$0	\$60,083,721	\$75,334,215	1.1%	5.3%	\$16,227,555	\$0	\$98,105,186
VIMS		\$983,696			\$983,696					\$983,696
EVMS	\$1,684,573				\$1,684,573					\$1,684,573
Jeff Lab									\$500,000	\$500,000
IALR									\$300,000	\$300,000
SVHEC									\$416,497	\$416,497
RHEC									\$86,000	\$86,000
SCHEV										
TAG										\$0
VIVA									\$300,000	\$300,000
Workforce Credential								\$2,000,000		\$2,000,000
Student Loan								\$115,333		\$115,333
Support research									\$232,647	\$232,647
Grand Total	\$6,988,351	\$10,930,412	\$0	\$60,083,721	\$78,002,484			\$18,342,888	\$1,835,144	\$104,723,932

Note: *The major component of the central appropriations is the adjustments for various benefit rate increases.

Governor's 2018-20 Biennial Budget Proposal

Summary of the Governor's Introduced Budget for 2019-20 (General Fund Only)

Educational and General Programs											
Inst	Base Adequacy	Institution-specific	2% T&R Faculty Salary	Central Appropriations (CA)*	Total E&G	% Increase (excl CA) over FY2018 E&G	% Increase over FY2018 E&G	Undergraduate Financial Aid	Other Inst-Specifics	Total Additions	
CNU			no allocation	\$1,471,971	\$1,471,971	0.0%	5.3%	\$649,994		\$2,121,965	
CWM		\$287,850		\$2,300,686	\$2,588,536	0.7%	6.2%	\$649,191		\$3,237,727	
GMU		\$10,000,000		\$5,755,050	\$15,755,050	7.6%	12.0%	\$8,192,542		\$23,947,592	
JMU				\$4,515,491	\$4,515,491	0.0%	5.7%	\$2,386,599		\$6,902,090	
LU				\$1,291,604	\$1,291,604	0.0%	4.8%	\$908,839		\$2,200,443	
NSU		\$782,420		\$1,474,439	\$2,256,859	1.7%	5.0%	\$907,505		\$3,164,364	
ODU	\$10,068,114			\$4,366,573	\$14,434,687	8.6%	12.3%	\$1,675,412		\$16,110,099	
RU				\$2,675,593	\$2,675,593	0.0%	5.4%	\$1,375,857		\$4,051,450	
UMW				\$1,144,915	\$1,144,915	0.0%	4.4%	\$376,241		\$1,521,156	
UVA		\$275,000		\$3,614,493	\$3,889,493	0.2%	3.1%	\$978,180		\$4,867,673	
UVAW		\$2,582,069		\$215,574	\$2,797,643	16.6%	18.0%	\$373,304		\$3,170,947	
VCU				\$8,753,580	\$8,753,580	0.0%	5.1%	\$4,550,404		\$13,303,984	
VMU	\$539,422			\$564,760	\$1,104,182	5.7%	11.7%	\$141,263		\$1,245,445	
VSU		\$721,198		\$1,122,397	\$1,843,595	2.1%	5.4%	\$637,814		\$2,481,409	
VT				\$6,748,068	\$6,748,068	0.0%	4.3%	\$1,571,790		\$8,319,858	
RBC	\$128,143	\$279,350		\$292,139	\$699,632	6.2%	10.7%	\$669,162		\$1,368,794	
VCCS		\$550,000		\$13,776,388	\$14,326,388	0.1%	3.9%	\$3,251,313		\$17,577,701	
Central Account				\$17,000,000		\$17,000,000					\$17,000,000
Interest earnings											\$6,543,416
Inst Total	\$10,735,679	\$15,477,887		\$17,000,000	\$60,083,721	\$103,297,287	3.0%	7.2%	\$29,295,410	\$0	\$139,136,113
VIMS		\$693,622			\$693,622					\$693,622	
EVMS	\$3,369,145				\$3,369,145					\$3,369,145	
Jeff Lab										\$0	
IALR									\$300,000	\$300,000	
SVHEC									\$591,180	\$591,180	
RHEC									\$86,000	\$86,000	
HEETF (debt service)										\$12,994,400	
SCHEV											
TAG								\$1,560,638		\$1,560,638	
TAG teacher training								\$225,000		\$225,000	
Two-Year Transfer								\$335,589		\$335,589	
VIVA									\$600,000	\$600,000	
Workforce Credential								\$2,000,000		\$2,000,000	
Student Loan								\$124,000		\$124,000	
Support research									\$252,652	\$252,652	
Grand Total	\$14,104,824	\$16,171,509	\$17,000,000	\$60,083,721	\$107,360,054			\$33,540,637	\$1,829,832	\$162,268,339	

Note: *The major component of the central appropriations is the adjustments for various benefit rate increases.

Governor's 2018-20 Biennial Budget Proposal

Comparison of SCHEV and Governor's Budget Recommendations for 2018-20 Biennium (General Fund Only) (in millions)

Item	2018-19		2019-20		Biennial Total	
	SCHEV	Governor	SCHEV	Governor	SCHEV	Governor
(A) Educational and General Programs						
(A.1) Base Operations Funding						
Cost of education	\$7.2	\$7.0	\$14.4	\$14.1	\$21.6	\$21.1
Faculty recruitment and retention	\$27.7		\$56.6	\$17.0	\$84.3	\$17.0
Operation and maintenance of new facilities	\$8.6		\$17.2		\$25.8	\$0.0
Higher Education Equipment Trust Fund (debt service)			\$16.2	\$13.0	\$16.2	\$13.0
Subtotal	\$43.5	\$7.0	\$104.4	\$44.1	\$147.9	\$51.1
(A.2) Virginia Plan Initiatives -- student success	\$6.5	\$6.7	\$8.5	\$12.6	\$15.0	\$19.3
(A.3) Other E&G Operations		\$4.2		\$3.6		\$7.8
Total for Operating Budget	\$50.0	\$17.9	\$112.9	\$60.3	\$162.9	\$78.2
% Increase over FY2018 E&G appropriations	3.5%	1.3%	7.9%	4.2%		
(B) Student Financial Aid						
(B.1) Institution-based financial aid						
Undergraduate financial aid	\$16.2	\$16.2	\$29.3	\$29.3	\$45.5	\$45.5
Graduate financial aid	\$3.0		\$6.0		\$9.0	\$0.0
Subtotal	\$19.2	\$16.2	\$35.3	\$29.3	\$54.5	\$45.5
(B.2) Systemic financial aid with the SCHEV Budget						
Two-year college transfer grant	\$0.3		\$0.8	\$0.3	\$1.1	\$0.3
New economy workforce credential grant	\$1.0	\$2.0	\$1.0	\$2.0	\$2.0	\$4.0
Tuition Assistance Grant (TAG)	\$1.4		\$7.7	\$1.8	\$9.1	\$1.8
Subtotal	\$2.7	\$2.0	\$9.5	\$4.1	\$12.2	\$6.1
Total for Financial Aid	\$21.9	\$18.2	\$44.8	\$33.4	\$66.7	\$51.6
% Increase over FY2018 financial aid appropriations	7.5%	6.2%	15.3%	11.4%		
Total E&G and Student Financial Aid	\$71.9	\$36.1	\$157.7	\$93.7	\$229.6	\$129.8
(C) Systemic Budget Items within the SCHEV Budget						
Restoration of Financial Benefits	\$4.0	\$6.5	\$4.0	\$6.5	\$8.0	\$13.0
Fund for Excellence and Innovation	\$0.3		\$0.3		\$0.6	\$0.0
Virtual Library of Virginia (VIVA)	\$0.9	\$0.3	\$1.3	\$0.6	\$2.2	\$0.9
Staffing for Virginia Research Investment	\$0.4	\$0.2	\$0.5	\$0.3	\$0.8	\$0.5
Student Loan Ombudsman		\$0.1		\$0.1		\$0.2
Subtotal	\$5.6	\$7.1	\$6.0	\$7.5	\$11.6	\$14.6
Grand Total	\$77.5	\$43.3	\$163.7	\$101.1	\$241.1	\$144.4

Governor's 2018-20 Biennial Budget Proposal

Funding for Maintenance Reserve Program in 2018-20

Inst.	2017-18	2018-19	2019-20	Change
				FY18-FY19
CNU	\$655,906	\$1,015,859	\$1,015,859	\$359,953
CWM	\$2,452,332	\$3,666,752	\$3,666,752	\$1,214,420
GMU	\$4,011,694	\$5,837,877	\$5,837,877	\$1,826,183
JMU	\$3,472,317	\$4,957,041	\$4,957,041	\$1,484,724
LU	\$1,343,291	\$1,878,865	\$1,878,865	\$535,574
NSU	\$3,442,384	\$4,118,167	\$4,118,167	\$675,783
ODU	\$2,443,093	\$3,629,749	\$3,629,749	\$1,186,656
RU	\$1,541,335	\$2,213,442	\$2,213,442	\$672,107
UMW	\$1,231,951	\$1,653,087	\$1,653,087	\$421,136
UVA	\$8,961,551	\$12,916,383	\$12,916,383	\$3,954,832
UVAW	\$516,913	\$772,776	\$772,776	\$255,863
VCU	\$7,880,564	\$7,073,267	\$7,073,267	(\$807,297)
VMI	\$1,337,439	\$1,714,724	\$1,714,724	\$377,285
VSU	\$3,225,429	\$3,769,199	\$3,769,199	\$543,770
VT	\$9,719,156	\$13,574,211	\$13,574,211	\$3,855,055
RBC	\$421,134	\$515,756	\$515,756	\$94,622
VCCS	\$7,983,097	\$13,158,441	\$13,158,441	\$5,175,344
VIMS	\$578,436	\$802,315	\$802,315	\$223,879
Total	\$61,218,022	\$83,267,911	\$83,267,911	\$22,049,889

Education Equipment Funding

Institution	Project Title	Amount
University of Virginia	Renovate Gilmer Hall and Chemistry	\$ 12,357,000
University of Virginia	Renovate Space for the Center for Human Therapeutics	\$ 525,000
Longwood University	Construct New Academic Building	\$ 2,488,000
University of Mary Washington	Construct Jepson Science Center Addition	\$ 4,000,000
James Madison University	Construct New College of Business	\$ 13,126,000
James Madison University	Renovate Wilson Hall	\$ 3,180,000
Radford University	Renovate Curie and Reed Halls	\$ 3,375,000
Virginia Commonwealth University	Construct School of Allied Health Professions	\$ 7,409,000
Virginia Community Colleges	Construct Bioscience Building, Blue Ridge	\$ 1,500,000
Virginia Community Colleges	Construct Academic Building, Fauquier Campus, Lord Fairfax	\$ 1,600,000
School of the Deaf and Blind	Renovate Bradford Hall	\$ 211,000
Total		\$ 49,771,000

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
February 15, 2018

Action Item

Approval of Updated Delegation of Authority for Approval of Fees

Item:

Board of Visitors approval of delegation of authority for approval of certain fees and discounts to the Chief Financial Officer & Vice President for Finance and Administration.

Background:

Code of Virginia § 23.1-1301.A.5. states, “the board of visitors of each baccalaureate public institution of higher education or its designee may fix the rates charged to students for tuition, mandatory fees, and other necessary charges. The Board has historically exercised this power by approving undergraduate and graduate tuition rates, required fees, and room and board charges for each upcoming academic year.

At its February 27, 1992, meeting, the Board approved “the proposal to delegate to the administration the authority for approving minor fees, and changes thereto”. This action was taken to document the Board’s position relative to the rates for minor fees, such as parking fines, returned check charges, and fees associated with Continuing Education courses, which had been traditionally approved by the administration.

Procedures related to the establishment, modification, or waiver of fees were developed and distributed annually via memorandum beginning in July 2006 and continuing until March 2013. In 2013, the University’s *Fee Policy* was developed. This policy was approved by the President’s Cabinet and signed by the President on October 16, 2013. The *Fee Policy* and earlier procedures centralized the administration’s delegated authority for approval and modification of fees to the Chief Financial Officer & Vice President for Finance and Administration.

The *Fee Policy* defines **fee** as “any rate charged by the University other than tuition, mandatory educational and general (E&G), comprehensive, room, and board fees”. The University continues to have a need for delegated authority for the establishment, modification, and waiver of such “miscellaneous fees”.

As the University embarks into the realm of competency based education directed toward businesses and organizations (business to business model), it is important for the University to be able to respond quickly to changes in the market and to offer volume discounts in order to maintain competitiveness. Accordingly, the University requests that the Board delegate authority to the Chief Financial Officer & Vice President for Finance and Administration to establish and negotiate rates for competency based education programs including offering volume discounts to businesses and organizations as may be appropriate.

Action:

Radford University Board of Visitors approval of delegated authority to the Chief Financial Officer & Vice President for Finance and Administration to approve the establishment, modification, or waiver of any and all fees other than tuition, mandatory educational and general (E&G), comprehensive, room, and board fees charged to all students. Further, the delegated authority includes the establishment and negotiation of rates, including the offering of volume discounts to businesses and organizations, for limited educational programs.

RADFORD UNIVERSITY BOARD OF VISITORS

**RESOLUTION
February 15, 2018**

Approval of Updated Delegation of Authority for Approval of Fees

WHEREAS, Code of Virginia § 23.1-1301.A.5. Code of Virginia § 23.1-1301.A.5. states, “the board of visitors of each baccalaureate public institution of higher education or its designee may fix the rates charged to students for tuition, mandatory fees, and other necessary charges; and

WHEREAS, the Radford University Board of Visitors has historically exercised this power by approving undergraduate and graduate tuition rates, required fees, and room and board charges for each upcoming academic year; and

WHEREAS, at its February 27, 1992, meeting, the Radford University Board of Visitors approved “the proposal to delegate to the administration the authority for approving minor fees, and changes thereto”. This action having been taken to document the Board’s position relative to the rates for minor fees, such as parking fines, returned check charges, and fees associated with Continuing Education courses; and

WHEREAS, effective October 16, 2013, Radford University instituted the University’s *Fee Policy*, which centralized the administration’s delegated authority for approval and modification of fees to the Chief Financial Officer & Vice President for Finance and Administration; and

WHEREAS, Radford University needs greater flexibility in regards to establishing and negotiating rates to respond to market conditions regarding the development and implementation of competency based education programs;

NOW THEREFORE BE IT RESOLVED, the Radford University Board of Visitors approves the delegation of authority to the Chief Financial Officer & Vice President for Finance and Administration to approve the establishment, modification, or waiver of any and all fees other than tuition, mandatory educational and general (E&G), comprehensive, room, and board fees charged to all students.

BE IT FURTHER RESOLVED, the delegation of authority by the Radford University Board of Visitors to the Chief Financial Officer & Vice President for Finance and Administration includes the establishment and negotiation of rates, including the offering of volume discounts to businesses and organizations, for limited educational programs.

**Radford University Board of Visitors
Business Affairs & Audit Committee
February 15, 2018**

**Action Item
Compliance with Debt Management Policy**

Item:

Adoption of a Resolution certifying that Radford University is in compliance with its Debt Management Policy. In addition, this certification is required annually by the Secretary of Finance for the Commonwealth of Virginia as part of Institutional Performance reporting.

Background:

The 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act. At its meeting on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act.

The 2015 Virginia Acts of Assembly, Chapter 665 includes a requirement in the General Provisions related to Higher Education Restructuring. §4-9.01 requires, in part, that: *“Consistent with § 23-9.6:1.01, Code of Virginia, the following education-related and financial and administrative management measures shall be the basis on which the State Council of Higher Education shall annually assess and certify institutional performance. Such certification shall be completed and forwarded in writing to the Governor and the General Assembly no later than October 1 of each even-numbered year. Institutional performance on measures set forth in paragraph D of this section shall be evaluated year-to-date by the Secretaries of Finance, Administration, and Technology as appropriate, and communicated to the State Council of Higher Education before October 1 of each even-numbered year. Financial benefits provided to each institution in accordance with § 2.2-5005 will be evaluated in light of that institution’s performance.”*

The Secretary of Finance collects information to fulfill the reporting requirements as they relate to paragraph D-Financial and Administrative Standards, specifically §4-9.01 d.2. which states: *“Institution complies with a debt management policy approved by its governing board that defines the maximum percent of institutional resources that can be used to pay debt service in a fiscal year, and the maximum amount of debt that can be prudently issued within a specified period.”* To assess this measure, the Secretary of Finance is seeking a statement from the Board of Visitors certifying Radford University’s compliance with said policy and the effective date of that policy.

Schedule A below provides the required ratio calculation and demonstrates the University is in compliance with its Debt Management Policy. Currently, as disclosed in the 2017 unaudited annual financial statements, the University's debt obligations including affiliated foundations total \$55,573,633 which is mainly attributable to the Student Recreation and Wellness Center and Renovations of four Residence Halls projects.

Schedule A				
RADFORD UNIVERSITY				
DEBT MANAGEMENT POLICY RATIO				
The calculation reflects June 30, 2017 unaudited Financial Statements for Total Operating Expenses (as defined in the University's Debt Management Policy); however, Annual Debt Service reflects expected payments as of June 30, 2018.				
Board Approved Ratios	Range	Formula	Unaudited Financial Statements as of 6/30/2017	
<u>Debt Burden Ratio</u>				
Max Annual Debt Service as % of Operating Expenses	< 7%	$\frac{\text{Annual Debt Service}^*}{\text{Total Operating Expenses}^*}$	\$4,343,793	1.87%
			\$232,430,206	

* Ratio includes Radford University Foundation

The Debt Management Policy also identifies that an annual report shall be prepared for review by the Board of Visitors. The notes to the annual financial statements provide the required elements to comply with the Debt Management Policy. Below are the Financial Statement Notes related to outstanding obligations that were prepared for the year-ending June 30, 2017 (unaudited):

NOTE 6: Long-Term Debt

Notes Payable—Pooled Bonds

The University issued 9(d) bonds by participating in the Public Higher Education Financing Program (Pooled Bond Program) created by the Virginia General Assembly in 1996. Through the Pooled Bond Program, the Virginia College Building Authority (VCBA) issues 9(d) bonds and uses the proceeds to purchase debt obligations (notes) of the University and various other institutions of higher education. The University's general revenue secures these notes.

The composition of notes payable at June 30, 2017, is summarized as follows:

<u>Notes Payable - Pooled Bonds:</u>	<u>Interest Rates</u>	<u>Final Maturity</u>
Student Fitness Center		
Series 2009B, \$3.720 million par amount	2.00% - 5.00%	September 1, 2029
Series 2016A, \$2.285 million par amount – partial refunding of Series 2009B	3.00% - 5.00%	September 1, 2029
Series 2011A, \$4.235 million par amount	3.00% - 5.00%	September 1, 2031

Series 2012B, \$11.155 million par amount	3.00% - 5.00%	September 1, 2032
Series 2013A, \$4.865 million par amount	2.00% - 5.00%	September 1, 2033

Bonds Payable—9c

The University has issued bonds pursuant to section 9(c) of Article X of the Constitution of Virginia. Section 9(c) bonds are general obligation bonds issued by the Commonwealth of Virginia on behalf of the University. They are secured by the net revenues of the completed project and the full faith, credit, and taxing power of the Commonwealth of Virginia.

The composition of bonds payable at June 30, 2017, is summarized as follows:

<u>Bonds Payable - 9c:</u>	<u>Interest Rates</u>	<u>Final Maturity</u>
Renovation of Washington Hall (residence hall)		
Series 2013A, \$5.040 million par amount	2.00% - 5.00%	June 1, 2033
Renovation of Pocahontas, Bolling, Draper (residence halls)		
Series 2014A, \$11.080 million par amount	2.00% - 5.00%	June 1, 2034
Series 2015A, \$8.820 million par amount	2.00% - 5.00%	June 1, 2035
Series 2016B, \$7.160 million par amount	3.00% - 5.00%	June 1, 2036

Installment Purchase Obligations

The University has future obligations under an installment purchase agreement initiated in January 2009. The capitalized value of the asset purchased under this installment purchase agreement is \$114,460 and the repayment term is 10 years at an interest rate of 2.087 percent.

A summary of changes in long-term debt for the year ending June 30, 2017, is presented as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>	<u>Noncurrent Portion</u>
Long-term debt:						
Notes payable - pooled bonds	\$22,992,685	\$2,755,852	\$3,506,575	\$22,241,962	\$935,000	\$21,306,962
Bonds payable - 9c	25,669,880	8,025,374	1,149,954	32,545,300	1,145,000	31,400,300
Installment purchase obligations	36,930	-	12,055	24,875	12,308	12,567
Total long-term debt	<u>\$48,699,495</u>	<u>\$10,781,226</u>	<u>\$4,668,584</u>	<u>\$54,812,137</u>	<u>\$2,092,308</u>	<u>\$52,719,829</u>

Future principal payments on long-term debt are as follows:

<u>Fiscal Year Ending</u>	<u>Notes Payable Pooled Bonds</u>	<u>Bonds Payable - 9c</u>	<u>Installment Purchase</u>
June 30, 2018	\$935,000	\$1,145,000	\$12,308
June 30, 2019	980,000	1,200,000	12,567
June 30, 2020	1,030,000	1,260,000	-
June 30, 2021	1,085,000	1,320,000	-
June 30, 2022	1,135,000	1,395,000	-
2023-2027	6,465,000	8,005,000	-
2028-2032	7,200,000	9,695,000	-

2033-2036	1,445,000	5,615,000	-
Unamortized Premium	1,966,962	2,910,300	-
Total	<u>\$22,241,962</u>	<u>\$32,545,300</u>	<u>\$24,875</u>

Future interest payments on long-term debt are as follows:

Fiscal Year Ending	Notes Payable Pooled Bonds	Bonds Payable - 9c	Installment Purchase
June 30, 2018	\$789,231	\$1,176,750	\$455
June 30, 2019	743,306	1,119,500	197
June 30, 2020	698,006	1,059,500	-
June 30, 2021	650,181	996,500	-
June 30, 2022	596,731	930,500	-
2023-2027	2,185,622	3,603,150	-
2028-2032	882,200	1,913,163	-
2033-2036	38,625	359,850	-
Total	<u>\$6,583,902</u>	<u>\$11,158,913</u>	<u>\$652</u>

NOTE 19F: Component Unit Financial Information

The following is a summary of the outstanding notes payable at June 30, 2017:

Note payable in monthly installments on a ten year amortization with a balloon payment of remaining amount in May 2020 with interest payable at LIBOR plus 1 .48 percent (2.53 percent at June 30, 2017), outstanding principal due upon maturity, unsecured	\$431,851
Note payable in monthly installments of \$17,532 through July 2018, with interest payable at 2 .01 percent, unsecured	226,054
Note payable in monthly installments of \$2,601 through November 2020, with interest payable at 1.54 percent. Secured by deposit accounts maintained by and investment property held with the institution.	<u>103,591</u>
	<u>\$761,496</u>

Future principal payments on notes payable for years ending June 30 are as follows:

2018	\$285,049
2019	97,411
2020	366,261
2021	<u>12,775</u>
Total long-term debt	<u>\$761,496</u>

Action:

Board of Visitors adoption of a Resolution of Compliance with the Radford University Debt Management Policy.

RADFORD UNIVERSITY BOARD OF VISITORS

**RESOLUTION
February 15, 2018**

Compliance with Debt Management Policy

WHEREAS, the 2005 Session of the General Assembly adopted, and the Governor signed, legislation that provides Radford University and all other public colleges and universities in the Commonwealth the opportunity to attain certain authority and autonomy to manage its academic and administrative affairs more efficiently and effectively through implementation of the Restructured Higher Education Financial and Administrative Operations Act, and

WHEREAS, on June 30, 2005, the Radford University Board of Visitors approved a Resolution of Commitment allowing the University to exercise restructured financial and operational authority as identified in the Restructuring Act, and

WHEREAS, the Governor has established financial and management measures on which annual assessment and certification of institutional performance will be evaluated, and

WHEREAS, the financial and management measures require the Radford University Board of Visitors to approve a Debt Management Policy, and

WHEREAS, the Radford University Board of Visitors approved such Debt Management Policy at its March 30, 2007, meeting; revisions to this policy were approved by the Board of Visitors at its August 23, 2007, November 12, 2010, and February 8, 2012 meetings, and

WHEREAS, Schedule A demonstrates that the University meets the requirements outlined in the Debt Management Policy; and

WHEREAS, the Board of Visitors must annually certify Radford University's compliance with the approved Debt Management Policy to the Secretary of Finance for the Commonwealth of Virginia;

NOW, THEREFORE, BE IT RESOLVED, this resolution approved by the Radford University Board of Visitors certifies that the University is in compliance with its Debt Management Policy.



Policy Title: Internal Control Policy	Effective Date:
Policy Number: GEN-PO-1006	Date of Last Review: NEW
Oversight Department: Office of the President	Next Review Date:

1. PURPOSE

The *Internal Control Policy* for Radford University (University) provides for the implementation of a system of internal control for the University.

2. APPLICABILITY

The *Internal Control Policy* applies to all University employees.

3. DEFINITIONS

Business Affairs and Audit Committee: Per the Radford University Board of Visitors Bylaws, a standing committee of the Board of Visitors that is generally responsible for reviewing and recommending action to the Board regarding the financial and business affairs of the University, including but not limited to, capital projects, grants, contracts, and the naming of facilities. This committee also oversees the internal audit function of the University, receives the annual financial audit report of the Auditor of Public Accounts, and performs studies of financial matters as directed by the Board.

Division Head: President, Provost, or applicable Vice President.

Internal Control: Based on the Internal Control – Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission, internal control is an ongoing process, effected by the Board of Visitors, management, and other University personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Internal control consists of five major components: control environment, risk assessment, control activities, information and communication, and monitoring.

Management: The collective body of those who have the authority and responsibility to make decisions in order to manage or direct the various operations and business processes of the University. Management encompasses various levels of the organization including division heads, deans, directors, managers, and supervisors.

Significant Fiscal Process: A component or unit of financial operations that has been identified by the University as significant to the overall institution based on one or more of the following characteristics:

- Consumes a proportionally large share of University resources
- Has a high degree of public visibility
- Represents areas of concern and high risk to mission-critical business processes for University managers and stakeholders
- Has a significant effect on general ledger account balances

University Employee: Any person employed as a teaching faculty, administrative or professional faculty, classified employee, part-time or wage employee, student employee, work/study employee, or any other person paid through the University's payroll process.

4. POLICY

- A. The University's Board of Visitors and the President are dedicated to maintaining an effective "tone-at-the-top" through their commitment to competence, integrity, and ethical values as communicated in the Radford University [Code of Ethics](#). This same commitment is an expectation for all University employees.
- B. Accordingly, the University's Board of Visitors and the President recognize the need for, and the value of, a strong system of internal control, and are therefore committed to maintaining a strong system of internal control.
- C. Failure to adhere to this policy and/or related University policies and procedures may be considered misconduct and will be evaluated based on the severity and/or frequency of the offense. Where appropriate, disciplinary action may be taken up to and including termination of employment.

5. PROCEDURES

A. Implementing the System of Internal Control

1. As head of the University, the President is ultimately responsible for ensuring the University establishes and maintains a strong system of internal control including meeting any requirements of the Commonwealth of Virginia.
2. Division heads are responsible for ensuring that management within their respective areas of responsibility implement and maintain a strong system of internal control.
3. All management is responsible for ensuring that employees are sufficiently informed of their internal control responsibilities and for monitoring the design and operating effectiveness of internal controls on an ongoing basis. All management is responsible for prompt corrective action on all internal control findings and recommendations made during internal or external reviews and/or audits.
4. All University employees must perform their duties and conduct University activities in accordance with proper internal control as prescribed in University policies, procedures, and memoranda.

B. Reviewing the System of Internal Control

1. General

- a. **Internal Audit** - The Office of Audit & Advisory Services, as the internal audit function for the University, is charged by the Board of Visitors (see [Charter](#)) with independently ascertaining that the internal control processes designed by management are adequate and functioning in an effective manner. The Office of Audit and Advisory Services is also responsible for reporting to management and the Business Affairs and Audit Committee of the Board of Visitors on the adequacy and effectiveness of the University's system of internal control including any ideas, counsel, and/or recommendations for improvement.
- b. **External Audit** - All levels of internal control may be subject to examination by external auditors, including the Auditor of Public Accounts.

2. Financial Operations

- a. As required by Commonwealth Accounting Policies and Procedures (CAPP) Manual, Section 10300, Internal Control Guidance, the President is responsible for having management document the University's assessment of internal control for the following:
 - i. Recording of financial transactions in the general ledger
 - ii. Compliance with the University's financial reporting requirements
 - iii. Compliance with laws and regulations
 - iv. Stewardship over the University's assets
- b. Annually, the Associate Vice President for Finance & University Controller will oversee an internal control assessment of significant fiscal processes, in accordance with the Comptroller of Virginia's Agency Risk Management and Internal Control Standards (ARMICS), to ensure internal controls are operating effectively and as intended. Documentation will be maintained to support the design, implementation, and operating effectiveness of the system of internal control for significant fiscal processes.
- c. The President, Chief Financial Officer & Vice President for Finance and Administration, and Associate Vice President for Finance & University Controller will sign an annual certification to the Comptroller of Virginia and the Auditor of Public Accounts that the University has established, maintained, and evaluated its system of internal control for significant fiscal processes.

6. EXCLUSIONS

None

7. APPENDICES

None

8. REFERENCES

[Code of Virginia, § 2.2-800](#), “Department of Accounts created; appointment of Comptroller; oath.”

[Code of Virginia, § 2.2-803](#), “Financial accounting and control.”

[Commonwealth of Virginia Accounting Policies and Procedures \(CAPP\) Manual, Topic 10305, “Internal Control Guidance”](#)

[Agency Risk Management and Internal Control Standards \(ARMICS\)](#)

[Internal Control – Integrated Framework \(2013\)](#), Committee of Sponsoring Organizations of the Treadway Commission

9. INTERPRETATION

The authority to interpret this policy rests with the President of the University and the President’s Cabinet.

10. APPROVAL AND REVISIONS

The *Internal Control Policy* replaces and expands upon the Policy Statement on Internal Control adopted by the Business Affairs Committee of the Board of Visitors on February 17, 1999. The newly developed *Internal Control Policy* was developed in the University Policy Template, and was submitted to and approved by the President’s Cabinet at the meeting held on January 8, 2018. The policy was then submitted to and approved by the Radford University Board of Visitors at the meeting held on _____, 2018.

Brian O. Hemphill, Ph.D., President (*signature*)

DATE: _____

For general information concerning University policies, contact the [Office of Policy Compliance](#) – (540) 831-5794. For questions or guidance on a specific policy, contact the Oversight Department referenced in the policy.

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
February 15, 2018

Action Item
Approval of Internal Control Policy

Item:

Board of Visitors approval of the Internal Control Policy for Radford University.

Background:

The Policy Statement on Internal Control was approved by the Board in February 1999. The Policy Statement establishes the framework for control and the various oversight roles within the University's governance structure. The Policy Statement serves as the foundation for the Internal Audit Charter and sets forth the responsibilities as it relates to control of the University including responsibilities of the Board, management, and the internal audit function.

The proposed Internal Control Policy will replace and update the Policy Statement. The Internal Control Policy establishes the "tone-at-the-top" and incorporates concepts of the Internal Control Framework published by the Committee on Sponsoring Organizations of the Treadway Commission. Also encompassed within the Internal Control Policy are the requirements of the State Comptroller's Agency Risk Management and Internal Control Standard (ARMICS) to ensure compliance with the State Comptroller's directive and the Commonwealth Accounting Policies and Procedure (CAPP) Manual, Topic 10305, Internal Control. These documents require the President and Agency Fiscal Officer to certify the adequacy of the University's system of internal control as documented in accordance with ARMICS requirements.

The University now has a framework for establishing, approving, and communicating University Policies to the campus community, including policies approved by the Board of Visitors. As a University Policy, the Internal Control Policy, was approved by the President's Cabinet on January 8, 2018. Replacing the Policy Statement on Internal Control with the Internal Control Policy will increase the visibility of the Policy Statement and assist in ensuring the campus community understands the requirements, principles, and responsibilities involved in ensuring an adequate system of internal control is maintained for the University.

Action:

Radford University Board of Visitors approval of the Internal Control Policy (University Policy GEN-PO-1006), which will supersede the Policy Statement on Internal Control (Adopted February 17, 1999).

RADFORD UNIVERSITY BOARD OF VISITORS

**RESOLUTION
February 15, 2018**

Approval of Internal Control Policy

WHEREAS, the Radford University Board of Visitors approved the Policy Statement on Internal Control in February 1999; and

WHEREAS, the Policy Statement on Internal Control for Radford University served as the foundation for the Internal Audit Charter and set forth the responsibilities as it relates to control of Radford University, including responsibilities of the Board, management, and the internal audit function; and

WHEREAS, the proposed Internal Control Policy, which replaces the Policy Statement on Internal Control, establishes the “tone-at-the-top” and incorporates concepts of the Internal Control Framework published by the Committee on Sponsoring Organizations of the Treadway Commission; and

WHEREAS, the proposed Internal Control Policy also encompasses the requirements of the State Comptroller’s Agency Risk Management and Internal Control Standard (ARMICS) to ensure compliance with the State Comptroller’s directive and the Commonwealth Accounting Policies and Procedure (CAPP) Manual, Topic 10305, Internal Control; and

WHEREAS, Radford University now has a standard framework for establishing, approving, and communicating University Policies to the campus community; and

WHEREAS, the proposed Internal Control Policy has been integrated into the University Policy template, which will increase the visibility of the Internal Control Policy and assist in ensuring the campus community understands the requirements, principles, and responsibilities involved in ensuring an adequate system of internal control is maintained for Radford University;

NOW THEREFORE BE IT RESOLVED, the Radford University Board of Visitors approves the Internal Control Policy (University Policy GEN-PO-1006) as presented.

Policy Title: Internal Audit Charter	Effective Date:
Policy Number: GEN-PO-1005	Date of Last Review: NEW
Oversight Department: Office of Audit and Advisory Services	Next Review Date:

1. PURPOSE

The Office of Audit and Advisory Services, serving as the internal audit function for Radford University (University), was established by the Board of Visitors (Board) and the President as an integral part of the overall internal control structure of the University. The *Internal Audit Charter* describes the general purpose, authority, and responsibility of the Office of Audit and Advisory Services.

2. APPLICABILITY

The *Internal Audit Charter* applies to all University employees, departments, and activities.

3. DEFINITIONS

Business Affairs and Audit Committee: Per the Radford University Board of Visitors Bylaws, a standing committee of the Board of Visitors that is generally responsible for reviewing and recommending action to the Board regarding the financial and business affairs of the University, including but not limited to, capital projects, grants, contracts, and the naming of facilities. This committee also oversees the internal audit function of the University, receives the annual financial audit report of the Auditor of Public Accounts, and performs studies of financial matters as directed by the Board.

Internal Auditing: An independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of an organization. Its mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

Internal Control: Based on the Internal Control – Integrated Framework (2013), published by the Committee of Sponsoring Organizations of the Treadway Commission, internal control is an ongoing process, effected by the Board of Visitors, management, and other University personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance. Internal control consists of five major components: control environment, risk assessment, control activities, information and communication, and monitoring.

Management: The collective body of those who have the authority and responsibility to make decisions in order to manage or direct the various operations and business processes of the University. Management encompasses various levels of the organization including division heads, deans, directors, managers, and supervisors.

University Auditor: The senior position that is responsible for effectively managing the University's internal audit function in accordance with the *Internal Audit Charter* and the mandatory elements of the Institute of Internal Auditors (IIA) International Professional Practices Framework. The University Auditor is the Chief Audit Executive.

University Employee: Any person employed as a teaching faculty, administrative or professional faculty, classified employee, part-time or wage employee, student employee, work/study employee, or any other person paid through the University's payroll process.

4. POLICY

- A. The University's Board of Visitors and the President are dedicated to supporting the internal audit function (i.e. the Office of Audit and Advisory Services), an integral part of the overall internal control structure of the University (see *Internal Control Policy*).
- B. As the University's internal audit function, the Office of Audit and Advisory Services must be independent from the University's management to operate effectively. In order to provide for the independence of the Office of Audit and Advisory Services:
 - 1. The Office of Audit and Advisory Services staff will report to the University Auditor who will be administratively responsible to the President and functionally accountable to the Business Affairs and Audit Committee of the Board of Visitors.
 - 2. The University Auditor will be provided unrestricted access to communicate and interact directly with the Business Affairs and Audit Committee.
 - 3. The University Auditor will confirm to the Business Affairs and Audit Committee, at least annually, the organizational independence of the Office of Audit and Advisory Services.
 - 4. Any decision to remove the University Auditor must be approved by the Business Affairs and Audit Committee.
- C. As its mission, the Office of Audit and Advisory Services will assist the Board of Visitors, the President, and senior management in accomplishing the University's strategic objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes.
- D. The Office of Audit and Advisory Services will be authorized to:
 - 1. have full, free, and unrestricted access to all functions, records, property, and personnel of the University.
 - 2. allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives and issue reports.
 - 3. obtain assistance from the necessary personnel of the University, as well as other specialized services from within or outside the University, in order to complete their work.
- E. University employees must cooperate with the Office of Audit and Advisory Services in accordance with its authority.

- F. The Office of Audit and Advisory Services will not be authorized to:
1. perform any operational duties for the University or its affiliates.
 2. initiate or approve transactions external to the Office of Audit and Advisory Services.
 3. direct the activities of any University employee not employed by the Office of Audit and Advisory Services, except to the extent that such employees have been appropriately assigned to auditing teams, or to otherwise assist the audit team.
 4. develop or write policies or procedures that they may later be called upon to evaluate. Draft materials developed by management may be reviewed for propriety or completeness; however, ownership of, and responsibility for, these materials remains with management.

5. PROCEDURES

A. Scope of Work

1. The scope of work for the Office of Audit and Advisory Services will be to ascertain that the system of internal control (see *Internal Control Policy*), as designed and represented by management, is adequate and functioning in a manner to provide reasonable assurance regarding the following:
 - a. Achievement of the University's strategic objectives
 - b. Effectiveness and efficiency of operations and programs
 - c. Reliability and integrity of financial and operational information
 - d. Safeguarding of assets
 - e. Compliance with policies, standards, procedures, contracts, and applicable laws and regulations
2. Reviews and evaluations of internal control by the Office of Audit and Advisory Services will be advisory in nature. The University's management will continue to be responsible for establishing and maintaining an adequate internal control system.
3. The Office of Audit and Advisory Services may also perform advisory and consulting services, provided the Office of Audit and Advisory Services does not assume management responsibility.

B. Objectivity

1. All work performed by the Office of Audit and Advisory Services will be conducted in an objective manner.
2. The University Auditor will ensure that the Office of Audit and Advisory Services remains free from all conditions that threaten to impair the ability of audit staff to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.
3. If such an impairment, either in fact or in appearance, is detected, the University Auditor will take the appropriate action to address and, if necessary, disclose the information to the appropriate parties.

4. The Office of Audit and Advisory Services staff will maintain an unbiased mental attitude that allows them to perform their work objectively and in such a manner that they will believe in their work product, that no quality compromises will be made, and that they will not subordinate their judgment on audit matters to others.
5. The Office of Audit and Advisory Services staff will have no direct operational responsibility or authority over any of the activities that they audit, nor will they have had any within the previous year.

C. Responsibility

The University Auditor and the Office of Audit and Advisory Services staff will have responsibility to:

1. develop a flexible annual audit plan, considering the input of senior management and the Business Affairs and Audit Committee. The plan will be developed using an appropriate risk-based methodology and presented to senior management and the Business Affairs and Audit Committee.
2. implement the annual audit plan, reviewing and adjusting it as necessary in response to changes in the University's business, risks, operations, programs, systems, and controls.
3. report to appropriate levels of management significant issues related to the processes for controlling the activities of the University, including potential improvements to those processes.
4. follow up with management to verify that corrective actions are taken on findings and recommendations, and report the results periodically to senior management and the Business Affairs and Audit Committee.
5. evaluate and assess significant merging/consolidating functions and new or changing systems, services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
6. perform special studies, reviews, or investigations requested by management.
7. perform consulting and advisory services related to governance, risk management, internal controls, or other areas of interest and concern.
8. conduct investigations of fraud, waste, and abuse, including those referred by the Office of the State Inspector General related to State Fraud, Waste, and Abuse Hotline cases. Results of these investigations will be communicated to management and the Business Affairs and Audit Committee, as appropriate.
9. coordinate with other control and monitoring functions and consider the scope of work of external auditors, as appropriate, to provide optimal audit coverage to the University at a reasonable overall cost.
10. periodically provide to the Business Affairs and Audit Committee information on the status and results of the annual audit plan and the results of activities and operations reviewed. Reports from "special request" audits may have more limited distribution.
11. ensure trends and emerging issues that could affect the University are considered and communicated to senior management and the Business Affairs and Audit Committee, as appropriate.

12. maintain a professional audit staff with sufficient knowledge, skills, and experience to meet the requirements of this *Internal Audit Charter*, and ensure that the principles of integrity, objectivity, confidentiality, and competency are applied and upheld. The impact of any resource limitations will be communicated to senior management and the Business Affairs and Audit Committee, as appropriate.
13. ensure emerging trends and successful practices in internal auditing are considered.
14. establish and ensure adherence to policies and procedures designed to guide the Office of Audit and Advisory Services.
15. ensure adherence to the University's relevant policies and procedures, unless such policies and procedures conflict with this *Internal Audit Charter*. Any such conflicts will be resolved or otherwise communicated to senior management and the Business Affairs and Audit Committee, as appropriate.

D. Standards of Practice

The Office of Audit and Advisory Services will conform to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing.

E. Quality Assurance and Improvement Program

1. The Office of Audit and Advisory Services will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of conformance with the Standards and application of the IIA's Code of Ethics.
2. The quality assurance and improvement program will include both internal and external assessments. Internal assessments will include ongoing monitoring and periodic assessments of the internal audit function. An external assessment will be performed at least once every five years by a qualified, independent assessor or assessment team.
3. The University Auditor will communicate results of the assessments to senior management and the Business Affairs and Audit Committee.

6. EXCLUSIONS

None

7. APPENDICES

None

8. REFERENCES

[State Fraud, Waste, and Abuse Hotline](#)

[The Institute of Internal Auditors International Professional Practices Framework \(IPPF\)](#)

[Internal Control – Integrated Framework \(2013\)](#), Committee of Sponsoring Organizations of the Treadway Commission

9. INTERPRETATION

The authority to interpret this policy rests with the President of the University and is generally delegated to the University Auditor.

10. APPROVAL AND REVISIONS

The *Internal Audit Charter* replaces and expands upon the *Charter* last adopted by the Board of Visitors on September 19, 2014. The newly developed *Internal Audit Charter* was developed in the University Policy Template, and was submitted to and approved by the President's Cabinet at the meeting held on January 8, 2018. The *Internal Audit Charter* was then submitted to and approved by the Radford University Board of Visitors at the meeting held on _____, 2018.

DATE: _____

Brian O. Hemphill, Ph.D., President (*signature*)

For general information concerning University policies, contact the [Office of Policy Compliance](#) – (540) 831-5794. For questions or guidance on a specific policy, contact the Oversight Department referenced in the policy.

RADFORD UNIVERSITY BOARD OF VISITORS
Business Affairs & Audit Committee
February 15, 2018

Action Item
Approval of Revised Internal Audit Charter

Item:

Board of Visitors approval of revision to the Internal Audit Charter and its inclusion as a University Policy.

Background:

The Internal Audit Charter was first approved by the Board during the establishment of the internal audit function (now called the Office of Audit & Advisory Services) for Radford University, which was established in 1985. The Internal Audit Charter has been revised several times, most recently in September 2014.

The Internal Audit Charter describes the general purpose, authority, and responsibility of the Office of Audit and Advisory Services. The Charter also acts as a foundational guide to assist with conforming to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

As the University now has a framework for establishing, approving, and communicating University Policies to the campus community, including policies approved by the Board of Visitors, the revised Internal Audit Charter has been integrated into the University Policy template, which was approved by the President's Cabinet on January 8, 2018. The inclusion of the Internal Audit Charter as a University Policy will increase the visibility of the Charter and assist in ensuring the campus community understands the authority, role, and responsibilities of the Office of Audit & Advisory Services as well as each employee's responsibility to cooperate with the Office in accordance with its authority.

Action:

Radford University Board of Visitors approval of revised Internal Audit Charter (University Policy GEN-PO-1005).

RADFORD UNIVERSITY BOARD OF VISITORS

RESOLUTION
February 15, 2018

Approval of Revised Internal Audit Charter

WHEREAS, the Internal Audit Charter for Radford University was first approved by the Radford University Board of Visitors in 1985 with the initial establishment of the internal audit function, which is now known as the Office of Audit and Advisory Services; and

WHEREAS, the Internal Audit Charter describes the general purpose, authority, and responsibility of the Office of Audit and Advisory Services; and

WHEREAS, the Internal Audit Charter also acts as a foundational guide to assist the Office of Audit and Advisory Services with conforming to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing; and

WHEREAS, Radford University now has a standard framework for establishing, approving, and communicating University Policies to the campus community; and

WHEREAS, the revised Internal Audit Charter has been integrated into the University Policy template, which will increase the visibility of the Internal Audit Charter and assist in ensuring the campus community understands the authority, role, and responsibilities of the Office of Audit & Advisory Services as well as each employee's responsibility to cooperate with the Office in accordance with its authority;

NOW THEREFORE BE IT RESOLVED, the Radford University Board of Visitors approves the revised Internal Audit Charter (University Policy GEN-PO-1005) as presented.

End of Board of Visitors Materials

