

2012-13

# UAC ANNUAL REPORT



## UNIVERSITY AUDIT & COMPLIANCE

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*UAC Team (left to right) Standing: Chad Walter, Caroline Fultz-Carver, Olu Abiose, Donette Boddiford, Jeff Muir, Eric Harmon, and Steve Cuppett; Sitting: Jessica An, Amy Rollie, Debra Gula, Kate Head, and Jolanda Thompson.*

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## MESSAGE FROM THE EXECUTIVE DIRECTOR

*A year of quality assurance. . .*

Quality assurance means doing the right things the right way. Quality assurance reviews provide evidence to our stakeholders that the internal audit activity is committed to quality and best practices and that we are focused on the success of the university's ethics, governance, risk management, and internal control processes.

I am happy to report that UAC successfully completed its Quality Assurance Review, which is required every five years by the Institute of Internal Auditors (IIA). The full report was issued on August 14, 2013, and is available on our website.

An external team was engaged to conduct an independent validation of the rigorous self-assessment performed by UAC. The principal objectives of the assessment were to assess UAC's conformity to the IIA Standards for the Professional Practice of Internal Auditing, to evaluate our effectiveness in carrying out our mission (as set forth in our charter and expressed in the expectations of management), and to identify opportunities to enhance management and work processes, as well as UAC's value to the university. The external review team concurred with our conclusion that we "generally conform" to IIA's Attribute and Performance Standards and Code of Ethics. Recognition as "generally conforms" represents a high degree of professional achievement.

Positive attributes noted by the external team included: Audit Committee and senior management support, effective communication and approachability, staff development, and comprehensive risk assessments. We are taking steps to implement the recommendations contained in

the joint QAR report which will further improve the effectiveness and enhance the value of the internal audit activity.

In FY 2012-13, the audit team completed seven audits, six consulting services projects, and sixteen investigations. Project summaries are included in this report. The Compliance and Ethics Program managed 62 EthicsPoint reports, 20 of which were substantiated. Human resource matters again topped the list with 53% of reports submitted, which follows the current trend in higher education reporting. Compliance and Ethics also led the Higher Education Opportunity Act (HEOA) Initiative which resulted in the promulgation of USF System Policy 0-233 and the creation of a new website, the HEOA Portal. This portal complies with federal law to distribute required information in one location to prospective and current students and employees.

Our 2013-14 Work Plan provides for six new audits, two audits that rolled over from the prior year, and two IT projects. We will continue to provide continuous assurance activities for PCards and consulting services in support of research, information technology, academic affairs, and central administrative services. Also scheduled this year is a new system-wide enterprise risk assessment, which we will complete every three years.

We appreciate the support we receive from the President and the Board of Trustees Finance and Audit Workgroup. Thank you to the university community for your collaborative spirit and cooperation. Thanks especially to the UAC Team for your talent and dedication. Congratulations on a job well done!



*Debra S. Gula, CPA*

## MISSION AND PURPOSE

University Audit & Compliance is responsible for providing the University of South Florida System with independent and objective assurance and advisory services that promote stewardship, accountability, integrity, efficiency, and compliance. These services assist the university in evaluating and improving governance, risk management, and control processes.

The nature and scope of services provided by University Audit & Compliance include audits, reviews, management advisory services, consulting, and investigations. We are committed to upholding the values of integrity, respect, excellence, and service in the performance of our duties.

## AUDITS

### FAST Asset Management Module

UAC performed an audit of the FAST Asset Management Module for the fiscal year ended June 30, 2012. Our audit report 12-021 was issued on November 19, 2012.

The primary audit objectives were to:

- Provide management with an objective assessment of whether systems and controls surrounding the functionality of the FAST Asset Management Module are working effectively.
- Review and evaluate existing policies and procedures.
- Ensure compliance with regulations and university policies.
- Recommend corrective actions where weaknesses are identified.

The focus of our audit was the controls and processes surrounding the functionality of the asset management process. This included:

- Controls and processes of the FAST Asset Management Module for recording assets, tagging assets, and performing annual inventories during fiscal year 2011-12.
- Access controls to the FAST Asset Management Module.
- Compliance with Florida Statutes, SUS Board of Governors regulations, and university policies and procedures.

Per the Board of Governors Regulation 9.002 - Recording and Marking of Property, Paragraph (1), all tangible personal property (i.e., furniture, fixtures, and equipment) with a value or cost of \$5,000 or more and having a projected useful life of one year or more is considered a capital asset and should be recorded in the financial system as property for inventory purposes.

As of June 30, 2012, the university had a total of 14,205 assets with a total acquisition cost of \$1,359,355,088 and a net book value (acquisition cost minus accumulated depreciation) of \$836,780,346, tracked in the FAST Asset Management Module.

Asset Management Services is responsible for the accounting and inventory of the university's capitalized assets. Asset Management Services is comprised of two functions--property services and fixed asset accounting--and reports to the University Controller's Office.

The university implemented the FAST Asset Management Module during fiscal year 2010-11. Prior to this implementation, assets were tracked in an Access database and related Excel spreadsheets. By implementing the Asset Management Module, the asset data can now be populated from the FAST Purchasing

Module. Having the data incorporated into the FAST system also allows decentralized users across the USF System to view assets and related information that was not easily accessible prior to the Asset Management Module implementation.

In fiscal year 2010-11, furniture, fixtures, and equipment were imported into the Asset Management Module. Buildings were added during fiscal year 2011-2012. The final group is leased assets, which are in the process of being added to the module.

The results of our audit were based on a review of available policies, procedures, and guidelines; system walkthroughs; analytical review procedures using ACL; and a review of system functionality for efficiency and effectiveness.

UAC's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming corrective actions are taken timely to address the twelve medium-priority risks communicated separately in our management letter. No high risk issues were identified.

As of June 30, 2013, eleven of the recommendations had been implemented. For the remaining issue, management accepted the risk of not implementing our recommendation. One issue (Issue 11) was resolved at the time the report was issued.

## **Non-Recurring Compensation**

UAC performed an audit of the centralized, non-recurring compensation (NRC) process for the period July 1, 2010, through June 30, 2012. Our report 12-049 was issued on February 15, 2013.

During the audit of Temporary Employment Processes (UAC 12-019 issued June 27, 2012), UAC determined that non-recurring

compensation appointments were predominately processed by the Payroll Department and did not go through the standard control processes to determine the reasonableness and appropriateness of the appointment. As a result, an audit of the non-recurring compensation processes was added to the UAC 2012-13 Work Plan. Our audit focused on determining if the internal control structure was adequate to prevent fraudulent non-recurring compensation payments from occurring.

The primary audit objectives were to:

- Review USF policies and procedures and other applicable guidance to determine if the Payroll Department had implemented appropriate procedures to review the reasonableness and appropriateness of non-recurring compensation payments and prevented fraudulent transactions from occurring.
- Review and evaluate compliance with any key controls identified.
- Assist management in identifying and implementing improvements where significant weaknesses are identified, including fraud risks.

The Division of Human Resources (HR) is led by an Associate Vice President who reports to the USF System Senior Vice President through the USF System Vice President for Administrative Services. USF also maintains regional HR offices at USF Sarasota-Manatee and USF St. Petersburg. USF maintains one system-wide payroll office, which is a division of HR, located on the Tampa campus.

An NRC payment is defined as compensation to individuals who either have no concurrent employment with USF or have only a temporary concurrent appointment. The IRS considers them to be employees for tax

purposes; therefore, they must be processed through payroll, not as independent contractors. These payments have an inherently higher risk of abuse since they were not subject to the same recruitment and selection process as other positions. The Payroll Department performs all aspects of the NRC payment process: maintaining address and direct deposit information, maintaining NRC appointment records, approving the NRC, entering the pay sheet and pay lines directly into GEMS, and

distributing the payroll checks or processing the direct deposits.

UAC identified 1,117 employees who received 1,890 individual paychecks (excluding cancelled checks), totaling \$1,586,621, coded as NRC payments, during the two-year period July 1, 2010 to June 30, 2012. These NRC payments were classified as follows:

**USF Non-Recurring Compensation Appointments  
July 1, 2010 to June 30, 2012**

Job Code(s)	Description	Total Payments	Gross Pay	% of Total Gross Pay
0013	Other Professional (Non-Student)	1,012	\$939,331	59%
0014-0018	Other Non-Student	172	173,286	11%
9181-9185, 9550	Graduate Student	213	115,896	7%
9002-9004 9121, 9168	Adjuncts, Research Assistants, and Associates	209	204,308	13%
9188	Residents	22	16,700	1%
9180	Post-Doctoral Scholars	1	1,000	<1%
9190, 9990	Student Assistant/Resident Assistant	257	109,978	7%
9355, 9573, 9003, 1111	Administration, Faculty, and Staff	4	26,122	2%
<b>Total</b>		<b>1,890</b>	<b>\$1,586,621</b>	<b>100%</b>

The majority of funding for the population above came from research-related projects (43%) and auxiliaries (34%).

monitoring reports, and payments on research projects).

The results of our audit were based on a review of policies, procedures, and guidelines; system walk-throughs; analytical review procedures using ACL; and detailed testing of a judgmental sample of non-recurring compensation payments. A judgmental sample was used in order to focus our testing on those transactions most likely to create a significant fraud risk (high dollar, units with frequent transactions, recurring payments to the same individual, transactions missing from

UAC's overall conclusion was that there was an inadequate system of internal controls in place to meet our audit objectives. Unmitigated fraud risk exists for the non-recurring compensation transactions resulting from a lack of segregation of duties caused by inadequate access controls over GEMS payroll processes and inappropriate assignment of duties and responsibility among team members. As a result, we are unable to attest to the appropriateness of all 1,890 non-recurring compensation payments made in

fiscal years 2010-11 and 2011-12 totaling \$1,586,621.

We performed detailed testing on a judgmental sample of non-recurring compensation payments and identified no evidence of fraud in the sample.

Due to the two high-priority risks identified in our audit report, management immediately drafted an action plan which was attached to this report. Urgent management attention was also required to address the eight medium-priority risks communicated separately in our management letter.

As of August 31, 2013, all recommendations have been implemented.

## **Outgoing Electronic Funds Transfers**

UAC performed an audit of outgoing Electronic Funds Transfers (EFTs) for the fiscal year ended June 30, 2012. Our report 13-010 was issued on December 13, 2012.

The primary audit objectives were to:

- Review compliance with EFT-related USF policies and procedures, or other applicable guidance.
- Assess whether systems and controls ensure the completeness, accuracy, timeliness, and security of information being processed for outgoing electronic funds transfers.
- Ensure a proper separation of duties exist to mitigate the risk of fraud.
- Recommend corrective actions where inefficiencies are identified.
- Assist management in implementing improvements where weaknesses are identified.

The scope of our audit was outgoing electronic funds transfers processed by the USF Controller's Office. Our audit focused specifically on EFTs sent by the USF System. The USF System uses EFTs for a variety of activities including payroll, accounts payable, travel, and student refunds. This included transactions sent as batch Automated Clearing House (ACH) network payments and individual wire transactions submitted on behalf of the university.

We also reviewed access controls related to the USF System bank accounts that are maintained with the university's banking provider, through which EFTs are sent.

The Administrative Services group of the Controller's Office provides support for disbursement processes, such as EFTs and payment distribution, for a variety of departments throughout campus. The Administrative Services group processes checks and uploads EFTs (or ACH) information for payroll, accounts payable, travel, and student refunds. General Accounting, a division of the Controller's Office, reconciles the five bank accounts used to process EFTs monthly. Oversight of cash distribution, including EFTs, is a function of the Controller's Office.

Vendors have the option of using EFTs; however, most vendors (approximately 70%) currently receive a check processed by Accounts Payable.

The results of our audit were based on a review of policies, procedures, and guidelines; system walkthroughs; analytical review procedures using ACL; detailed testing of outgoing EFTs for approval and sufficient documentation; and a review of system functionality for efficiency and effectiveness.

UAC's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming

corrective actions are taken to address the four medium-priority risks communicated separately in our management letter. No high risk issues were identified.

- Ensure proper segregation of duties exist to mitigate the risk of fraud.
- Recommend corrective actions where inefficiencies are identified.

As of August 31, 2013, three of the recommendations have been implemented and one remains outstanding.

### USF Health Tuition Collections

UAC performed an audit of USF Health (USFH) tuition collections for Fall Term 2012. Our report 13-014 was issued on April 8, 2013.

The primary audit objectives were to:

- Ensure all active students, per rosters provided by the college registrars, were assessed tuition.
- Ensure tuition assessed was collected and posted.
- Ensure sufficient documentation for the collection of tuition and late fee waivers exists.

USFH houses student accounts for professional degree programs in the Morsani College of Medicine (MD), the College of Pharmacy (PharmD), and the School of Physical Therapy & Rehabilitation Sciences (DPT), as well as self-funded programs (SELECT and tDPT) in a separate system, Health Banner. Health Banner tracks the students' academic records in the professional programs as well as the assessment and collection of tuition.

Charges for USFH tuition are assessed in Health Banner by the USFH Registrar for the specific college or school. In the Fall of 2012, there were 915 students in these programs, with tuition collected totaling over \$11.3 million.

Our review of tuition assessed and collected resulted in an immaterial difference.

#### Fall 2012 Tuition Assessed and Collected

Program	Total Students	Tuition Collected per FAST
Medicine (MD)	489	\$7,527,872.99
Medicine - SELECT MD	62	1,386,272.69
Pharmacy (Pharm-D)	119	1,062,380.60
Physical Therapy (DPT)	104	1,006,412.96
Transitional Physical Therapy (tDPT)	141	391,050.00 <sup>1</sup>
<b>Total</b>	<b>915</b>	<b>\$11,373,989.24</b>

<sup>1</sup>Account codes for tDPT are not maintained by semester; therefore, this represents the total amount collected and posted in FAST during the semester under audit.

The USFH programs follow a different academic calendar than the remainder of USF. USFH students receive notification of their

tuition bill from the USFH Registrar's Office once it has been assessed and posted to Health Banner.



A unique lockbox has been set up for all USFH collections, including tuition, which is managed by the USF Controller's Office. With the exception of the tDPT program, USFH students must pay tuition with a check mailed to the lockbox. The USFH Business Office receives a report of all lockbox activity from the bank and updates the student receivables in Health Banner accordingly. The USFH Business Office also prepares a deposit transmittal which breaks down the tuition and fees into the proper chartfields. The deposit transmittal is sent to the USF Tampa Cashier's Office to record the receipts in the university's financial system of record (FAST). The General Accounting department of the USF Controller's Office ensures that all lockbox collections are recorded in FAST through their monthly reconciliation process. The tDPT self-funded program has an online tuition payment process where students can pay with a credit card.

All financial aid awards are processed through the USF System Financial Aid Office which uses their own version of Banner (OASIS). USFH students have a corresponding record in OASIS in order to distribute financial aid. The OASIS system does not retain the complete academic history or fee assessment for USFH students, only a limited amount of information. As a result, the USFH students' financial aid is not reduced by the amount of tuition owed prior to distribution. 100% of their financial aid is disbursed directly to the USFH students. Once the USFH students receive and deposit their financial aid, they send a check to the lockbox to pay their tuition.

Reporting functionality in Health Banner was not being used to identify those students who have an outstanding balance, but rather a separate Excel spreadsheet was relied upon to provide that information.

The results of our audit were based on a review of policies, procedures, and guidelines;

system walkthroughs; and analytical review procedures using ACL.

UAC's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming corrective actions are taken timely to address the six medium-priority risks communicated separately in our management letter.

As of August 31, 2013, five of the recommendations have been implemented and one remains partially completed.

### **Housing & Residential Education Revenue**

UAC performed an audit of Housing & Residential Education revenue for the fiscal year ended June 30, 2012. Our report 13-013 was issued on June 28, 2013.

The primary audit objectives were to:

- Provide management with an objective assessment of whether systems and controls ensure the completeness, accuracy, and appropriateness of revenues processed and recorded by Housing & Residential Education.
- Review procedures for improvements in efficiency and effectiveness.
- Recommend corrective actions where weaknesses are identified.

The focus of our audit was the systems, controls, and processes surrounding the recording of revenues of Housing & Residential Education during fiscal year 2011-12. This included:

- Controls and processes surrounding the recording of housing rental revenues in Fall Semester 2011, using Residential Management Systems

(RMS) as interfaced with Banner (OASIS).

- Compliance with generally accepted accounting principles.

Housing & Residential Education (HRE) is a department of the USF Division of Student Affairs and provides residential services to over five-thousand Tampa campus residents. HRE's mission is to provide a safe community, innovative programs, and quality services that contribute to residents' success by fostering their learning, personal development, and citizenship.

The Dean of HRE oversees all HRE activities, including the four main administrative activities: Operations & Outreach (which includes the Assignments Office), Residential Education, Facilities, and Business & Finance (the Business Office).

Revenue activities are primarily managed by the Assignments and Business Offices, both located in the Argos building. These two offices have several key responsibilities, including: processing housing applications, making room assignments, billing student accounts, and administering costs related to housing student residents.

Services available to students, as part of their rental rates, include educational/activity programming, cable, utilities, computer and wireless connections, mail, housekeeping, fire/life safety, crisis management/emergency response and facilities maintenance.

Per HRE's externally presented, special purpose financial statements, total operating income for FY 2012 was \$32.1 million, of which \$30.9 million was collected directly by HRE for operating activities. The remaining \$1.2 million were funds transferred into HRE from other USF departments. There was a decrease in operating income of

approximately \$367,000 over prior year due to a decrease in total student headcount and the resulting number of student residents.

HRE uses the Residential Management System (RMS) to manage housing assignments and calculate student housing billings. The housing applications' student and housing preference information is fed to RMS. RMS uses the application information to automatically assign students to rooms each semester. Pre-populated rates (approved annually by the Board of Trustees), by hall and room type, are used by RMS to calculate the total amount owed by the student for base housing. These charges are exported nightly to the respective student accounts in Banner (OASIS) via an interface. Once the fees are sent to Banner, they are credited from the RMS system, making the balance in RMS zero. All student collections occur in Banner.

The results of our audit were based on a review of available policies, procedures, and guidelines; system walk-throughs; and analytical review procedures using ACL.

UAC's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming corrective actions are taken timely to address the ten medium-priority risks communicated separately in our management letter. No high risk issues were identified.

As of August 31, 2013, six of the recommendations have been implemented, two have been partially completed, and two remain outstanding.

### **USF Tampa Library Resources Procurement Cycle**

UAC performed an audit of the USF Tampa Library resources procurement cycle for the period January 1 to December 31, 2012. Our report 13-015 was issued on June 28, 2013.

The primary audit objectives were to:

- Review compliance with USF policies and procedures, or other applicable guidance.
- Assess whether systems and controls ensure that expenditures for library resources are valid, authorized, complete, accurate, timely, and properly recorded.
- Ensure a proper separation of duties exist to mitigate the risk of fraud.
- Recommend corrective actions where inefficiencies are identified.
- Assist management in implementing improvements where weaknesses are identified.

The library is led by a dean who reports to the university provost. Areas of responsibility within the library include: Academic Services, Academic Resources, Special & Digital Collections, and Administrative Services. As of June 30, 2012, the library had 78 faculty and support staff as well as 56 student assistants.

The Florida Virtual Campus (FLVC) provides online access to the library holdings of all Florida public colleges' and universities' libraries including electronic resources such as full-text journals, databases, and e-books utilizing ExLibris ALEPH. All state universities and colleges share a catalog system, ALEPH, where the bibliographic information of all state holdings is available.

The ALEPH catalog acts as the inventory system for library resources. The inventory is searchable via catalog, and the current availability of the resources is provided via the circulation module. In the Fall of 2012, the library began a process whereby each section and floor of the library would be physically inventoried on a cyclical basis to confirm the existence of the resource and update the availability of the resource.

USF Tampa Library is funded by E&G state funds, student technology fees, and donations. In the calendar year 2012, ALEPH catalog recorded library resource acquisitions over \$9.2 million, of which approximately 80% were electronic resources (including e-books, online access to journals, databases, etc.).

Through June 30, 2012, there were 2,300,912 volumes in the USF Tampa library's total collection (print plus electronic resources), of which 580,025 (25%) were e-books.

UAC reviewed library resource transactions using statistical sampling methods from populations of data sourced from the library's ALEPH Acquisition module, and the university's FAST general ledger. In total, UAC reviewed 200 transactions totaling nearly \$1 million.

These transactions were reviewed to ensure the transactions appeared valid, were appropriately accounted for in the general ledger, had sufficient documentation supporting the transactions, and that the acquired resource was recorded in the catalog and available for use. All reviewed transactions appeared to be valid library resource acquisitions. Additionally, for the reviewed transactions, we were able to verify the existence of all electronic resources, which comprise the majority of annual library acquisitions, as well as all but six physical books.

The results of our audit were based on a review of policies, procedures, and guidelines; system walkthroughs; analytical review procedures using ACL; detailed testing of library procurement for sufficient documentation, appropriate account classification, and existence or availability; and a review of system functionality for efficiency and effectiveness. In addition, UAC reviewed documentation of access rights to the ALEPH Acquisition module.

UAC's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming corrective actions are taken timely to address the eight medium-priority risks communicated separately in our management letter. No high risk issues were identified.

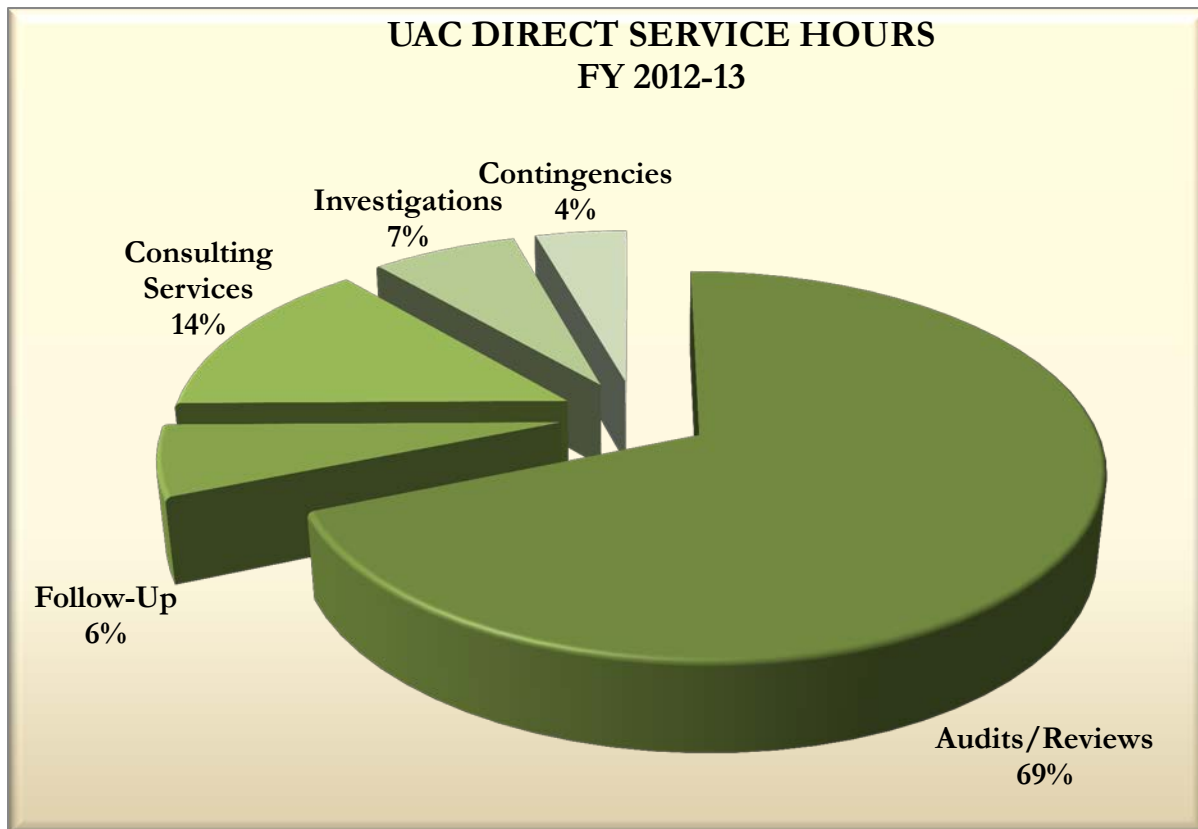
As of August 31, 2013, six recommendations have been implemented, one has been partially completed, and one remains outstanding. Two issues (Issues 3 and 4) were resolved at the time the report was issued.

### USFH IT Access Controls

UAC performed an audit of USF Health Information Technology access controls.

This project was included in the UAC 2012-13 Work Plan at the request of USF Health leadership. We reviewed access control processes in place as of February 18, 2013, and through the end of our fieldwork on May 17, 2013. Our review focused on three systems used to manage patient-related clinical activities, the operating systems and databases underlying those systems, and the data center housing the hardware and software that comprise those systems.

Our report 13-017 was issued on July 24, 2013. This report is confidential due to the sensitive nature of the information technology issues disclosed.



## **INFORMATION TECHNOLOGY**

UAC's information system projects are performed in accordance with the ISACA (Information Systems Audit and Control Association) standards and guidelines. ISACA has designed this guidance as the minimum acceptable level of performance required to meet the professional responsibilities set out in the ISACA Code of Ethics for Auditing and Control Professionals. These standards and guidelines are consistent with the Control Objectives for Information and Related Technology (COBIT)--an IT governance framework which permits management to bridge the gap between control objectives, technical issues, and business risk.

UAC utilizes an integrated audit approach whereby the IT Audit Team assists the general Audit Team on projects with significant information systems components. Integrated audits this year included the FAST Asset Management Module, Non-Recurring Compensation, Outgoing Electronic Funds Transfers, USF Health Tuition Collections, and the USF Tampa Library Resources Procurement Cycle.

The IT Audit Team focuses on factors which impact the confidentiality, integrity, and availability of systems and resources held within these systems. Confidentiality not only includes whether sensitive data is secured, but also whether access is effectively controlled.

In addition to the audit of the USF Health IT Access Controls, the IT Audit Team reviewed the USF System IT Change Management Process. Due to the sensitive and confidential nature of these recommendations, details are not included in this report.

There are currently three Certified Information Systems Auditors (CISAs) on the UAC team and one Certified in Risk and

Information System Control (CRISC). Two additional UAC team members recently passed the CISA certification exam and are working on meeting their experience requirements.

## **CONSULTING SERVICES**

Consulting projects are collaborations between management and UAC. Services may be requested in advance and included as part of the annual work plan; however, many requests are made during the year. A project's objective will vary depending on the needs of management, but may include improving a process or procedure, assisting in the implementation of a new system, interpreting laws, rules, policies, and other guidance or facilitating education/training programs. These services are proactive in nature and can be helpful to any university function or department.

During 2012-13, six consulting projects were performed for the USF System, including one IT-related project (13-016 IT Change Management Process), and management reviews for the College of Business (13-011) and USF St. Petersburg (13-025).

## **ADVISORY SERVICES**

UAC is committed to providing proactive advice on internal controls, operations, and compliance. Requests for advisory services may come from various management levels throughout the university and often involve emerging issues in research, information technology, or compliance. The information we provide through these services assists management in decision-making and improving operations. Results of these types of services are communicated verbally or through memorandums.

## EXTERNAL SUPPORT AND FOLLOW-UP ACTIVITY

In accordance with the International Standards for the Professional Practice of Internal Auditing, UAC follows up on all internal audit recommendations to determine if corrective actions have been taken. We also follow up on recommendations made in reports issued by the State of Florida Office of the Auditor General or other external agencies. Utilizing a web-based tracking system, management can update the implementation status, including action plans and target dates, and UAC can efficiently and effectively monitor their progress.

Two Follow-Up Reports, covering the periods from July 1 through December 31, 2012, and January 1 through June 30, 2013, were issued during the fiscal year.

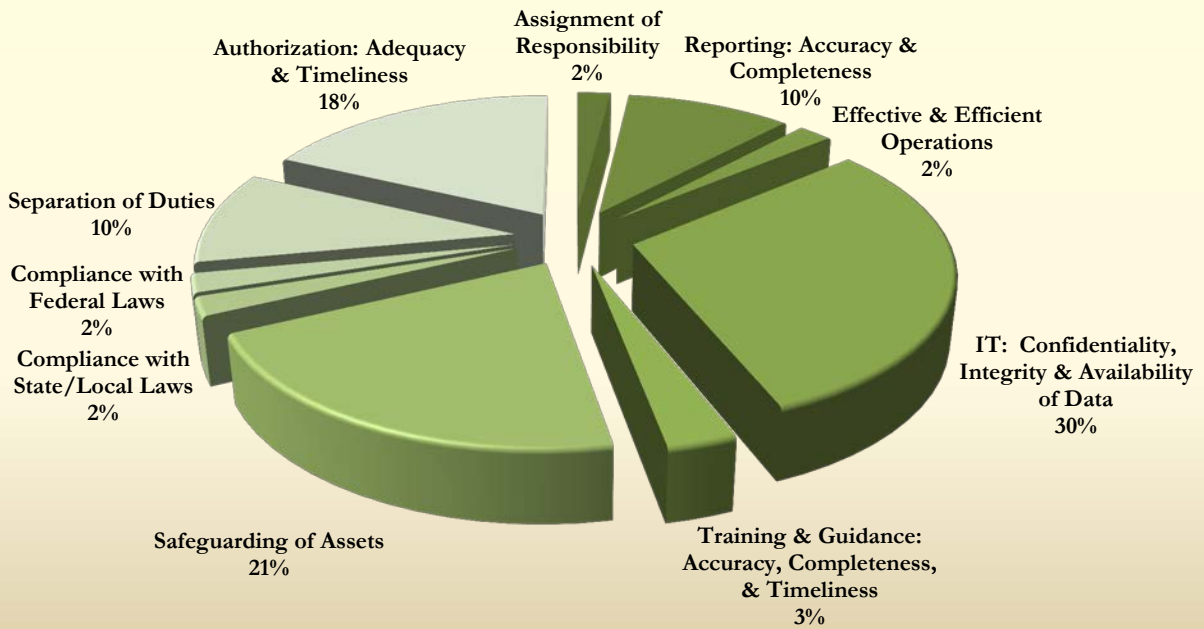
In January 2011, as part of its continuous quality improvement program, UAC revised its reporting format to enhance communication of high-risk issues and improve management's ability to prioritize and implement recommendations. In our new process, only high-risk issues are included in audit reports and other issues are communicated in a separate management letter. A risk matrix was developed which identified factors that would contribute to three risk rankings—high, medium, and low—and how these risk rankings would lead to an overall conclusion on internal controls. Due to these changes, the Follow-Up Reports beginning with June 30, 2011, differed from previous reports, especially in the number and categories of high risks.

The recommendations made during this fiscal year related to the following categories:

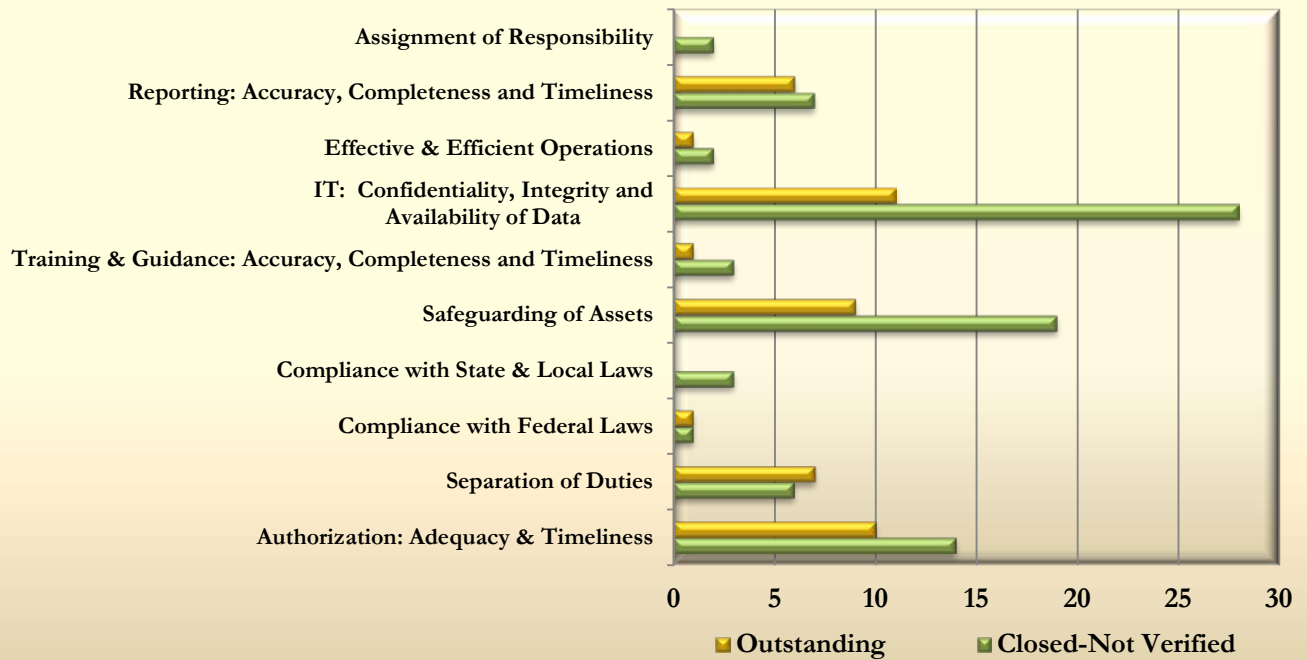
- Assignment of Responsibility
- Authorization: Adequacy and Timeliness
- Compliance with Federal, State, or Local Laws
- Effective and Efficient Operations
- IT: Confidentiality, Integrity, Availability of Data/Systems
- Reporting: Accuracy, Completeness, and Timeliness
- Safeguarding of Assets
- Separation of Duties
- Training and Guidance: Accuracy, Completeness, and Timeliness



## RECOMMENDATIONS



## IMPLEMENTATIONS



## INVESTIGATIONS

The President and the Board of Trustees have charged UAC with performing investigations related to the USF System and its related organizations. An investigation is an objective review of evidence related to a complaint or allegation.

Complaints and concerns may be received from the university's EthicsPoint reporting system or directly from an individual, or may be forwarded from various university offices or state and local government agencies.

Reports of concerns, complaints, and allegations may or may not be supported by the facts. That is why it is critical that the investigative process be managed discreetly and confidentially to ensure the integrity of the process and protect the reputations of named individuals. Florida law supports the need for confidentiality during investigations and permits active investigations to be classified as exempt from public record. Only those with a legitimate business need are provided with information related to ongoing investigations.

Approximately 7% of our project effort (direct service hours) during FY 2012-13 was expended on investigations compared to 18% in FY 2011-12. Out of 16 total complaints, 8 were referred to other units, and 1 remained open at June 30, 2013. Of the 7 completed investigations, the complaints were unsubstantiated in 4 cases. However, 3 of the allegations were substantiated in the following categories:

UAC Investigations	
<u>Classification</u>	<u>No.</u>
Fiscal misconduct: research/contract	1
Fiscal misconduct: non-research	1
Inappropriate use of funds	1
<b>Total</b>	<b>3</b>

The first investigation classified as fiscal misconduct in the table above concluded that unallowable expenditures of \$373 were charged to a research project. The charges were subsequently removed from the grant. In the second investigation, PCard charges totaling \$1,573 either did not have a demonstrated business purpose or the purchased items were removed from USF when the employee terminated. Accrued leave balances were used to recover \$185 from the former employee and property valued at \$1,388 was returned.

The inappropriate use of \$65,410 in fixed price residuals was corrected through expenditure transfers to place the expenditures onto an appropriate fund.

## COMPLIANCE

The USF System Compliance & Ethics Program was established in 2007 with the appointment of a Chief Compliance Officer (CCO) and the Institutional Compliance and Ethics Council (ICEC), composed of university compliance professionals, managers of high-risk units, and faculty representatives. The CCO and ICEC were charged by President Genshaft and the Board of Trustees to create and maintain an effective program based on best-practices to prevent, monitor, detect, and respond to non-compliance and recommend corrective actions to fully meet regulatory requirements.

### eDisclose

A major focus this year was continued development of *eDisclose*. This new web-based, conflict-of-interest disclosure system will greatly enhance the university's ability to track and manage potential employee conflicts and create a user-friendly education and disclosure process for all USF System employees (faculty, staff, administration, and temporary).



- Completed Florida Code of Ethics for Public Officers and Employees (FCOE) and Outside Activity forms development and testing.
- Completed integration of eDisclose with GEMS, FAST, and USF data warehouse.
- Created Reviewer Worksheets to educate and assist USF administrators in reviewing disclosures completed by their supervised employees.

## HEOA Initiative

Compliance & Ethics drafted and promulgated the Higher Education Opportunity Act (HEOA) Initiative Policy (USF 0-233) to address USF System HEOA compliance as follows:

- Provided coordination of Clery Act compliance across the USF System in response to the March 2013 re-authorization of the federal Violence Against Women Act (VAWA), which requires the collection of additional crime statistics.
- Assisted USFDPD in developing and implementing a Clery Crime and Incident Report tool for Campus Security Authorities (CSAs), non-law enforcement USF System employees responsible for collection and reporting of Clery Act-required information.
- Provided ongoing assistance to USFDPD in developing CSA training tools and website.
- Assisted the Office of the General Counsel in drafting a campus-wide notification to all CSAs regarding the new requirements, reminding them of their responsibilities, and providing them with links to the newly created CSA training tools and resources.

Compliance & Ethics also developed and implemented the USF System HEOA Portal--the “Student Consumer Information” portal. This portal brings together HEOA information required under federal law to be distributed to prospective and current students and employees into one user-friendly location. This HEOA-required information is collected, maintained, reported, and/or disseminated by 27 separate organizational units across the USF System, including all separately-accredited institutions, and can now be accessed from one location: <http://www.usf.edu/about-usf/student-consumer-information.aspx>.

## Child Abuse Reporting

Compliance & Ethics drafted the USF System Child Abuse Reporting Policy in conjunction with the General Counsel’s Office, the USF Police Department, and Human Resources to bring our institution into compliance with changes and additions made to the following Florida Statutory Sections: 39.01, 39.201, 39.205, & 39.203 (the “Penn State law”); and BOG Regulation.

Compliance & Ethics assisted HR in the development of child abuse reporting training for all USF System employees and negotiated required training for all USF System administrators in order to mitigate the risk of noncompliance with the Penn State Law. Penalties for such noncompliance may be up to \$1 million per failure of an administrator to report known or suspected child abuse, abandonment, or neglect.

## Other Activities

### Textbook Adoption and Affordability

Assisted the Office of the General Counsel (GC) in drafting revisions to USF System Regulation 3.029: Textbook Adoption and Affordability, based on changes made to

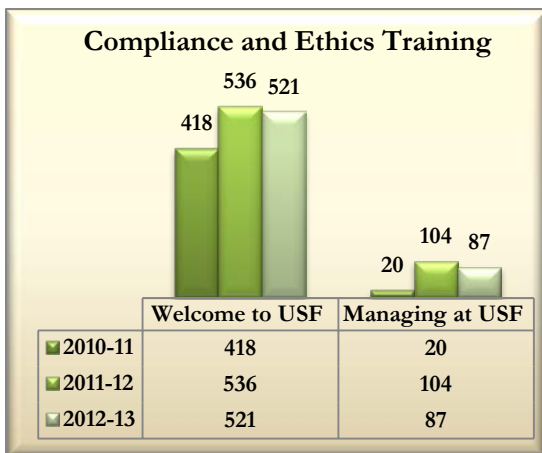
BOG Regulation 8.003: Text Book Affordability. GC asked us to confirm our regulation's compliance with the new BOG changes.

### Articulation Agreements Initiative

Collaborated with Undergraduate Studies, the Office of the Provost, General Counsel, and numerous other organizational units to create a "master list" of all Institutional Articulation Agreements (as required by HEOA) and assisted in the development of a consistent process for review, execution, and tracking of these agreements across the entire USF System.

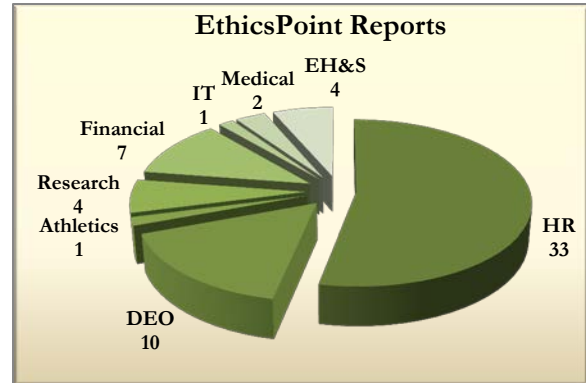
### Compliance & Ethics Training

Delivered training as part of ongoing employee onboarding programs administered by Organizational Development in the Division of Human Resources: "Welcome to USF," an orientation program for new employees and "Managing at USF," an orientation program for managers and supervisors new to USF.



### EthicsPoint

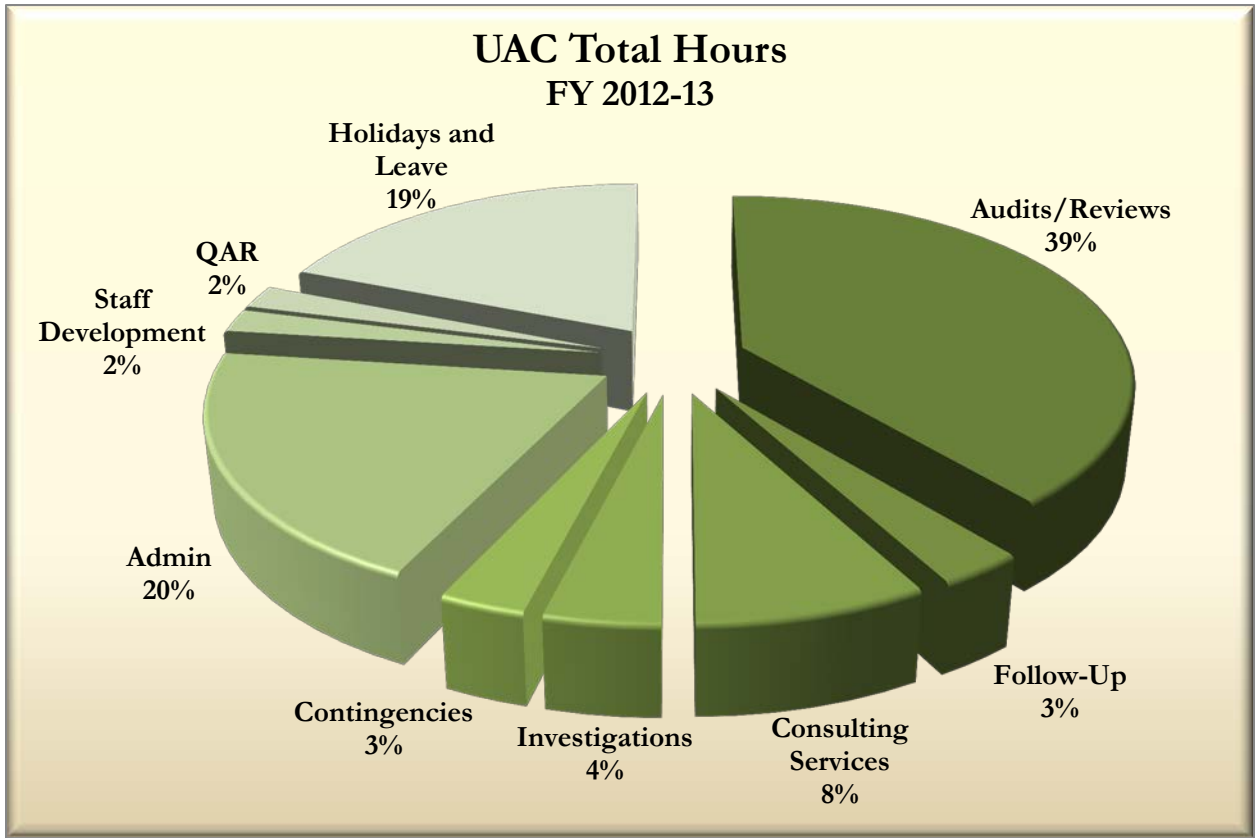
The Chief Compliance Officer is responsible for the management of the USF System's anonymous hotline, EthicsPoint. Of the sixty-two reports received during FY 2012-13, thirty-three (53%) related to human resource matters.



Three remained open at year-end. Of the fifty-nine reviews completed, twenty were substantiated and thirty-nine were unsubstantiated.

	Substantiated	Unsubstantiated	Open	Total
HR	17	13	3	33
DEO		10		10
Athletics		1		1
Research	1	3		4
Financial		7		7
IT	1			1
Medical		2		2
EH&S	1	3		4
<b>Total</b>	<b>20</b>	<b>39</b>	<b>3</b>	<b>62</b>

## ACTIVITY CHARTS



PROJECT	BUDGET	%	ACTUAL	%
<b>DIRECT SERVICES:</b>				
Audits/Reviews	6,400	34%	7,277	39%
Follow-up	500	3%	638	3%
Consulting Services	1,200	6%	1,466	8%
Investigations	1,850	10%	736	4%
Contingencies	1,318	7%	464	3%
<b>Total Direct Services</b>	<b>11,268</b>	<b>60%</b>	<b>10,581</b>	<b>57%</b>
<b>OTHER:</b>				
Administration	3,280	18%	3,714	20%
Staff Development	360	2%	421	2%
QAR	500	3%	458	2%
Holidays and Leave	3,312	17%	3,546	19%
<b>Total Other</b>	<b>7,452</b>	<b>40%</b>	<b>8,139</b>	<b>43%</b>
<b>TOTAL</b>	<b>18,720</b>	<b>100%</b>	<b>18,720</b>	<b>100%</b>

## **PROFESSIONAL ACTIVITIES & CERTIFICATIONS**

UAC is proud of the experience and professionalism of its staff. During 2012-2013, we continued our commitment to life-long learning and involvement with organizations that support higher education, internal auditing, information technology, and compliance activities.

### **Professional Organizations**

- Association of College and University Auditors (ACUA)
- Institute of Internal Auditors (IIA)
- Association of Certified Fraud Examiners (ACFE)
- Information System Audit & Control Association (ISACA)
- American Institute of Certified Public Accountants (AICPA)
- National Association of College and University Business Officers (NACUBO)
- National Council of University Research Administrators (NCURA)
- Society of Corporate Compliance & Ethics (SCCE)

### **Certifications**

- Certified Public Accountant
- Certified Internal Auditor
- Certified Fraud Examiner
- Certified Information Systems Auditor

- Certified Compliance and Ethics Professional
- Microsoft Certified Systems Engineer
- ITIL Foundation
- Certification in Control Self-Assessment
- Certification in Risk and Information Systems Control

### **Advanced Degrees**

- Master of Accountancy  
University of South Florida
- Master of Business Administration  
University of South Florida
- Master of Management - Leadership and Organizational Effectiveness  
University of South Florida
- Master of Science - Information Technology Management  
Creighton University
- Master of Health Administration  
University of South Florida
- Master of Public Administration  
University of South Florida
- Doctorate of Medical Sciences  
University of South Florida
- Juris Doctor  
Stetson University

## **UPCOMING YEAR**

The 2013-14 Work Plan was approved by the Finance and Audit Workgroup on August 15, 2013.



**UNIVERSITY AUDIT & COMPLIANCE  
FY 2013-14 WORK PLAN**

	<b>Hours</b>	<b>% of Effort</b>
<b>DIRECT SERVICES</b>		
<i>Audits/Reviews</i>		
<b>Core Processes:</b>		
Research - Pre-Award (DSR) Subrecipient Monitoring	500	
Housing Expenditures/Accounting Practices	200	
Tampa Cashier's Office	400	
St. Petersburg Cashier's Office	300	
Sarasota-Manatee Cashier's Office	200	
Payroll/HR	800	
Athletics Business Operations & HR	800	
<b>Financial/Accounting Issues:</b>		
Computer Store Auxiliary	800	
<b>Information Technology:</b>		
USF IT Infrastructure Access Audit	800	
Follow-up on Closed IT Issues	<u>200</u>	
<i>Subtotal</i>	5,000	
<i>Continuous Assurance</i>		
PCard	1,200	
<i>Follow-up; Coordinate External Audits</i>	<u>500</u>	
	6,700	36%
<i>Consulting Services</i>		
Special Projects:		
USF Health IT	600	
Sun Dome, Inc.	400	
Emerging Issues - compliance, financial, IT	<u>400</u>	
<i>Subtotal</i>	1,400	7%
<i>Investigations</i>	1,800	10%
<i>Contingency</i>	<u>1,300</u>	<u>7%</u>
<b>TOTAL DIRECT SUPPORT</b>	<b>11,200</b>	<b>60%</b>
<b>INDIRECT SUPPORT</b>		
University Meetings, In-House Training, Prof. Orgs.	900	
Administration	<u>2,948</u>	
<b>TOTAL INDIRECT SUPPORT</b>	<b>3,848</b>	<b>20%</b>
<b>OTHER</b>		
CPE	360	
Holidays	792	
Leave (Annual and Sick)	<u>2,520</u>	
<b>TOTAL OTHER</b>	<b><u>3,672</u></b>	<b><u>20%</u></b>
<b>TOTAL HOURS AVAILABLE (CAE + 8 STAFF)</b>	<b>18,720</b>	<b>100%</b>

*Approved by the Board of Trustees Finance and Audit Workgroup on August 15, 2013*



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