

**USF Board of Trustees
Audit & Compliance Committee
NOTES
Thursday, November 2, 2017
Tampa Campus - Marshall Student Center Room# 3707**

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Nancy Watkins at 11:10am.

Committee members present: Nancy Watkins, Stephanie Goforth and Byron Shinn. A quorum was established. President Genshaft and Trustees Mike Carrere and James Garey were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of May 18, 2017 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Watkins requested a motion for approval, it was seconded and the May 18th meeting notes were unanimously approved as written.

IV. New Business – Information Items

a. University Audit & Compliance – Annual Report

Virginia Kalil, Executive Director, USF System Audit, presented the USF System Audit Annual Report for 2016-17. The report covers internal audit and investigative activities for FY 2016-17. FY 2016-17 is year 1 of a 2-year work plan which was approved in August 2016.

FY 2016-17 was a year of changes. Long-time Executive Director Debra Gula retired and Ms. Kalil came on board in February. The annual report has been prepared for the last ten years as a best practice, but was made a requirement by BOG regulation last year. BOG regulation also separated the audit and compliance functions. Compliance activities for FY 2016-17 will be reported separately to this committee at a later date.

USF System Audit consists of 10 audit professionals, including the Executive Director, and one administrative position. The organizational chart has not changed since the prior year, except for the removal of the 2 compliance positions.

Direct services include audits, consulting projects, investigations, and follow-up on management's corrective actions related to audit recommendations. In 2016-17, USF System

Audit completed 12 audits, including 3 IT audits; 4 consulting projects; and 15 investigations. 7 audits were in core processes and Academic Affairs and 5 audits were in governance, research, and IT.

Ms. Kalil briefly reviewed a few of the audits. The Accounts Payable Vendor Set-up and Maintenance audit was very timely due to the inherent nature of potential fraud risk that takes place in this area (i.e. vendor imposter fraud and unauthorized activity in the vendor file which could lead to inappropriate payments). The Research Laboratory Safety audit addressed biosafety and radiation safety in teaching and research activities. No high risks identified.

Part of the audit process includes recommendations. In 2016-17, recommendations were made in the following areas: assignment of responsibility; authorization (adequacy and timeliness); compliance with federal laws; IT (confidentiality, integrity, and availability of data); reporting: (accuracy, completeness, and timeliness); safeguarding of assets; separation of duties; training and guidance (accuracy, completeness, and timeliness); and workplace safety. 71% of open recommendations were completed – a 9% increase over the prior year. This demonstrates a willingness and eagerness on management's part to build a strong internal control environment.

V. Adjournment

Trustee Goforth asked about Pcards. Ms. Kalil responded that prior risks have been addressed and we are taking very aggressive actions to keep risks down. Jennifer Condon, University Controller, added that 2016/17 will be our third Auditor General operational audit with no Pcard findings.

Trustee Shinn stated that management in private industry does not always embrace the internal audit function, but USF does and this is great to see.

Trustee Shinn asked how we (the Trustees) stay ahead of things like NCAA investigations (referring to the recently concluded NCAA investigation into men's basketball). President Genshaft explained that things happen and the important thing is how you deal with it. We reported the violations immediately and were very proactive in the investigation. Jeff Muir, Chief Compliance Officer, explained that one of the new changes from the President includes a new accountability structure/report relationship with institutional compliance and Athletics compliance so we have a safety valve for issues and we can be proactive.

John Long, Sr. Vice President/COO, noted that March 1, 2018, is the due date to the BOG for the performance-based funding audit report. The report must be approved by the BOT. The regular BOT meeting is scheduled for March 8. Therefore it may be necessary to have a special meeting to approve the report prior to the due date. The Assistant Corporate Secretary confirmed that a conference call is already being scheduled prior to the March 1 due date.

Chair Watkins acknowledged the great successes and improvements with the new Audit and Compliance structure and reminded everyone that Audit and Compliance is here to help.

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 11:28am.