EXECUTIVE SUMMARY

It is my pleasure to present USF System Audit's (Audit's) Annual Report for fiscal year 2018-19. Audit finished year one of its two-year work plan completing:

✓ nine audits, including four related to Information Technology (IT),
✓ two consulting projects, and
✓ 14 investigations.

Also, projects in progress at year-end included:
- one audit related to IT,
- three consulting projects, and
- 11 investigations.

Additionally, one audit planned for year one was deferred to year two. The projects in progress at year-end as well as the deferral were a result of the Board of Trustees’ (BOT’s) approved additions to the original plan and personnel resource vacancies.

The Audit team’s efforts throughout the year assisted university leadership with ensuring the appropriate internal control structure was in place to: minimize the risk of asset loss, including fraud; promote effectiveness and efficiency of institutional resources; comply with applicable laws, rules, and regulations; and ensure data supporting the preeminence and performance-based metrics could be relied upon. Summaries of the work performed are included within this report.

Demonstrating their commitment to excellence, university leadership responded to improve the control environment. Semi-annual reports were produced summarizing university leadership’s implementation of 71% of the audit recommendations open during the fiscal year.

Along with the internal work performed, the team continued to support external services received from the State Auditor General and the Office of Inspector General and Compliance. Also, IT audit services were provided at the request of USF Health Care for approximately 0.3 full-time resource equivalent.

As part of the Quality and Assurance Improvement Program, Audit’s internal assessments confirmed conformance to the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing (IIA Standards) and Code of Ethics. Additionally, an external assessment, which is required at least once every five years, was performed in 2018. Based on the external assessment, it was determined Audit “generally conforms” to the IIA Standards and Code of Ethics, which is the highest level of achievement in the assessment process.

Audit also conducted its triennial strategic planning exercise including evaluating the department’s strengths, weaknesses, opportunities, and threats. During this process, Audit also revisited its vision, mission, values, and guiding principle to ensure proper alignment with the BOT and university expectations. As a result, Audit identified Managing Talent, Delivering Service, and Measuring Performance to be key areas of focus, which will assist in continually improving its audit processes.

The continued support of the audit activities from the BOT, President, and senior leadership was greatly appreciated. Also, a special thank you goes out to the Audit team, for their expertise, persistence, and pursuit of excellence in this year’s accomplishments.

Virginia L. Kalil
CIA, CFE, CISA, CRISC
USF SYSTEM AUDIT

Virginia Kalil, Executive Director/Chief Internal Auditor
- Certified Internal Auditor
- Certified Fraud Examiner
- Certified Information Systems Auditor
- Certified in Risk and Information Systems Control
- BS Accounting, USF

Kate Head, Associate Director
- Certified Public Accountant
- Certified Fraud Examiner
- Certified Information Systems Auditor
- BS Accounting, Oklahoma State

Steve Cuppett, Assistant Director
- Certified Public Accountant
- Certified Internal Auditor
- Certified Information Systems Auditor
- Master of Accountancy, USF
- BS Accounting, USF

Amy Rollie, Assistant Director
- Certified Public Accountant
- Certified Fraud Examiner
- Master of Accountancy, USF
- BS Accounting, USF

Mariana Souza, Senior Audit Consultant
- Certified Accountant, Brazil
- Master of Control/Finance, Universidad de Brasilia, Brazil
- Bachelor of Accounting, Universidad de Brasilia, Brazil

Olu Abiose, Senior Information Technology Audit Consultant
- Certified Information Systems Auditor
- Microsoft Certified Systems Engineer
- Certified in Risk and Information Systems Control
- Certified Information Security Manager
- HealthCare Information Security and Privacy Practitioner
- MBA, Creighton University
- MS Information Technology Management, Creighton University
- BS Accounting, University of Ilorin

Lena Huggett, Senior Information Technology Audit Consultant
- Certified Information Systems Auditor
- MS, Information Systems, University of Sheffield
- BA, Accounting and Finance, Manchester Metropolitan University

Eric Harmon, Audit Consultant
- Certified Public Accountant
- Certified Internal Auditor
- Certification in Control Self-Assessment
- MBA, University of Florida
- BSBA Finance, University of Florida

Kethessa Carpenter, Audit Consultant
- Certified Public Accountant
- BA Business Administration & Accounting, St. Leo University

Jolanda Thompson, Administrative Specialist
- BSBA Management, Northwood University

2019 Audit Team
Sitting (L-R): Amy Rollie, Steve Cuppett, Olu Abiose, Eric Harmon, Kethessa Carpenter; Standing (L-R): Lena Huggett, Mariana Souza, Virginia Kalil, Kate Head, and Jolanda Thompson
# TABLE OF CONTENTS

- MISSION, PURPOSE, AND ORGANIZATION .................................................................5
- AUDITS ..................................................................................................................5
  - DELEGATION OF AUTHORITY - CONTRACTUAL SERVICES
  - SURPLUS PROPERTY AND ASSET DISPOSAL
  - COLLEGE OF PUBLIC HEALTH
  - PERFORMANCE-BASED FUNDING DATA INTEGRITY
  - INFORMATION TECHNOLOGY GENERAL CONTROLS - USF ST. PETERSBURG
  - INFORMATION TECHNOLOGY CHANGE MANAGEMENT
  - INFORMATION TECHNOLOGY GENERAL CONTROLS - USF SARASOTA-MANATEE GAP ANALYSIS
  - PAYROLL - TIME AND LABOR
  - ACCESS CONTROLS (TRANSFERS)

- INFORMATION TECHNOLOGY ...............................................................................7
- CONSULTING SERVICES ..........................................................................................7
- ADVISORY SERVICES .............................................................................................8
- INVESTIGATIONS ......................................................................................................8
- FOLLOW-UP ACTIVITY .............................................................................................9
- ACTIVITY ANALYSIS ..............................................................................................11
- QUALITY ASSURANCE AND IMPROVEMENT PROGRAM .....................................12
- PROFESSIONAL ACTIVITIES ..................................................................................12
- UPCOMING YEAR ....................................................................................................12
- AUDIT FY 2019 AND 2020 WORK PLAN .................................................................13
MISSION, PURPOSE, AND ORGANIZATION

USF System Audit (Audit) 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.

In order to effectively fulfill its responsibilities, Audit is organizationally independent from the university’s operational activities and structurally reports at an appropriate level within the organization. Audit reports functionally to the Audit and Compliance Committee (ACC) of the Board of Trustees (BOT) and administratively to the university President. This reporting relationship ensures responsibilities are carried out in a manner free from actual or perceived impairment.

The nature and scope of services provided by Audit include audits, compliance reviews, management advisory services, consulting, and investigations. Audit is committed to upholding the values of integrity, objectivity, respect, confidentiality, excellence, and collaboration in the performance of our duties.

AUDITS

Audit projects are performed in accordance with the Institute of Internal Auditors (IIA) Standards for the Professional Practice of Internal Auditing (the “IIA Standards”). The IIA is the recognized authority for those in the internal audit profession and the IIA standards are required by the Florida Board of Governor’s Regulation 4.002 (6)(a) State University System Chief Audit Executives.

The USF System has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Control Framework which is utilized by Audit to assess the effectiveness of the university’s internal control systems in place. The USF System’s internal control objectives are communicated to all USF System employees via USF System Policy 0-023 Internal Control.

Delegation of Authority – Contractual Services

Audit reviewed the controls over the delegation of authority for contractual services. The audit focused on the internal control structure over the centralized contractual services procedures followed by the University Controller's Office's Department of Procurement Services - Purchasing, that ensures contracts are executed by authorized university personnel. Specific objectives evaluated the design and effectiveness of controls in place related to: contract execution in the Contract Management System (CMS); approvals within delegated authority; appropriateness of purchase orders in lieu of contracts; General Counsel review; and high-dollar threshold approvals.

Based on the review, Audit concluded there was an adequate system of internal controls in place, assuming corrective actions were taken timely to address the six risks identified related to assignment of responsibility, authorization, compliance with federal laws, and effective and efficient operations.

Surplus Property and Asset Disposal

Audit reviewed the controls over surplus property and asset disposal. The audit focused on the adequacy of the centralized and decentralized control structures over the disposal of capitalized assets and non-capitalized supplies and equipment (attractive items) designed to ensure that assets are protected from loss and that employees are not benefiting personally in the asset disposal process.
Based on the review, recommendations were made to address five risks identified. This report was classified as confidential due to the sensitive nature of the Information Technology (IT) issues disclosed.

**College of Public Health**

Audit reviewed the design and effectiveness of the administrative and financial controls related to the College of Public Health. The audit focused on those controls performed by the college, including organizational structure, revenues, expenditures, journal entries, property, payroll and human resources, research, USF Foundation activity, and USF Research Foundation activity.

Based on the review, Audit concluded there was an adequate system of internal controls in place, assuming corrective actions were taken timely to address the five risks identified related to IT, safeguarding of assets, and separation of duties.

**Performance-Based Funding Data Integrity**

Audit reviewed the processes and controls established to ensure the completeness, accuracy, and timeliness of data submissions to the Board of Governors (BOG) in support of the Performance-Based Funding measures.

Based on the review, Audit concluded there was an adequate system of internal controls in place, assuming corrective actions were taken timely to address the two risks identified related to IT and validation of the file prior to submission.

**Information Technology General Controls – USF St. Petersburg**

Audit reviewed IT general controls at USF St. Petersburg, providing significant value in identifying control structures and associated risks not previously audited. Based on the review, recommendations were made to address four risks identified. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

**Information Technology Change Management**

Audit reviewed the controls over the USF System IT Change Management Process. Based on the review, recommendations were made to address five risks identified. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

**Information Technology General Controls – USF Sarasota-Manatee Gap Analysis**

Audit performed a gap analysis of IT general controls at USF Sarasota-Manatee, providing significant value in identifying control structures and associated risks not previously audited. Based on the review, recommendations were made to address six risks identified. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

**Payroll – Time and Labor**

Audit reviewed the controls over payroll - time and labor. Our audit focused on the decentralized procedures and systems utilized by departments to ensure timely, accurate, and complete recordkeeping of time worked to meet the requirements of the Fair Labor Standards Act (FLSA) for hourly (nonexempt) employees.

Based on the review, Audit concluded there was an inadequate system of internal controls in place over recordkeeping of hours to be paid in order to prevent or detect errors or irregularities. Audit identified four high priority risks related to multiple non-integrated systems and manually intensive processes, inadequate monitoring of payroll adjustments, inadequate
decentralized recordkeeping, and incompatible assignment of responsibilities.

Audit also identified two medium-priority risks related to decentralized timesheet processing and reconciliation guidelines and approval to use third-party timekeeping systems.

**Access Controls (Transfers)**

Audit reviewed the Financial Accounting SysTem (FAST) and Global EMployment System (GEMS) Access Controls in place to ensure users are de-provisioned timely when terminated and are de-provisioned or re-provisioned when there are significant changes in their duties and responsibilities due to a transfer between departments and/or changes in job duties. Based on the review, recommendations were made to address three risks identified. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

**INFORMATION TECHNOLOGY**

Audit’s information system projects are performed in accordance with the ISACA (formerly 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. ISACA standards and guidelines are consistent with the Control Objectives for Information and Related Technology (COBIT)--an IT governance framework which enables management to bridge the gap between control objectives, technical issues, and business risk.

The IT Audit Team focuses on factors which impact the confidentiality, integrity, and availability of the university’s information systems as well as the resources held within those systems. Confidentiality not only addresses the security of sensitive data, but also whether access to such data is effectively controlled. Audit performed IT audits of the USF System IT Change Management Process, IT General Controls at USF St. Petersburg, and FAST and GEMS Access Controls (Transfers). The IT Audit Team also performed a gap analysis of IT General Controls at USF Sarasota-Manatee.

Audit utilizes an integrated audit approach whereby the IT Audit Team assists the general Audit Team on audit and consulting projects with significant information systems components. Integrated audit projects this year included Surplus Property and Asset Disposal, and Performance-Based Funding Data Integrity.

There are currently five Certified Information Systems Auditors (CISAs) on the Audit team. Two of these CISAs are also Certified in Risk and Information Systems Control (CRISC). One of the CRISCs is also a Certified Information Security Manager and certified as a HealthCare Information Security and Privacy Practitioner (HCISPP).

**CONSULTING SERVICES**

Consulting services are collaborative projects between university leadership and Audit. These services may be requested in advance and included as part of the annual work plan; however, many requests are made throughout the year. A project’s objective will vary depending on the needs of leadership, 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.
Five consulting projects were undertaken this year. Two projects were completed and three projects were in progress (IP) at year-end, as follows:

- Dr. Kiran C. Patel Center for Global Solutions Funding and Construction Project Funding Certification
- Review of Current Construction Accounting and Control Structure
  - Institutional Data Reporting (IP)
  - Athletics Inventory Management (IP)
  - Procure-to-Pay Technology (IP)

**ADVISORY SERVICES**

Audit 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, IT, 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 a memorandum. This year, Audit provided advisory services as a member of the Consolidation, Accreditation and Preeminence Committee in preparation for the consolidation of the USF Tampa, USF St. Petersburg, and USF Sarasota-Manatee campuses under one accreditation.

**INVESTIGATIONS**

The BOT and President have charged Audit with performing investigations related to the university and its associated organizations. Investigations are an objective review of evidence related to a complaint or allegation.

Audit may receive complaints or allegations from EthicsPoint, the university’s anonymous reporting system, or directly from an individual. Concerns may also be referred by various university offices or state and local government agencies.
FOLLOW-UP ACTIVITY

In accordance with IIA Standards, Audit follows up on all internal audit recommendations to determine if corrective actions have been taken. Utilizing a web-based tracking system, university leadership can continuously update the status of their corrective actions, including action plans and target implementation dates, and Audit can efficiently and effectively monitor their progress. Two Follow-Up Reports, covering activity from July 1 through December 31, 2018, and January 1 through June 30, 2019 were issued during the fiscal year. The annual implementation rate by university leadership was 71%.

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

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

The following graphs depict summaries of recommendations made and status of implementation.
RECOMMENDATIONS

- Assignment of Responsibility, 3%
- Authorization: Adequacy and Timeliness, 7%
- Compliance with Federal Laws, 4%
- Compliance with State and Local Laws, 1%
- IT: Confidentiality, Integrity, Availability of Data/Systems, 46%
- Reporting: Accuracy, Completeness, Timeliness, 8%
- Safeguarding of Assets, 24%
- Separation of Duties, 4%
- Training & Guidance: Accuracy, Completeness, Timeliness, 3%

IMPLEMENTATIONS

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

The chart shows the distribution of recommendations and their implementation status.
Audit’s direct services include activities related to the performance of audits, consulting and advisory projects, investigations, and follow-up. The annual work plan budgeted 60% of Audit’s resources for direct services. Actual direct services of 61% slightly exceeded the budgeted objective.
QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

In conformance with IIA Standards, BOG regulations, and the USF System Audit Charter, it is the responsibility of the Chief Audit Executive to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and includes both internal and external quality components. Periodic internal assessments were performed throughout the audit processes to confirm conformance with IIA Standards and Code of Ethics. Additionally, an external assessment, which is required at least once every five years, was performed in 2018. Based on the external assessment, it was determined Audit “generally conforms” to the IIA Standards and Code of Ethics, which is the highest level of achievement in the assessment process. The full report, USF System Audit Self-Assessment with Independent Validation, was issued on June 29, 2018, and is available on our website at www.usf.edu/audit/publications.

While no conformance gaps were identified in the most recent external assessment, opportunities for continuous improvement towards best practices were recommended related to the BOT ACC charter, internal assurance activities, and strategic planning. The recommended actions were completed to address these opportunities.

PROFESSIONAL ACTIVITIES

Audit is proud of the experience and professionalism of its staff. During 2018-2019, we continued our involvement with organizations that support higher education, internal auditing, information technology, and compliance activities.

- Association of College and University Auditors (ACUA)
- Institute of Internal Auditors (IIA)
- Association of Certified Fraud Examiners (ACFE)
- ISACA (formerly, the Information Systems Audit & Control Association)
- American Institute of Certified Public Accountants (AICPA)
- National Association of College and University Business Officers (NACUBO)

UPCOMING YEAR

The current two-year Work Plan for FY 2019 and FY 2020 was approved by the BOT ACC on May 22, 2018. This multi-year plan continues to offer Audit the flexibility to move projects between years as schedules warrant. Significant changes will be communicated to the BOT ACC as appropriate.
### DIRECT SERVICES

#### Audit Services

<table>
<thead>
<tr>
<th>Core Processes:</th>
<th>Total Hours</th>
<th>% of Effort</th>
<th>Yr 1</th>
<th>Yr 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access Controls/Entitlement Reviews-Internal Transfers</td>
<td>600</td>
<td>600</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time &amp; Labor (Decentralized)</td>
<td>800</td>
<td>800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>800</td>
<td>800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Emergency Management</td>
<td>800</td>
<td>800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Surplus Property &amp; Asset Disposal</td>
<td>600</td>
<td>600</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Academic Areas:

| College of Behavioral-Comm Sciences | 800 | 800 | | |
| College of Hospitality & Tourism Leadership (USFSM) | 600 | 600 | | |
| College of Public Health | 800 | 800 | | |
| College of Medicine | 800 | 800 | | |
| PBF Data Integrity-Year 1 | 800 | 800 | | |
| PBF Data Integrity-Year 2 | 800 | 800 | | |

#### Governance:

| Delegation of Authority/MOUs/Contract Approval | 200 | 200 | | |
| IT Governance | 800 | 800 | | |

#### Research:

| Recharge Centers Operations | 800 | 400 | 400 | |
| Human Subjects Regulations | 600 | 600 | | |

#### Information Technology:

| Cloud Computing & Security | 700 | 700 | | |
| IT Change Management | 700 | 700 | | |
| IT General Controls (USFSP/USFSM) | 600 | 600 | | |
| USFH IT - Year 1 | 800 | 800 | | |
| USFH IT - Year 2 | 800 | 800 | | |

#### Follow-Up; Coordinate External Audits

| Subtotal | 1,000 | 500 | 500 |

#### Consulting Services

| Special Projects | 2,000 | 1,800 | 200 | |
| Emerging Issues - compliance, financial, IT | 600 | 300 | 300 | |

#### Investigations @ 10%

| Subtotal | 2,600 | 2,100 | 500 | |

#### Contingency @ 7%

| TOTAL DIRECT SUPPORT | 24,960 | 60% | 12,480 | 12,480 |

#### INDIRECT SUPPORT

| University Meetings, In-House Training, Professional Orgs | 2,160 | 1,080 | 1,080 | |
| Administration | 6,280 | 3,140 | 3,140 | |

| TOTAL INDIRECT SUPPORT | 8,440 | 20% | 4,220 | 4,220 |

#### OTHER

| CPE | 800 | 400 | 400 | |
| Holidays | 1,760 | 880 | 880 | |
| Leave (Annual/Sick) | 5,640 | 2,820 | 2,820 | |

| TOTAL OTHER | 8,200 | 20% | 4,100 | 4,100 |

| TOTAL HOURS AVAILABLE (CAE + 9 STAFF) | 41,600 | 100% | 20,800 | 20,800 |

Approved by the USF Board of Trustees Audit and Compliance Committee on May 22, 2018