2019-20 ANNUAL REPORT

Office of Internal Audit

UNIVERSITY of SOUTH FLORIDA
Office of Internal Audit

EXECUTIVE SUMMARY

It is my pleasure to present the USF Office of Internal Audit's (IA) Annual Report for fiscal year 2019-20. Internal Audit finished year two of its two-year work plan completing:

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

Also, projects in progress at year-end included:

- ○ *two audits, and*
- ○ *11 investigations.*

Additionally, due to limited resources and additions to the plan, two audits planned for the year were deferred and the associated risks reevaluated for inclusion in the next work plan.

The IA 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 distributed summarizing university leadership's average implementation of the audit recommendations open during the fiscal year to be 43%.

Along with the internal work performed, the team continued to support external services received from the State Auditor General and the Board of Governors' Office of Inspector General and Compliance. Also, IT audit services were provided at the request of USF

Health Care for approximately an 0.8 full-time resource equivalent.

As part of the Quality and Assurance Improvement Program, IA'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 IA "generally conforms" to the IIA Standards and Code of Ethics, which is the highest level of achievement in the assessment process.

The IA team also celebrated several professional achievements this year including one team member attaining their Certified Internal Auditor (CIA) designation and another team member becoming a Certified Cloud Security Professional. Also, in alignment with the team's strategic objective to improve advanced data analytical skills, three team members achieved the Analytics Certified Data Analyst (ACDA) designation. Additionally, two team members participated in USF's Post-Crisis Leadership Certificate program developed to assist professionals in navigating the current crisis environment. Lastly, in support of the profession, the team provided subject matter experts to share their knowledge and experience at five conferences or training events during the year.

Congratulations to the team for a job well done! Thank you to the BOT, President, and senior leadership for their support in this year's accomplishments.

Virginia Kalil

Virginia L. Kalil
CIA, CFE, CISA, CRISC

USF INTERNAL 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
- Certified Inspector General
- 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
- Certified Cloud Security Professional
- Information Technology Infrastructure Library Certified
- MBA, Creighton University
- MS Information Technology Management, Creighton University
- BS Accounting, University of Ilorin

Ivan Viamontes, Senior Information Technology Audit Consultant
- Certified Public Accountant
- Certified Information Systems Auditor
- Certified Information Systems Security Professional
- MBA, University of South Florida
- BS Business in Accounting and MIS, University of South Florida

Berina Fazlic-Frljak, Senior Audit Consultant
- Certified Internal Auditor
- Certified in Risk Management Assurance
- MBA, Louisiana State University
- BS, International Trade and Finance, Louisiana State 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
- Certified Internal Auditor
- BA Business Administration & Accounting, St. Leo University

Shemile Charles, Executive Administrative Specialist
- MA Management & Organizational Leadership, American Public University
- BA English & Communication Studies, University of Maryland

2020 Internal Audit (IA) Team
Standing (L-R): Eric Harmon, Mariana Souza, Olu Abiose, Kate Head, Steve Cuppett, Virginia Kalil, Jolanda Thompson (former IA), Jeff Muir (Compliance & Ethics), Ivan Viamontes, Shemile Charles, Amy Rollie, Berina Fazlic-Frljak, Kethessa Carpenter, and Caroline Fultz-Carver (Compliance & Ethics)

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MISSION, PURPOSE, AND ORGANIZATION

USF Office of Internal Audit (IA) provides the University of South Florida (USF) 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 risk management, control, compliance, and governance processes.

In order to effectively fulfill its responsibilities, IA is organizationally independent from the University's operational activities and structurally reports at an appropriate level within the organization. IA 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 IA include audits, compliance reviews, management advisory services, consulting, and investigations. IA is committed to upholding the values of integrity, objectivity, respect, confidentiality, excellence, and collaboration in the performance of their duties.

AUDITS

IA projects are performed in accordance with the Institute of Internal Auditors (IIA) *International 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.

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

USF Health (USFH) Information Technology (IT) General Controls

IA reviewed the IT general controls in place at USFH related to logical access to key clinical and non-clinical systems; network security; data center controls; backup and recovery; and disaster recovery and business continuity. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

College of Behavioral and Community Sciences

IA reviewed the design and effectiveness of the administrative and financial controls related to the College of Behavioral and Community Sciences. 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, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address the six risks identified, to ensure USF financial systems of record are fully utilized, assignment of responsibilities for key business processes are appropriately divided among employees to achieve proper separation of duties, and business processes related to reconciliations, entitlement reviews, and the securing of funds are formalized and documented.

Performance-Based Funding Data Integrity

IA 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, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address the one risk identified related to identifying repeated course work used toward a student's degree.

Preeminence Data Integrity

IA reviewed the processes and controls established to ensure the completeness, accuracy, and timeliness of data submissions relied upon by the BOG to support calculations for the 12 preeminence metrics and assess USF's eligibility under the Florida Statute 1001.7065 Preeminent state research universities program.

Based on the review, IA concluded there was an adequate system of internal controls in place, over nine of the 12 metrics (Metrics A-E and I-L) assuming corrective action is taken timely to address the one risk identified related to enhancing oversight of survey data used in the preeminence metrics.

Regarding the remaining three metrics (F-H), all relying on data from the National Science Foundation (NSF) Higher Education Research & Development (HERD) survey, IA concluded the system of internal controls in place was inadequate. Recommendations were made to address the one risk identified related to data governance over the HERD survey. Additionally, IA's 19-020 Institutional Data Reporting consulting review made recommendations to address risks identified related to the inclusion of affiliated expenditures in the HERD survey, as well as data governance concerns.

Recharge Center and Core Facility Operations

IA reviewed the design and effectiveness of the controls related to Recharge Center and Core Facility Operations. The focus of this audit was to determine whether controls in place ensure billing rates were adequately calculated and supported; billing activities were accurate, complete, and timely; and recharge center and core facility operations were in compliance with federal regulations.

Based on the review, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address the four risks identified related to centralized guidelines, Educational Business Activity authorization procedures, centralized monitoring activities, and interdepartmental billing journal entry documentation and approvals.

IT Governance

IA reviewed IT Governance with the primary objective to determine if the leadership, organizational structures, policies, and processes that were in place ensure IT is effectively governed to support the University's strategies and objectives. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

College of Hospitality and Tourism Leadership

IA reviewed the design and effectiveness of the administrative and financial controls related to the College of Hospitality & Tourism Leadership. 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, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address the five risks identified, to ensure assignment of responsibilities for key business processes are appropriately divided among employees to achieve proper separation of duties; business processes related to reconciliations, educational business activity reviews and monitoring, payroll, and procurement are formalized and documented; and controls are established to ensure the safeguarding of the college's Café funds.

Morsani College of Medicine (MCOM) Risk Assessment

IA performed a college-wide risk assessment in order to prioritize audit efforts for the MCOM. Risk rankings were assigned to the college's academic and administrative departments, centers, and institutes based on governance-related, compliance-related, and financial-related risks.

Based on the risk assessment, the highest risk-ranked departments included: the Health Informatics Institute, Internal Medicine, Molecular Pharmacology and Physiology, and the Dean's Office. The risk ranking will be utilized in prioritizing audit efforts within MCOM.

MCOM Department of Internal Medicine Business Operations

IA reviewed the design and effectiveness of the administrative and financial controls related to the MCOM Department of Internal Medicine. The audit focused on those controls performed by the Department, 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, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address the five risks identified related to documentation of reconciliations; separation of duties for procurement responsibilities; monitoring of auxiliary activities; system access; and monitoring attractive assets.

INFORMATION TECHNOLOGY

Fifty percent (50%) of the IA team is certified with IT-related designations. IA'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 IA 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. IA performed IT audits of USFH IT General Controls and IT Governance.

IA utilizes an integrated audit approach whereby the IT IA Team assists the general IA Team on audit and consulting projects with significant information systems components.

Integrated audit projects this year included the College of Behavioral and Community Sciences, Performance-Based Funding Data Integrity, and Preeminence Data Integrity.

CONSULTING SERVICES

Consulting services are collaborative projects between university leadership and IA. 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.

The following four consulting projects were undertaken this year:

- ✓ Institutional Data Reporting
- ✓ Athletics Inventory Management
- ✓ Procure-to-Pay Technology
- ✓ Tampa General Hospital Health Insurance Portability and Accountability Act Risk Assessment

ADVISORY SERVICES

IA 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.

INVESTIGATIONS

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

IA 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.

Reports of complaints, allegations, or concerns 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.

Out of 46 such reports of complaints, allegations, or concerns received by IA, 10 were referred to other units and 11 remained open as of June 30, 2020. Of the 25 completed investigations, two were substantiated and seven resulted in recommendations to improve the control environment. The substantiated recommendations related to inappropriate use of USF property and a conflict of interest related to the procurement of contractual services.

FOLLOW-UP ACTIVITY

In accordance with IIA Standards, IA follows up on all IA recommendations to determine if corrective actions have been taken. Utilizing a web-based tracking system, university leadership can continuously update the status of
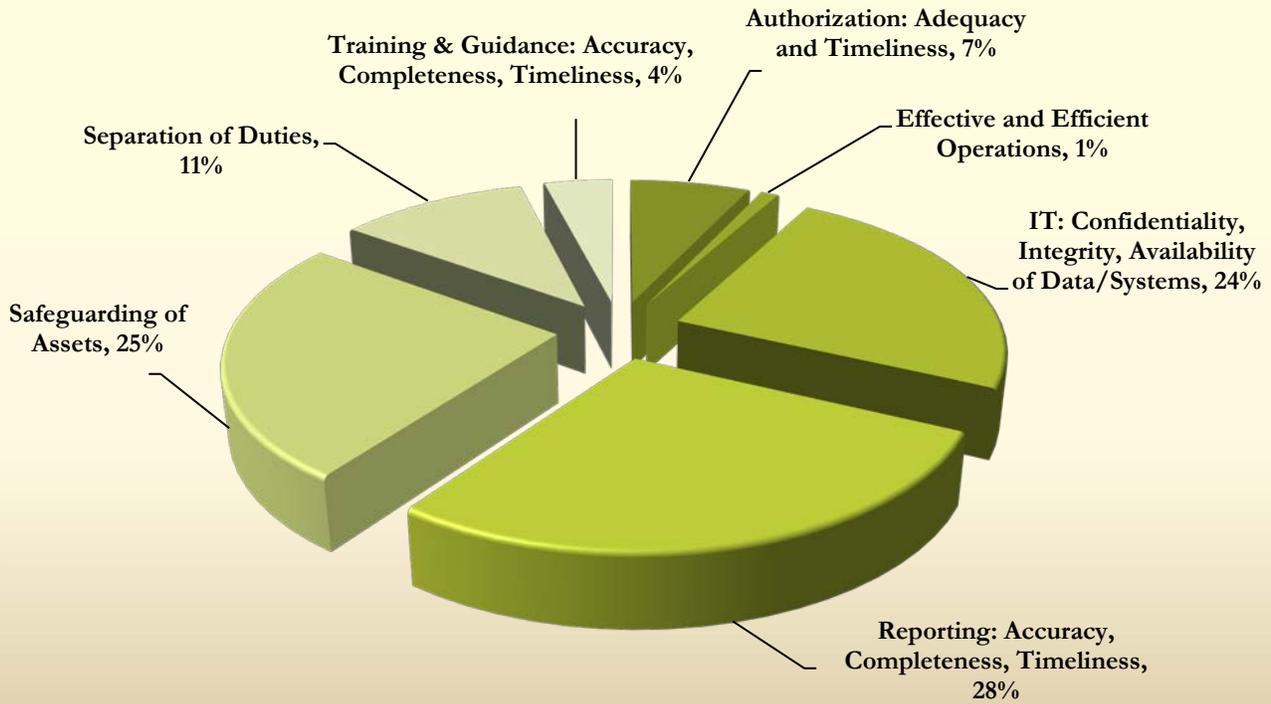
their corrective actions, including action plans and target implementation dates, and IA can efficiently and effectively monitor their progress. Two Follow-Up Reports, covering activity from July 1 through December 31, 2019, and January 1 through June 30, 2020 were issued during the fiscal year demonstrating an average implementation rate of 43%.

During this fiscal year, leadership implemented corrective actions related to open recommendations in the following categories:

- 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 new recommendations made during the fiscal year and the status of implementing corrective actions for all outstanding recommendations, including those carried forward from the prior year.

RECOMMENDATIONS

Training & Guidance: Accuracy, Completeness, Timeliness, 4%

Authorization: Adequacy and Timeliness, 7%

Separation of Duties, 11%

Effective and Efficient Operations, 1%

Safeguarding of Assets, 25%

IT: Confidentiality, Integrity, Availability of Data/Systems, 24%

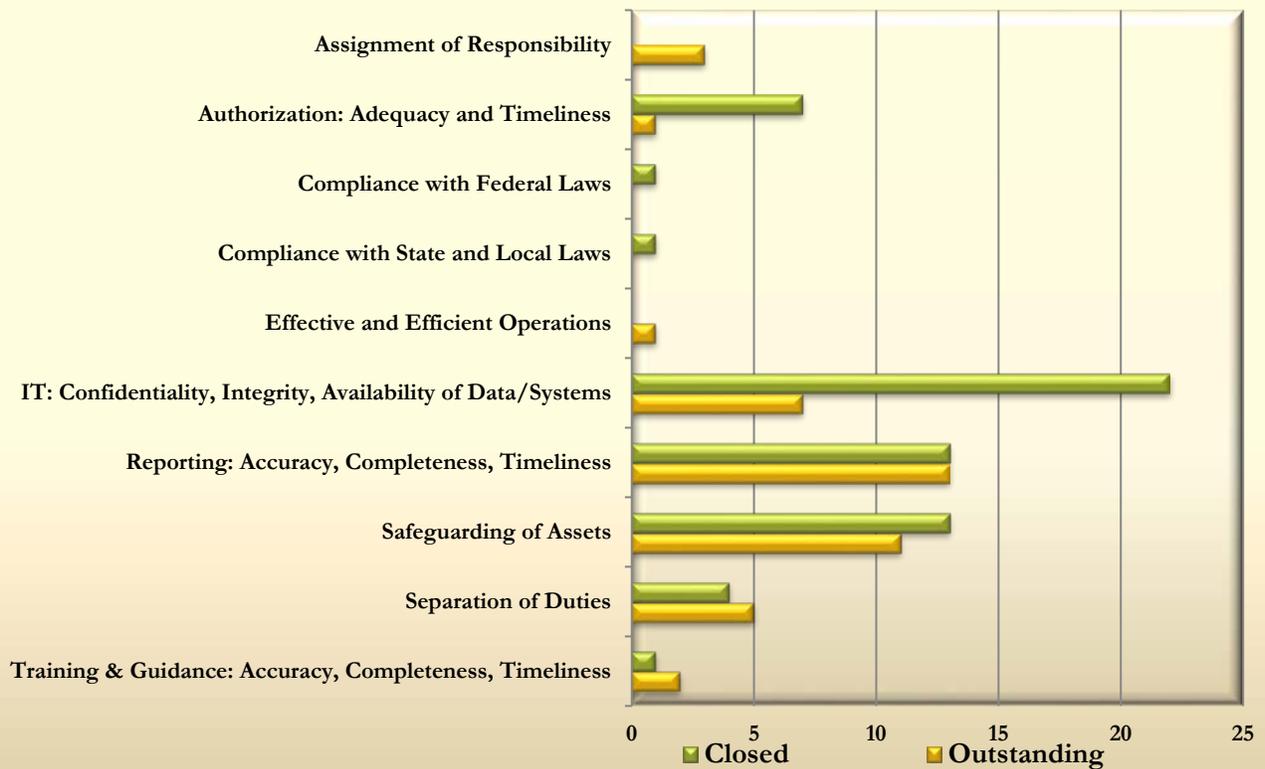Reporting: Accuracy, Completeness, Timeliness, 28%

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

0   5   10   15   20   25

☐ Closed   ☐ Outstanding

ACTIVITY ANALYSIS

Total Hours FY 2020

- Unplanned Leave/Vacancy 7%
- Holidays & Leave 18%
- Staff Development 3%
- Administration 19%
- Follow-up 2%
- Investigations 9%
- Consulting/Advisory 7%
- Audits/Reviews 35%

PROJECT	BUDGET	%	ACTUAL	%
DIRECT SERVICES:				
Audits/Reviews	7,900	38%	7,233	35%
Consulting/Advisory	500	2.5%	1,459	7%
Investigations	2,080	10%	1,742	9%
Follow-up	500	2.5%	489	2%
Contingency	1,500	7%	0	0%
Total Direct Services	*12,480*	*60%*	*10,923*	*53%*
OTHER:				
Administration	4,220	20%	4,043	19%
Staff Development	400	2%	612	3%
Holidays & Leave	3,700	18%	3,663	18%
Unplanned Leave/Vacancy	0	0%	1,559	7%
Total Other	*8,320*	*40%*	*9,877*	*47%*
TOTAL	**20,800**	**100%**	**20,800**	**100%**

IA's direct services include activities related to the performance of audits, consulting and advisory projects, investigations, and follow-up. The fiscal year (FY) 2020 work plan budgeted 60% of IA's resources for direct services. Actual direct services of 53% fell less than budget due to a 7% loss of resources related to unplanned leave and vacancies. Direct services for resources in place during the fiscal year was 57%.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

In conformance with IIA Standards, BOG regulations, and the USF IA 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 Internal Audit Self-Assessment with Independent Validation, was issued on June 29, 2018, and is available on our website at www.usf.edu/audit/publications.

PROFESSIONAL ACTIVITIES

IA is proud of the experience and professionalism of its staff. During 2019-20, we continued our involvement with the following 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)
- Association of Inspectors General (AIG)

The team's involvement included, but was not limited to, providing subject matter experts to share their knowledge and experience through speaking engagements, conferences, and specified training events with ACUA, the IIA, the AIG, and the MIS Training Institute.

The team was also proud to celebrate one team member attaining their Certified Internal Auditor (CIA) designation and another team member becoming a Certified Cloud Security Professional. Additionally, in alignment with the team's strategic objective to improve advanced data analytical skills, three team members achieved the Analytics Certified Data Analyst (ACDA) designation.

Lastly, two team members participated in USF's Post-Crisis Leadership Certificate program developed to assist professionals in navigating change and transitioning out of crisis. This timely program will strengthen the team's foundation for the upcoming year.

UPCOMING YEAR

The Work Plan for fiscal year 2021 was approved by the BOT ACC on August 25, 2020. Given the uncertainty of the current pandemic crisis and its continued impact on University operations, IA modified its risk assessment activities, shortened its work plan forecast to one year, and budgeted for flexibility with more specific time for emerging risks.

The IA Work Plan is aligned with USF's strategic plans, objectives, and enterprise risk, and optimizes the use of available IA resources. Significant changes to the plan will be communicated to the BOT ACC as appropriate.

Work Plan Fiscal Year 2021	% of Effort	Total Hours
DIRECT SERVICES		
Audit Services		
Core Processes:		
Payroll		800
Attractive Assets		500
Procure to Pay (Jaggaer)		600
Academic Areas:		
Performance-Based Funding Data Integrity		300
Preeminence Data Integrity		500
Research:		
Human Subjects Regulations		60
Information Technology:		
USFH IT Access Controls		250
Cloud Computing		700
USFH IT		700
COVID-19:		
CARES Act Student Financial Aid		500
CARES Act Institutional Aid		500
Emerging Risks:		
Non IT - TBD		600
IT - TBD		690
Follow-up; Coordinate External Audits		500
Subtotal		7,200
Consulting Services		
USFH Compliance Assessment Validation		600
Other Consulting - compliance, financial, IT		452
Investigations @ 10%		2,080
Contingency @ 7%		1,500
TOTAL DIRECT SUPPORT	57%	11,832
INDIRECT SUPPORT		
University Meetings, In-House Training, Professional Orgs		1,080
Administration		2,814
TOTAL INDIRECT SUPPORT	19%	3,894
OTHER		
CPE		390
Holidays		872
Leave (Annual/Sick)		3,316
Vacancy		496
TOTAL OTHER	24%	5,074
TOTAL HOURS AVAILABLE (CAE + 9 STAFF)	100%	20,800

Approved by the USF Board of Trustees Audit and Compliance Committee on August 25, 2020