2020-21 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's) Annual Report for fiscal year 2020-21. IA concluded the year by completing the following:

- ✓ *seven audits, including two related to Information Technology (IT),*
- ✓ *two consulting projects, and*
- ✓ *12 investigations.*

Also, projects in progress at year-end included:

- o *one audit,*
- o *one consulting project, and*
- o *6 investigations.*

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 rate of the audit recommendations open during the fiscal year to be 57%.

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 0.3 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 team was also proud to celebrate one team member attaining both their Certified Cloud Security Professional (CCSP) and Certified Data Privacy Solutions Engineer (CDPSE) designations. Also, in alignment with the team's strategic objective to improve advanced data analytical skills, one team member achieved the Analytics Certified Data Analyst (ACDA) designation.

Additionally, one team member participated in USF's Diversity, Equity and Inclusion in the Workplace Certificate program developed to educate business and community leaders on the essential practices designed to increase employee diversity and to create a sustainable business model that embraces equity and inclusion.

Lastly, in support of the profession, the team provided subject matter experts to share their knowledge and experience at one training event and various workgroups during the year.

Congratulations to the team for a job well done, especially during quite a challenging year! Thank you to the Board of Trustees, President, and senior leadership for their support in this year's accomplishments.

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

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

Osmaida Sanchez, Executive Administrative Specialist

- BS Business Administration, Florida International University

2021 Internal Audit Team

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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.

Human Subjects of Regulations

IA reviewed the control infrastructure of Human Subjects Regulations. The audit focused on validating the infrastructure had been updated to ensure compliance with the revised Federal Policy for the Protection of Human Subjects (revised Common Rule), effective January 21, 2019.

Based on the review, IA concluded the overall control infrastructure was adequate.

USF Health (USFH) Information Technology (IT) – Epic Access

IA reviewed the user privileges to the Epic system providing significant value in identifying the control structure and associated risks for the primary application that supports the mission-critical USFH Clinical operations. The focus of this audit was to review user privileges to the Epic system to evaluate if access was appropriately limited to those with a business need, and whether user roles were properly designed and documented.

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.

Coronavirus Aid, Relief, and Economic Security (CARES) Act Student Financial Aid

IA reviewed the design and effectiveness of the administrative and financial controls related to

the CARES Act Student Financial Aid. The audit focused on those controls performed by the Enrollment Planning & Management's Office of Financial Aid (OFA), over the distributions of the student portion of the CARES Act Higher Education Emergency Relief Fund (HEERF) received by USF to ensure compliance with federal regulations, including its reporting requirements.

Based on the review, IA concluded there was an adequate system of internal controls in place, assuming corrective actions were taken timely to address the two medium-priority risks related to the improvement of CARES Act reporting and documentation of internal procedures.

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.

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).

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 for continued improvement to address the one high-priority risk identified related to data governance over the HERD survey.

Cloud Computing

IA reviewed cloud-based resources to ensure that appropriate controls have been designed and implemented.

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.

Payroll

IA reviewed the design and effectiveness of the system access and financial controls related to payroll processing from the point of payroll certification to payment. IA's review included payments to employees in accordance with federal regulations and University procedures enacted to address the COVID-19 crisis.

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.

INFORMATION TECHNOLOGY

Forty-four percent (44%) 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 Cloud Computing and USF Health IT Epic Access.

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 Payroll, 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 two consulting projects were completed this year:

- ✓ Quasi-Endowments
- ✓ Financial Analysis

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 26 such reports of complaints, allegations, or concerns received by IA, eight were referred to other units and six remained open as of June 30, 2021. Of the 12 completed investigations, two were substantiated and three resulted in recommendations to improve the control environment. The substantiated recommendations related to personal charges on travel expenditure reports and the transfer of funds between auxiliaries inconsistent with the auxiliaries' restrictions.

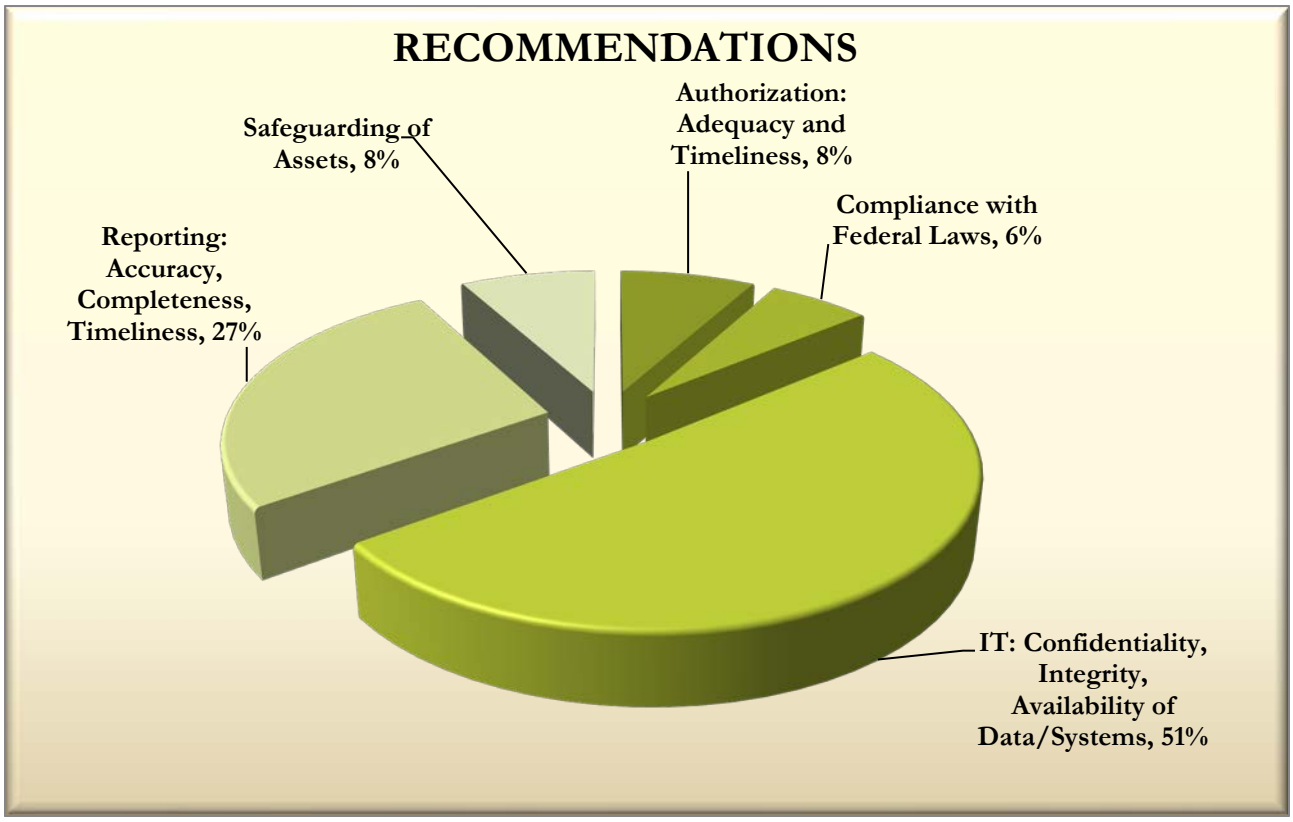
FOLLOW-UP ACTIVITY

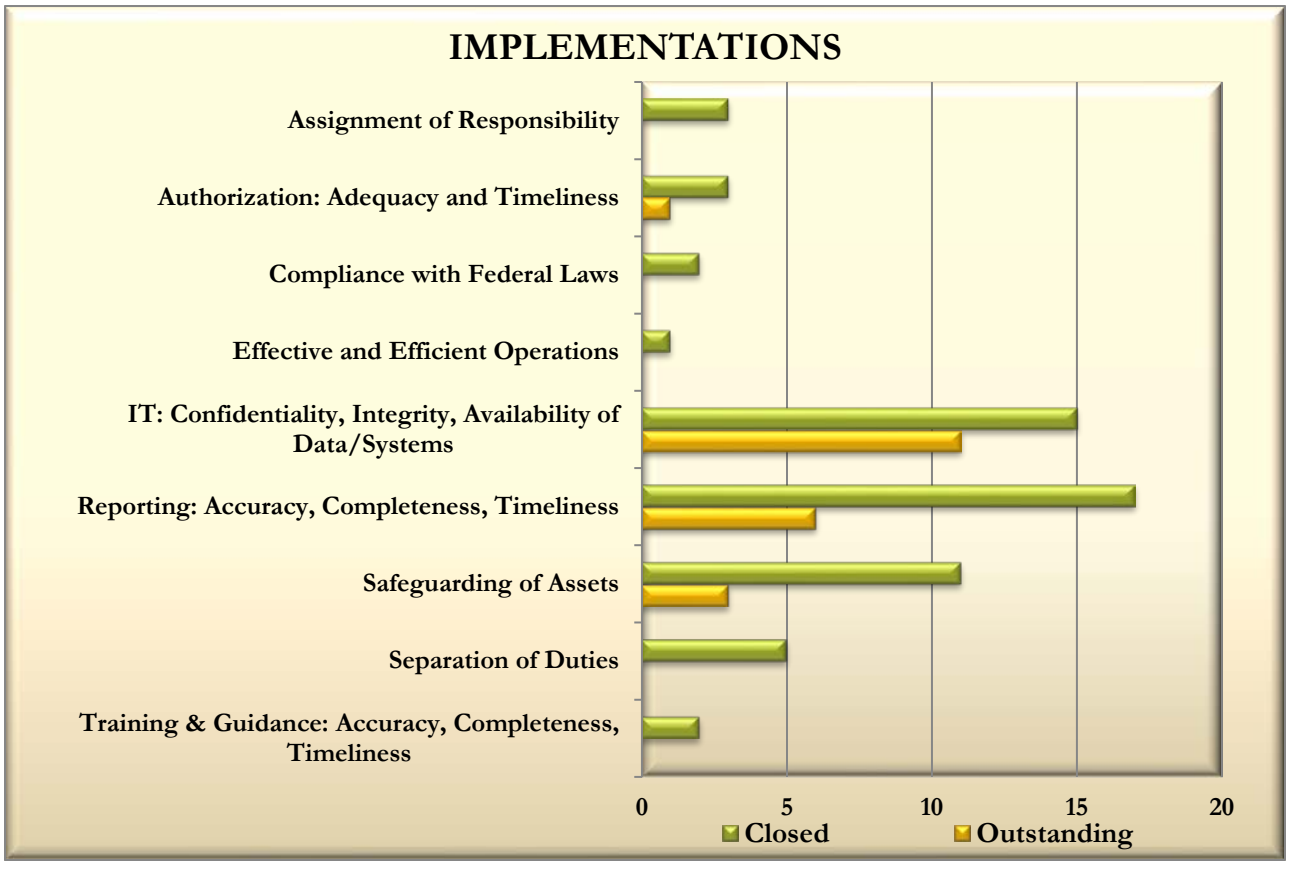
In accordance with IIA Standards, IA follows up on all IA recommendations to determine if corrective actions have been taken. Utilizing a web-based tracking system, university leadership can continuously update the status of their corrective actions, including action plans and target implementation dates, and IA can efficiently and effectively monitor their progress. Two Follow-Up Reports, covering activity from July 1 through December 31, 2020, and January 1 through June 30, 2021 were issued during the fiscal year demonstrating an average implementation rate of 57%.

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

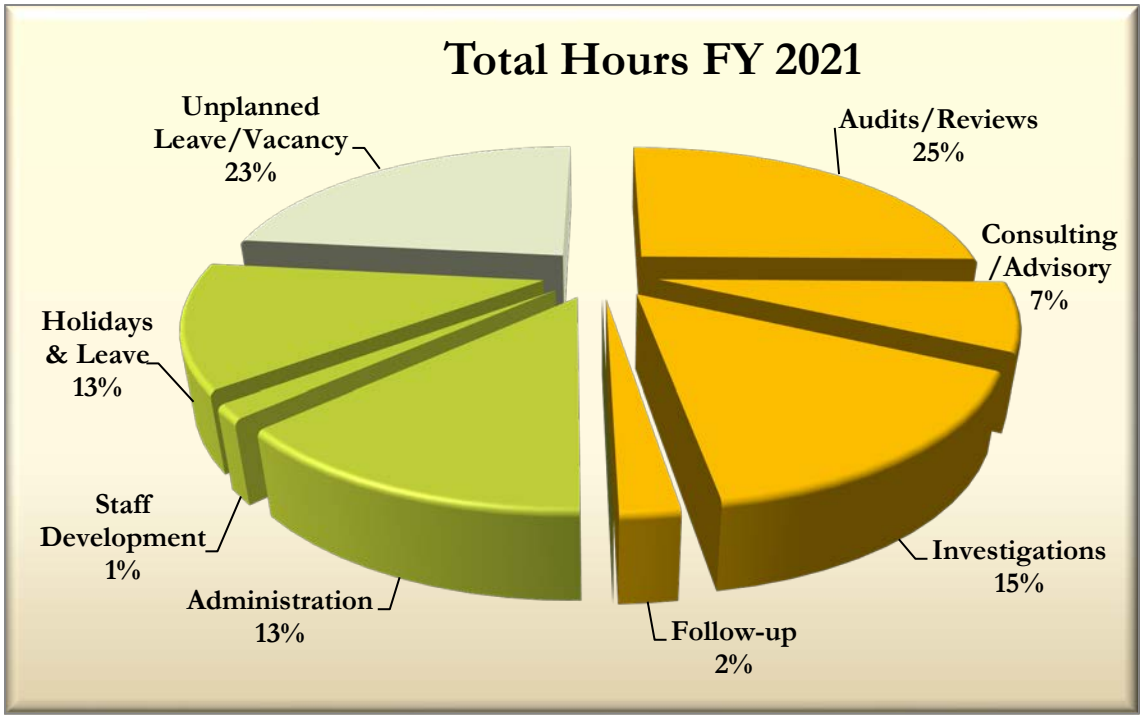
- Assignment of Responsibility
- Authorization: Adequacy & Timeliness
- Compliance with Federal Laws
- Effective and Efficient Operations
- IT: Confidentiality, Integrity, Availability of Data/Systems
- Reporting: Accuracy, Completeness, Timeliness
- Safeguarding of Assets
- Separation of Duties
- Training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

The 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
Safeguarding of Assets, 8%
Authorization: Adequacy and Timeliness, 8%
Compliance with Federal Laws, 6%
Reporting: Accuracy, Completeness, Timeliness, 27%
IT: Confidentiality, Integrity, Availability of Data/Systems, 51%


IMPLEMENTATIONS
Assignment of Responsibility
Authorization: Adequacy and Timeliness
Compliance with Federal 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
Closed
Outstanding

ACTIVITY ANALYSIS



PROJECT	BUDGET	%	ACTUAL	%
DIRECT SERVICES:				
Audits/Reviews	6,700	32%	5,253	25%
Consulting/Advisory	1,052	5%	1,466	7%
Investigations	2,080	10%	3,175	16%
Follow-up	500	3%	431	2%
Contingency	1,500	7%	0	0%
Total Direct Services	*11,832*	*57%*	*10,325*	*50%*
OTHER:				
Administration	3,894	19%	2,735	13%
Staff Development	390	2%	294	1%
Holidays & Leave	4,188	20%	2,628	13%
Unplanned Leave/Vacancy	496	2%	4,818	23%
Total Other	*8,968*	*43%*	*10,475*	*50%*
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) 2021 work plan budgeted 57% of IA's resources for direct services. Actual direct services of 50% fell less than budget due to a 23% loss of resources related to unplanned leave and vacancies. Direct services for resources in place during the fiscal year was 65%.

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. 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 2020-21, 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 working groups, speaking engagements, conferences, and specified training events with ACUA, the IIA, and the AIG.

The team was also proud to celebrate one team member attaining both their Certified Cloud Security Professional (CCSP) and Certified Data Privacy Solutions Engineer (CDPSE) designations. Additionally, in alignment with the team's strategic objective to improve advanced data analytical skills, one team member achieved the Analytics Certified Data Analyst (ACDA) designation.

Lastly, one team member participated in USF's Diversity, Equity and Inclusion in the Workplace Certificate program developed to educate business and community leaders on the essential practices designed to increase employee diversity and to create a sustainable business model that embraces equity and inclusion.

UPCOMING YEAR

The Work Plan for fiscal year 2022 was approved by the BOT ACC on August 10, 2021. Given current limited resources and continued uncertainty related to the pandemic, IA modified its risk assessment activities and shortened its work plan forecast to one year.

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 2022		% of Effort	Total Hours
DIRECT SERVICES			
Audit Services			
	Core Processes:		
	Attractive Assets		500
	Procure to Pay (Jaggaer)		700
	Procurement Card Program		External
	Academic & Research Areas:		
	PBF Data Integrity		400
	Preeminence Data Integrity		500
	Information Technology:		
	IT - TBD		1,350
	COVID-19:		
	CARES Act Institutional Aid		400
	Emerging Risks:		
	Resource Management Development - Student Success		100
	Direct Support Organizations		
	Institute of Applied Engineering		625
	University Medical Services Association		1,250
Follow-up; Coordinate External Audits			500
	Subtotal		6,325
Consulting & Other Direct Services			
	USFH Compliance Assessment Validation		450
	Other Services - compliance, financial, IT, risk assessment		1,050
Investigations @ 10%			1,878
Contingency @ 7%			1,306
	TOTAL DIRECT SUPPORT	**48%**	**11,009**
INDIRECT SUPPORT			
	University Meetings, In-House Training, Professional Orgs		963
	Administration (including DSO Transition of IA Activities)		2,890
	TOTAL INDIRECT SUPPORT	**17%**	**3,853**
OTHER			
	CPE		359
	Holidays		933
	Leave (Annual/Sick)		2,513
	Vacancy		4,213
	TOTAL OTHER	**35%**	**8,018**
TOTAL HOURS AVAILABLE (CAE + 10 STAFF)		**100%**	**22,880**

Approved by the USF Board of Trustees Audit and Compliance Committee on August 10, 2021

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