



2022-23 ANNUAL REPORT

Office of Internal Audit



UNIVERSITY of
SOUTH FLORIDA
Office of Internal Audit

EXECUTIVE SUMMARY

It is my pleasure to present the Office of Internal Audit's (IA's) Annual Report for fiscal year 2023. IA concluded the year by completing:

- ✓ *Nine (9) audits, including two (2) related to Information Technology (IT) and two (2) conducted by contracted IA services,*
- ✓ *Three (3) consulting projects, and*
- ✓ *24 investigations.*

Also, projects in progress at year-end included:

- *Four (4) audits,*
- *Two (2) consulting projects, and*
- *Eleven (11) investigations.*

One of the department's most significant events this year included upgrading the department's audit management system. This improved accessibility through a cloud-based version and provided for more efficiency in processes. IA also continued transitioning all internal audit activities from the University's support organizations into IA. This involved significant effort to consolidate work plan and risk assessment responsibilities, follow up on management's outstanding corrective actions, and integrate audit management tools and methodologies.

The IA team's efforts throughout the year assisted 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 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.

In response to the audit work performed and in demonstrating their commitment to excellence, leadership improved the control environment through the implementation of 65% 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 Governor's Chief Inspector General, the State Auditor General, the BOG's Office of Inspector General and Compliance, and other external auditors.

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), Code of Ethics, and Core Principles. Additionally, this year, an external assessment, required at least once every five years, was performed. Based on the internal and external assessments, it was determined IA "generally conforms" to the IIA Standards, Code of Ethics, and Core Principles, which is the highest level of achievement in the assessment process.

Lastly, IA is proud of the experience and professionalism of its staff. The team's continued service to the internal audit profession included, but was not limited to, providing subject matter experts to share knowledge and experience through working groups, speaking engagements, conferences, and specific training events with the Association of College and University Auditors, the Institute of Internal Auditors, the Association of Inspectors General, and the USF Muma College of Business. Specific highlights this year included:

- *30 hours facilitating*
- *Seven (7) educational events to*
- *287 participants;*
- *Two (2) opportunities to advise on chief audit executive roundtables; and*
- *One (1) opportunity to participate as an external assessor for another university.*

Also, in alignment with the team's strategic objective to improve advanced data analytical skills, three team members achieved the Analytics Certified Data Analyst designation.

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 Information Systems Auditor
- Certified Fraud Examiner
- Certified in Risk and Information Systems Control
- BS Accounting, University of South Florida

Kate Head, Associate Director

- Certified Public Accountant
- Certified Information Systems Auditor
- Certified Fraud Examiner
- Certified Inspector General
- BS Accounting, Oklahoma State

Berina Fazlic-Frljak, Assistant Director

- Certified Internal Auditor
- Certified in Risk Management Assurance
- MBA, Louisiana State University
- BS International Trade and Finance, Louisiana State University

Jennifer Bal, Assistant Director

- Certified Public Accountant
- Certified Fraud Examiner
- Certified Inspector General Investigator
- MAcc, University of Texas
- BS Marketing, University of Maryland

Kethessa Carpenter, Senior Audit Consultant

- Certified Public Accountant
- Certified Internal Auditor
- BA Business Administration & Accounting, St. Leo University

John Kraus, Senior Audit Consultant

- Certified Public Accountant
- MAcc, University of South Florida
- BS Accounting, University of South Florida

Daniel Nyarko, Senior Information Technology Audit Consultant

- Certified in Risk and Information Systems Control
- Certified Information Systems Auditor
- MBA Finance, Kwame Nkrumah University of Science and Technology, Ghana
- B.ED Foundation (Accounting and Business Management), University of Cape-Coast, Ghana

Joe Garcia, Senior Information Technology Audit Consultant

- Certified Information Systems Auditor
- Certified Customer Success Manager
- BS Accounting with Computer Science Minor, University of Central Florida

Soranda Escalante, Audit Consultant

- BS Accounting, Florida Agricultural and Mechanical University

Shemile Charles, Executive Office Administrator

- MA Management & Organizational Leadership, American Public University
- BA English & Communication Studies, University of Maryland



Pictured (L-R): Kethessa Carpenter, Soranda Escalante, Berina Fazlic-Frljak, Kate Head, Shemile Charles, Virginia Kalil, Jennifer Bal, Joseph Garcia, John Kraus. Not pictured: Daniel Nyarko.

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MISSION, PURPOSE, AND ORGANIZATION

The Office of Internal Audit (IA) provides the University of South Florida (USF) with independent, objective assurance and advisory services designed to add value and improve the university's operations. IA's mission is to enhance and protect organizational value through risk-based and objective assurance, advice, and insight and assist the university in achieving its strategic goals by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes. These services add value and promote stewardship, accountability, integrity, efficiency, and compliance.

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 to support its organizational independence. 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 being insightful, proactive, and future-focused and 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 \(the "IIA Standards"\)*](#), [Code of Ethics](#), and [Core Principles](#). 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](#).

Attractive Items

IA performed an audit of Attractive Items. The audit focused on the adequacy of the control structure in place over the tracking, decaling, inventorying, and monitoring of attractive items throughout their life cycle, which is designed to ensure that attractive items are protected from loss.

Based on the review, IA concluded there was an adequate system of internal control in place, assuming corrective actions are taken timely to address the two medium-priority risks related to enhancing the USF Best Practices Guide for Control of Attractive/Sensitive Items and implementing centralized oversight and guidance over the management of attractive items.

Procure-to-Pay

IA performed a review of Procure-to-Pay. The audit focused on controls over supplier management and procurement as administered centrally by the University Controller's Office.

Based on the review, IA concluded there was an adequate system of internal control in place over supplier management and procurement, assuming corrective actions are taken timely to address the two medium-priority risks related to the need to enhance monitoring of punch-out vendors to ensure compliance with contracts and improve monitoring of the vendor's service organization controls reports.

End-User Computing

IA performed a review of End-User Computing. The audit focused on reviewing end-user computing practices and resources at USF to ensure that appropriate controls have been designed and implemented.

Based on the review, recommendations were made to address risks identified. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

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 control in place, assuming corrective actions are taken timely to address the two medium-priority risks related to dual enrollment courses taken in summer terms being improperly identified in the Hours to Degree Courses to Degree table impacting Metric Three – Cost to the Student, and systems access privileges.

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 all 12 metrics (Metrics A-L), assuming corrective actions are taken timely to address two medium-priority risks related to controls supporting the National Science Foundation (NSF) Higher Education Research and Development (HERD) survey. These risks included the need for additional verification and formal documentation of the rationale for the inclusion of the Moffitt Cancer Center Imputed Rent and the need for additional controls over the research and development expenditures reported in the NSF HERD survey.

Sun Dome, Inc. (SDI) Contract Management

IA contracted with Protiviti, a global consulting firm, to perform an audit of the oversight and management performed by SDI, a USF Direct Support Organization, of the arena management company, Tampa Bay Entertainment Properties, LLC (TBEP). The audit focused on the design and effectiveness of internal control processes designed to monitor compliance with the contractual terms and conditions of the Arena Management Agreement between SDI and TBEP.

Based on Protiviti's review, it was concluded there was an adequate system of internal control in place, assuming corrective actions are taken timely to address the five medium-priority risks related to inaccurate and incomplete invoices; inaccurate incentive fee calculation; non-adherence to contract terms and obligations regarding the delivery of monthly financial statements, operating budget, settlement invoices and incentive fees;

lack of review of financial packages, invoices, payments, and operations manual; and non-fulfillment of contract terms by TBEP.

Institute of Applied Engineering (IAE) Revenue Cycle

IA performed a review of the revenue cycle in place at IAE, a USF Direct Support Organization. The audit focused on controls over IAE's revenue cycle including billing and accounts receivable.

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 seven medium-priority risks related to inadequate policies and procedures, maintaining evidence of control procedures performed over unbilled and billed receivables, timeliness of bank reconciliations, ensuring separation of duties over the posting of cash receipts, leadership review of quarterly financial statements, timeliness of invoices issued to sponsors, and an incorrect general and administrative rate used to compute revenues from one sponsor.

University Medical Services Association (UMSA) Account Reconciliation

IA performed an audit of the UMSA's account reconciliation process. The focus of this audit was the design and effectiveness of controls governing account reconciliations.

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 medium-priority risks related to critical and non-critical account determination, timeliness of account reconciliations, documentation and storage of reconciliations, supporting documentation, and reconciliation procedures.

Identity Management

IA contracted with Protiviti, a global consulting firm, to perform an audit of the USF Identity and Access Management (IAM) program. The audit focused controls applied to USF's Active Directory (AD) environment.

Based on the review, recommendations were made to address 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. This year, IA completed IT audits related to End-User Computing and Identity Management.

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 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 Procure to Pay, 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.

This year, IA was involved in and/or completed the following consulting projects:

- ✓ Office of Research Investigative Procedures
- ✓ Human Capital Management System Design and Implementation
- ✓ Direct Reimbursement / Advance Process
- ✓ IA Quality Assurance Review Self-Assessment
- ✓ Board of Trustees Audit and Compliance Committee Performance 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.

This year, IA was involved in the following advising projects:

- ✓ Risk Assessment
- ✓ Fraud Awareness

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, directly from an individual, or 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. Hence, 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 49 such reports of complaints, allegations, or concerns received by IA, 14 were referred to other units and 11 remained open as of June 30, 2023. Of the 24 completed investigations, 10 were substantiated and five resulted in recommendations to improve the control environment. The substantiated recommendations related to misuse of the

procurement card program, conflict of interest, mismanagement of institutional resources, and asset misappropriation by employees and contractors.

FOLLOW-UP ACTIVITY

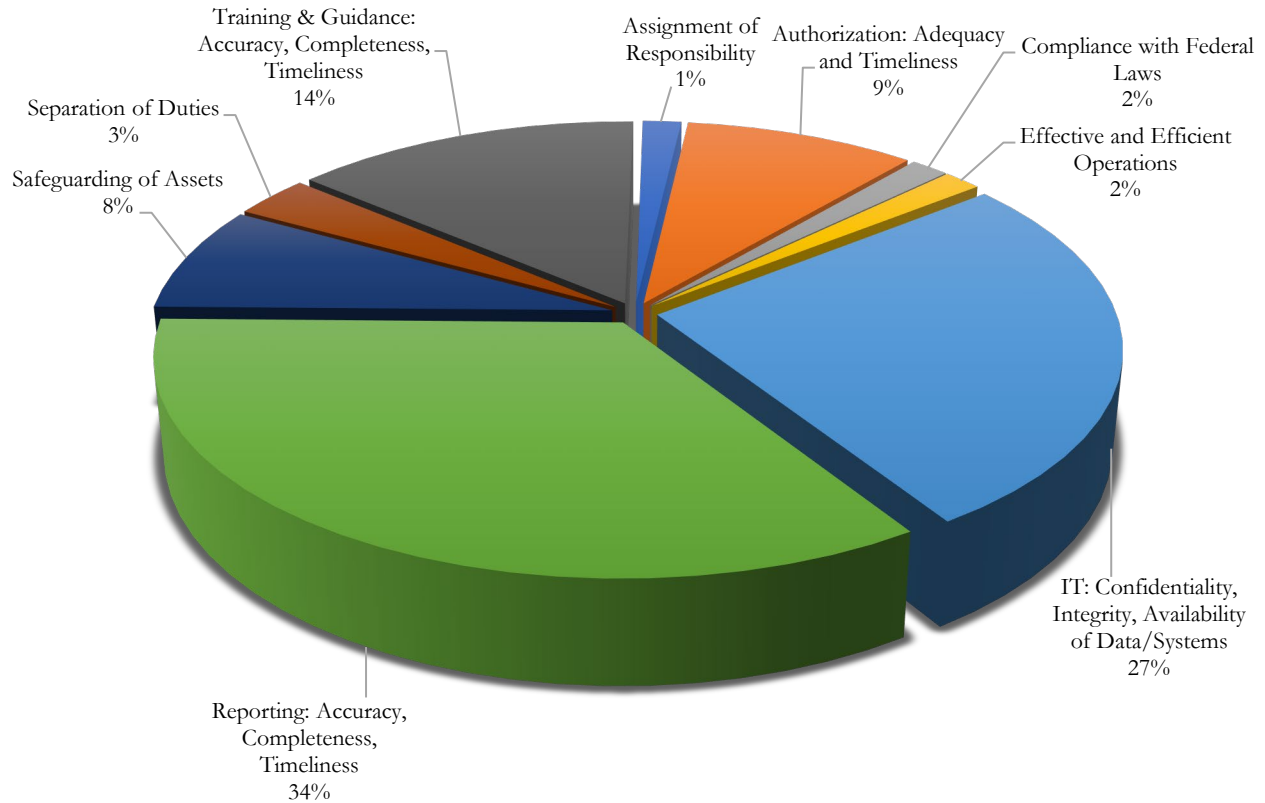
In accordance with IIA Standards, IA follows up on all IA recommendations to determine if corrective actions have been taken. Utilizing a web-based tracking system, university leadership can continuously update the status of their corrective actions, including action plans and target implementation dates, and IA can efficiently and effectively monitor their progress. Follow-Up Reports, covering activity from July 1 through December 31, 2022, and January 1 through June 30, 2023 were issued during the fiscal year demonstrating a fiscal year implementation rate of 65%.

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

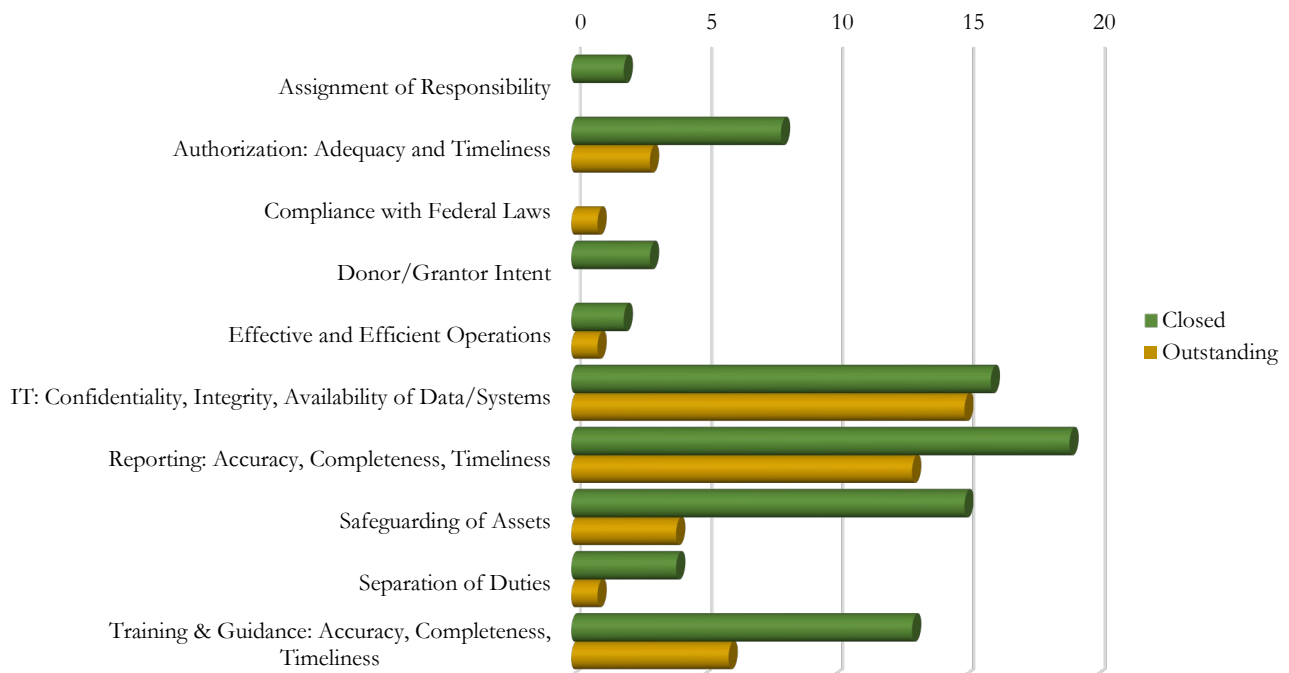
- Assignment of Responsibility
- Authorization: Adequacy & Timeliness
- Compliance with Federal Laws
- Effective and Efficient Operations
- IT: Confidentiality, Integrity, Availability of Data/Systems
- Reporting: Accuracy, Completeness, Timeliness
- Safeguarding of Assets
- Separation of Duties
- Training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

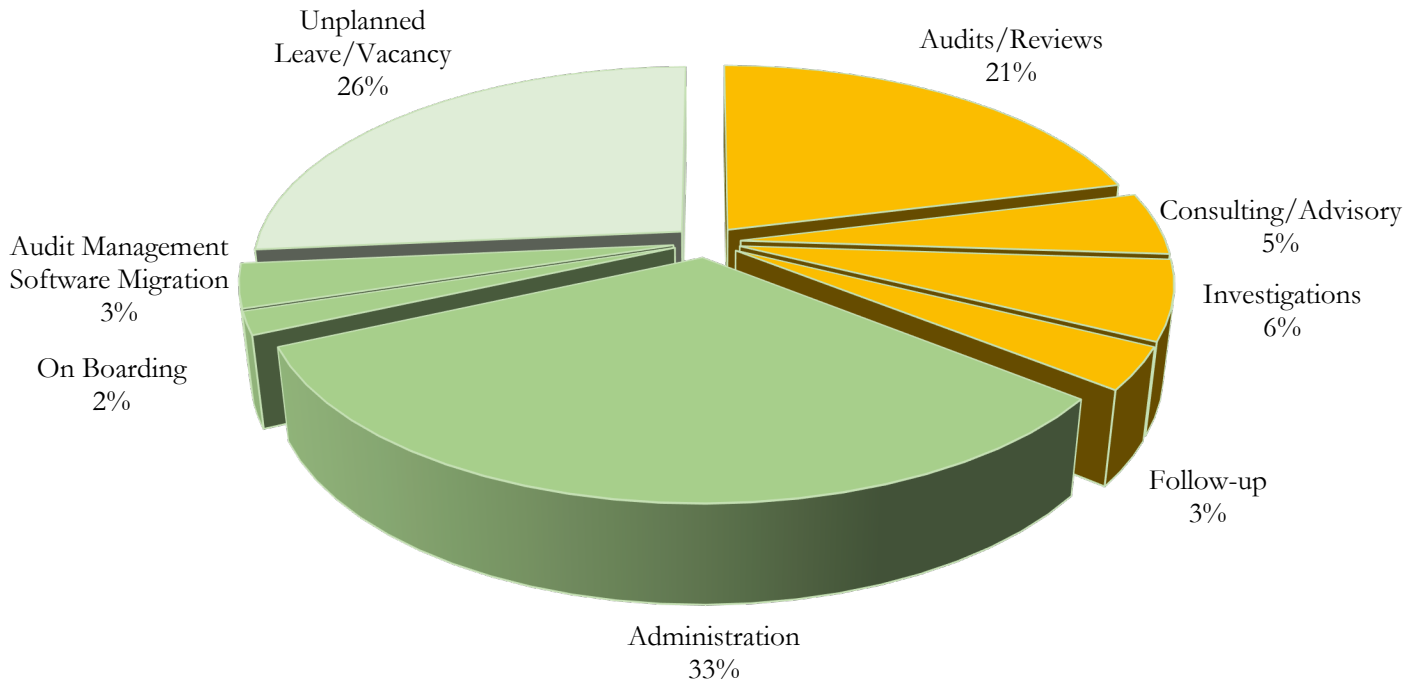


Implementations



ACTIVITY ANALYSIS

Total Hours FY 2023



PROJECT	BUDGET	%	ACTUAL	%
DIRECT SERVICES:				
Audits/Reviews	7,200	25%	6,143	21%
Consulting/Advisory	1,500	5%	1,447	5%
Investigations	2,900	10%	1,832	6%
Follow-up	850	3%	976	4%
Contingency	1,800	6%	0	0%
Total Direct Services	14,250	49%	10,398	36%
OTHER:				
Administration	11,514	40%	9,485	33%
On Boarding	400	1%	524	2%
Audit Management Software Migrations	500	2%	1,009	3%
Unplanned Leave/Vacancy	2,456	8%	7,704	26%
Total Other	14,870	51%	18,722	64%
TOTAL	29,120	100%	29,120	100%

IA's direct services include activities related to the performance of audits, consulting and advisory projects, investigations, and follow-up. The fiscal year 2023 work plan budgeted 49% of IA's resources for direct services. Actual direct services of 36% fell less than budget due to unplanned leave and vacancies. Direct services for resources in place during the fiscal year were 49% which met budget expectations. In addition to IA's hours noted above, 806 hours of contracted internal audit services were utilized in the performance of two projects included within this report.

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 (CAE) 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 by IA leadership to confirm conformance with the IIA Standards, Code of Ethics, and Core Principles. Additionally, this year, an external assessment, which is required at least once every five years, was performed. Based on the internal and external assessments, it was determined IA **“generally conforms”** to the [IIA Standards](#), [Code of Ethics](#), and [Core Principles](#), which is the highest level of achievement in the assessment process. The full external report, USF Office of Internal Audit Self-Assessment with Independent Validation, was issued on June 27, 2023, and is available on IA’s website at www.usf.edu/audit/publications.

PROFESSIONAL ACTIVITIES

IA is proud of the experience and professionalism of its staff. During 2022-23, 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 Healthcare Internal Auditors (AHIA)
- 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 specific training events with the IIA, the AIG, and the USF Muma College of Business. Specific highlights include:

- 30 hours facilitating
- 7 educational events to
- 287 participants;
- 2 opportunities to advise on chief audit executive roundtables; and
- 1 opportunity to participate as an external assessor for another university.

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.

UPCOMING YEAR

The Work Plan for fiscal years 2023 and 2024, as summarized on the next page, was approved by the BOT ACC on August 16, 2022. This multi-year plan offers IA the flexibility to move projects between years as schedules warrant.

The IA Work Plan is aligned with USF’s strategic plans, objectives, and enterprise risks, 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 Years 2023 & 2024

	% of Effort	2022-23 Hours	% of Effort	2023-24 Hours
DIRECT SERVICES				
<i>Audit Services</i>				
Core Processes:				
Attractive Items		200		
Procure to Pay (Jaggaer)		500		
Construction				800
Decentralized Human Resource Controls				800
Academic Areas:				
PBF Data Integrity		500		400
Preeminence Data Integrity		500		500
College of Nursing				800
Degree Certification				800
Information Technology (IT):				
End User Computing		500		
Decentralized IT		700		
Identity Management		External		External
Remote Access				700
DSO: IT Governance Assessment				750
Research				
USFH Research				700
Regulatory/Compliance				
Driver and Vehicle Information Database Access (DAVID)				250
Direct Support Organizations (DSOs)		4,300		4,300
<i>Follow-up; Coordinate External Audits</i>		850		600
<i>Subtotal</i>		8,050		11,400
<i>Consulting & Other Direct Services</i>				
Quality Assurance Review Self-Assessment		500		-
Risk Assessment		600		600
Fraud Awareness		200		200
Human Capital Management System		200		200
Other Services - compliance, financial, IT				300
<i>Investigations @ 10%</i>		2,900		2,900
<i>Contingency @ 7%</i>		1,800		2,000
TOTAL DIRECT SUPPORT	49%	14,250	60%	17,600
INDIRECT SUPPORT				
Activities Include: Leave, Holiday, Training, Administrative Activities, Quality Assurance Program		11,514		11,520
On Boarding		400		-
Audit Management Software Migration		500		-
TOTAL INDIRECT SUPPORT	43%	12,414	40%	11,520
VACANCY	8%	2,456		-
TOTAL HOURS AVAILABLE (CAE + 13 STAFF)	100%	29,120	100%	29,120

