



**USF Board of Trustees
Audit & Compliance Committee
NOTES
February 20, 2024
Microsoft Teams Virtual Meeting**

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Sandra Callahan. Chair Callahan asked Kiara Gayle to call roll. Ms. Gayle called roll with the following committee members present: Sandra Callahan and Lauran Monbarren. A quorum was established.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of November 16, 2023, Meeting Notes

Upon request and receiving no changes to the meeting notes, Chair Callahan requested a motion for approval. Trustee Monbarren made the motion which was seconded by Chair Callahan and the November 16th meeting notes were unanimously approved as written.

b. Acceptance of Performance-Based Funding (PBF) and Preeminence Data Integrity Audits & Approval of Data Integrity Certification

Virginia Kalil, Executive Director and Chief Internal Auditor, presented a brief background on both performance metrics programs, explained why an annual audit of these programs needs to be conducted, and described the annual audit process. The Performance-Based Funding (PBF) and Preeminence Data Integrity Audits must be conducted annually pursuant to the Board of Governors (BOG) request. This is the tenth year conducting the PBF data integrity audit (the BOG approved the PBF funding model in 2014). The Preeminence audit is newer; this is the fifth year (USF reached full Preeminence in 2018). The primary audit objectives were to determine whether the processes and internal controls established by the university ensure the completeness, accuracy, and timeliness of data submissions which support the metrics of both programs; and to provide an objective basis of support for the President and Board of Trustees (BOT) Chair to sign the BOG Data Integrity Certification. The audit scope was to identify and evaluate any material changes to the controls and processes, including prior year recommendations; BOG data definition changes and data elements; key personnel and/or file submission changes; review of data resubmissions (why they were resubmitted); update risk assessments, including fraud risks; and verify accuracy, completeness, and consistency with BOG expectations of data components, data metric methodologies, and data submitted through detailed testing. As required by the BOG, the scope and objectives of both audits were set jointly by the Chief Audit Executive, the Audit & Compliance Committee Chair, the BOT Chair, and the President. These audits were performed in accordance with current professional standards. The overall conclusion of the

PBF audit was that there was an adequate system of internal controls in place, with no reportable risks identified.

Regarding the results of the Preeminence Data Integrity Audit, Ms. Kalil stated that it was concluded that an adequate system of internal controls was in place over all 12 metrics. Two medium priority risks were identified but despite those risks there was no impact on the overall status of each of the metrics, and USF did meet its preeminent metrics. Both risks identified related to control supporting the National Science Foundation, Higher Education Research and Development Survey (Herd Survey). Ms. Kalil stated that management's actions related to both risks identified are in progress.

Chair Callahan made the motion recommending to the BOT acceptance of the Performance-Based Funding (PBF) and Preeminence Data Integrity Audits and approval of the Data Integrity Certification. The motion was accepted by Trustee Monbarren seconded by Chair Callahan. The motion passed and the acceptance of the certification was approved.

IV. New Business – Information Items

a. USF/DSO Independent Audit Reports

Jennifer Condon, Vice President of Business & Finance and Chief Financial Officer, presented on the University and Direct Support Organizations (DSOs) Independent Audit Findings Report which describes audit findings and auditor recommendations, and management's responses and correction status. The University and DSOs received 12 audits from independent external auditors for the fiscal year ended June 30, 2023. Since the last time this committee met, one more audit report was received (the Auxiliary report specifically for WUSF), and it had no new findings. Also, the only remaining open audit finding from the last report (the audit finding related to the FY22 federal audit) has now been closed. VP Condon had been in dialogue with the US Department of Education (US DOE) since March 2023 regarding the allowability of specific Education Stabilization Fund expenditures. In December 2023, USF received a letter from US DOE stating they agreed with USF's position, the expenditures were allowable, and they considered the finding to be resolved and closed.

VP Condon stated that this was very good news for the university, and that this information will be reflected as fully corrected in this year's federal audit, which USF expects to receive next month (March 2024). Lastly, there are still four audit reports outstanding, as follows: 1) USF financial statements, 2) federal audit (that finding will show is fully corrected), 3) statewide audit of Bright Futures and Florida Assistance Grants, and 4) one more Auxiliary Report.

b. Annual Compliance Certifications of DSOs

Fell Stubbs, University Treasurer, presented the Annual Compliance Certifications of the DSOs. Each DSO is expected to implement an internal control, reporting and governance structure consistent with best practices of USF. Each DSO must certify compliance to the USF Board of Trustees. The certification must be completed by the DSO Chair of the Board, the DSO Chief Executive Officer, and the DSO Chief Financial Officer.

The university requested eight annual compliance certifications statements for the 10 DSOs for the fiscal year ended June 30, 2023, and all eight certification statements have been received. There were no instances of non-compliance with the 23 requirements of the five

categories of compliance cited in all eight of the Annual DSO Compliance Certification statements.

c. New Global Internal Audit Standards

Virginia Kalil, Executive Director and Chief Internal Auditor, presented on the newly revised standards, which are published by the Institute of Internal Auditors. These standards are critical to elevating the quality of internal auditing and enhancing IA's function as an essential business partner with management and the Board. These newly revised standards were released on January 9th of this year but will become effective on the same date next year, 2025. The standards are a part of the International Professional Practices Framework, which governs the worldwide practice of internal auditing. The framework was last modified in 2017 with very minor changes.

The notable changes, made this year, include:

- A restructured framework with elements reorganized;
- A shift from compliance to performance;
- Clarification of Board and management responsibilities;
- Specific guidance to assist internal auditors in the public sector and for small internal audit functions;
- Specific guidance and standards on critical areas like cybersecurity.

IA is working to review those changes and see how they will impact the team's current procedures.

V. Adjournment

Having no further business, Chair Callahan made the motion to adjourn the meeting, Trustee Monbarren seconded the motion, and the Audit & Compliance Committee meeting was adjourned at 9:28am.