



**USF Board of Trustees
Audit & Compliance Committee
NOTES
May 23, 2023
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 Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Sandra Callahan and Oscar Horton. 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 February 14, 2023 Meeting Notes

Upon request and receiving no changes to the meeting notes, Chair Callahan requested a motion for approval. Trustee Horton made the motion which was seconded by Chair Callahan and the February 14th meeting notes were unanimously approved as written.

IV. New Business – Audit & Compliance Committee Information Items

a. 2022 Compliance & Ethics Annual Report

Dr. Caroline Fultz-Carver, Chief Compliance Officer, presented information item IV(a): 2022 Compliance & Ethics Annual Report. The annual report summarizes the activities of the Office of Compliance & Ethics (OCE) during the calendar year 2022. This report fulfills an annual reporting requirement stated in BOG regulation 4.003 and was provided to the committee in accordance to the BOT-ACC approved OCE Program Plan. In addition, the Office of Compliance & Ethics has a responsibility to provide a copy of the annual report to the BOG.

As it related to changes in infrastructure during 2022, the University made a substantial investment in the Office of Compliance & Ethics. President Law made it clear that this department is responsible for implementing the guard rails in which the University conducts their business. Last year, a total of six new positions were added to OCE, but 11 new positions were recruited to the OCE, to include one new employee in Healthcare Compliance.

In addition, highlights of 2022 activities included: foreign influence legislation compliance certification; a BOG pilot audit of foreign gifts and contracts reporting; HB7 compliance review, procedure development, and hold; a 5-year compliance and ethics program effectiveness review; eDisclose; and EthicsPoint.

The university's overall Florida Code of Ethics disclosure compliance rate in eDisclose for the 2022 calendar year. These rates for each campus were as follows: Sarasota-Manatee was at 100%, St. Petersburg was at 99%, and Tampa (including Health) was at 96%.

During calendar year 2022, USF received 147 reports in EthicsPoint, the university's anonymous reporting system. Of these, 136 (93%) cases were closed by year end and 11 (7%) remained opened. Of the closed reports, 28 (20%) were substantiated, 88 (65%) were unsubstantiated, and 20 (15%) were referred (when a report falls outside the scope of EthicsPoint). Dr. Fultz-Carver stated the number of EthicsPoint we received in 2022 are well beyond what we received 2020, have increased each year since the pandemic, and are at pre-pandemic levels.

b. Antifraud Framework Annual Status

Virginia Kalil, Chief Internal Auditor, presented information item IV (b): Antifraud Framework Annual Status. The report was presented in accordance with the BOG regulation 3.003, Fraud Prevention and Detection, which requires that the status of the University's Antifraud Framework is reported to the BOT, at least annually. Ms. Kalil noted the university community believes fraud prevention and detection is important because it is the right thing to do: they want to be good stewards of the resources entrusted to them. The BOG and the University have specific regulations and policies that outline their expectations:

BOG Regulation 3.003: Fraud Prevention and Detection

Expectations outlined for universities in developing appropriate institutional controls and a risk management framework that provides reasonable assurance that fraudulent activities within the Universities areas of responsibility are prevent, detected, reported, and investigates.

USF Regulation 5.001: Fraud Prevention and Detection

This regulation details the Universities commitment to the highest standards of the ethical conduct and zero tolerance for unethical or fraudulent activity. It also includes, but is not limited to, the components of its antifraud framework. The applicability to all members of the University community and the responsibilities that are expected for prevention, detention, investigation, and remediation. This regulation identifies the Chief Financial Officer as responsible for the design, development, implementation, and oversight of framework. In addition, it stresses the prohibition of any form of retaliation against individuals who make a reasonably good faith report of suspected fraud.

USF Policy 0-023, Internal Controls

This policy further details the responsibilities and expectations related to an effective system of internal controls, which also includes those controls related to the prevention and detection of fraudulent activity.

In addition, Ms. Kalil outlined the four key components of the University's antifraud framework: tone at the top, assessment of risks, processes and systems, and continuous improvement. Risk assessments are key to the framework's success in helping proactively identify areas of fraud risk exposure. Both the Controller's Office and the Office of Internal Audit completed their annual fraud risk assessments independent of one another and shared relevant feedback. The Office of Internal Audit completed fraud risk assessments on each individual engagement conducted also by the department.

Antifraud activities performed included fraud risk assessments, university enterprise risk management process, EthicsPoint hotline investigations, Office of Internal Audit Recommendations and Follow-up, Project Drive/Oracle Cloud Human Capital Management (HCM), and Fraud Awareness Initiative.

As it related to the Office of Internal Audit's fraud awareness campaign, the goal has been to educate and empower the USF community to recognize the red flags of fraud and understand the reporting responsibilities, and ultimately report any suspicious activity. The components of this initiative included on-demand presentations, webinar training, and flash reports. On-demand presentations included taking the message personally to leadership and staff. In addition, the Office of Internal Audit hosted their first webinar where they partnered with Tampa's FBI Special Agent Andrew Sekela who presented to the 163 registered USF attendees. Monthly Flash reports began in January 2023 where red flags of fraud are highlighted to include emerging topics and trends.

As of April 30, 2023, the FY23 summary of investigations totaled 43 reports of which 27 (12 requiring investigative support) were closed and five of the 27 were determined to be founded. For the five founded investigations, four were categorized under misappropriations, and one was categorized under conflict of interest.

In addition, Ms. Kalil outlined how to report fraud which included contacting the EthicsPoint hotline or reporting the incident to management.

c. University and DSO Independent Audit Finding Report

Gerard Solis, General Counsel, presented information item IV(c): University and DSO Independent Audit Finding Report. The Independent Audit Findings Report describes audit findings and auditor recommendations, and management's responses and correction status.

The University and DSOs received a total of 16 audits from independent auditors for the fiscal year ended June 30, 2022. The reports containing findings include the following:

- 0 Findings in the 5 University or USF Auxiliary June 30, 2022, Audited Financial Statements
- 1 Finding in the University Operational Audit issued November 2022
 - Mr. Solis noted this finding was closed as of December 31, 2022
- 1 Finding in the State of Florida Federal Awards Audit (Formerly A-133)
 - Mr. Solis noted USF disagrees with the finding and is consulting with the U.S. Department of Education to reverse or modify the finding.
- 0 Findings in the 8 DSO June 30, 2022, Audited Financial Statements
- 0 Finding in the USF Health Services Support Organization, Inc.'s June 30, 2022, Audited Financial Statements

d. Office of Internal Audit External Quality Assurance Review

Virginia L. Kalil, Chief Internal Auditor, presented information item IV (d): Office of Internal Audit External Quality Assurance Review. In accordance with the Institute of Internal Audit Standard 1312 and BOG Regulation 4.002 (6)(e), an external quality assessment of the Internal Audit function is required once every five years by qualified independent assessors. As the Chief Audit Executive, it is Ms. Kalil's responsibility to

discuss with the board the form and frequency of the external assessment, as well as the qualifications and independence of the external assessors.

The two types of external assessments include self-assessment with independent external validation and full external assessment. The self-assessment with independent validation is the most commonly used method as it is the most cost effective for organizations. Regardless of the method, the external assessor must conclude as to conformance with the professional Code of Ethics and the Standards; the external assessment may also include operations or strategic comments. In addition, the assessors were encouraged to share operational and strategic best practices.

In selecting the assessment team, Universities were identified through the department's involvement with the Association of College & University Auditors, who had internal audit functions who demonstrated best practices that align with USF's aspirational goals and are leaders that are respected within the profession. The approach was to select a team of three members, which would include two members that were external to the state, and one member that was internal to the state, who would be able to guide the team with state specific requirements. The external assessors included the following:

Brian Daniels, CIA, CISA, GCFA
Chief Audit & Compliance Office
The University of Tennessee System

Kimberly "Kim" F. Turner, CPA
Chief Audit Executive
Texas Tech University System

Trevor L. Williams, CPA, CIGA
Chief Audit Executive
Florida Internal University

The self-assessment was completed on May 15, 2023. On-site testing and interviews will be conducted on June 5th through June 7th of 2023, with an expectation to have the external assessors final report by June 30, 2023.

V. Adjournment

Having no further business, Chair Callahan adjourned the Audit & Compliance Committee meeting.