



**USF Board of Trustees
Audit & Compliance Committee
NOTES
August 16, 2022
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 at 11:03am. Chair Callahan asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Sandra Callahan, Oscar Horton, 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 May 24, 2022 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Callahan requested a motion for approval, it was seconded and the May 24th meeting notes were unanimously approved as written.

b. Internal Audit Work Plan FY23-FY24

Ms. Virginia Kalil, Executive Director and Chief Internal Auditor, presented the Internal Audit (IA) Work Plan for FY23 and FY24. In conformance with professional standards, BOG regulations, IA's charter, and the Audit & Compliance Committee charter, it is the Chief Audit Executive's responsibility to develop a risk-based plan for use of our internal audit resources and present it to the BOT for review and approval. In developing the risk-based plan, IA evaluated risks and updated risk models associated with over 150 auditable areas across the enterprise. Once the risk assessment was complete, projects were identified and prioritized in the areas of highest risk and interest to the board, senior management, and IA. Project hours were then estimated and aligned with available resources. Proposing resuming a two-year work plan. This gives us the flexibility to move projects across years as necessary and as schedules may require. The work plan includes allocation of hours for 14 internal audit professionals and also includes use of supplemental auditing services. The work plan includes coverage of core processes, academic areas, information technology, research, regulatory/compliance areas, and direct support organizations (DSOs). In addition, IA will provide advisory services related to fraud awareness and the implementation of the new Human Capital Management system recently approved by the BOT. Lastly, the work plan includes upgrading IA's audit management software by migrating to the vendor's cloud service solution and conducting a comprehensive quality self-assessment in preparation for

the department's 5-year external quality assurance review. Direct Services take up the majority of the plan, which consist mainly of audit services, consulting and advisory projects, and investigations and follow-up. The plan includes three projects that were carried over from the prior year. Carry over projects are the Attractive Items and Procure to Pay (Jaggaer) audits under core processes and the End User Computing audit under Information Technology. Direct services are normally 60% of effort – that is our KPI and we are working to get back to that. That number is 49% in this plan in FY23 due to vacancies (working to fill) and back to 60% in FY24.

A motion was made to approve the FY23-FY24 Internal Audit Work Plan and allocation of available staff hours. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Internal Audit Annual Report 2021-22

Ms. Kalil presented the Internal Audit Annual Report for 2021-22. It is the Chief Audit Executive's responsibility to report periodically on the progress IA is making towards the plans that are approved by the BOT, as well as to report IA's conformance with professional standards and code of ethics. The report describes the internal audit, consulting, and investigative activities and allocation of resources as compared to the approved Work Plan for 2021-22. The annual report is required to be submitted to the BOG by September 30 every year.

Ms. Kalil reviewed departmental resources by showing a snapshot of IA's organizational chart as of July 2022 and comparing it to the previous year (July 2021). Last year, IA was a team of 10 professional with 5 vacancies. About the same time, the University decided to roll the DSO internal audit activities into IA and IA estimated this would take an additional four team members. Five vacancies instantly became nine and IA was recruiting in a very difficult market. Looking at July 2022, four of the nine vacancies have been filled and three have offers accepted for start dates in July and August. This leaves just two vacancies to be filled a year later. Recruiting efforts continue and hope to have remaining positions filled by end of calendar year. The current structure has three areas of focus – IT, DSO, university (all other non-IT areas).

Ms. Kalil then discussed how the resources were utilized. The FY2022 work plan budgeted 48% of IA's resources for direct services. Actual direct services of 36% fell less than budget due to vacancies. However, disregarding the vacancies, IA resources in place spent 50% of their time on direct services which was slightly above the 48% budgeted. In 2021-22, IA completed 9 audits; 4 consulting projects; and 11 investigations. Three audits, one consulting project, and 7 investigations were in progress at year-end. Most of IA's time in 2021-22 was spent on audits and consulting at 74% followed by investigations and follow-up.

As part of the audit process, recommendations are made in response to any risks identified. Recommendations are then categorized for tracking and trending purposes. IA issues semi-annual reports (two times each year), in January and in July. In FY2022, management's average rate of open recommendations completed was 64%. Ms. Kalil did not have concerns with management's progress.

As part of IA's Quality Assurance and Improvement Program (QAIP), internal assessments performed throughout the year confirmed IA's conformance with IIA's *International Standards for the Professional Practices of Internal Auditing* and *Code of Ethics*. External assessment is required every five years and the last one conducted in 2018 confirmed conformance with IIA Standards. The next external assessment is planned to be conducted in Spring 2023.

Ms. Kalil described the experience and professionalism of the IA 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.

Ms. Kalil thanked her team for a job well done, especially during a challenging year and also thanked the President and the Trustees for their support.

Trustee Monbarren expressed how impressive this team has been to accomplish all they did in FY22 with the vacancies.

Chair Callahan echoed Trustee Monbarren's comment and thanked Ms. Kalil for a very comprehensive report.

b. 2021 Compliance & Ethics Annual Report

Dr. Caroline Fultz-Carver, Chief Compliance Officer, presented the 2021 Compliance & Ethics Annual Report ("2021 Annual Report"). The report summarized the activities of the Office of Compliance & Ethics (OCE) for calendar year 2021. This report was organized under the "essential elements" of an effective compliance program as prescribed by Federal Sentencing Guidelines and fulfills annual reporting requirements contained in BOG Regulation 4.003 and the Office of Compliance & Ethics Program Plan.

Dr. Fultz-Carver reviewed the changes in governance structure and compliance unification process which occurred during 2021. The compliance functions for Title IX, Equal Opportunity, and Americans with Disabilities Act (ADA), formerly part of Diversity Inclusion and Equal Opportunity (DIEO) joined OCE in April 2021. Health Compliance, Privacy and Healthcare Civil Rights Compliance, and Athletics Compliance joined OCE in August 2021. The high-risk compliance areas of Research Integrity & Compliance, Information Technology Security, Environmental Health & Safety, and Human Resources Compliance retained their accountable reporting relationship to the Chief Compliance Officer. The Title IX compliance functions were joined with the Violence Against Women Act (VAWA) compliance functions to form a new compliance program: Title IX-VAWA Compliance. Within the first six months of unification (June to December 2021), this unification reduced Title IX-VAWA report processing time (i.e., from receipt to resolution and closure) from an average of 54 days to 21 days.

Dr. Fultz-Carver presented highlights from the 2021 Annual Report of work done during the past calendar year. These highlights touched on Foreign Influence (including screening foreign researchers; foreign travel and research institutions; foreign gifts to and contracts with USF reporting; international cultural agreements; and researchers' outside activity and financial interest disclosure); 5-Year Program Effectiveness Review; eDisclose; and

EthicsPoint. The OCE continues to monitor employee compliance with the annual Florida Code of Ethics (FCOE) disclosure requirements through their online reporting system, eDisclose. All faculty and administration employees, and certain staff and temporary employees are required to complete this disclosure, equating to approximately 6,800 employee FCOE disclosures annually. USF did not reach 100% FCOE disclosure compliance in 2021. Overall, the university's compliance rate was 95%.

Dr. Fultz-Carver reviewed EthicsPoint reporting for calendar year 2021. EthicsPoint is the anonymous reporting system for known or suspected violations of USF policies and regulations. There were 118 reports received – 107 (91%) were closed and 11 (9%) remained open. Of those reports which were closed, five reports (4.67%) were substantiated, 83 reports (77.57%) were unsubstantiated, and 19 reports (17.76%) were referred. Reporters in EthicsPoint may choose to remain anonymous or identify themselves. It is not required that they identify themselves. During 2021, 80% of EthicsPoint reporters chose to stay anonymous.

Trustee Horton asked how can USF get to 100% FCOE compliance in eDisclose. Dr. Fultz-Carver explained that her office monitors this every year and works towards reaching 100% compliance. The OCE works with management in terms of applying progressive discipline options for USF's small pool of individuals that are consistently non-compliant or areas that are consistently not at the desired goal.

Chair Callahan commented on the totality of the report that was included in the materials. She stated that when you read through the report, it becomes very clear just the absolute magnitude of activity that is going on across the university literally every day as relates to compliance. And what is also obvious is the sheer volume of laws and regulations and their complexity that USF has to comply with. Chair Callahan commended Dr. Fultz-Carver and the entire team of people across the university for the job they do in keeping us in compliance. Dr. Fultz-Carver explained that higher education is one of the most heavily regulated industries. There are over 498 separate federal and state laws to which USF must comply based on analysis from a sister institution within the State University System.

c. 2022 Foreign Travel Annual Report

Jason Ramage, Director of Research Integrity & Compliance, presented the 2022 Foreign Travel Annual Report. Florida Statute 1010.36, Foreign Travel and Research Institutions, requires all SUS institutions to establish an approval and monitoring program for international travel by January 1, 2022. Section 1010.36(4) requires USF to submit an annual report of employment-related foreign travel to countries of concern to the Board of Governors (BOG) or other appropriate governing board. In April of this year, the BOG issued guidance clarifying that the annual travel report must be submitted to the USF Board of Trustees on July 31, beginning in 2022. This is the inaugural annual foreign travel report and covers the period from January 1, 2022 through June 30, 2022. There are currently seven foreign countries of concern identified under state law: People's Republic of China, Russian Federation, Islamic Republic of Iran, Democratic People's Republic of Korea (North Korea), Republic of Cuba, Venezuelan regime of Nicolás Maduro, and Syrian Arab Republic. Program activities include: established a Foreign Influence Committee and a Foreign Travel Subcommittee to address how we will deal with the new legislation; Research Integrity & Compliance (RIC) and USF World adapted existing travel review process to comply with new laws; RIC is responsible for submitting annual report; and Senior Foreign Influence Analyst hired in June 2022 and second analyst will start mid-August. As part of the travel

review and approval process, RIC provides guidance if any concerns are identified, but does not formally approve or disapprove travel (that is up to the department). Requests for travel to a foreign country of concern are screened by RIC. Institutions to be visited are subject to Restricted Party Screening using Visual Compliance. For the inaugural report of employment-related foreign travel to countries of concern for the period January 1, 2022 – June 30, 2022, there was one instance. This first report is for six months only due to the effective date of the legislation. Going forward, the annual report will cover the entire fiscal year.

d. Update – Review of Financial Internal Controls/University Support Organizations

Ms. Kalil provided another update to the financial internal control review taking place at the university's support organizations. Ms. Kalil reminded the group that this was a very comprehensive review of the financial internal controls for all university support organizations in the SUS at the direction of the BOG. This review was conducted by Crowe, an external consulting firm. The review was to assess whether financial controls were reasonable over each support organization's financial processes and records to protect the organization from theft or malfeasance and that duties were properly segregated among employees with proper oversight and monitoring activities. There are 90 support organizations throughout the SUS including 14 at USF. This review consisted of four phases – planning, risk assessment, testing, and reporting. Crowe has completed testing and provided reports to the DSOs as well as the USF summary. Four support organizational reports included observations for improvement. Five observations were reported in total in the areas of: completeness/timeliness/accuracy; review and approval; and segregation of duties. Overall, there are opportunities to strengthen controls through training and documentation.

Chair Callahan stated that this review is very helpful to us as we integrate the DSOs into our IA umbrella/program.

V. Adjournment

Having no further business, Chair Callahan adjourned the Audit & Compliance Committee meeting at 11:55am.