



**USF Board of Trustees
Audit & Compliance Committee
NOTES
Tuesday, February 18, 2020
Tampa Campus – Marshall Student Center Room# 3707**

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Nancy Watkins at 11:30am.

Committee members present: Nancy Watkins, Sandra Callahan, Oscar Horton, and Byron Shinn. A quorum was established. President Currall and Trustees Mike Carrere, Britney Deas, Stephanie Goforth, Charles Tokarz, and Jordan Zimmerman were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of August 27, 2019 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Watkins requested a motion for approval, it was seconded and the August 27th meeting notes were unanimously approved as written.

b. Approval of Revised Audit Charter

Virginia Kalil, Executive Director, USF System Audit (Audit), presented the audit charter revisions. According to Florida Board of Governors (BOG) Regulations 4.002 State University System Chief Audit Executives, “each board of trustees shall adopt a charter which defines the duties and responsibilities of the office of the chief audit executive” and this “charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices”. In compliance with BOG Regulation 4.002, the current Charter has been reviewed and suggestions were made by the chief audit executive to better align the Charter with the BOG regulation and professional standards. The current charter addresses both functional reporting and administrative reporting for Audit. The charter does not need to address how administrative reporting is logistically implemented, so that was removed. The charter also referred to Audit following up on external audit reports and assessments. This is not required by regulation, so this was also removed. There were other minor revisions to smooth out language and eliminate redundancy as well as update required signatures.

A motion was made to recommend to the USF Board of Trustees (BOT) approval of the amended Audit Charter. The motion was seconded and approved by all Committee members present.

c. Acceptance of Performance-Based Funding Data Integrity Audit & Approval of PBF Data Integrity Certification

Ms. Kalil presented the results of the Performance-Based Funding (PBF) Data Integrity Audit. The BOG approved the PBF funding model in 2014. It is key for the BOG to rely on data submitted by the universities. This is the sixth year in conducting this audit pursuant to BOG request. 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 PBF; and to provide an objective basis of support for the President and BOT Chair to sign the representations included in 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 element and/or file submission changes; review data resubmissions (why they were resubmitted); update PBF risk assessment, including fraud risks; and verify accuracy, completeness, and consistency with BOG expectations of data submitted for all 10 PBF metrics. The overall conclusion of the audit was that there were no high-risk issues and there was an adequate system of internal controls in place. One medium risk identified was related to repeated coursework–Metric 9 Excess Hours–with no impact to performance metrics. In response to the issue identified, management has developed implementation plans for their corrective actions which are included in the Management Letter and currently underway.

A motion was made to recommend to the BOT acceptance of the Performance-Based Funding Data Integrity Audit results and approval of the PBF Data Integrity Certification. The motion was seconded and approved by all Committee members present.

Chair Watkins stated that a brief, full BOT meeting will be called after this committee meeting to approve this item in order to meet the BOG deadline.

IV. New Business – Information Items

a. USF/DSO Independent Audit Findings Report

Nick Trivunovich, Vice President of Business & Finance and Chief Financial Officer, presented 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 will receive 17 audits from independent external auditors for the fiscal year ended June 30, 2019. Since June 30, 2019, 16 audits have been received with the following results: a) no findings in the University or USF Auxiliary June 30, 2019 Audited Financial Statements; b) 2 findings in the University’s Calendar Year 2018 Operational Audit (lowest number of findings for SUS universities for the last 2 years); c) 1 finding in the 8 DSO June 30, 2019 Audited Financial Statements; and d) no findings in the USF Health and Education International Foundation’s (related party of HPCC DSO) or the USF Health Support Services Organization June 30, 2019 Audited Financial Statements. One audit report has not yet been issued: State of Florida Federal Awards Audit (Formerly A-133) for fiscal year 2019.

Both Operational Audit findings (IT User Access Privileges/Sensitive Personal Student Information and Severance Payments) were repeat findings, and have been addressed and closed per management. The one audit finding for the DSOs was for Sun Dome Inc. relating to the accurate recording of asset transactions; also closed per management.

b. Annual Compliance Certifications of DSOs

Fell Stubbs, University Treasurer, presented the Annual Compliance Certifications of DSOs. This annual compliance certification report used to be combined with the independent audit findings report, but is now presented separately. Each DSO and related entity under the control and direction of the BOT is expected to implement an internal control, reporting, and governance structure consistent with best practices of USF, the DSO or related entity, as well as those detailed within National Association of College and University Business Officer's Advisory Report on the Sarbanes-Oxley Act of 2002. The Compliance Certification process is an important element of DSO oversight and governance.

All 10 DSOs provided their Annual Compliance Certification Statements, signed by the DSO Board Chair, CEO and CFO, for the fiscal year ended June 30, 2019, consistent with the Annual Reporting Requirements for DSOs. There were no instances of non-compliance with the 22 requirements from five categories of compliance cited in the Annual DSO Compliance Certification Statements.

c. USF System Compliance & Ethics Annual Report

Jeffrey Muir, Chief Compliance Officer, USF System Compliance & Ethics Program (CEP), presented the 2019 CEP Annual Report. This report covers the period from January 1, 2019, to December 31, 2019. This report is organized under the "essential elements" of an effective compliance program as prescribed by the U.S. Federal Sentencing Guidelines and fulfills annual reporting requirements contained in BOG Regulation 4.003 and the USF System Compliance & Ethics Program Plan.

Mr. Muir presented highlights from the annual report of work done during the past year. These highlights touched on Foreign Influence, including federal research, outside activities reporting, and foreign gifts to/contracts with our university; Higher Education Opportunity Act (HEOA) oversight; updates to the recruitment and hiring process, including the development of new policies, procedures, and training for those involved in recruiting and hiring. He also highlighted a consulting project with Athletics in which the CEP facilitated the preparation of Athletics for a site visit by the American conference and/or the NCAA; and the ongoing oversight of compliance with the European Union's General Data Protection Regulation (GDPR). Data privacy protections are an ongoing, big issue. California has passed its own data privacy protection law. Several other states are in the process of developing their own. We may see a national law soon.

The CEP continues to monitor employee compliance with the annual Florida Code of Ethics (FCOE) disclosure requirements. USF is slowly climbing to 100%.

Mr. Muir reviewed EthicsPoint reporting for calendar year 2019. There were 147 unduplicated reports received, representing a 50% increase from 2018. However, the number of "substantiated" reports only increased marginally, from 22 in 2018 to 26 in 2019. There was no significant financial fraud.

There was additional discussion on Foreign Influence. Trustee Griffin asked about the path forward in proactively identifying these issues/risks; and whether there are any new software packages, etc., that may be available. Mr. Muir responded that it is important to be sure our systems are communicating and education and training is key, as is awareness. He further explained that collective bargaining calls for self-disclosure of outside activity and this is not perfect.

V. Adjournment

Chair Watkins congratulated Mr. Muir who will be retiring this week after almost 40 years of service to USF. She thanked Mr. Muir for all his good work and for staying ahead of the curve on important issues (eDisclose, foreign influence).

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 12:12pm.