



Board of Trustees Audit & Compliance Committee

Tuesday, August 25, 2020
12:15 – 1:15pm
Microsoft Teams Virtual Meeting

Trustees: Nancy Watkins, Chair; Sandra Callahan, Oscar Horton, Byron Shinn

A G E N D A

- | | | |
|------|---|---|
| I. | Call to Order and Comments | Chair Nancy Watkins |
| II. | Public Comments Subject to USF Procedure | Chair Watkins |
| III. | New Business – Action Items | |
| | a. Approval of February 18, 2020 Meeting Notes | Chair Watkins |
| | b. Approval of Revised Compliance & Ethics Charter | Chief Compliance Officer
Caroline Fultz-Carver |
| | c. Approval of Revised Compliance & Ethics Program Plan | Chief Compliance Officer
Caroline Fultz-Carver |
| | d. FY21 Internal Audit Work Plan | Exec Director Virginia Kalil |
| IV. | New Business – Information Items | |
| | a. Internal Audit Report 2019-20 | Exec Director Virginia Kalil |
| V. | Adjournment | Chair Watkins |



**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.

Agenda Item: IIIb

USF Board of Trustees
September 8, 2020

Issue: Compliance & Ethics Charter Revisions

Proposed action: Approval of the revised Compliance & Ethics Charter

Executive Summary:

According to Florida Board of Governors (BOG) Regulation 4.003 State University System Compliance and Ethics Programs, “The office of the chief compliance officer shall be governed by a charter approved by the board of trustees and 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 4.003, the current Charter has been reviewed and suggestions have been made by the Chief Compliance Officer to better align the Charter with the BOG regulations, professional standards, and best practices.

The current Charter was approved on March 10, 2017.

Financial Impact: N/A

Strategic Goal(s) Item Supports: Goal 4: Sound financial management to establish a strong and sustainable economic base in support of USF’s continued academic advancement.

BOT Committee Review Date: Audit & Compliance - August 25, 2020

Supporting Documentation Online (please circle): Yes **No**

Proposed Revised Compliance & Ethics Charter

Prepared by: Caroline Fultz-Carver, Chief Compliance Officer



USF System Office of Compliance & Ethics Program Charter

This ~~c~~Charter identifies the purpose, authority, and responsibilities of the University of South Florida ~~System Office of Compliance & Ethics Program~~.

I. Purpose

The ~~USF University of South Florida (USF) System Office of Compliance & Ethics ("Compliance & Ethics") Program (the "Program")~~ is responsible for the coordination and management of all ~~USF-university System~~ compliance and ethics activities. ~~The Program~~ ~~Compliance & Ethics~~ provides assurance to the USF ~~System~~ Board of Trustees that such activities are reasonably designed, implemented, enforced, and effective in preventing and detecting violations of law, regulations and policies, as well as violations of ethical principles of conduct. The mission of ~~the Program~~ ~~Compliance & Ethics~~ is to create, support, and promote a ~~system~~ ~~university~~-wide culture of compliance, ethics, and accountability as required by Chapter 8, Part B, Section 2(b) of the Federal Sentencing Guidelines and Florida Board of Governors Regulation 4.003.

II. Authority and Governance

~~The USF System~~ Compliance & Ethics ~~Program~~ reports functionally to the Board of Trustees Audit and Compliance Committee and administratively to the USF ~~System~~ President ~~and the Chief Operating Officer~~. This reporting relationship ensures the ~~Program's~~ independence ~~of Compliance & Ethics~~ and assures adequate consideration of the ~~Program's~~ ~~its~~ compliance and ethics recommendations. The Chief Compliance Officer ("CCO") has primary responsibility for managing and coordinating ~~the Program~~ ~~Compliance & Ethics~~. The CCO and ~~Compliance & Ethics~~ ~~Program~~ staff have organizational independence and objectivity to perform their responsibilities free from influence.

~~The Program~~ ~~Compliance & Ethics~~ has full and unrestricted access to all USF ~~System~~ functions, including its direct support organizations and practice plans, activities, records, property, information systems, and personnel, including those records or activities exempt from the Public Records laws, needed to fulfill its responsibilities.

~~The Program~~ ~~Compliance & Ethics~~ is responsible for ensuring confidential records obtained ~~in~~ ~~during~~ the course of its activities are adequately secured and are not disclosed without established authority.

III. Responsibilities

~~The USF System Compliance and Ethics Program~~Compliance & Ethics is responsible for fulfilling the requirements of an effective compliance program as outlined by Chapter 8, Part B, Section 2(b) of the Federal Sentencing Guidelines and Board of Governors Regulation 4.003. The CCO and Compliance & Ethics staff shall:

- Develop and implement a ~~Program program Plan~~plan. This plan and any subsequent changes shall be approved by the Board of Trustees and a copy provided to the Board of Governors.
- Provide training to USF ~~System~~ employees and Board of Trustees' members regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures.
- Facilitate an external review of ~~the Program's Compliance and Ethics' program~~ design and effectiveness at least once every five (5) years. The first external review shall be initiated within five (5) years from the effective date of BOG Regulation 4.003. The review and any recommendations for improvement will be provided to the Board of Trustees and USF ~~System~~ President. The assessment shall be approved by the Board of Trustees with a copy provided to the Board of Governors.
- Administer and promote an anonymous "hotline" for individuals to report potential or ~~actual~~ misconduct and violations of university policy, regulations, or law, and ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith.
- Support and communicate ~~the USF System's USF~~ policies on reporting misconduct and protection from retaliation, including the escalation of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.
- Communicate routinely to the Board of Trustees and USF ~~System~~ President regarding ~~Program program~~ activities and provide an annual report on the effectiveness of the ~~p~~Program. Any program plan revisions, based on the CCO's annual report, shall be approved by the Board of Trustees. A copy of the annual report and any program plan revisions shall be provided to the Board of Governors.

- Assist ~~the~~ USF ~~System~~ in its responsibility to use reasonable efforts to exclude within the university and its affiliated organizations individuals whom it knew or should have known through the exercise of due diligence to have engaged in conduct inconsistent with an effective Program.
- Facilitate the designation of compliance officers for various program areas throughout the USF ~~System~~, as either direct reports or accountable reports to the CCO. Such designations will be based on an assessment of risk in any particular ~~program~~ or area. If so designated, the individual shall coordinate and communicate with the CCO on matters relating to the ~~Program~~program.
- Promote and enforce the ~~Program~~program, in consultation with the Board of Trustees and USF ~~System~~ President, consistently through appropriate incentives and disciplinary
- measures to encourage a culture of compliance and ethics. Failures in compliance or ethics shall be addressed through appropriate measures, including education or disciplinary action.
- Initiate, conduct, supervise, coordinate, or refer to other appropriate offices such inquiries, investigations, or reviews deemed appropriate in accordance with university regulations and policies, state law, and/or federal regulations.

To ensure ~~that the USF System~~ Compliance ~~and &~~ Ethics ~~Program~~ has the capabilities to perform the responsibilities and duties described herein, the CCO will:

- Maintain a professional staff with sufficient size, knowledge, skills, and experience to ensure an effective compliance and ethics Program~~program~~.
- Utilize approved third-party resources as appropriate to supplement ~~the Program's~~programmatic efforts.
- Communicate routinely with the Board of Trustees and USF ~~System~~ President regarding Program Compliance & Ethics activities and perform assessments of ~~the Program with~~programmatic changes and improvements where necessary.

IV. Professional Standards

Compliance & Ethics adheres to the Florida Code of Ethics for Public Officers and Employees and the Code of Professional Ethics for Compliance and Ethics Professionals adopted by the membership of the Society of Corporate Compliance and Ethics.

IV.V. Charter Review and Approval

The Board of Trustees-approved Compliance & Ethics Charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and USF **System** regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors.

~~Brian D. Lamb~~Jordan B. Zimmerman, Chair, USF
Board of Trustees

Approved on: _____

~~Judy L. Genshaft~~Steven C. Currall, USF President

Approved on: _____

~~Jeffrey A. Muir~~Caroline B. Fultz-Carver, Chief
Compliance Officer

Approved on: _____

Agenda Item: IIIc

USF Board of Trustees
September 8, 2020

Issue: Compliance & Ethics Program Plan Revisions

Proposed action: Approval of the revised Compliance & Ethics Program Plan

Executive Summary:

According to Florida Board of Governors (BOG) Regulation 4.003, all State University System institutions must “implement a university-wide compliance and ethics program (Program) as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures”. The Office of Compliance & Ethics is responsible for developing and implementing a Program Plan to reflect these programmatic responsibilities under BOG Regulation 4.003.

The current Program Plan, organized by prescribed "essential elements" under the Federal Sentencing Guidelines, has been reviewed and suggestions have been made by the Chief Compliance Officer to better align the plan with BOG regulations, professional standards, and best practices.

The current Program Plan was approved on July 7, 2017.

Financial Impact: N/A

Strategic Goal(s) Item Supports: Goal 4: Sound financial management to establish a strong and sustainable economic base in support of USF’s continued academic advancement. **BOT**

Committee Review Date: Audit & Compliance - August 25, 2020

Supporting Documentation Online (please circle): Yes **No**

Proposed Revised Compliance & Ethics Program Plan

Prepared by: Caroline Fultz-Carver, Chief Compliance Officer



USF System Office of Compliance & Ethics **Program Plan**

The ~~USF System Compliance & Ethics Program (the “Program”)~~ Office of Compliance & Ethics (“Compliance & Ethics”) is responsible for the coordination and management of all ~~USF System~~ compliance and ethics activities at the University of South Florida (USF). ~~The Program~~ Compliance & Ethics provides assurance to the ~~USF System~~ Board of Trustees that such activities are reasonably designed, implemented, enforced, and effective in preventing and detecting violations of law, regulations and policies, as well as violations of ethical principles of conduct. ~~Compliance & Ethics The Program~~ provides centralized, coordinated compliance oversight by utilizing risk assessments, compliance gap analyses, education and training, and monitoring and responding to reported issues.

All State University System (~~SUS~~) institutions must develop and implement a compliance and ethics program by November 2018 under Florida Board of Governors Regulation 4.003. This regulation is based on the Federal Sentencing Guidelines (FSG), the Florida Code of Ethics for Public Officers and Employees (the “FCOE”) and industry best practices. Organizations with effective compliance and ethics programs, as defined by the FSG, can be spared potential fines, in some cases up to 95% of potential fines, if they can demonstrate their exercise of due diligence in preventing and detecting criminal conduct; and otherwise promoting an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

This ~~Program Plan~~ program plan summarizes the current status of the Compliance & Ethics ~~Program~~ program as required under ~~BOG~~ Board of Governors (BOG) Regulation 4.003, organized by prescribed “essential elements” under the Federal Sentencing Guidelines.

Element 1: Governance & High-Level Oversight

The **governance and high-level oversight** element of an effective compliance and ethics program refers to the board of trustees receiving reports about compliance program activities. Trustees must demonstrate knowledge and oversight of the program. A high-level person (a compliance officer who has proper authority and reporting responsibilities) must be designated to oversee the compliance & ethics program. ~~The USF System~~ addresses this element through the Board of Trustees ~~Audit & Compliance~~ Audit and Compliance Committee, ~~the USF System Compliance & Ethics Program~~ Compliance & Ethics program, ~~and the~~ Chief Compliance Officer, Executive Compliance and Ethics Council, and Compliance Officers Workgroup.

A. Board of Trustees Audit and Compliance Committee

*Effective compliance and ethics programs have a **governing authority** knowledgeable about the content and operation of the compliance and ethics program. This governing authority exercises reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program. [FSG Element 2A] Each board of trustees shall assign responsibility for providing governance oversight of the Program to the committee of the board responsible for audit and compliance. [BOG Regulation 4.003(3)]*

The Audit and Compliance Committee of the USF Board of Trustees ~~(“BOT Committee”)~~ serves as ~~the USF System’s~~ ~~USF’s~~ governing authority for the ~~USF System~~ Compliance & Ethics ~~Program~~ ~~program~~. Members of this committee are appointed by the Chair of the USF Board of Trustees ~~(the “Board”)~~. This committee assists the Board in discharging its oversight responsibilities and oversees the following for ~~the USF System~~ and its direct support organizations:

- Internal control structure~~;~~
- Independence and performance of internal and external audits and corrective action plans~~;~~
- Integrity of information technology infrastructure and data governance~~;~~
- Independence and effectiveness of the compliance and ethics program~~;~~
- Compliance with applicable laws and regulations~~;~~
- Standards for ethical conduct~~;~~
- Risk mitigation~~;~~ and
- Internal investigative processes.

~~More information about the Board of Trustees Audit and Compliance Committee may be found in their current charter provided in Appendix A.~~

B. ~~USF System~~ Compliance & Ethics Program

Each board of trustees shall implement a university-wide compliance and ethics program (Program) as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures. [BOG 4.003(1)]

~~The USF System~~ Compliance & Ethics ~~Program~~ was established in 2007 with the appointment of a Chief Compliance Officer, who was charged by the USF ~~System~~ President and ~~the~~ Board of Trustees to create and maintain an effective compliance & ethics program based on best-practices to prevent, monitor, detect, and respond to non-compliance and recommend corrective actions to fully meet regulatory requirements. ~~The Program~~ ~~Compliance & Ethics~~ is responsible for the coordination and management of all USF ~~System~~ compliance and ethics activities. As such, ~~the Program~~ ~~Compliance &~~

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~~USF System Compliance & Ethics Program Plan~~

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Ethics serves as a central point for coordination of and responsibility for activities that ~~promote~~ promoting ethical conduct and ~~maximizemaximizing~~ compliance with applicable laws, regulations, rules, policies, and procedures. ~~The Program~~ Compliance & Ethics provides assurance to the ~~USF System Board of Trustees~~ Board that such activities are reasonably designed, implemented, enforced, and effective in preventing and detecting violations of law, regulations, and policies, as well as violations of ethical principles of conduct.

The *mission* of ~~the Program~~ Compliance & Ethics is to create, support, and promote a system-wide culture of compliance, ethics, and accountability as required by Chapter 8, Part B, Section 2(b) of the ~~Federal Sentencing Guidelines~~ FSG and ~~Florida Board of Governors~~ BOG Regulation 4.003. ~~The~~ The *vision* is for ~~the University of South Florida~~ USF System to demonstrate and maintain preeminence—via our institution’s commitment to a culture of compliance and ethics throughout all levels of our organization.

~~More information about the Program may be found in the USF System Compliance & Ethics Program Charter provided in Appendix B.~~

C. Chief Compliance Officer

High-level personnel of the organization ensure that the organization has an effective compliance and ethics program. A specific individual within high-level personnel is assigned overall responsibility for the compliance and ethics program. [FSG Element 2B]

Each university, in coordination with its board of trustees, shall designate a senior level administrator as the chief compliance officer. The chief compliance officer is the individual responsible for managing or coordinating the Program. Universities may have multiple compliance officers; however, the highest ranking compliance officer shall be designated the chief compliance officer. [BOG 4.003(4)]

The USF ~~System~~ Chief Compliance Officer (CCO) is ultimately responsible for the ~~USF System~~ Compliance & Ethics Program ~~program~~. The CCO reports functionally to the Board of Trustees’ Audit ~~& and~~ Compliance Committee and administratively to the USF ~~System~~ President ~~and the Chief Operating Officer~~.

To ensure that the Program ~~program~~ has the capabilities to perform its assigned responsibilities and duties, the CCO is responsible for the following:

- Maintaining a professional staff with sufficient size, knowledge, skills, and experience to ensure an effective Program ~~program~~.

- Utilizing approved third-party resources as appropriate to supplement the ~~Program's efforts;~~programmatic efforts.
- Communicating routinely with the Board of Trustees and USF ~~System~~ President regarding ~~Program-program~~ activities and perform assessments of the ~~Program program~~ with changes and improvements where necessary; ~~and~~
- Developing and updating this ~~Plan~~plan.

~~More information about the responsibilities of the CCO may be found in the USF System Compliance & Ethics Program Charter provided in Appendix B.~~

D. ~~USF System~~ Executive Compliance ~~& and~~ Ethics Council

The ~~USF System~~ Executive Compliance ~~& and~~ Ethics Council (ECEC) serves as the oversight committee for operational issues concerning the ~~USF System~~ Compliance & Ethics ~~Program~~program. The Council's primary role is advising the USF ~~System~~ President on appropriate system responses to major cross-jurisdictional compliance gaps, including determination of "risk ownership", mitigation strategies, and resource implications.

The ECEC is ~~co~~-chaired by the ~~USF System Chief Operating Officer~~Senior Vice President for Business and Financial Strategy and a Regional Chancellor. The Council is comprised of the following individuals:

- Senior Vice Provost ~~and Dean, Office of Graduate Studies~~
- Vice President, ~~Student Affairs &~~ Student Success
- ~~Chief Operating Officer~~Senior Associate Vice President and Chief Financial Officer, USF Health
- ~~Vice President and~~ Chief Operating Officer, USF Foundation
- ~~Vice President, Business & Finance and Chief Financial Officer~~
- Chief Information Officer
- Chief Compliance Officer
- Executive Director/Chief Internal Auditor
- ~~Senior~~ Associate Vice President, Research & Innovation
- General Counsel

The ECEC meets at the call of the Chair(s) and is provided staff support by the Associate Compliance Officer and the Compliance Officers Workgroup. The ~~Chief Compliance Officer~~CCO is responsible for keeping the ~~BOT~~ Audit ~~& and~~ Compliance Committee informed as to the activities of the ECEC.

E. ~~(High Risk)~~ Compliance Officers Workgroup

The Program may designate compliance officers for various program areas throughout the university based on an assessment of risk in any particular program

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USF System Compliance & Ethics Program Plan

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or area. If so designated, the individual shall coordinate and communicate with the chief compliance officer on matters relating to the Program. [BOG 4.003(7)(d)]

The Compliance Officers ~~Workgroup~~ ~~workgroup~~ is composed of ~~the~~ senior compliance officers in all “high-risk” compliance units within ~~the~~ USF System. Pursuant to the ~~USF System~~ Compliance & Ethics Program Charter, ~~the~~ workgroup members are designated as “Accountable Reports” to the ~~Chief Compliance Officer~~ CCO, the terms of which are outlined in memoranda by the USF System President. The ~~Workgroup~~ ~~workgroup~~ is chaired by the ~~Chief Compliance Officer~~ CCO and is comprised of the following individuals:

- ~~Senior~~ Director, Research Integrity & Compliance
- ~~Senior~~ Associate ~~Athletic~~ Director ~~of Athletics for/~~ -Compliance
- ~~Associate Director, Chief Human Resources Officer~~ Human Resources Compliance
- Director, Professional Integrity Program, USF Health
- ~~Assistant Vice President, Chief~~ Information Security ~~Officer~~
- Director, Equal Opportunity and Compliance
- Director, Environmental Health ~~& and~~ Safety
- Other compliance officers as designated by the ~~USF~~ President

The Compliance Officers ~~Workgroup~~ ~~workgroup~~ assists the ~~Chief Compliance Officer~~ CCO in maintaining an effective and broad-based program designed to prevent, monitor, and detect areas of non-compliance and, when necessary to fully meet compliance requirements, recommends corrective actions. The ~~Chief Compliance Officer~~ CCO may also include compliance officers from other risk areas as ex-officio members to assist the ~~Workgroup~~ ~~workgroup~~ in its efforts.

Element 2: Establish Standards of Conduct, Policies, & Procedures

The **establish standards** element of an effective compliance and ethics program refers to maintaining and publishing policies, procedures, and a code of conduct that addresses the risks of doing business and the expectations for the conduct of the workforce. [*Compliance Makes A Difference*, SCCE, 2014]. Under the FSG and BOG regulation, this element is expressed as follows:

The organization shall establish standards and procedures to prevent and detect criminal conduct. [FSG Element 1]

The Program shall be...reasonably designed to optimize its effectiveness in preventing or detecting noncompliance, unethical behavior, and criminal conduct, as appropriate to the institution’s mission, size, activities, and unique risk profile. [BOG 4.003(2)(a)]

The USF System establishes, maintains, and publishes policies which address the risks of doing business. USF System policies and regulations are published in a searchable, online database maintained by Office of the General Counsel. Procedures for core business processes are available via the Online Business Processes Library, available to USF System faculty, staff, administration employees, and temporary employees (“USF System employees”) through the myUSF portal.

The foundational standard of conduct for USF System employees is the Florida Code of Ethics for Public Officers and Employees (FCOE), Section 112.313 of the Florida statutes. Under the FCOE, USF System employees are prohibited or restricted from engaging in certain activities that create, or have the potential to create, a conflict of interest or conflict of commitment between their personal interests and the public responsibilities of the USF System. All USF System employees are public employees of the State of Florida and, therefore, are subject to the provisions of the FCOE. Guidance for USF System employees regarding compliance with the FCOE and related standards of conduct are provided in USF System Policy 0-027. This policy also proscribes employees’ disclosure and acknowledgment requirements concerning matters covered under the FCOE.

These established standards ensure the efficiency and effectiveness of our operations while addressing the intrinsic risks of doing business; and set expectations for USF System employee conduct.

Element 3: Create a Fair and Ethical Culture

The **create a fair and ethical culture** element of an effective compliance and ethics program involves establishing incentives tied to performance for the workforce, including leadership, to help create a tone where “doing the right thing” is evaluated and rewarded. Under the FSG and BOG regulation, this element is expressed as follows:

The organization’s compliance and ethics program shall be promoted and enforced consistently throughout the organization through (A) appropriate incentives to perform in accordance with the compliance and ethics program; and (B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.

[FSG Element 6]

The Chief Compliance Officer shall...promote and enforce the Program, in consultation with the president and board of trustees, consistently through appropriate incentives and disciplinary measures to encourage a culture of compliance and ethics. Failures in compliance or ethics shall be addressed through appropriate measures, including education or disciplinary action.

[BOG 4.003 (7)(g)9]

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USF System Compliance & Ethics Program Plan

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Institutions must ensure that their workforce adhere to the institution's policies and procedures with respect to internal controls and compliance, including adherence to high ethical standards. As a starting point, our institutions' compliance and internal controls infrastructure must be strong enough to underpin these incentives. Compliance "happens" when employees *understand* their obligations, are *able* to meet their obligations, and are *willing* to comply. Incentives impact risk. Institutions ~~via their risk and compliance controls~~ can better incentivize employees' compliance via their risk and compliance controls in several ways:

- Be clear about expectations.
- Reward managers who achieve compliance.
- Reward managers who cultivate a culture of compliance.
- Make strong compliance an advertised goal.

All USF ~~System~~ and related-entity employees are responsible for detecting and reporting known or suspected waste, fraud, or financial mismanagement. This responsibility also extends to business entities conducting business with ~~the USF System~~. ~~The USF~~ Our institution System strives to identify and promptly investigate any possibility of wasteful, fraudulent, or related dishonest activities against ~~the USF System~~ or its students and employees; and to take appropriate disciplinary or legal action. Anyone found to have engaged in wasteful or fraudulent conduct, including financial mismanagement, are subject to disciplinary action up to and including dismissal or expulsion and civil or criminal prosecution under USF ~~System~~-Regulation USF5.001. USF ~~System~~ employees who deliberately, willfully, and knowingly make false accusations are subject to disciplinary action up to and including dismissal.

Element 4: Open Lines of Communication

The **open lines of communication** element of an effective compliance and ethics program refers to establishing an anonymous or confidential reporting line/hotline for misconduct and surveying the workforce for feedback. Under the FSG and BOG regulation, this element is expressed as follows:

The organization shall take reasonable steps to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation. [FSG Element 5C]

The Program shall require the university, in a manner which promotes visibility, to publicize a mechanism for individuals to report potential or actual misconduct and violations of university policy, regulations, or law, and to ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in

good faith. If the chief compliance officer determines the reporting process is being abused by an individual, he or she may recommend actions to prevent such abuse. [BOG 4.003(7)(e)]

USF ~~System~~ Regulation USF5.001 assigns responsibility to all levels of USF ~~System~~ management, their employees, and related-entity employees to prevent, detect, and report waste, fraud, financial mismanagement, or other violations of USF ~~System~~ policy or regulation. These responsibilities are assigned as described below:

USF ~~System~~ management must be familiar with the types of improprieties that may occur in their areas of responsibility and must be alert for any indication of wasteful, fraudulent, or dishonest acts. “Risk ownership” for such activities resides with each USF ~~System~~ vice president or chancellor; therefore, each is responsible for ensuring a system of internal controls is established and maintained which provides reasonable assurance that improprieties are prevented within their respective area. USF ~~System~~ management is also required to establish and follow internal controls necessary for their operations.

USF ~~System~~ and related-entity employees are required to immediately report suspected wasteful, fraudulent, or dishonest acts which are suspected, observed, or made known to them. USF ~~System~~ and related-entity employees must either anonymously report the acts in EthicsPoint, our anonymous reporting hotline, or to their supervisor. When there is a known or suspected conflict of interest with the entity to whom the regulation directs the employee to report, then the regulation provides alternative individuals or units to whom the employee must report.

EthicsPoint—a third party hosted hotline—enables USF ~~System~~ employees to safely, securely, and anonymously report activities which may involve misconduct, fraud, abuse, and other violations of USF policies. EthicsPoint may be accessed online or by contacting the hotline by telephone. The ~~Chief Compliance Officer~~ CCO is responsible for the management of EthicsPoint.

In addition to anonymous reporting in EthicsPoint, ~~the~~ USF ~~System~~ provides its employees with a confidential resource via ombuds with whom they can discuss concerns regarding their experience at our institution and explore alternatives for how to best address those concerns. Our ombuds provide independent, impartial, informal, and confidential professional resources to our employees.

The USF ~~System~~ Ombuds Office provides ombuds services to all USF ~~System~~ employees. The Ombuds Office at USF St. Petersburg (USFSP) provides ombuds services to faculty, staff, administration, and temporary employees at USFSP.

The USF ~~System~~ publicizes EthicsPoint and employee ~~Ombuds-ombuds~~ services via the following mechanisms:

- Including EthicsPoint, ~~OmbudsOmbuds Office~~, Regulation USF5.001, and USF ~~System~~ Policy 0-027 education and training ~~during their the~~ Compliance & Ethics ~~session~~ ~~portion~~ of New Employee Orientation;
- Displaying EthicsPoint ~~Posters-posters~~ prominently throughout our campuses; and
- Including EthicsPoint information ~~is as~~ part of the training component of the FCOE disclosure form, completed annually by the following USF ~~System~~-employee ~~position~~ types: all faculty; all administration employees; and any staff or temporary employees issued a procurement card or role in FAST, our financial system.

Element 5: Education and Training

The **education and training** element of an effective compliance and ethics program refers to conducting training programs that cover regulatory requirements, the roles of the workforce, and areas of risk. Under the FSG and BOG regulation, this element is expressed as follows:

The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program, to members of the governing authority, high-level personnel, substantial authority personnel, the organization's employees, and, as appropriate, the organization's agents by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities. [FSG Element 4]

University employees and board of trustees' members shall receive training regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. The Program plan shall specify when and how often this training shall occur. [BOG 4.003(7)(b)]

USF ~~System~~-employees receive training regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. This training occurs as described below.

A. Compliance ~~& and~~ Ethics Training for New Employees

~~The Program~~ Compliance & Ethics delivers compliance and ethics training to new USF ~~System~~ employees as part of employee onboarding programs administered by the Division of Human Resources. All new administration and staff employees are encouraged to attend orientation, called "Welcome to USF". At USF Tampa, these sessions are held every two weeks and coincide with USF Tampa's new administration and staff employee hiring cycles. At USF St. Petersburg, these trainings are held periodically throughout the year, the frequency of which is based on the volume of new hires. At USF Sarasota-Manatee, this information is provided as part of ~~their~~ new employees' one-on-one orientation with their HR department, due to the low volume of new hires relative to ~~USF the~~ Tampa and ~~USFSP.St.~~ Petersburg campuses.

B. Compliance ~~& and~~ Ethics Training for Current Employees

Certain USF ~~System~~ employees are required to complete an annual FCOE disclosure in eDisclose, our online disclosure and review system. This annual disclosure includes FCOE, nepotism, and outside activity trainings as well as a mechanism for the disclosure, review, and, when warranted, implementation of mitigation strategies for potential and actual conflicts of interest under the FCOE or USF ~~System~~ Policy 0-027. An annual FCOE disclosure is required of the following employee position types, which equates to approximately 6,700 employees each year:

- All current Faculty
- All current Administration employees
- All current Staff employees issued a procurement card (PCard) or FAST role.
- All current temporary employees issued a PCard or FAST role.

~~The~~ Compliance & Ethics ~~Program~~ does not provide compliance ~~& and~~ ethics training to new staff or temporary employees who do not have a financial role for ~~the~~ USF ~~System~~; that is, they have not been issued a PCard or FAST role.

C. Compliance ~~& and~~ Ethics Training for BOT Board of Trustees Members

Members of the Board of Trustees' ~~members~~ receive compliance training regarding their responsibility and accountability for ethical conduct and compliance on an annual basis or at the request of the Chair.

Element 6: Detection, Remediation, and Enforcement

The **detection, remediation, and enforcement** element of an effective compliance and ethics program refers to screening employees to ensure they have not been involved in criminal activity, establishing sanctions for non-compliance with organizational standards and the law, taking immediate action to address misconduct, and making corrective actions to prevent recurrence. Under the FSG and BOG regulation, this element is expressed as follows:

The organization shall use reasonable efforts not to include within the substantial authority personnel of the organization any individual whom the organization knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program. [FSG Element 3]

After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program. [FSG Element 7]

The university shall use reasonable efforts not to include within the university and its affiliated organizations individuals whom it knew, or should have known (through the exercise of due diligence), to have engaged in conduct not consistent with an effective Program. [BOG 4.003(8)]

As part of its efforts to create a safe work and study environment, ~~the USF System~~ requires a criminal history background check be conducted on prospective employees as a condition of employment under ~~USF System~~ Policy 0-615 as follows:

Level 1 background checks are performed on all prospective employees as a condition of employment. A "Level 1 background check" is a background check that includes an employment history check, a nationwide criminal history background check through validated national database sources, and a check of the National Sex Offenders Public Website. It may also include a local criminal record check through local law enforcement agencies.

Level 2 background checks are performed on prospective employees where required by law or internal procedure. A "Level 2 background check" is a background check that includes a state or national fingerprint-based check in addition to the requirements of a Level 1 background check.

Current employees must report any conviction which occurs during their employment with USF to Human Resources. Human Resources may authorize a criminal history background check on current employees if required by law or if there is a reasonable belief that the

[Office of Compliance & Ethics Program Plan | 11](#)

[USF System Compliance & Ethics Program Plan](#)

[USF System Compliance-Ethics Program P1an-20170706.docx](#)

11

employee has been convicted of a crime without reporting it to Human Resources. Where required by law, administrative rule, internal procedure, or administrative requirement or mandate, periodic Level 2 background check rescreens may be performed. If a criminal history background check on a current employee reveals any conviction of a felony or first degree misdemeanor, the individual will be separated from employment, unless the individual shows that the report is in error.

Element 7: Risk Assessment, Audit, & Monitoring

The **risk assessment, audit, and monitoring** element of an effective compliance and ethics program refers to finding and evaluating operational and organizational risks and taking steps to minimize those risk areas. This element includes ongoing testing of ~~the~~ controls established to minimize risks and ensure ~~the~~ controls are working. Under the FSG, this element is expressed as follows:

The organization shall take reasonable steps—to ensure that the organization’s compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct. [FSG Element 5(A)]

A. ~~USF System~~ Enterprise-Wide Risk Assessments

Every three years since 2011, the ~~USF System~~ Compliance & Ethics Program has coordinated and facilitated an enterprise-wide risk assessment for ~~the USF System~~ as part of the Enterprise Risk Management (ERM) program. ERM is an institution-wide or holistic approach to ~~the~~ risk management. “Risk Management” is a process that defines how our organization does the following:

- Identifies risks to the achievement of goals and objectives~~;~~
- Measures the significance of each identified risk~~;~~
- Determines the most appropriate business response to each risk~~;~~ and
- Evaluates and reports on how well the chosen responses are carried out.

A ~~USF System~~-level risk assessment is performed by upper-level management and their teams via the following actions:

- Define the major activities their area performs to achieve goals and objectives~~;~~
- Identify the essential processes used in each major activity~~;~~ and
- Rank each process with respect to its impact on the achievement of goals and objectives and the probability ~~that~~ the process will fail to contribute to that achievement.

B. Auditing and Monitoring Risks

~~USF System Audit~~The Office of Internal Audit (“Internal Audit”) is available to consult with USF ~~System~~ management to assist in establishing effective internal controls and recognizing improper conduct. As part of their annual work plan, ~~USF System~~Internal Audit performs audits which test ~~the~~ internal controls established by USF ~~System~~ management. When deficiencies through such testing are found, ~~USF System~~Internal Audit collaborates with USF ~~System~~ management in developing actionable steps to implement effective internal controls which are consistent with applicable federal or state law, USF ~~System~~ policies and procedures, and industry best practices. ~~USF System~~Internal Audit then follows up with management to verify the corrective and preventative measures are implemented in a timely fashion.

~~The USF System~~ Compliance & Ethics Program is available to perform compliance reviews, risk assessments, and other consulting projects when compliance gaps are known or suspected. Compliance gaps can arise when ~~the~~ USF ~~System~~ has no known internal controls or the existing controls are not consistent with the law or industry best practices. Such reviews, assessments, and projects performed by ~~the~~ ~~Program~~Compliance & Ethics aim to bring the process or unit into compliance and, thereby, mitigate risk to the institution.

All USF ~~System~~ employees with compliance responsibilities, particularly those in high-risk areas, are responsible for monitoring their unit’s internal controls. Monitoring involves pointing out errors, omissions, exceptions, and inconsistencies in procedures, and working with their team members to implement corrective and preventative measures. In this way, unit compliance officers assist the ~~Chief Compliance Officer~~CCO in maintaining an effective and broad-based program designed to prevent, monitor, and detect areas of non-compliance and, when necessary to fully meet compliance requirements, implement corrective action.

Element 8: Assessment of Effectiveness

The **assessment of effectiveness** element of an effective compliance and ethics program refers to evaluating the compliance program elements and how well they are being met. Under the FSG and BOG regulation, this element is expressed as follows:

The organization shall take reasonable steps—to evaluate periodically the effectiveness of the organization’s compliance and ethics program.
[FSG Element 5B]

The Program shall address the following components... The president and board of trustees shall be knowledgeable about the Program and shall exercise oversight with respect to its implementation and effectiveness. The board of trustees shall approve a Program plan and any subsequent changes. A copy of the approved plan shall be provided to the Board of Governors. [BOG 4.003 (7)(a)]

The Chief Compliance Officer shall... report at least annually on the effectiveness of the Program. Any Program plan revisions, based on the chief compliance officer's report shall be approved by the board of trustees. A copy of the report and revised plan shall be provided to the Board of Governors. [BOG 4.003 (7)(g)8.]

Under BOG Regulation 4.003, the ~~USF System Chief Compliance Officer (CCO)~~ is required to provide an ~~Annual annual~~ USF ~~System~~ Compliance & Ethics ~~Program-program Report report~~ ("Annual Report") on the effectiveness of the ~~Program-program~~ to the ~~USF~~ Board of Trustees. Any ~~Program-program Plan-plan~~ revisions, based on the CCO's Annual Report, must be approved by the ~~USF~~ Board of Trustees. Copies of the Annual Report and revised ~~Program-Planprogram plan~~ are provided to the ~~Florida~~ Board of Governors.

Program Plan: Preparation, Review, & Approval

The Board of Trustees shall approve a ~~Program-Planprogram plan~~ and any subsequent changes. A copy of the approved plan shall be provided to the Board of Governors. [BOG 4.003(7)(a)]

The ~~USF System Chief Compliance Officer~~CCO and ~~Compliance & Ethics~~ staff ~~is are~~ responsible for developing and implementing the ~~USF System~~ Compliance & Ethics ~~Program-Planprogram plan~~. The ~~Chief Compliance Officer~~CCO is responsible for routinely communicating to the Board of Trustees and USF ~~System~~ President regarding ~~Program program~~ activities and providing an ~~Annual-Reportannual report~~ on the effectiveness of the ~~Programprogram~~. Any ~~Program-Planprogram plan~~ revisions, based on the ~~Chief Compliance-officer's~~ CCO's routine or annual reporting, shall be reviewed and approved by

the ~~USF~~ Board of Trustees. A copy of the approved ~~Program Plan~~program plan and any subsequent changes shall be provided to the Florida Board of Governors.

~~Brian D. Lamb~~Jordan B. Zimmerman, Chair, USF
Board of Trustees

Approved on: _____

~~Judy L. Genshaft~~Steven C. Currall, USF President

Approved on: _____

~~Jeffrey A. Muir~~Caroline B. Fultz-Carver, Chief
Compliance Officer

Approved on: _____

Agenda Item: IIIId

USF Board of Trustees
September 8, 2020

Issue: USF Office of Internal Audit (IA) Work Plan for FY 2021

Proposed action: Approval of the IA Work Plan and allocation of available staff hours.

Executive Summary: In accordance with the IA Charter, the USF Board of Trustees' Audit and Compliance Committee and the President have the responsibility to review approve the IA Work Plan. Additionally, the International Standards for the Professional Practice of Internal Auditing (Standards), Board of Governors' regulations, and the IA Charter require the Chief Audit Executive to communicate the plans and resource requirements to senior management and to the board for review and approval. Given the uncertainty of the current pandemic crisis and its continued impact on University operations, Internal Audit modified its risk assessment activities, shortened its work plan forecast to one year, and budgeted for flexibility with specific time for emerging risks.

The Board should consider whether the IA Work Plan is aligned with the USF's strategic plans, objectives, and enterprise risk. Consider whether this plan optimizes the use of IA resources and the value added by the audit activity in the following areas: results of operations, programs, or projects, including accomplishment of objectives and effective use of resources; reliability and integrity of financial and operating information; compliance with policies, laws, regulations, and ethical standards; the means to safeguard assets; loss prevention; fraud detection; and process improvement.

Financial Impact: N/A

Strategic Goal(s) Item Supports: Goal 4: Sound financial management to establish a strong and sustainable economic base in support of USF's continued academic advancement.

BOT Committee Review Date: Audit & Compliance - 8/25/2020

Supporting Documentation Online (please circle): Yes No

FY21 IA Work Plan Final 082520.pdf

Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor, USF Internal Audit



Work Plan Fiscal Year 2021		% of Effort	Total Hours
DIRECT SERVICES			
<i>Audit Services</i>			
Core Processes:			
Payroll			800
Attractive Assets			500
Procure to Pay (Jaggaer)			600
Academic Areas:			
PBF Data Integrity			300
Preeminence Data Integrity			500
Research:			
Human Subjects Regulations			60
Information Technology:			
USFH IT Access Controls			250
Cloud Computing			700
USFH IT			700
COVID-19:			
CARES Act Student Financial Aid			500
CARES Act Institutional Aid			500
Emerging Risks:			
Non IT - TBD			600
IT - TBD			690
<i>Follow-up; Coordinate External Audits</i>			500
	<i>Subtotal</i>		7,200
<i>Consulting Services</i>			
USFH Compliance Assessment Validation			600
Other Consulting - compliance, financial, IT			452
<i>Investigations @ 10%</i>			2,080
<i>Contingency @ 7%</i>			1,500
TOTAL DIRECT SUPPORT		57%	11,832
INDIRECT SUPPORT			
University Meetings, In-House Training, Professional Orgs Administration			1,080
			2,814
TOTAL INDIRECT SUPPORT		19%	3,894
OTHER			
CPE			390
Holidays			872
Leave (Annual/Sick)			3,316
Vacancy			496
TOTAL OTHER		24%	5,074
TOTAL HOURS AVAILABLE (CAE + 9 STAFF)		100%	20,800

Agenda Item: IVa

**USF Board of Trustees
Audit & Compliance Committee
August 25, 2020**

Issue: USF Office of Internal Audit (IA) Annual Report for 2019-20

Proposed action: Informational

Executive Summary:

The IA Work Plan for FY 2019 and FY 2020 was approved by the Audit & Compliance Committee on May 22, 2018. This Annual Report describes the internal audit, consulting, and investigative activities and allocation of resources as compared to year two of the two-year Work Plan.

In FY 2020, the audit team completed 9 audits, including 2 Information Technology projects, 4 consulting projects, and 25 investigations. Project summaries are included in the report. Additionally, semi-annual reports were produced summarizing the status of management's implementation of IA's recommendations.

As part of the department's Quality Assurance and Improvement Program (QAIP), internal assessments performed throughout the year confirmed Audit's conformance with the Institute of Internal Auditors' International Standards for the Professional Practices of Internal Auditing and Code of Ethics.

Financial Impact: N/A

Strategic Goal(s) Item Supports: Goal 4: Sound financial management to establish a strong and sustainable economic base in support of USF's continued academic advancement.

BOT Committee Review Date: Audit & Compliance - 08/25/2020

Supporting Documentation Online (please circle): Yes No

Annual Report Overview Final 082520.ppt
19-20_Audit_Annual_Report_FR 082520.pdf

Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor, USF Internal Audit

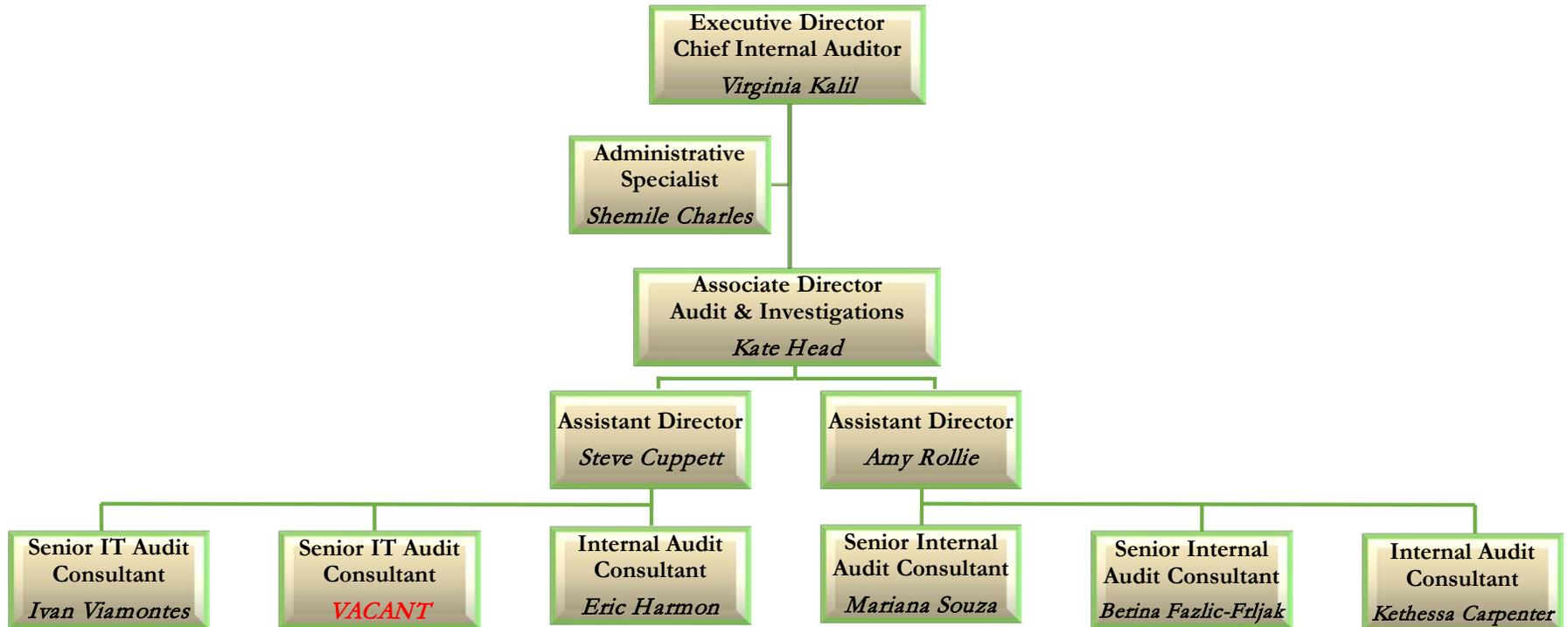
Annual Report FY2019-20

Virginia L. Kalil
Executive Director/Chief Internal Auditor

Audit & Compliance Committee | August 25, 2020



Organizational Chart



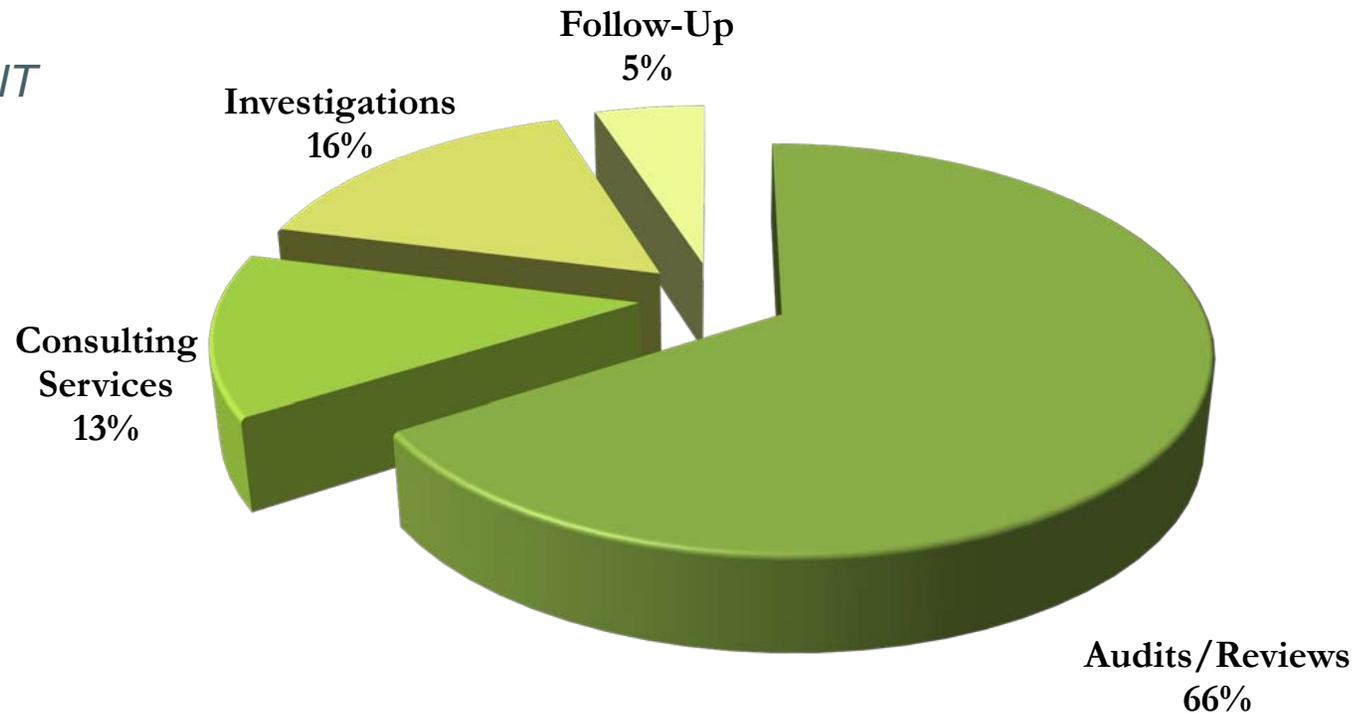
Direct Services Highlights

Completed

- 9 audits, including 2 IT projects
- 4 consulting projects
- 25 investigations

In Progress

- 2 audits
- 11 investigations



Audits – Core Processes & Academic Areas

- Performance-Based Funding Data Integrity
- Preeminence Data Integrity
- College of Behavioral and Community Sciences
- College of Hospitality and Tourism Leadership
- Morsani College of Medicine Risk Assessment
- Morsani College of Medicine Department of Internal Medicine Business Operations

Audits – Governance, Research & IT

- Recharge Center and Core Facility Operations
- USF Health Information Technology General Controls
- Information Technology (IT) Governance

Recommendations & Implementations

- Categories:
 - *Assignment of Responsibility*
 - Authorization: Adequacy & Timeliness
 - *Compliance with Federal Laws*
 - *Compliance with State and Local Laws*
 - Effective & Efficient Operations
 - IT: Confidentiality, Integrity, & Availability of Data
 - Reporting: Accuracy, Completeness, & Timeliness
 - Safeguarding of Assets
 - Separation of Duties
 - Training & Guidance: Accuracy, Completeness, & Timeliness
- 43% implementation rate of audit recommendations

Quality Assurance & Improvement Program

- Internal assessments confirmed conformance with IIA Standards
- External assessment required every five years and last one conducted in 2018 confirmed conformance with IIA Standards



2019-20 ANNUAL REPORT

Office of Internal Audit



UNIVERSITY of
SOUTH FLORIDA
Office of Internal Audit

EXECUTIVE SUMMARY

It is my pleasure to present the USF Office of Internal Audit's (IA) Annual Report for fiscal year 2019-20. Internal Audit finished year two of its two-year work plan completing:

- ✓ *nine audits, including two related to Information Technology (IT),*
- ✓ *four consulting projects, and*
- ✓ *25 investigations.*

Also, projects in progress at year-end included:

- *two audits, and*
- *11 investigations.*

Additionally, due to limited resources and additions to the plan, two audits planned for the year were deferred and the associated risks reevaluated for inclusion in the next work plan.

The IA team's efforts throughout the year assisted university 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 institutional 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.

Demonstrating their commitment to excellence, university leadership responded to improve the control environment. Semi-annual reports were distributed summarizing university leadership's average implementation of the audit recommendations open during the fiscal year to be 43%.

Along with the internal work performed, the team continued to support external services received from the State Auditor General and the Board of Governors' Office of Inspector General and Compliance. Also, IT audit services were provided at the request of USF

Health Care for approximately an 0.8 full-time resource equivalent.

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) and Code of Ethics. Additionally, an external assessment, which is required at least once every five years, was performed in 2018. Based on the external assessment, it was determined IA "generally conforms" to the IIA Standards and Code of Ethics, which is the highest level of achievement in the assessment process.

The IA team also celebrated several professional achievements this year including one team member attaining their Certified Internal Auditor (CIA) designation and another team member becoming a Certified Cloud Security Professional. 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. Additionally, two team members participated in USF's Post-Crisis Leadership Certificate program developed to assist professionals in navigating the current crisis environment. Lastly, in support of the profession, the team provided subject matter experts to share their knowledge and experience at five conferences or training events during the year.

Congratulations to the team for a job well done! Thank you to the BOT, 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 Fraud Examiner
- Certified Information Systems Auditor
- Certified in Risk and Information Systems Control
- BS Accounting, USF

Kate Head, Associate Director

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

Steve Cuppett, Assistant Director

- Certified Public Accountant
- Certified Internal Auditor
- Certified Information Systems Auditor
- Master of Accountancy, USF
- BS Accounting, USF

Amy Rollie, Assistant Director

- Certified Public Accountant
- Certified Fraud Examiner
- Master of Accountancy, USF
- BS Accounting, USF

Mariana Souza, Senior Audit Consultant

- Certified Accountant, Brazil
- Master of Control/Finance, Universidad de Brasilia, Brazil
- Bachelor of Accounting, Universidad de Brasilia, Brazil

Olu Abiose, Senior Information Technology Audit Consultant

- Certified Information Systems Auditor
- Microsoft Certified Systems Engineer
- Certified in Risk and Information Systems Control
- Certified Information Security Manager
- HealthCare Information Security and Privacy Practitioner
- Certified Cloud Security Professional
- Information Technology Infrastructure Library Certified
- MBA, Creighton University
- MS Information Technology Management, Creighton University
- BS Accounting, University of Ilorin

Ivan Viamontes, Senior Information Technology Audit Consultant

- Certified Public Accountant
- Certified Information Systems Auditor
- Certified Information Systems Security Professional
- MBA, University of South Florida
- BS Business in Accounting and MIS, University of South Florida

Berina Fazlic-Frljak, Senior Audit Consultant

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

Eric Harmon, Audit Consultant

- Certified Public Accountant
- Certified Internal Auditor
- Certification in Control Self-Assessment
- MBA, University of Florida
- BSBA Finance, University of Florida

Kethessa Carpenter, Audit Consultant

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

Shemile Charles, Executive Administrative Specialist

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



2020 Internal Audit (IA) Team

Standing (L-R): Eric Harmon, Mariana Souza, Olu Abiose, Kate Head, Steve Cuppett, Virginia Kalil, Jolanda Thompson (former IA), Jeff Muir (Compliance & Ethics), Ivan Viamontes, Shemile Charles, Amy Rollie, Berina Fazlic-Frljak, Kethessa Carpenter, and Caroline Fultz-Carver (Compliance & Ethics)

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MISSION, PURPOSE, AND ORGANIZATION

USF Office of Internal Audit (IA) provides the University of South Florida (USF) with independent and objective assurance and advisory services that promote stewardship, accountability, integrity, efficiency, and compliance. These services assist the University in evaluating and improving risk management, control, compliance, and governance processes.

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. 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 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 \(the "IIA Standards"\)](#). 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 System Policy 0-023 Internal Control](#).

USF Health (USFH) Information Technology (IT) General Controls

IA reviewed the IT general controls in place at USFH related to logical access to key clinical and non-clinical systems; network security; data center controls; backup and recovery; and disaster recovery and business continuity. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

College of Behavioral and Community Sciences

IA reviewed the design and effectiveness of the administrative and financial controls related to the College of Behavioral and Community Sciences. The audit focused on those controls performed by the college, including organizational structure, revenues, expenditures, journal entries, property, payroll and human resources, research, USF Foundation activity, and USF Research Foundation activity.

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 six risks identified, to ensure USF financial systems of record are fully utilized, assignment of responsibilities for key business processes are appropriately divided among employees to achieve proper separation of duties, and business processes related to reconciliations, entitlement reviews, and the securing of funds are formalized and documented.

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 controls in place, assuming corrective actions are taken timely to address the one risk identified related to identifying repeated course work used toward a student's degree.

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 nine of the 12 metrics (Metrics A-E and I-L) assuming corrective action is taken timely to address the one risk identified related to enhancing oversight of survey data used in the preeminence metrics.

Regarding the remaining three metrics (F-H), all relying on data from the National Science Foundation (NSF) Higher Education Research & Development (HERD) survey, IA concluded the system of internal controls in place was inadequate. Recommendations were made to address the one risk identified related to data governance over the HERD survey. Additionally, IA's 19-020 Institutional Data Reporting consulting review made recommendations to address risks identified related to the inclusion of affiliated expenditures

in the HERD survey, as well as data governance concerns.

Recharge Center and Core Facility Operations

IA reviewed the design and effectiveness of the controls related to Recharge Center and Core Facility Operations. The focus of this audit was to determine whether controls in place ensure billing rates were adequately calculated and supported; billing activities were accurate, complete, and timely; and recharge center and core facility operations were in compliance with federal regulations.

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 four risks identified related to centralized guidelines, Educational Business Activity authorization procedures, centralized monitoring activities, and interdepartmental billing journal entry documentation and approvals.

IT Governance

IA reviewed IT Governance with the primary objective to determine if the leadership, organizational structures, policies, and processes that were in place ensure IT is effectively governed to support the University's strategies and objectives. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

College of Hospitality and Tourism Leadership

IA reviewed the design and effectiveness of the administrative and financial controls related to the College of Hospitality & Tourism Leadership. The audit focused on those controls performed by the college, including organizational structure, revenues,

expenditures, journal entries, property, payroll and human resources, research, USF Foundation activity, and USF Research Foundation activity.

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 risks identified, to ensure assignment of responsibilities for key business processes are appropriately divided among employees to achieve proper separation of duties; business processes related to reconciliations, educational business activity reviews and monitoring, payroll, and procurement are formalized and documented; and controls are established to ensure the safeguarding of the college's Café funds.

Morsani College of Medicine (MCOM) Risk Assessment

IA performed a college-wide risk assessment in order to prioritize audit efforts for the MCOM. Risk rankings were assigned to the college's academic and administrative departments, centers, and institutes based on governance-related, compliance-related, and financial-related risks.

Based on the risk assessment, the highest risk-ranked departments included: the Health Informatics Institute, Internal Medicine, Molecular Pharmacology and Physiology, and the Dean's Office. The risk ranking will be utilized in prioritizing audit efforts within MCOM.

MCOM Department of Internal Medicine Business Operations

IA reviewed the design and effectiveness of the administrative and financial controls related to the MCOM Department of Internal Medicine. The audit focused on those controls performed by the Department, including organizational structure, revenues, expenditures, journal

entries, property, payroll and human resources, research, USF Foundation activity, and USF Research Foundation activity.

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 risks identified related to documentation of reconciliations; separation of duties for procurement responsibilities; monitoring of auxiliary activities; system access; and monitoring attractive assets.

INFORMATION TECHNOLOGY

Fifty percent (50%) 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.

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 performed IT audits of USFH IT General Controls and IT Governance.

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 the College of Behavioral and Community Sciences, 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.

The following four consulting projects were undertaken this year:

- ✓ Institutional Data Reporting
- ✓ Athletics Inventory Management
- ✓ Procure-to-Pay Technology
- ✓ Tampa General Hospital Health Insurance Portability and Accountability Act Risk 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.

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, or directly from an individual. Concerns may also be 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. That is why 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 46 such reports of complaints, allegations, or concerns received by IA, 10 were referred to other units and 11 remained open as of June 30, 2020. Of the 25 completed investigations, two were substantiated and seven resulted in recommendations to improve the control environment. The substantiated recommendations related to inappropriate use of USF property and a conflict of interest related to the procurement of contractual services.

FOLLOW-UP ACTIVITY

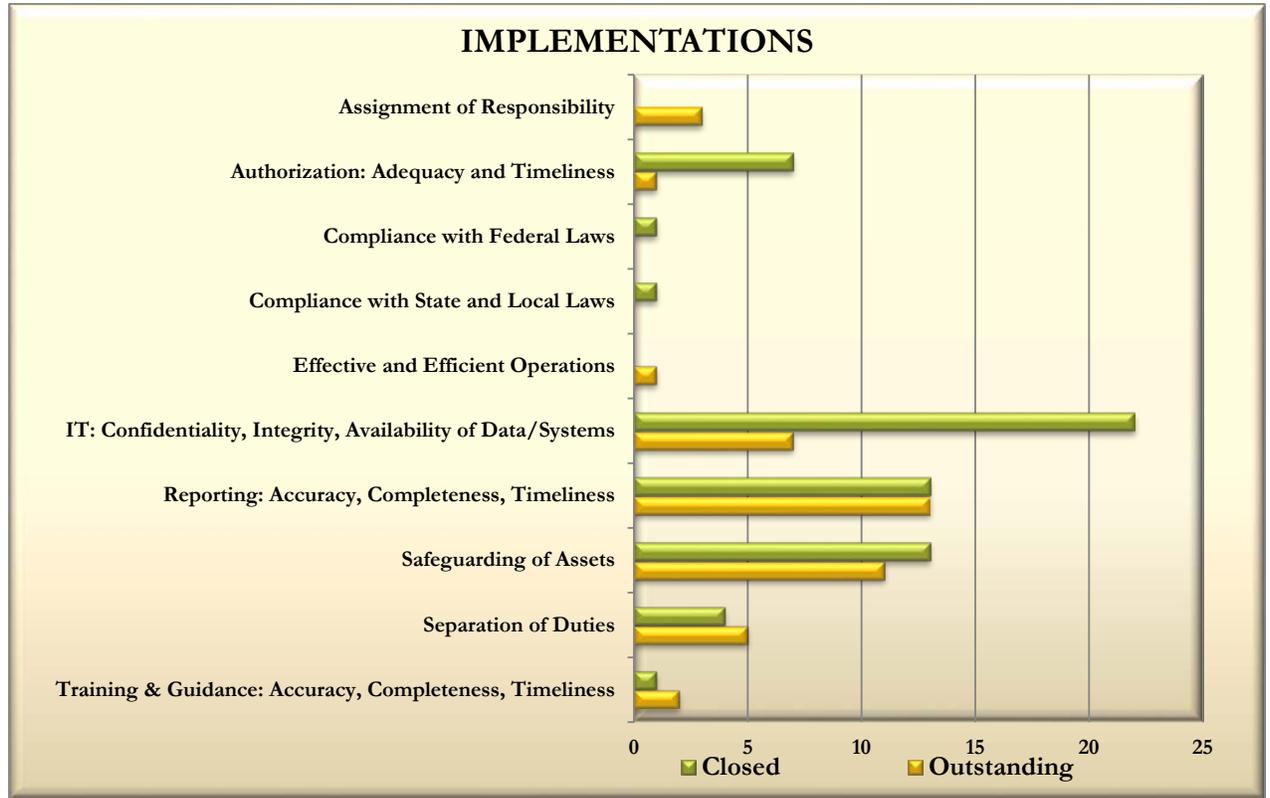
In accordance with IIA Standards, IA follows up on all IA recommendations to determine if corrective actions have been taken. Utilizing a web-based tracking system, university leadership can continuously update the status of

their corrective actions, including action plans and target implementation dates, and IA can efficiently and effectively monitor their progress. Two Follow-Up Reports, covering activity from July 1 through December 31, 2019, and January 1 through June 30, 2020 were issued during the fiscal year demonstrating an average implementation rate of 43%.

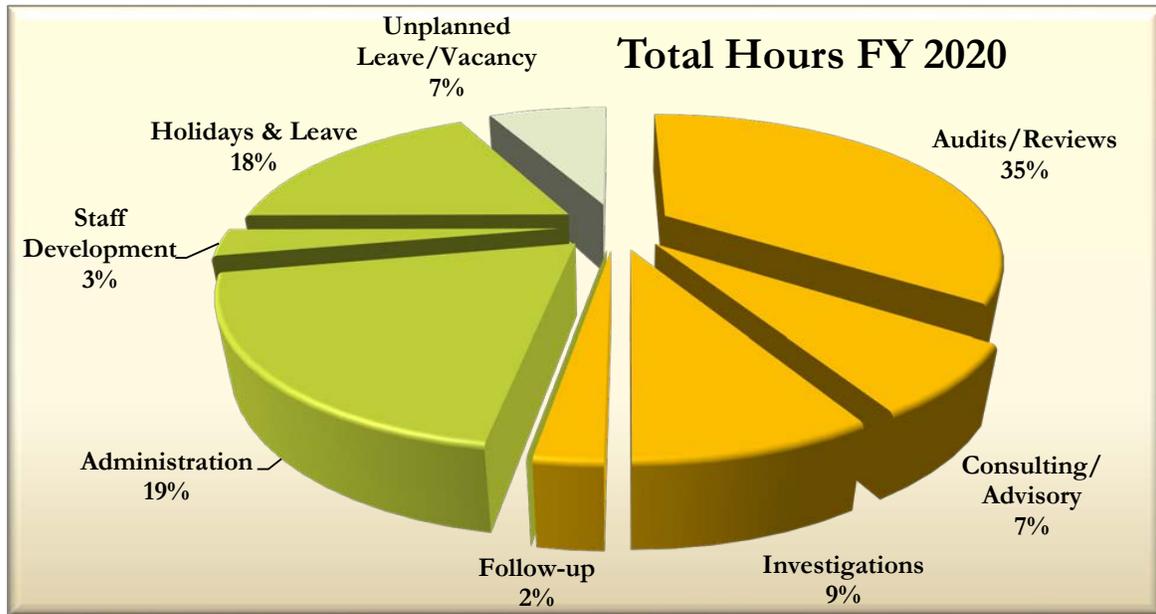
During this fiscal year, leadership implemented corrective actions related to open recommendations in the following categories:

- Assignment of Responsibility
- Authorization: Adequacy & Timeliness
- Compliance with Federal Laws
- Compliance with State and Local Laws
- Effective & 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.



ACTIVITY ANALYSIS



PROJECT	BUDGET	%	ACTUAL	%
DIRECT SERVICES:				
Audits/Reviews	7,900	38%	7,233	35%
Consulting/Advisory	500	2.5%	1,459	7%
Investigations	2,080	10%	1,742	9%
Follow-up	500	2.5%	489	2%
Contingency	1,500	7%	0	0%
<i>Total Direct Services</i>	<i>12,480</i>	<i>60%</i>	<i>10,923</i>	<i>53%</i>
OTHER:				
Administration	4,220	20%	4,043	19%
Staff Development	400	2%	612	3%
Holidays & Leave	3,700	18%	3,663	18%
Unplanned Leave/Vacancy	0	0%	1,559	7%
<i>Total Other</i>	<i>8,320</i>	<i>40%</i>	<i>9,877</i>	<i>47%</i>
TOTAL	20,800	100%	20,800	100%

IA’s direct services include activities related to the performance of audits, consulting and advisory projects, investigations, and follow-up. The fiscal year (FY) 2020 work plan budgeted 60% of IA’s resources for direct services. Actual direct services of 53% fell less than budget due to a 7% loss of resources related to unplanned leave and vacancies. Direct services for resources in place during the fiscal year was 57%.

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 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. Periodic internal assessments were performed throughout the audit processes to confirm conformance with IIA Standards and Code of Ethics. Additionally, an external assessment, which is required at least once every five years, was performed in 2018. Based on the external assessment, it was determined Audit **“generally conforms”** to the [IIA Standards](#) and [Code of Ethics](#), which is the highest level of achievement in the assessment process. The full report, USF Internal Audit Self-Assessment with Independent Validation, was issued on June 29, 2018, and is available on our website at www.usf.edu/audit/publications.

PROFESSIONAL ACTIVITIES

IA is proud of the experience and professionalism of its staff. During 2019-20, 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 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 speaking engagements, conferences, and specified training events with ACUA, the IIA, the AIG, and the MIS Training Institute.

The team was also proud to celebrate one team member attaining their Certified Internal Auditor (CIA) designation and another team member becoming a Certified Cloud Security Professional. Additionally, 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.

Lastly, two team members participated in USF’s Post-Crisis Leadership Certificate program developed to assist professionals in navigating change and transitioning out of crisis. This timely program will strengthen the team’s foundation for the upcoming year.

UPCOMING YEAR

The Work Plan for fiscal year 2021 was approved by the BOT ACC on August 25, 2020. Given the uncertainty of the current pandemic crisis and its continued impact on University operations, IA modified its risk assessment activities, shortened its work plan forecast to one year, and budgeted for flexibility with more specific time for emerging risks.

The IA Work Plan is aligned with USF’s strategic plans, objectives, and enterprise risk, 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 Year 2021		% of Effort	Total Hours
DIRECT SERVICES			
<i>Audit Services</i>			
Core Processes:			
Payroll			800
Attractive Assets			500
Procure to Pay (Jaggaer)			600
Academic Areas:			
Performance-Based Funding Data Integrity			300
Preeminence Data Integrity			500
Research:			
Human Subjects Regulations			60
Information Technology:			
USFH IT Access Controls			250
Cloud Computing			700
USFH IT			700
COVID-19:			
CARES Act Student Financial Aid			500
CARES Act Institutional Aid			500
Emerging Risks:			
Non IT - TBD			600
IT - TBD			690
<i>Follow-up; Coordinate External Audits</i>			500
	<i>Subtotal</i>		7,200
<i>Consulting Services</i>			
USFH Compliance Assessment Validation			600
Other Consulting - compliance, financial, IT			452
<i>Investigations @ 10%</i>			2,080
<i>Contingency @ 7%</i>			1,500
TOTAL DIRECT SUPPORT		57%	11,832
INDIRECT SUPPORT			
University Meetings, In-House Training, Professional Orgs Administration			1,080
			2,814
TOTAL INDIRECT SUPPORT		19%	3,894
OTHER			
CPE			390
Holidays			872
Leave (Annual/Sick)			3,316
Vacancy			496
TOTAL OTHER		24%	5,074
TOTAL HOURS AVAILABLE (CAE + 9 STAFF)		100%	20,800

Approved by the USF Board of Trustees Audit and Compliance Committee on August 25, 2020



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