



**USF Board of Trustees
Audit & Compliance Committee
NOTES
August 25, 2020
Microsoft Teams Virtual Meeting**

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Nancy Watkins at 12:34pm. Chair Watkins asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Nancy Watkins, Sandra Callahan, Oscar Horton, and Byron Shinn. A quorum was established.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of February 18, 2020 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 February 18th meeting notes were unanimously approved as written.

b. Approval of Revised Compliance & Ethics Charter

Dr. Caroline Fultz-Carver, Chief Compliance Officer, presented revisions to the Office of Compliance & Ethics (Compliance & Ethics) Charter. According to BOG regulation, the charter must be reviewed every three years for consistency with BOG and University regulations, professional standards, and best practices. The current charter has been reviewed in compliance with Board of Governors (BOG) Regulation 4.003. The majority of the edits were housekeeping in nature (unit names changes, title changes, etc.). In addition, there were two substantive suggested revisions. First, administrative reporting to the Chief Operating Officer (COO) was deleted from Section II to align the charter with BOG regulation as follows: Compliance & Ethics reports functionally to the BOT Audit & Compliance Committee and administratively to the President. Second, Section IV was added to the charter to codify within the charter our professional standards.

Chair Zimmerman asked if the implementation of these changes would give Compliance & Ethics the independence they need to effectively carry out their duties. Dr. Fultz-Carver responded yes, and further noted that all we are doing here is putting into the charter what we have been doing in practice for years. Chair Zimmerman stated that the revised charter is solid and strong and puts us in a great position.

A motion was made to recommend to the full Board the revisions to the Compliance & Ethics Charter as presented. The motion was seconded and approved by all Committee members present.

c. Approval of Revised Compliance & Ethics Program Plan

Dr. Fultz-Carver presented revisions to the Compliance & Ethics Program Plan. These edits are similar to the charter in ensuring compliance of the Program Plan to BOG Regulation 4.003. As with the charter, the majority of the edits were housekeeping in nature (unit names changes, title changes, etc.) and there were two substantive suggested revisions. First, administrative reporting of the Chief Compliance Officer to the COO was deleted from Element I, Section C, to align the program plan with BOG requirements. Second, the regional chancellor was removed as co-chair of the Executive Compliance & and Ethics Council (ECEC) in Element I, Section D, as co-chairs are not as effective as single chair. The ECEC serves as the oversight committee for operational issues concerning the Compliance & Ethics Program – mainly for cross-jurisdictional compliance issues.

A motion was made to recommend to the full Board the revisions to the Compliance & Ethics Program Plan as presented. The motion was seconded and approved by all Committee members present.

d. FY21 Internal Audit Work Plan

Ms. Virginia Kalil, Executive Director and Chief Internal Auditor, presented the Internal Audit (IA) Work Plan for FY 2021. The BOT is being asked to approve the work plan per IA's charter and Institute of Internal Auditors (IIA) Performance Standards. In conformance with professional standards, IA developed a risk-based plan. Due to the uncertainty of the current crisis, a one-year plan is being presented instead of a two-year plan; the forecast has been shortened and flexibility has been added. This plan carves out hours for emerging risks, both non-IT and IT. To bridge with the last plan (FY 2019 and 2020), Ms. Kalil explained that two projects on the last plan were not addressed due to the addition of three projects. In year 1 (FY 2019), two construction projects were added, and in year 2, the Preeminence audit was added. The two projects not addressed were cloud computing and emergency management. These projects do not automatically move to the next plan – risk is reassessed. Cloud computing is on the new plan, but did not add emergency management (due to COVID-19, emergency management is in a live drill and therefore does not need to be on the new plan). Audit services in the plan cover core mission and core processes and also COVID-19. In addition to audit services, the plan also allows time for consulting services and investigations. These direct services are normally 60% of effort. That number is 57% in this plan due to vacancies and extended leave.

Trustee Goforth asked if Ms. Kalil had any concerns about not being able to audit in person due to COVID-19. Ms. Kalil responded that audits are going well remotely but they do miss the personal connection. Everything is going well in light of the current circumstances

A motion was made to approve the Internal Audit Work Plan for FY 2021. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Internal Audit Report 2019-20

Ms. Kalil presented the Internal Audit Annual Report for 2019-20. The report describes the internal audit, consulting, and investigative activities and allocation of resources as compared to year two of the two-year Work Plan. This report is required to be submitted to the BOG by September 30.

Ms. Kalil reviewed IA's current organizational chart (how it looks today, not on June 30). Last year at this time, there were three vacancies, which were all filled by November. Today, there is one vacancy – a senior IT auditor. Ms. Kalil was happy to report that this individual did not go to an external firm, but rather moved to USF IT (promotion in IT security). This individual was a valuable IA team member, and also valued by IT. Internal Audit currently consists of 10 highly credentialed team members. All team members are required to have one certification upon hire. Some team members obtained additional certifications during the year.

Direct services include audits, consulting projects, investigations, and follow-up on management's corrective actions related to audit recommendations. In 2019-20, IA completed 9 audits, including 2 IT projects; 4 consulting projects; and 25 investigations. 6 audits were in core processes and academic areas, and 3 audits were in governance, research, and IT. Two audits and 11 investigations crossed over into the new fiscal year and are in progress. The 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%.

Part of the audit process includes recommendations. Recommendations are made in response to risks identified. In 2019-20, recommendations were made in the following areas: assignment of responsibility; authorization (adequacy and timeliness); compliance with federal laws; compliance with state and local laws; effective and efficient operations; IT (confidentiality, integrity, and availability of data); reporting (accuracy, completeness, and timeliness); safeguarding of assets; separation of duties; and training and guidance (accuracy, completeness, and timeliness). Recommendations are categorized in order to identify trends. 43% of open recommendations were completed by management. This was largely due to most of the audit reports and recommendations being issued in the later part of the year, as well as due to the pandemic and management responding to the pandemic.

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

At the conclusion of the presentation, Ms. Kalil circled back to the IT Governance audit. There was an adequate system of controls in place. USF cannot fulfill its mission, attain its goals, etc., without IT. Governing boards should have a role in the overall IT governance structure. A discussion ensued on what role our BOT wants to have in IT governance – how involved they want to be and how they want to be informed. Several issues were discussed

including controls, risks, where we are headed, and how IT is strategic. IT is a large asset, by investment of university resources. IT manages our data, information, security, etc.

David Lechner, Sr. Vice President for Business & Financial Strategy, explained that risk management is a big part of what auditors do. Must have independence of external auditors and the entity; and also independence of internal audit and compliance program and the entity. He suggested a reporting mechanism to the BOT Finance Committee, as opposed to the Audit Committee, to preserve independence.

Chair Watkins stated that IT is one of our largest risks (IT breaches) and the BOT needs to be engaged as a governing board. Chair Zimmerman will talk to President Currall and the other Trustees about this issue.

Several Trustees expressed concern over ransomware. Sidney Fernandes, USF CIO, expressed how seriously IT takes ransomware and explained our strategy to combat it.

Ms. Kalil informed the committee that risk management is one component of IT governance, as well as strategic alignment, value delivery, performance measurements, and resource management.

Trustee Horton asked if it was hard for USF to retain its IT talent. Mr. Fernandes explained that IT has a talent acquisition and management plan, but we compete with other universities and industry. We created a pipeline within the University, working with the colleges; but it is a challenge to recruit and retain talent.

Chair Zimmerman asked if there is an SUS CIO group. Mr. Fernandes responded yes, this group talks on a regular basis about the challenges we face and how we handle them. Mr. Lechner congratulated Mr. Fernandes and IT for their work in consolidating USF onto a single platform. Mr. Fernandes explained that consolidation to OneUSF has reduced the attack plane.

Chair Watkins stated that the BOT will consider an appropriate form of governance for IT in conjunction with University leadership.

V. Adjournment

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 1:35pm.