



Board of Trustees Audit & Compliance Committee

Thursday, February 16, 2017

8:00 – 8:30am

Tampa Campus - Marshall Student Center Room# 3707

Trustees: Nancy Watkins, Chair, Stephanie Goforth, 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 October 27, 2016 Meeting Notes](#) Chair Watkins
 - b. [Approval of Compliance & Ethics Program Charter](#) Chief Compliance Officer
Jeff Muir
 - c. [Approval of the Revised Audit Program Charter](#) Interim Exec Director, UAC
Kate Head
 - d. [Approval of the Adoption of USF System Regulation:
Waste, Fraud, or Financial Mismanagement Prevention
and Detection](#) Sr. Assoc. General Counsel
Hilary Black
- IV. New Business – Information Items
 - a. Update - Performance-Based Funding Data Integrity Audit Provost Ralph Wilcox
- V. Adjournment Chair Watkins



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**USF Board of Trustees
Audit & Compliance Committee
NOTES
Thursday, October 27, 2016
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 12:43 pm.

Chair Watkins called roll with the following committee members present:

Nancy Watkins
Stephanie Goforth
Byron Shinn

A quorum was established. The following Trustees were also present: James Garey, Christopher Griffin, and James Stikeleather.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of August 25, 2016 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 25th meeting notes were unanimously approved as written.

IV. New Business – Information Items

a. University Audit & Compliance – Annual Report

Debra Gula, Executive Director, presented the 2015/16 Annual Report for University Audit & Compliance (UAC). The report covers internal audit and investigative activities for FY 2015-16. FY 2015-16 is year 2 of a 2-year work plan which was approved in FY 2013-14. The annual report has been prepared for the last ten years as a best practice, but report requirement will be adopted by the BOG shortly. The report will be posted to UAC's website after this meeting.

UAC is a system office consisting of 13 full-time employees including 9 internal auditors (including 2 IT auditors) and 2 compliance officers – all have excellent credentials as listed on

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page 4 of the report. Ms. Gula introduced the compliance team, Jeff Muir, Chief Compliance Officer, and Dr. Caroline Fultz-Carver, Associate Compliance Officer, who were in attendance.

2015-16 was a challenging but successful year for UAC. In the internal audit area, UAC completed 12 audits (including 2 IT audits) and 8 investigations; performed 2 formal follow-up review projects; and 4 consulting projects. In the compliance area, UAC managed 95 EthicsPoint reports – highest ever number of reports. 25 (30%) of the EthicsPoint reports were substantiated. 57 (60%) of the EthicsPoint reports were HR related (this is consistent year over year and consistent with experience across the country). UAC completed second full year of the eDisclose system. Overall FCOE (Florida Code of Ethics) disclosure rate across the USF System is 95% - a 30% increase. eDisclose deals primarily with nepotism, conflicts of interest, business relationships, and outside activity reporting.

Ms. Gula briefly reviewed a few of the audits. Restore Act Center of Excellence Selection Process (funds distributed from the civil penalties for the Deepwater Horizon oil spill). An adequate system of internal control was in place and corrective action was immediately taken by management to address the one medium risk recommendation. HPCC Administrative and Financial Controls: An inadequate system of internal controls was in place. Three high-priority risks were identified, and the issues were resolved at the time the report was issued. The Export Controls audit (on high risk list, penalties are serious) produced an excellent result. An adequate system of internal controls was in place, six medium risks were identified, and two of the recommendations were implemented at the time the report was issued.

A review of UAC's direct service hours saw investigations at 4%, same as last year. This included 12 complaints – 2 were referred to other units; 2 remained open at end of year; and 8 completed (unsubstantiated in all cases). Audits/reviews were 75% of direct service hours, which is slightly lower than last year (81%).

John Long, Sr. Vice President and COO, asked Ms. Gula to distinguish between consulting services and audits. Ms. Gula explained that consulting services are projects requested by management, usually regarding process improvement, risk assessment, or governance. The reports are then provided to that management team only. Consulting services are pro-active measures to try to avoid future issues/problems and subsequent audits.

Ms. Gula gave a brief overview of the Compliance & Ethics Program's HEOA Initiative which is designed to ensure that the USF System identifies and complies with the disclosure and reporting requirements under the federal Higher Education Opportunity Act (HEOA). Efforts this year included four major projects. The USF System Annual Security and Fire Safety Report required collaboration with and contributions from over 30 employees from 26 organizational units.

In conclusion, Ms. Gula stated that there was no evidence of fraud in any of UAC's work for FY 2015-16.

V. Adjournment

Ms. Gula announced that March 1, 2017, is the due date to the BOG for the performance based funding audit report. The report must be approved by the BOT. The regular BOT meeting is scheduled for March 9. Therefore it may be necessary to have a special meeting to approve the report prior to the due date. She will coordinate with the BOT Office.

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Chair Watkins noted that the BOG meets next week and will finalize the BOG regulation on the compliance function. The Audit & Compliance Committee should be thinking about this and what compliance should look like at USF and what the Committee will present to the full BOT as a compliance structure. The Committee may meet as a workgroup to discuss what compliance current is at USF and what it should look like given the new BOG regulation.

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 1:21 pm.

Agenda Item: III b

USF Board of Trustees
March 9, 2017

Issue: Compliance & Ethics Program Charter

Proposed action: Approval of the Compliance & Ethics Program Charter

Executive Summary: The Compliance and Ethics Program Charter brings the university into compliance with certain requirements of Florida Board of Governors Regulation 4.003 and approval will partially effectuate the separation of the current office of University Audit & Compliance into two programs: USF System Compliance and Ethics, and USF System Audit. The Charter provides that the Chief Compliance Officer (CCO) will have primary responsibility for system-wide management and coordination of all compliance-related activities, and that the CCO will report functionally to the BOT Audit and Compliance Committee and administratively to the President and Chief Operating Officer.

The Charter also provides that the Compliance & Ethics Program will have full and unrestricted access to all USF System functions, including direct support organizations and practice plans. Specific authorization is also included for the designation of compliance officers in various program areas as either direct-line reports or accountable reports to the CCO.

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.

Committee Review Date: Audit & Compliance, 2/16/17

Supporting Documentation Online (please circle): Yes No

Compliance & Ethics Program Charter

USF System or Institution specific: USF System

Prepared by: Jeff Muir, Chief Compliance Officer



This charter identifies the purpose, authority, and responsibilities of the University of South Florida System Compliance & Ethics Program.

I. Purpose

The USF System Compliance & Ethics Program (the “Program”) is responsible for the coordination and management of all USF System compliance and ethics activities. The Program 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 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 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 and assures adequate consideration of the Program’s compliance and ethics recommendations. The Chief Compliance Officer (“CCO”) has primary responsibility for managing and coordinating the Program. The CCO and Program staff have organizational independence and objectivity to perform their responsibilities free from influence.

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

III. Responsibilities

The USF System Compliance and Ethics Program 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 staff shall:

- Develop and implement a Program 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 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 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 activities and provide an annual report on the effectiveness of the 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.
- Promote and enforce the 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 as 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 Program;
- Utilize approved third-party resources as appropriate to supplement the Program's efforts;
- Communicate routinely with the Board of Trustees and USF System President regarding Program activities and perform assessments of the Program with changes and improvements where necessary.

IV. Charter Review and Approval

The Board of Trustees-approved Program 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, Chair, Board of Trustees

Approved on: _____

Judy L. Genshaft, USF System President

Approved on: _____

Jeffrey A. Muir, Chief Compliance Officer

Approved on: _____

Agenda Item: III c

USF Board of Trustees
March 9, 2017

Issue: USF System Audit Charter Revisions

Proposed action: Approval of the revised Charter for USF System Audit

Executive Summary: The USF System Audit Charter brings the university into compliance with certain requirements of Florida Board of Governors (BOG) Regulations 4.001 and 4.002. Approval of the USF System Audit Charter will effectively separate the current office of University Audit & Compliance into two programs: USF System Compliance and Ethics, and USF System Audit ("Audit").

The Charter provides the Chief Audit Executive (CAE) primary responsibility for system-wide management and coordination of all audit, compliance, and investigation-related activities within Audit's purview. The CAE will report functionally to the BOT Audit and Compliance Committee and administratively to the President and Chief Operating Officer.

We have made changes to bring the Charter in compliance with BOG regulations 4.001 and 4.002. In addition, we have taken the opportunity to make three conforming changes throughout the document: UAC to USF System Audit, USF to USF System, and Finance & Audit Committee to Audit & Compliance Committee.

The current Charter was approved on March 6, 2014.

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.

Committee Review Date: Audit & Compliance, 2/16/17
Supporting Documentation Online (please circle): Yes No

Proposed Revised Charter for USF System Audit

USF System or Institution specific: USF System

Prepared by: Kate Head, Interim Executive Director



USF System Audit Charter

This Charter identifies the purpose, authority, and responsibilities of University of South Florida System Audit.

I. Purpose

USF System Audit (“Audit”) provides independent, objective assurance, and advisory services to the USF System Board of Trustees (BOT) in the effective discharge of their responsibilities. Audit facilitates the University of South Florida System (USF System or University) in accomplishing its goals and objectives through a systematic, disciplined approach to evaluating and improving risk management, internal control, compliance, and governance processes. Audit is responsible for coordinating activities that promote accountability, integrity, and efficiency in the operations of the USF System.

II. Authority

USF System Audit reports functionally to the **BOT and administratively to the President and the Chief Operating Officer (COO)**. This reporting relationship ensures the organizational independence and objectivity of the Chief Audit Executive (CAE) in the performance of his/her responsibilities in a manner free from actual or perceived impairment. The CAE routinely reports significant risk exposures, control issues, fraud risks, governance issues, and other matters to the BOT. This reporting is done reporting through the BOT Audit & Compliance Committee as requested by the President and the BOT. The CAE conducts and reports on audits, investigations, and other inquiries free from actual or perceived impairments to the independence of USF System Audit.

In order to ensure independence, promote comprehensive audit coverage, and assure adequate consideration of Audit recommendations:

- Audit has full, unrestricted, and timely access to all USF System functions, including its direct support organizations (DSOs) 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. Any unresolved restrictions or barriers which restrict the scope or access of Audit to information or people necessary to perform its assigned duties will be addressed by the CAE. If such scope and access limitations cannot be remedied by the CAE after working with the BOT and university management, the CAE shall timely notify the Board of Governors (BOG) through its Office of the Inspector General and Director of Compliance (OIGC) of any such restrictions, barriers, or limitations.
- The CAE is responsible for ensuring confidential records obtained in the course of performing Audit activities are adequately secured and are not disclosed without established

authority.

- Audit has no direct operational responsibility or authority over any of the activities they review. Participation of Audit in the planning, development, implementation, or modification of university systems or processes is limited to an advisory or consulting role. This Audit role is managed so as to provide independence when conducting future assessments.
- Audit staff shall govern themselves by adherence to the International Standards for the Professional Practice of Internal Auditing (IIA), the IIA Code of Ethics, and the Florida Code of Ethics for Public Officers and Employees.

III. Responsibilities

Audit is responsible for assessing the various functions and control systems of the USF System and for advising management concerning their condition. While DSOs may obtain internal audit and compliance services from public accountants, consultants, and their own internal audit staff, Audit may also provide DSOs with internal audit and compliance services. Audit may also provide these services to other entities under the control and direction of the USF System at the request of management or the Board of Trustees.

Audit and CAE responsibilities include, but are not limited to, the following activities:

- Developing and submitting an Audit Work Plan to the BOT Audit and Compliance Committee and the President for annual review and approval. Such Audit Work Plan development utilizes an appropriate risk-based methodology which takes into consideration risk or control concerns identified by management.
- Evaluating risk exposures and the adequacy and effectiveness of controls within the governance, operations, and information systems of the USF System in responding to identified risk exposures. This evaluation of risk exposure and control assessment is performed in the context of the following:
 - Ability of the USF System to achieve its strategic objectives,
 - Reliability and integrity of financial and operational information,
 - Effectiveness and efficiency of operations and programs,
 - Safeguarding of assets, and
 - Compliance with laws, regulations, policies, procedures, and contracts, including controls designed to enhance and promote accountability.
- Providing audits, consulting services, and compliance oversight based on the following professional frameworks and standards:
 - International Professional Practices Framework, published by the IIA professional standards;
 - Information Technology Assurance Framework, published by the Information Systems Audit and Control Association (ISACA); and/or
 - Other professional standards as appropriate for the Audit engagement.
- Following up on findings appearing in Audit reports as well as those in reports and assessments issued by external audit entities, research sponsors, and other external parties. Such follow up by Audit will determine whether the corrective actions appearing in these reports and assessments have either been effectively implemented or senior management or the BOT have chosen to accept the risk of not taking these corrective actions.

- Providing and issuing reports to the President, COO, BOT Audit & Compliance Committee, and others, as appropriate, on the following:
 - Audit work performed and resources utilized;
 - Status of internal and external audit recommendations; and
 - Significant unmitigated risks and/or noncompliance.
- Promoting, in collaboration with other appropriate University officials, effective coordination of external audit, review, and investigatory work performed at the USF System between the University and the State of Florida Auditor General, federal auditors, accrediting bodies, and other governmental or oversight bodies to facilitate effective, timely completion of these engagements.
- Provide training programs to USF System employees and management to assist in improving operational efficiency, effectiveness, and compliance. Such training programs are provided based on Audit work performed or as requested.
- **Ensure compliance with all BOG reporting requirements as established by BOG Regulation 4.002.**

Audit is responsible for the providing investigative services to all entities and support organizations, including auxiliary facilities and services, DSOs, and practice plans and other component units under the control and direction of the USF System. The investigatory responsibilities of the CAE include the following:

- Receiving complaints and conducting, supervising, or coordinating activities for the purpose of preventing and detecting fraud and abuse within University programs and operations, including serving as the BOT Audit & Compliance Committee-designated employee responsible for reviewing statutory whistleblower information and coordinating all activities of the USF System as required under the Florida Whistleblower's Act and ensuring compliance with BOG Regulation 4.001.
- Providing direction for, initiating, conducting, supervising, and coordinating audits and investigations, which promote economy, efficiency, and effectiveness in the administration of University programs and operations, that fall within the purview of Audit, as appropriate. Investigative assignments shall be performed in accordance with professional standards issued for the State University System, consistent with the Association of Certified Fraud Examiner standards.
- Issuing final investigative reports to the appropriate USF System officials, the BOT, and the Board of Governors, which will include recommended corrective actions and reports on the progress made in implementing corrective actions if, in the CAE's judgment, any significant and credible allegations and known occurrences of waste, fraud, mismanagement, abuses, and deficiencies relating to University programs and operations exist. When provided for by law, such reports shall be redacted to protect confidential, non-public information and the identity of individuals cited in the investigator reports.

To ensure Audit has the capabilities to perform the responsibilities and duties described herein, the CAE will:

- Review and make recommendations, as appropriate, concerning policies and regulations related to the University's programs and operations including, but not limited to, auxiliary

facilities and services, DSOs, and other component units.

- Establish policies, which articulate steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.
- Hire and retain professional staff with sufficient knowledge, skills, experience, and professional certification to fulfill Audit’s responsibilities and the requirements of this Charter;
- Assure appropriate training and education designed to promote accountability and address topics such as fraud awareness, risk management, controls, and other related subject matter is provided to all Audit employees in accordance with applicable professional education standards.
- For specialized or technical engagements, hire consulting experts to effectively perform and complete the engagement and supplement Audit’s efforts.
- Coordinate or request audit, financial-and fraud related compliance, controls, and investigative information or assistance as may be necessary from any university, federal, state, or local government entity.
- Inform the BOT when contracting for specific instances of audit or investigative assistance.
- Develop and maintain a quality assurance and improvement program in accordance with professional standards, which includes an external assessment at least once every five years. Such external assessments are presented to the BOT Audit and Compliance Committee and forwarded to the BOG.
- Prepare an annual report for distribution to the President, BOT, and BOG which summarizes the following:
 - Audit activities for the preceding fiscal year;
 - Plans and resource requirements for the Audit office, including significant changes; and
 - Impacts of any resource limitations.

IV. Charter Review and Approval

The Board of Trustees-approved Audit 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, Chair, Board of Trustees

Approved on: _____

Judy L. Genshaft, USF System President

Approved on: _____

Virginia L. Kalil, Chief Audit Executive and Executive Director of USF System Audit

Approved on: _____

Agenda Item: III d

USF Board of Trustees
March 9, 2017

Issue: Need to adopt USF Policy 0-024 as USF System Regulation: Waste, Fraud, or Financial Mismanagement Prevention and Detection and revise to include new requirements under Florida Board of Governors Regulation 4.001

Proposed action: Approve the adoption of USF System Regulation: Waste, Fraud, or Financial Mismanagement Prevention and Detection

Executive Summary:

The Florida Board of Governors recently adopted Regulation 4.001 that provides “Each board of trustees shall adopt a regulation which requires timely notification to the Board of Governors, through the OIGC, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the university president or a board of trustees member.” The Regulation further requires “ (t)he board of trustees’ regulation shall articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.”

USF has always been committed to identifying and promptly investigating any possibility of fraudulent or related dishonest activities against the USF System or its students and employees as set forth in USF System Policy .024. Based on the new Board of Governors Regulation, this policy is being revised to include the new requirements stated above and is being proposed as a USF System Regulation.

Financial Impact: NA

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

Workgroup Review Date: Audit & Compliance Committee-February 16, 2017

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

- Proposed draft of new Regulation Waste, Fraud, or Financial Mismanagement Prevention and Detection (redline format)
- Proposed draft of new Regulation Waste, Fraud, or Financial Mismanagement Prevention and Detection (clean format)
- BOG Regulation 4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement

USF System or Institution specific: USF System

Prepared by: Patsy Ciaccio, Office of the General Counsel, 813-974-1661



POLICYREGULATION

USF System USF USFSP USFSM

Number: TBD 0-024
Title: Waste, Fraud, or Financial Mismanagement Prevention and Detection
Responsible Office: USF System Audit and Compliance

Date of Origin: TBD **Date Last Amended:** **Date Last Reviewed:**

*Regulation **,** formerly known as USF System Policy 0-024: Fraud Prevention and Detection

I. PURPOSE AND INTENT

This ~~policy~~ Regulation addresses the responsibility of all University of South Florida System (USF System) and related entity employees for detecting and reporting known or suspected waste, fraud or financial mismanagementsuspected fraud. This responsibility also extends to companies-business entities conducting business with the USF System.

II. STATEMENT OF REGULATION

The ~~University of South Florida~~USF System is committed to the highest standards of ethical behavior. ~~It is the policy of the~~The USF System strives to identify and promptly investigate any possibility of wasteful, fraudulent or related dishonest activities including financial mismanagement against the USF System or its students and employees and to take appropriate disciplinary or legal action.

III. APPLICABILITY AND/OR AUTHORITY

Pursuant to Board of Governors Regulation 4.001: University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement, each board of trustees shall adopt a regulation which requires timely notification to the Board of Governors, through the Office of Inspector General and Director of Compliance (OIGC) for the State University System of Florida Board of Governors, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the university president or board of trustee member and the regulation shall articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.

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IV. PROCESS STEPS/SPECIFIC PROVISIONS

46 Waste, fraud, or financial mismanagement can be generally defined as a willful or deliberate
47 act or omission with the intention of obtaining an unauthorized benefit, service, property, or
48 something of value by deception, misrepresentation, or other unethical or unlawful means.

49 ~~Fraudulent or dishonest~~ These activities include, but are not limited to:

- 50 • Forgery or alteration of documents (e.g. checks, time sheets, contracts, purchase orders,
51 budgets, etc.).
- 52 • Misrepresentation of information on documents.
- 53 • Misappropriation of funds, supplies, or any other asset.
- 54 • Theft, disappearance, or unauthorized destruction of any asset.
- 55 • Improprieties in the handling or reporting of money transactions.
- 56 • Authorizing or receiving payment for goods not received or services not performed.
- 57 • Authorizing or receiving payment for hours not worked.

58
59

Fraud Prevention

60 All levels of USF System management ~~should~~ must be familiar with the types of improprieties
61 that may occur in their areas of responsibility and must be alert for any indication of wasteful,
62 fraudulent or dishonest acts including financial mismanagement. “Risk ownership” for ~~fraudulent~~
63 such activities resides with each USF System vice president/chancellor and each is, therefore,
64 responsible for ensuring that a system of internal controls ~~are~~ is established and maintained that
65 provides reasonable assurance that improprieties are prevented. All levels of USF System
66 management ~~should~~ must establish and follow internal controls necessary for their operations.
67 ~~University USF System Audit and Compliance~~ is available to assist management in establishing
68 effective internal controls and recognizing improper conduct ~~and establishing effective internal~~
69 controls.

70

Fraud Detection

71 USF System Management is responsible for being aware of exposures and symptoms of waste,
72 fraud, or financial mismanagement in their operational areas and for detecting ~~potential~~
73 fraudulent ~~such potential~~ activity. All USF System and related-entity employees are ~~It is the~~
74 responsibility of all members of the USF System community required to immediately report
75 suspected wasteful, fraudulent or dishonest acts, including financial mismanagement which are
76 suspected. If, observed, or made known. All USF System and related-entity employees must use
77 one of the following two reporting mechanisms:

- 78 1. Anonymously report wasteful, fraudulent, or dishonest activity or any other violation of USF
79 System policy or regulation through the USF System *EthicsPoint* hotline at 1-866-974-8411 or

80 www.ethicspoint.com; OR

81 ~~4.2. Report the incident or practice to to an employee, the incident or practice should be~~
 82 ~~reported to his or her~~their -supervisor for subsequent reporting to the appropriate
 83 management official. If the USF System employee believes ~~the~~their supervisor may be
 84 involved, ~~the then the~~ employee ~~should must~~make the report ~~the incident or practice~~ to the
 85 next higher level of management or USF System Audit. ~~If the USF System employee~~
 86 ~~believes the next higher level of management or USF System Audit may be involved, then~~
 87 ~~the employee must report the incident or practice to the Office of the General Counsel. All~~
 88 ~~members of the USF System community may submit an anonymous report of wasteful,~~
 89 ~~fraudulent, or dishonest activity or any other violation of USF System policy or~~
 90 ~~regulation~~University Audit and Compliance.

91 ~~Anonymous~~¹ reports of fraudulent or dishonest activity may be made by all members of the
 92 USF System community through the USF System hotline EthicsPoint at 1-866-974-8411 or
 93 ~~www.ethicspoint.com~~.

94 **Investigation**

95 ~~University-USF System~~ Audit ~~and Compliance~~ is the official contact point for all persons
 96 reporting suspected wasteful or fraudulent activities, including financial mismanagement either
 97 directly or through the supervisory chain of command. ~~University-USF System~~ Audit ~~and~~
 98 ~~Compliance~~ will oversee all investigations into allegations of falsification, misappropriation, and
 99 other financial irregularities. ~~University-USF System~~ Audit ~~and Compliance~~ has free and
 100 unrestricted access to all USF System and related entity records and documents and premises,
 101 whether owned or rented, and the authority to examine, copy, and/or remove such records and
 102 documents.

103 **Reporting**

104 1. If an investigation reveals suspected criminal activity, the University Police will be notified.
 105 ~~University-USF System~~ Audit ~~and Compliance~~ will also inform and consult with the General
 106 Counsel, Office of Research & Innovation, Human Resources, and the Office of the
 107 Provost or USF Health Faculty Affairs, as appropriate.

108 ~~4.2. If an investigation reveals significant and credible allegation(s) of fraud, waste,~~
 109 ~~mismanagement, misconduct and other abuses made against the USF System President or~~
 110 ~~member of the Board of Trustees, USF System Audit shall timely notify the Office of~~
 111 ~~Inspector General and Director of Compliance (OIGC) for the State University System of~~
 112 ~~the Florida Board of Governors and such matters will be handled in accordance with BOG~~
 113 ~~Regulation 4.001.~~

114 ~~2.3.~~ Allegations or matters of conduct deemed outside the scope of this policy, such as
 115 academic or scientific misconduct, ~~may must~~ be referred to the appropriate management
 116 area for review and action. To avoid damaging the reputations of innocent persons and to
 117 protect the USF System from potential liability, investigative information will not be
 118 disclosed or discussed with anyone other than those persons who have a legitimate need to

119 know, and within the limits of applicable law. Managers or other persons who become
120 aware of potential wrongdoing should not attempt to interview or contact persons involved
121 or discuss the circumstances of the situation with anyone other than the appropriate USF
122 System official. All members of the USF System community are expected to support the
123 USF System's fiduciary responsibilities and to cooperate with the USF System and law
124 enforcement agencies in the detection, investigation, and reporting of fraudulent or
125 criminal acts, including the prosecution of offenders.

126 **Disciplinary Action**

127 Anyone found to have engaged in wasteful or fraudulent conduct, including financial
128 mismanagement is subject to disciplinary action up to and including dismissal or expulsion and
129 civil or criminal prosecution. Employees who deliberately, willfully, and knowingly make false
130 accusations are subject to disciplinary action up to and including dismissal. The USF System will
131 make every effort to recover losses that result from fraudulent or criminal acts.

132 Related Documents: §§ 112.311-112.326 Fla. Stat. - Code of Ethics for Public Employees; §§
133 112.3187-112.31895 Fla. Stat. - Whistle-blower's Act; ~~University-USF System~~ Audit ~~and~~
134 ~~Compliance~~ Charter.

*Regulation **_*** formerly known as USF System Policy 0-024: Fraud Prevention and Detection*

Authority: Art. IX, Sec. 7, Fla. Const.; FL Board of Governors Regulation 4.001.

*History – New (BOT approval) **_**_*****

Certification: USF certifies that it has followed the Florida Board of Governors Regulation Development Procedure and has a record of written notices, comments, summaries and responses as required.

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136



REGULATION

✓USF System USF USFSP USFSM

Number: TBD
Title: Waste, Fraud, or Financial Mismanagement Prevention and Detection
Responsible Office: USF System Audit

Date of Origin: TBD **Date Last Amended:** **Date Last Reviewed:**

*Regulation **.*** formerly known as USF System Policy 0-024: Fraud Prevention and Detection

I. PURPOSE AND INTENT

This Regulation addresses the responsibility of all University of South Florida System (USF System) and related entity employees 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.

II. STATEMENT OF REGULATION

The USF System is committed to the highest standards of ethical behavior. The USF System strives to identify and promptly investigate any possibility of wasteful, fraudulent or related dishonest activities including financial mismanagement against the USF System or its students and employees and to take appropriate disciplinary or legal action.

III. APPLICABILITY AND/OR AUTHORITY

Pursuant to Board of Governors Regulation 4.001: University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement, each board of trustees shall adopt a regulation which requires timely notification to the Board of Governors, through the Office of Inspector General and Director of Compliance (OIGC) for the State University System of Florida Board of Governors, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the university president or board of trustee member and the regulation shall articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.

43 **IV. PROCESS STEPS/SPECIFIC PROVISIONS**

44 Waste, fraud, or financial mismanagement can be generally defined as a willful or deliberate
 45 act or omission with the intention of obtaining an unauthorized benefit, service, property, or
 46 something of value by deception, misrepresentation, or other unethical or unlawful means.

47 These activities include, but are not limited to:

- 48 • Forgery or alteration of documents (e.g. checks, time sheets, contracts, purchase orders,
 49 budgets, etc.).
- 50 • Misrepresentation of information on documents.
- 51 • Misappropriation of funds, supplies, or any other asset.
- 52 • Theft, disappearance, or unauthorized destruction of any asset.
- 53 • Improprieties in the handling or reporting of money transactions.
- 54 • Authorizing or receiving payment for goods not received or services not performed.
- 55 • Authorizing or receiving payment for hours not worked.

56
 57 **Prevention**

58 All levels of USF System management must be familiar with the types of improprieties that may
 59 occur in their areas of responsibility and must be alert for any indication of wasteful, fraudulent or
 60 dishonest acts including financial mismanagement. “Risk ownership” for such activities resides
 61 with each USF System vice president/chancellor and each is, therefore, responsible for ensuring
 62 that a system of internal controls are established and maintained that provides reasonable
 63 assurance that improprieties are prevented. All levels of USF System management must establish
 64 and follow internal controls necessary for their operations. USF System Audit is available to assist
 65 management in establishing effective internal controls and recognizing improper conduct.

66 **Detection**

67 USF System Management is responsible for being aware of exposures and symptoms of waste,
 68 fraud, or financial mismanagement in their operational areas and for detecting such potential
 69 activity. All USF System and related-entity employees are required to immediately report
 70 suspected wasteful, fraudulent or dishonest acts, including financial mismanagement which are
 71 suspected, observed, or made known. All USF System and related-entity employees must use
 72 one of the following two reporting mechanisms:

- 73 1. Anonymously report wasteful, fraudulent, or dishonest activity or any other violation of USF
 74 System policy or regulation through the USF System *EthicsPoint* hotline at 1-866-974-8411 or
 75 www.ethicspoint.com; OR
- 76 2. Report the incident or practice to their supervisor for subsequent reporting to the
 77 appropriate management official. If the USF System employee believes their supervisor may
 78 be involved, then the employee must report the incident or practice to the next higher level
 79 of management or USF System Audit. If the USF System employee believes the next higher

80 level of management or USF System Audit may be involved, then the employee must report
81 the incident or practice to the Office of the General Counsel. All members of the USF
82 System community may submit an anonymous report of wasteful, fraudulent, or dishonest
83 activity or any other violation of USF System policy or regulation.

84 **Investigation**

85 USF System Audit is the official contact point for all persons reporting suspected wasteful or
86 fraudulent activities, including financial mismanagement either directly or through the
87 supervisory chain of command. USF System Audit will oversee all investigations into allegations
88 of falsification, misappropriation, and other financial irregularities. USF System Audit has free
89 and unrestricted access to all USF System and related entity records and documents and
90 premises, whether owned or rented, and the authority to examine, copy, and/or remove such
91 records and documents.

92 **Reporting**

- 93 1. If an investigation reveals suspected criminal activity, the University Police will be notified.
94 USF System Audit will also inform and consult with the General Counsel, Office of
95 Research & Innovation, Human Resources, and the Office of the Provost or USF Health
96 Faculty Affairs, as appropriate.
- 97 2. If an investigation reveals significant and credible allegation(s) of fraud, waste,
98 mismanagement, misconduct and other abuses made against the USF System President or
99 member of the Board of Trustees, USF System Audit shall timely notify the Office of
100 Inspector General and Director of Compliance (OIGC) for the State University System of
101 the Florida Board of Governors and such matters will be handled in accordance with BOG
102 Regulation 4.001.
- 103 3. Allegations or matters of conduct deemed outside the scope of this policy, such as
104 academic or scientific misconduct, must be referred to the appropriate management area
105 for review and action. To avoid damaging the reputations of innocent persons and to
106 protect the USF System from potential liability, investigative information will not be
107 disclosed or discussed with anyone other than those persons who have a legitimate need to
108 know, and within the limits of applicable law. Managers or other persons who become
109 aware of potential wrongdoing should not attempt to interview or contact persons involved
110 or discuss the circumstances of the situation with anyone other than the appropriate USF
111 System official. All members of the USF System community are expected to support the
112 USF System's fiduciary responsibilities and to cooperate with the USF System and law
113 enforcement agencies in the detection, investigation, and reporting of fraudulent or
114 criminal acts, including the prosecution of offenders.

115 **Disciplinary Action**

116 Anyone found to have engaged in wasteful or fraudulent conduct, including financial
117 mismanagement is subject to disciplinary action up to and including dismissal or expulsion and
118 civil or criminal prosecution. Employees who deliberately, willfully, and knowingly make false
119 accusations are subject to disciplinary action up to and including dismissal. The USF System will

120 make every effort to recover losses that result from fraudulent or criminal acts.

121 Related Documents: §§ 112.311-112.326 Fla. Stat. - Code of Ethics for Public Employees; §§

122 112.3187-112.31895 Fla. Stat. - Whistle-blower's Act; USF System Audit Charter.

*Regulation **.*** formerly known as USF System Policy 0-024: Fraud Prevention and Detection*

Authority: Art. IX, Sec. 7, Fla. Const.; FL Board of Governors Regulation 4.001.

*History – New (BOT approval) **.***.****

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123

DRAFT

4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement

- (1) The Office of Inspector General and Director of Compliance (OIGC) for the State University System of Florida Board of Governors shall be organized to promote accountability, efficiency, and effectiveness, and to detect fraud and abuse within state universities. The OIGC charter is incorporated herein by this reference.
- (2) Each board of trustees shall have a process for university staff, faculty, students, and board of trustees members to report allegations of waste, fraud, or financial mismanagement to the university chief audit executive.
- (3) Significant and credible allegations are those that, in the judgment of the chief audit executive, require the attention of those charged with governance and have indicia of reliability. For significant and credible allegations of waste, fraud, or financial mismanagement within the university and its board of trustees' operational authority, the chief audit executive shall timely provide the OIGC sufficient information to demonstrate that the board of trustees is both willing and able to address the allegation(s). If the information provided by the chief audit executive does not clearly demonstrate that the board of trustees is both willing and able to address the allegation(s), then the OIGC will conduct a preliminary inquiry in accordance with section 10.2.a of the OIGC charter.
- (4) Upon the OIGC's receipt of a complaint, the OIGC will evaluate the nature of the allegation(s) to determine operational authority, proper handling, and disposition. University-related allegations will be handled as described below:
 - (a) Such allegations will be referred to the university chief audit executive for appropriate action without regard to the final responsible entity at the university. As appropriate, a copy of the referral will be provided to the chief compliance officer and general counsel. For significant and credible allegations of waste, fraud, or financial mismanagement, the chief audit executive shall provide the OIGC with university action and final case disposition information sufficient to demonstrate that the board of trustees was both willing and able to address such allegations.
 - (b) When case disposition information does not clearly demonstrate that the board of trustees was both willing and able to address significant and credible allegation(s), then the OIGC will conduct a preliminary inquiry in accordance with section 10.2.a of the OIGC charter.
- (5) Each board of trustees shall adopt a regulation which requires timely notification to the Board of Governors, through the OIGC, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made

against the university president or a board of trustees member. Such allegations will be handled as follows:

- (a) The chair of the board of trustees (or chair of the board of trustees' committee responsible for handling audit matters if the allegations involve the board chair), in consultation with the chair of the Board of Governors, shall review the matter and may ask the OIGC to conduct a preliminary inquiry, in accordance with section 10.2.a of the OIGC charter. If it is determined that an investigation is warranted, it shall take one of the following forms:
 1. The board of trustees will hire an independent outside firm to conduct the investigation with OIGC guidance and monitoring; or
 2. The OIGC will perform the investigation.
- (b) At the conclusion of such investigation, the report shall be submitted to the subject, who shall have twenty (20) working days from the date of the report to submit a written response. The subject's response and the investigator's rebuttal to the response, if any, shall be included in the final report presented to the chair of the board of trustees and the Board of Governor's Audit and Compliance Committee.
- (6) The board of trustees' regulation shall articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.

Authority: Section 7(d), Art. IX, Fla. Const.; History: New 11-3-16.