



Board of Trustees Audit & Compliance Committee

Thursday, May 18, 2017

1:15 – 2:15pm

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 February 16, 2017 Meeting Notes](#) Chair Watkins
 - b. [Approval of Audit & Compliance Committee Charter](#) Associate Director
Kate Head
 - c. [Approval of USF System Compliance & Ethics Program Plan](#) Chief Compliance Officer Jeff Muir
- IV. New Business – Information Items
 - a. [University Audit Work Plan – FY 2018](#) Kate Head
 - b. [USF/DSO External Audit Findings](#) Vice President/CFO Nick Trivunovich
University Treasurer Fell Stubbs
 - c. JLAC Response to Audit Finding Alex Campoe/Jenny Paulsen
Information Technology
 - d. Update – Summer Program Background Clearances Jeff Muir
- V. Adjournment Chair Watkins



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**USF Board of Trustees
Audit & Compliance Committee
NOTES
Thursday, February 16, 2017
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 8:03am.

Committee members present: Nancy Watkins, Stephanie Goforth, and Byron Shinn.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

BOT Chair Brian Lamb joined the meeting at this time.

a. Approval of October 26, 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 October 27th meeting notes were unanimously approved as written.

b. Approval of Compliance & Ethics Program Charter

Jeff Muir, Chief Compliance Officer, presented the charter for the Compliance & Ethics Program. The new charter is mandated by new BOG regulation 4.003. The charter details the changes in the reporting relationship and structure of the Chief Compliance Officer and the separation of the audit and compliance programs.

A motion was made to move the Compliance & Ethics Program Charter to the full board with a recommendation for adoption of the charter. The motion was seconded and approved by all committee members present.

c. Approval of the Revised Audit Program Charter

Kate Head, Interim Executive Director of University Audit & Compliance (UAC), presented the revised Audit Program charter. The revised charter brings the university into compliance with BOG regulations 4.001 and 4.002. The charter effectively separates the current office of University Audit & Compliance into two programs: USF System Compliance and Ethics, and USF System Audit. The charter also includes additional BOG reporting requirements which UAC was already doing as best practices.

DRAFT

A motion was made to move the revised Audit Program Charter to the full board with a recommendation for adoption of the revised Audit Program Charter. The motion was seconded and approved by all committee members present.

d. Approval of the Adoption of USF System Regulation: Waste, Fraud, or Financial Mismanagement Prevention and Detection

Hilary Black, Sr. Associate General Counsel, presented the USF System regulation on Waste, Fraud, or Financial Mismanagement Prevention and Detection. USF has always had a policy on this issue and is now required by the BOG to have a regulation. The BOT is being asked to repeal the policy and adopt the regulation. New requirements in the regulation include timely notification to the BOG and articulating 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, chief compliance officer, the university president or a board of trustees member.

A motion was made to move the USF System Regulation on Waste, Fraud, or Financial Mismanagement Prevention and Detection to the full board with a recommendation to repeal the existing policy and adopt the new system regulation. The motion was seconded and approved by all committee members present.

IV. New Business – Information Items

a. Update – Performance-Based Funding Data Integrity Audit

Provost Ralph Wilcox gave an update on the Performance-Based Funding Data Integrity Audit. The Provost explained that through our own internal audit process, we've identified an anomaly (flaw in an algorithm) in the data file for tracking hours to degree (and the courses to degree table that affects the excess hours metric), resulting in our underreporting of metric 9. We have been given authority to make corrections and rerun the data. We will submit by the February 24th BOG deadline. We have been underreporting our students graduating without excess hours. The correction/submission may show us doing better on the metric than was originally submitted.

V. Adjournment

Chair Watkins stated that we now have charters which give clear direction for audit and compliance and meeting requirements of the BOG. We are well on our way to completing all the BOG requirements. USF has set some best practices that are now included so we are well ahead of other SUS institutions and well on our way to full compliance.

Chair Lamb thanked Chair Watkins and the team for all the accomplishments to date. USF was well positioned for these BOG changes and requirements. He asked what the next steps are, does the BOG have to approve. Chair Watkins responded that we must submit the new/revised charters to the BOG, but they will not take any action. Mr. Muir confirmed.

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 8:21am.

Agenda Item: III b

USF Board of Trustees
(June 8, 2017)

Issue: USF BOT Audit and Compliance Committee Charter

Proposed action: Approval of USF BOT Audit and Compliance Committee Charter

Executive Summary: The Audit and Compliance Committee Charter brings the university into compliance with certain requirements within the Florida Board of Governors (BOG) Regulations 4.002 and 4.003.

The Charter formally communicates the committee's membership and meeting requirements, as well as responsibilities for providing governance oversight to both USF System Audit and the Compliance & Ethics Program. The BOG Regulations require the committee's charter be approved by the board of trustees and reviewed at least every three years.

Financial Impact: N/A

Strategic Goal(s) Item Supports: The USF System Audit and USF System Compliance & Ethics Program efforts support all four of the USF System Strategic Goals.

Committee Review Date: Audit & Compliance, 5/18/17

Supporting Documentation Online (please circle): Yes No

Proposed Charter for USF BOT Audit and Compliance Committee

USF System or Institution specific: USF System

Prepared by: Kate Head, Associate Director



USF Board of Trustees Audit And Compliance Committee Charter

I. Purpose

The Audit and Compliance Committee (“Committee”) is established in accordance with the Florida Board of Governors Regulation 4.002(2). The Committee is appointed by the University of South Florida Board of Trustees (“Board”) Chair to assist the Board in its oversight responsibilities. This charter identifies the purpose, authority, and responsibilities of the Committee. The Committee plays a key role in fulfilling the Board’s governance responsibilities throughout the University of South Florida System (“USF System”) including its direct support organizations (“DSOs”).

II. Membership and Composition

The Committee consists of at least three members of the Board. The Chair of the Board is responsible for appointing the chair of the Committee as well as the additional members of the Committee. Members serve on the Committee until the Board Chair’s term ends or their departure from the Board, resignation, or replacement by the Chair of the Board.

The Committee should consist of at least one member with professional experience and expertise in the following areas: finance, accounting, financial reporting, auditing, risk management, or compliance. Other Committee members should have professional experience and expertise in at least one of the following fields: post-secondary education, non-profit administration, law, banking, finance, accounting, financial reporting, auditing, risk management, compliance, or information technology.

III. Meetings

The Committee meets as needed to fulfill its governance responsibilities. Any meeting of the Committee may be conducted through a telephone conference call or by any other technological means. A majority of the members of the Committee constitutes a quorum for the transaction of business.

Committee meetings shall be open and noticed to the public in accordance with Article I, Section 24 of the Florida Constitution and the requirements of Chapter 286, Florida Statutes.

The Committee may ask members of management or other individuals to provide pertinent information as necessary. In addition, the Committee may request special reports from USF System or DSO management on topics that may enhance its understanding of its activities and operations.

Audit and Compliance Committee Charter

Meeting agendas are prepared jointly by the Committee Chair, the Chief Audit Executive, and the Chief Compliance Officer. Meeting agendas and appropriate briefing materials are provided in advance to Committee members, and written minutes of the meetings are prepared. All records of the meetings are public records subject to Chapter 119 and Chapter 268, Florida Statutes, including any provisions for exemption.

In addition to scheduled meetings of the full Committee, the Committee Chair meets with the Chief Audit Executive and the Chief Compliance Officer as needed.

IV. Authority and Governance

The Committee serves an important role in ensuring that processes are in place to meet USF System's responsibility for financial and operational accountability, integrity, and efficiency, in compliance with applicable laws, regulations, rules, policies, and procedures.

The Committee has full and unrestricted access to all USF System functions, including its 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. The Committee members are responsible for ensuring confidential records obtained in the course of its activities are adequately secured and are not disclosed without established authority.

The Board authorizes the Committee to study or investigate any matter within the scope of responsibilities outlined in this charter. The Committee will inform the Board of such activities and results.

V. Responsibilities

With regard to each topic listed below, the Committee is responsible for the following:

A. Internal Controls

Consider the economy, efficiency, and effectiveness of the financial and operational internal control systems, including information technology, by requesting and reviewing information from the Chief Audit Executive and external auditors about significant risks within the USF System and DSOs.

Assess the adequacy of management's actions to identify, assess, and mitigate identified risks with strong control activities, information and communication, and monitoring processes.

Audit and Compliance Committee Charter

B. Data Integrity

Review the adequacy of USF System's information technology management methodology with regards to internal controls, including applications, systems, and infrastructure.

Review the adequacy of the USF System's data management policies and procedures to ensure data security and data integrity in institutional reporting.

C. Financial Statements

Review the external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Review any disclosure of: 1) significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect USF System's ability to record, process, summarize, and report financial data; and 2) any fraud, whether material or not, that involves management or other employees who have a significant role in USF System's internal controls.

D. External Audit

Related to audits or other engagements performed by external auditors, including the State of Florida Auditor General, review with the external auditors and/or the Chief Audit Executive:

- Results of the engagement, which may include audited financial statements, an opinion letter, or other reports issued by the external auditors;
- Any material adjustments to the financial statements;
- Significant findings or recommendations; and
- Management letters issued by the external auditors, together with responses for addressing issues noted.

Perform annual reviews of DSOs' audit and financial reports. [BOT Policy 07-001, 4].

Review and contract with external auditors for special audits or reviews related to USF System's affairs and report the results of any such special projects to the Board.

Audit and Compliance Committee Charter

E. Internal Audit

Review the independence, qualifications, activities, performance, resources, and structure of the USF System Audit function and ensure no unjustified restrictions or limitations are made. Discuss with the Chief Audit Executive any difficulties encountered in the course of performing audits, including restrictions on the scope of work and access to required information.

Review and approve the proposed USF System Audit Work Plan and any subsequent changes for the upcoming fiscal year or the multi-year plan and ensure that it addresses key areas of risk based on risk assessment procedures performed by USF System Audit in consultation with management and the Committee.

Obtain and review USF System Audit reports, including those concerning fraud investigations.

Review the status of USF System Audit recommendations. Ensure that significant findings and recommendations made by USF System Audit auditors and management's proposed responses are received, discussed, and appropriately dispositioned.

Review and approve the USF System Audit Annual Report. Review USF System Audit's performance relative to the work plan and the impact of any resource limitations.

Review the Audit Charter at least every three (3) years.

Review the results of the quality assurance and improvement program including the external assessment performed every five (5) years.

F. Compliance & Ethics Program

Review the independence, qualifications, activities, resources, and structure of the USF System Compliance & Ethics Program function and ensure no unjustified restrictions or limitations are made.

Review and approve the USF System Compliance & Ethics Program Plan and any subsequent changes.

Review the effectiveness of the USF System Compliance & Ethics Program in preventing or detecting noncompliance, unethical behavior, and criminal

Audit and Compliance Committee Charter

misconduct and ensure that it has appropriate standing and visibility across the USF System.

Ensure that significant findings and recommendations made by the Chief Compliance Officer are received, discussed, and appropriately dispositioned.

Ensure that procedures for reporting misconduct and criminal violations are well publicized and administered and include a mechanism that allows for anonymity or confidentiality, whereby members of the USF System community may report or seek guidance without the fear of retaliation.

Review the effectiveness of the USF System for monitoring compliance with laws and regulations and management's investigation and follow-up (including disciplinary action) of any wrongful acts or non-compliance.

Obtain regular updates from the Chief Compliance Officer regarding Compliance & Ethics matters that may cause significant financial, legal, reputational, or operational impact to the USF System or its DSOs.

Govern the office of the Chief Compliance Officer under the Compliance & Ethics Program Charter approved by the board of trustees and reviewed at least every three (3) years for consistency with applicable Board of Governors and USF System regulations, professional standards, and best practices.

Review the results of the external review of the USF System Compliance & Ethics Program's design and effectiveness and any recommendations for improvement every five (5) years.

G. Reporting Responsibilities

Regularly update the Board about the Committee's activities and make appropriate recommendations.

Ensure the Board is aware of matters that may have a significant financial, legal, reputational, or operational impact to the USF System or its DSOs.

H. Evaluating Performance

Evaluate the Committee's own performance, both of individual members and collectively, on a periodic basis and communicate the results of this evaluation to the Board.

Audit and Compliance Committee Charter

VI. Charter Review and Approval

The charter for the USF System Board of Trustees Audit and Compliance Committee 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.

Brian D. Lamb, Chair, Board of Trustees

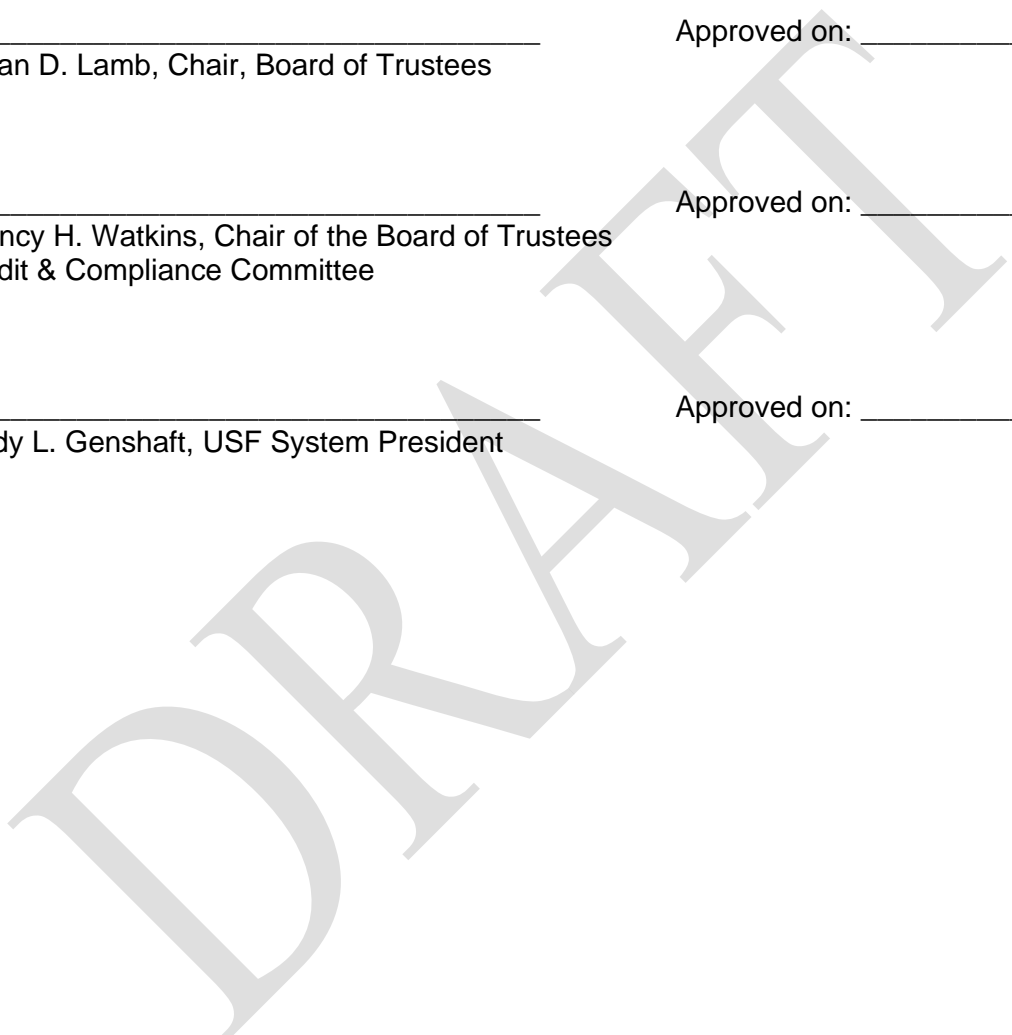
Approved on: _____

Nancy H. Watkins, Chair of the Board of Trustees
Audit & Compliance Committee

Approved on: _____

Judy L. Genshaft, USF System President

Approved on: _____



Agenda Item: III c

USF Board of Trustees
(June 8, 2017)

Issue: USF System Compliance & Ethics Program Plan

Proposed action: Approval of USF System Compliance & Ethics Program Plan

Executive Summary: The USF System Compliance & Ethics Program Plan brings the university into compliance with certain requirements contained in Florida Board of Governors (BOG) Regulation 4.003.

The Program Plan describes the structure and responsibilities of the USF System Compliance & Ethics Program, which is organized in accordance with the “essential elements” of the Federal Sentencing Guidelines.

Financial Impact: N/A

Strategic Goal(s) Item Supports: The USF System Compliance & Ethics Program efforts support all four of the USF System Strategic Goals.

Committee Review Date: Audit & Compliance, 5/18/17

Supporting Documentation Online (please circle):

Yes

No

Proposed USF System Compliance & Ethics Program Plan

USF System or Institution specific: USF System

Prepared by: Jeff Muir, Chief Compliance Officer



USF System Compliance & Ethics Program Plan

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 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 summarizes the current status of the Compliance & Ethics Program as required under BOG Regulation 4.003, organized by prescribed “essential elements” under the Federal Sentencing Guidelines.

Element I: 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 Committee, the USF System Compliance & Ethics Program, and the Chief Compliance Officer.

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 governing authority for the USF System Compliance & Ethics 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 is responsible for the coordination and management of

all USF System compliance and ethics activities. As such, the Program serves as a central point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures. 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. The *vision* is for the University of South Florida System to demonstrate 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. The CCO reports functionally to the Board of Trustees’ Audit & Compliance Committee and administratively to the USF System President and the Chief Operating Officer.

To ensure that the 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;
- Utilizing approved third-party resources as appropriate to supplement the Program’s efforts;

- Communicating 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; and
- Developing and updating this 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 & Ethics Council

The USF System Executive Compliance & Ethics Council (ECEC) serves as the oversight committee for operational issues concerning the USF System Compliance & Ethics 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 and a Regional Chancellor. The Council is comprised of the following individuals:

- Senior Vice Provost
- Vice President, Student Affairs & Student Success
- Chief Operating Officer, USF Health
- Chief Operating Officer, USF Foundation
- 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 is responsible for keeping the BOT Audit & 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 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 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, the terms of which are outlined in memoranda by the USF System President. The Workgroup is chaired by the Chief Compliance Officer and is comprised of the following individuals:

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

The Compliance Officers Workgroup assists the Chief Compliance Officer 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 may also include compliance officers from other risk areas as ex-officio members to assist the 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]

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 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 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 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 services via the following mechanisms:

- Including EthicsPoint, Ombuds, Regulation USF5.001, and USF System Policy 0-027 education and training during the Compliance & Ethics session of New Employee Orientation;
- Displaying EthicsPoint Posters prominently throughout our campuses; and
- Including EthicsPoint information is part of the training component of the Florida Code of Ethics (FCOE) disclosure form, completed annually by the following USF

System employee 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 & Ethics Training for New Employees

The Program 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 Tampa and USFSP.

B. Compliance & 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 types of employee positions, 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 & 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 & Ethics Training for BOT Members

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 standard 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 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. Audit & Monitoring Risks

USF System 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 Audit performs audits which test the internal controls established by USF System management. When deficiencies through such testing are found, USF System 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 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 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 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 USF System Compliance & Ethics Program Report ("Annual Report") on the effectiveness of the Program to the USF Board of Trustees. Any Program 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 Plan are provided to the Florida Board of Governors.

Program Plan: Preparation, Review, & Approval

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 USF System Chief Compliance Officer and staff is responsible for developing and implementing the USF System Compliance & Ethics Program Plan. The Chief Compliance Officer is responsible for routinely communicating to the Board of Trustees and USF System President regarding Program activities and providing an Annual Report on the effectiveness of the Program. Any Program Plan revisions, based on the Chief Compliance officer's routine or annual reporting, shall be reviewed and approved by the USF Board of Trustees. A copy of the approved Program Plan and any subsequent changes shall be provided to the Florida 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: _____

Appendices

Appendix A. Board of Trustees Audit & Compliance Committee Charter.
(Pending review and approval by the Board)

Appendix B. USF System Compliance & Ethics Program Charter.

APPENDIX B



USF System Compliance & Ethics Program Charter

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.

APPENDIX B

USF System Compliance & Ethics Program Charter

- 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 inquiries, investigations, or reviews deemed appropriate in accordance with university regulations and policies, state law, and/or federal regulations.

APPENDIX B

USF System Compliance & Ethics Program Charter

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: 3/9/17



Judy L. Genshaft, USF System President

Approved on: 3/10/2017



Jeffrey A. Muir, Chief Compliance Officer

Approved on: 3/9/17

Agenda Item: IV a

**USF Board of Trustees
Audit & Compliance Committee
May 18, 2017**

Issue: USF System Audit Work Plan Update

Proposed action: Informational

Executive Summary:

Senior Management and the USF Board of Trustees Audit and Compliance Committee approved a two-year Audit Work Plan for fiscal years 2016-2017 and 2017-2018 on August 25, 2016. There have been no significant changes to the two-year work Plan.

Status of Work Plan as of April 30, 2017

- Due to unanticipated staff vacancies there were 790 less direct hours than originally budgeted.
- Of the 12 audits originally scheduled for Year 1:
 - 7 are complete
 - 2 are in progress and will be completed by the end of the year.
 - 2 are in progress and will be complete by September 30, 2017.
 - 1 project has been deferred.

Financial Impact: None

Strategic Goal(s) Item Supports: N/A

Workgroup Review Date: Audit and Compliance Committee 5/18/17

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

USF System Audit FY 2017 and FY 2018 Work Plan

USF System or Institution specific: USF System

Prepared by: Kate Head, Associate Director, USF System Audit



**UNIVERSITY SYSTEM AUDIT
FY 2017 and FY 2018 WORK PLAN**

As of 4/30/17

	Total Hours	Yr 1	Status	Yr 2
DIRECT SERVICES				
<i>Audits/Reviews</i>				
Core Processes:				
Access Controls/Entitlement Reviews-Internal Transfers	600			600
A/P Vendor Set-up and Maintenance	400	400	In Progress	
Construction Accounting Offices	800	800	In Progress	
Non-exempt Employees (O/T Eligible)	800			800
Treasurer's Office	800			800
Academic Affairs:				
College of Arts & Sciences-USF	800	800	Complete	
College of Arts & Sciences-USFSP	600	600	Complete	
College of The Arts	800			800
PBF Data Integrity-Year 1	1,000	1,000	Complete	
PBF Data Integrity-Year 2	800			800
Visa Processing/Visiting Scholars	800			800
Governance				
Delegation of Authority/MOUs/Contract Approval	400	400	Deferred	
Research:				
Office of Clinical Research- College of Medicine	800	800	Cross Over	
Research Expenditures	800			800
Research Lab Safety (rollover)	300	300	Complete	
Information Technology:				
3rd Party Assurance/Management of Risk (Non-Standard Software Acq)	500	500	Complete	
Data Center (Primary)	500	500	Complete	
Oracle Database Security	800			800
Student Information Systems Security	800			800
Tech Fee Phase 2	200	200	Complete	
USF Health IT (EPIC Phase 2)	800	800	Cross Over	
USF Health IT (TBD)	800			800
<i>Follow-up; Coordinate External Audits</i>	<u>1,000</u>	<u>500</u>	In Progress	<u>500</u>
<i>Subtotal</i>	15,900	7,600		8,300
<i>Consulting Services</i>				
Special Projects	1,400	1,000		400
Emerging Issues - Compliance, Financial, IT	<u>600</u>	<u>300</u>	NA	<u>300</u>
<i>Subtotal</i>	2,000	1,300		700
<i>Investigations</i>	4,127	2,047		2,080
<i>Contingency</i>	<u>2,837</u>	<u>1,377</u>		<u>1,460</u>
Summer Programs Background Checks			Complete	
Research Lab Governance			Complete	
Auxiliary Billing-Recharge Center Activities			In Progress	
TOTAL DIRECT SUPPORT	24,864	12,324		12,540

Agenda Item: IV b

USF Board of Trustees
Audit & Compliance Committee
May 18, 2017

Issue: University and DSO External Audit Findings Report

Proposed action: Informational

Executive Summary:

The External Audit Findings Report describes audit findings and auditor recommendations, and management's responses and correction status.

The University and DSOs will receive 16 audits from independent external auditors for the fiscal year ended June 30, 2016.

Since June 30, 2016, 15 audits have been received:

- No Audit Findings in the 7 University June 30, 2016 Audited Financial Statements
- No Audit Findings in the 8 DSO June 30, 2016 Audited Financial Statements

One finding from the previous year was closed.

One audit report has not yet been issued: University's Operational Audit for calendar year 2016.

Financial Impact:

N/A

Strategic Goal(s) Item Supports:	Goal 4: Sound Financial Management
Workgroup Review Date:	May 18, 2017
Supporting Documentation Online (please circle):	Yes No
External Audit Findings Report	
Annual DSO Compliance Certifications	
USF System or Institution specific:	USF System
Prepared by:	Fell L. Stubbs, University Treasurer, (813) 974-3298

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
External Audit Findings
Status Report to the BOT Audit & Compliance Committee – May 18, 2017

NEW FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management’s Response to Auditor	Current Status of Finding	Target Completion Date
<p><u>UNIVERSITY OF SOUTH FLORIDA</u></p> <p>No Audit Findings Reported in the 7 University June 30, 2016 Audited Financial Statements Issued</p> <p><u>DIRECT SUPPORT ORGANIZATIONS</u></p> <p>No Audit Findings Reported in the 8 DSO June 30, 2016 Audited Financial Statements Issued</p>					

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
External Audit Findings
Status Report to the BOT Audit & Compliance Committee – May 18, 2017

RESOLUTION OF PREVIOUSLY DISCLOSED FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management’s Response to Auditor	Current Status of Finding	Target Completion Date
<p><u>UNIVERSITY OF SOUTH FLORIDA</u></p> <p>2015 Operational Audit (Report No. 2016-133), Finding No. 5</p>	<p><u>Finding</u></p> <p>2nd REPEAT FINDING</p> <p>Information Technology – Security Controls – User Authentication and Logging and Monitoring of System Activities</p>	<p>The University should improve security controls related to user authentication and logging and monitoring of system activity to ensure the continued confidentiality, integrity, and availability of University data and IT resources.</p>	<p>A detailed response to all issues raised by the State Audit with respect to the confidentiality, integrity and availability of the data residing in our systems will be submitted separately in order to maintain the need-to-know aspect of the report. The University believes that the current controls are adequate to establish a secure environment. However, the University will review the security settings and if necessary, make appropriate changes.</p> <p>Responsible Party: Alex Campoe, Assistant Vice President, Information Technology</p>	<p>CLOSED PER MANAGEMENT</p> <p>USF IT has developed and implemented additional improvements to security settings, including the recent implementation of DUO, a Two-Factor Authentication (TFA) method – an additional layer of security for access to certain USF financial and HR business applications.</p>	<p>N/A - Closed</p>

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES**External Audit Findings****Status Report to the BOT Audit & Compliance Committee – May 18, 2017****SUMMARY OF ENTITIES REVIEWED FOR AUDIT FINDINGS**

USF Entity	Audit Due Date (Month and Day)	Current Audit Findings	Previous Audit Findings	Audit Firm
University of South Florida System	Determined by Auditor General	No Findings	No Findings	State of Florida Auditor General
USF Operational Audit (Issued every 2 years)	Determined by Auditor General	CY 2016 Report in Progress	5 Findings – 2 REPEAT	State of Florida Auditor General
USF Sarasota-Manatee	Determined by Auditor General	No Report in 2016	No Findings	State of Florida Auditor General
USF St. Petersburg	Determined by Auditor General	No Report in 2016	No Report in 2015	State of Florida Auditor General
State of Florida Federal Circular A-133	Determined by Auditor General	No Findings	1 Finding – REPEAT	State of Florida Auditor General
USF Health Sciences Center Self-Insurance Program (SIP)	December 15	No Findings	No Findings	Crowe Horwath LLP
USF Health Sciences Center Insurance Co., Inc. (CIC)	December 15	No Findings	No Findings	Crowe Horwath LLP
USF Intercollegiate Athletics Program	January 15	No Findings	No Findings	James Moore & Co., P.L.
WUSF – FM, A Public Telecommunications Entity Operated by USF	January 15	No Findings	No Findings	James Moore & Co., P.L.
WUSF – TV, A Public Telecommunications Entity Operated by USF	January 15	No Findings	No Findings	James Moore & Co., P.L.
DSO - USF Foundation, Inc.	October 15	No Findings	No Findings	Cherry Bekaert LLP
DSO - USF Alumni Association, Inc.	October 15	No Findings	No Findings	Cherry Bekaert LLP
DSO - USF Financing Corporation and USF Property Corporation	October 15	No Findings	No Findings	KPMG LLP
DSO - University Medical Service Association, Inc. (UMSA) and USF Medical Services Support Corporation (MSSC)	October 15	No Findings	No Findings	Grant Thornton LLP
DSO - USF Health Professions Conferencing Corporation (HPCC)	October 15	No Findings	No Findings	Mayer Hoffman McCann P.C.
DSO-operated - USF Health and Education International Foundation (HEIF)	October 15	No Findings	No Findings	Kreston Alvarez & Carrasco
DSO - USF Research Foundation, Inc.	October 15	No Findings	No Findings	Cherry Bekaert LLP
DSO - USF Sun Dome, Inc.	October 15	No Findings	No Findings	James Moore & Co., P.L.

Annual Compliance Certifications of Direct Support Organizations

Executive Summary:

Each Direct Support Organization (“DSO”) and related entity under the control and direction of the Board of Trustees of the University of South Florida (“USF”) 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.

To document this structure, DSOs and entities under the control and direction of the USF Board of Trustees must certify annually that such a structure is in place. This certification must be completed by (1) the Chair of the Board or like position, (2) the Chief Executive Officer or President, and (3) the Chief Financial Officer or individual with overall responsibility for financial operations.

All nine DSOs provided their Annual Compliance Certification Statements for the fiscal year ended June 30, 2016.

There were no instances of non-compliance with the 19 requirements from five categories of compliance cited in the Annual Compliance Certification Statement.

**UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES
Annual Compliance Certifications of Direct Support Organizations
For the fiscal year ending June 30, 2016**

NEW FINDINGS

Direct Support Organization	Compliance Requirement	Finding	Management's Response	Current Status of Finding	Target Completion Date
<p>No certified non-compliance with the following compliance categories:</p> <ul style="list-style-type: none"> (a) Compliance with Laws, Regulations, Policies and Professional Standards (b) System of Internal Controls (c) External Audit (d) Internal Audit (e) Governance 					

UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES
Annual Compliance Certifications of Direct Support Organizations
For the fiscal year ending June 30, 2016

RESOLUTION OF PREVIOUSLY DISCLOSED FINDINGS

Direct Support Organization	Compliance Requirement	Finding	Management's Response	Current Status of Finding	Target Completion Date
<p>No certified non-compliance for the fiscal year ending June 30, 2015</p>					