

**USF Board of Trustees
Audit & Compliance Committee
NOTES
Thursday, May 18, 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 1:20pm.

Committee members present: Nancy Watkins and Byron Shinn. A quorum was established.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of February 16, 2017 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Watkins requested a motion for approval, it was seconded and the February 16th meeting notes were unanimously approved as written.

b. Approval of Audit & Compliance Committee Charter

Kate Head, Associate Director, University Audit, presented the Audit & Compliance Committee Charter. The Charter brings the university into full compliance with certain requirements within 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.

The Committee's recommendations are included.

A motion was made to move the Audit & Compliance Committee Charter to the full board with a recommendation for approval of the Charter. The motion was seconded and approved by all committee members present.

c. Approval of USF System Compliance & Ethics Program Plan

Jeff Muir, Chief Compliance Officer, presented the USF System Compliance & Ethics Program Plan. The Program Plan brings the university into compliance with certain requirements contained in BOG Regulation 4.003. USF is the first university to reach this point.

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.

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

The approval of these two action items completes the implementation and separation of the audit and compliance functions and brings USF in full compliance with the BOG and maintains best practices.

IV. New Business – Information Items

a. University Audit Work Plan – FY 2018

Ms. Head gave a status report on the 2-year Work Plan (FY 2016-17 and FY 2017-18) approved last year. Ms. Head reported no significant changes to the two-year Work Plan. Due to unanticipated staff vacancies (one senior IT auditor and one senior auditor), 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; and 1 project has been deferred.

John Long, Sr. Vice President and Chief Operating Officer, stated that compensation is an issue and we are subject to losing talent, especially in IT. Market rate adjustments are important to many areas at the university.

b. USF/DSO External Audit Findings

Fell Stubbs, University Treasurer, presented the University and DSO Outstanding External Audit Findings Report which 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, with no disclosed audit findings in the 7 University June 30, 2016 Audited Financial Statements and 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 (still in process, occurs every two years) - University’s Operational Audit for calendar year 2016.

Mr. Stubbs also presented the Annual Compliance Certifications of DSOs. Each DSO and related entity under the control and direction of the BOT is expected to implement an internal control, reporting and governance structure consistent with best practices of USF, the DSO or related entity, as well as those detailed within National Association of College and University Business Officer’s Advisory Report on the Sarbanes-Oxley Act of 2002.

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.

c. JLAC Response to Audit Finding

Jenny Paulsen, Deputy Chief Information Officer IT, and Alex Campoe, Chief Security Officer IT, briefed the committee on USF's response letter for JLAC (Joint Legislative Auditing Committee) relating to USF's three-peat audit finding on user authentication/password protection. USF's response to the finding was to implement DUO (a Two-Factor Authentication [TFA] method), in addition to maintaining our 180-day password change. The State has informally indicated acceptance of our response. USF previously followed federal standards of complexity of password. Chair Watkins stressed that this is not a case where we did nothing; we thought we had complied according to the field auditor, but that changed in Tallahassee.

Mr. Long stated that there has not been any intrusion since the implementation of DUO in April.

Chair Watkins stated that going forward, we have to come up with a system on how to address second audit findings before they become a 3-time finding.

d. Update – Summer Program Background Clearances

Jeff Muir gave an update on Summer Program Background Clearances. At the request of Trustee Goforth, an audit was performed on summer programs. All recommendations in the audit report have been implemented including new policies and procedures. This involved many departments/areas at USF (about 12). The work is not complete – will look at what we do during the other nine months of the year. Will look at controls/safeguards in how we protect minors on campus.

V. Adjournment

Having no further business, Chair Watkins thanked the audit and compliance teams for their work and adjourned the Audit & Compliance Committee meeting at 1:47pm.