

**USF Board of Trustees
Audit & Compliance Committee
NOTES
Tuesday, February 13, 2018
Tampa Campus – Gibbons Alumni Center, Traditions Hall**

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Nancy Watkins at 1:45pm.

Committee members present: Nancy Watkins, Oscar Horton and Byron Shinn. A quorum was established. President Genshaft and Trustees Mike Carrere, James Garey, Stephanie Goforth, Brian Lamb, Hal Mullis, Les Muma, and Charles Tokarz were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of November 2, 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 November 2nd meeting notes were unanimously approved as written.

b. Acceptance of Performance Based Funding Data Integrity Audit & Approval of Data Integrity Certification

Virginia Kalil, Executive Director, USF System Audit, presented the results of the Performance-Based Funding Data Integrity Audit. This is the fourth year in conducting this audit pursuant to BOG request. The main objectives of the audit were to determine whether the processes and internal controls established by the university ensure the completeness, accuracy, and timeliness of data submissions to the BOG which support the PBF measures; and to provide an objective basis of support for the President and BOT Chair to sign the representations included in the Data Integrity Certification. The audit scope was to identify and evaluate any material changes to the controls and processes in place during the prior audit period, including prior year recommendations, BOG data definition changes, and data element and/or file submission changes; and to update PBF risk assessment, including fraud risks, to identify areas for detailed testing. The audit verified any data resubmissions to the BOG were necessary and authorized (no resubmissions related to PBF); verified security of data and data transmissions; and performed detailed testing related to files submitted to the BOG for Measures 1-9. The overall conclusion of the audit was that there were no high risk issues and there was an adequate system of internal controls in place. Two recommendations (medium priority risks) for improvement are included in the Management Letter. The recommendations are 1) to enhance the monitoring and oversight of manual changes to the Hours to Degree and

Courses to Degree files; and 2) to enhance controls over Transfer Articulation. Action plans for both recommendations are in process. Both recommendations for improvement did not have an impact on the performance measures.

A motion was made to accept the Performance-Based Funding Data Integrity Audit results and to approve the Data Integrity Certification. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Operational Audit Report

Nick Trivunovich, Vice President for Business & Finance and CFO, gave a report on the Calendar Year 2016 Operational Audit. State Statute requires an operational audit at least every 3 years. USF's regular schedule is every 2 years (consistent with the larger SUS universities). A "normal audit" covers the fiscal year. The current audit covered the calendar year (Auditor General changed from FY to CY) - resulting in shorter interim (18 months). Mr. Trivunovich reviewed the audit timeline – this was a long process due to two additional topics added after the initial exit conference. The number of operational audit recommendations had been declining – 10 for FY 2011, 9 for FY 2013, and 5 for FY 2015. For CY 2016, there were 6 recommendations, including 1 from each of the additional 2 added topics (only 4 recommendations for the initial audit scope). The audit covered 28 primary operational areas. Major areas of review included:

- Information Technology Access & Control
- Direct Support Organizations (added topic)
- Compensation
- P-Card and Travel (no findings)
- Major Construction Projects
- Compliance with Statute

The six recommendations were in the following areas:

- Textbook Affordability
- Severance Payments
- Student Receivables
- Direct Support Organizations
- IT User Application Privileges – ERP System
- IT User Application Privileges – SSN

Mr. Trivunovich explained each audit finding, the auditor recommendation, management's response, and the current correction status. All findings will be corrected by September 30, 2018.

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, 2017. Since June 30, 2017, 15 audits have been received, with no disclosed audit findings in the 6 University

June 30, 2017 Audited Financial Statements; 6 findings in the University's Calendar Year 2016 Operational Audit (covered in the previous presentation); no audit findings in the 7 DSO June 30, 2017 Audited Financial Statements; and 5 findings in the USF Health and Education International Foundation's (related party of HPCC DSO) June 30, 2017 Audited Financial Statements. One audit report has not yet been issued: State of Florida Federal Circular A-133 for fiscal year 2017.

Trustee Shinn stated that it is commendable to have no findings on the financial audits for the DSOs.

Roberta Burford, President of USF Health & Education International Foundation (HEIF), gave an overview of the foundation which was created in 2008 and is a Panamanian legal entity, not a DSO. The foundation does annual business of about \$500K. Greg Vannette, CFO of HEIF, described the five audit recommendations, management's responses, and the current correction status. All findings will be cleared by June 30, 2018.

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. The Compliance Certification process is an important element of DSO oversight and governance.

All nine DSOs provided their Annual Compliance Certification Statements, signed by the DSO Chair, CEO and CFO, for the fiscal year ended June 30, 2017, consistent with the Annual Reporting Requirements for DSOs. There were no instances of non-compliance with the 19 requirements from five categories of compliance cited in the Annual Compliance Certification Statement.

Trustee Horton left the meeting at 2:35pm.

c. USF System Compliance & Ethics Annual Report

Jeff Muir, Chief Compliance Officer, presented the USF System Compliance & Ethics Program Annual Report for 2017. This report covers an 18-month period (07/1/16 – 12/31/17) due to changing from fiscal year to calendar year. Mr. Muir reviewed the recent structural changes to the program which now includes accountable reports for high risk areas. It was a great year for compliance at USF. Highlights include the following:

- implementation of BOG Regulation 4.003 - USF was the first SUS University to complete all 18 program elements
- creation of the BOT Audit & Compliance Committee Charter, the USF System Compliance & Ethics Program Charter, the USF System Compliance & Ethics Program Plan, and the Compliance Officers Workgroup
- Summer Program Background Screening Project (for the protection of minors)
- Export Control/OFAC Compliance Project
- Compliance & Ethics Training for 958 new employees system wide
- Higher Education Opportunity Act Oversight
- Florida Code of Ethics (eDisclose)
- System-wide ERM Assessment (identified as best practice by the BOG)
- EthicsPoint (anonymous hotline)

Mr. Muir reviewed the EthicsPoint reports for the 18-month period. 132 unduplicated reports were received, which is consistent with the number of reports from the FY 2015/16 reporting period. The proportion of human resources-related reports is also consistent at 63% of the total (these are now reported both in the “HR” and USFH” categories). 33% of all reports were found to be “substantiated”, consistent with past reporting periods. Ten reports were referred, typically to the student code of conduct process or transferred to the Title IX process. There were no surprises over the last 18 months and there was no significant financial fraud.

Chair Watkins again noted that USF was the first SUS University to complete the BOG requirements in regulation 4.003 relating to compliance. We were already setting the standard for best practices, just needed to adopt charters.

d. USF System Audit Update

Ms. Kalil gave an update on the USF System Audit Work Plan. This is year two of a two-year approved plan. Due to unanticipated staff vacancies there were 2,300 less direct hours available than originally budgeted. This will result in deferral of three audits and carry forward completion of one audit into the next Audit Work Plan. USF System Audit is now fully staffed as of January 2018.

V. Adjournment

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 2:47pm.