

**USF Board of Trustees  
Audit & Compliance Committee  
NOTES**

**August 27, 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 1:50pm.

Committee members present: Nancy Watkins, Oscar Horton and Byron Shinn. A quorum was established. Trustees Mike Carrere 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 May 22, 2018 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 May 22<sup>nd</sup> meeting notes were unanimously approved as written.

**b. Approval of Revised Audit & Compliance Committee Charter**

Virginia Kalil, Executive Director, USF System Audit, introduced the revised Audit & Compliance Committee charter. Since the main catalyst for the revisions was the quality assurance review, Ms. Kalil presented that information item first.

**USF System Audit External Quality Assurance Review (IVb)**

The USF System Audit (Audit) internal auditing activity underwent an external quality assurance review (QAR), per professional and BOG requirements (at least once every five years). This is the third external review. This review was conducted as a self-assessment with independent validation. The review was conducted from March – June 2018. This was an evaluation of conformance with the Institute of Internal Auditors' (IIA's) Standards and Code of Ethics. The methodology used was IIA's *Quality Assessment Manual for the Internal Audit Activity* (2017). The external review team consisted of two independent members – one from UCF and the other from the University of Texas at Dallas (lead).

Observations fall into the following three categories: successful audit practices, conformance gaps, and opportunities for improvement. Successful audit practices included: Audit and its activities are highly regarded by management and the BOT; Audit's education, experience, and professional credentials are commendable; policies and

procedures are robust with regular quality assurance points (strong infrastructure over audit process) and a focus on technology (and using technology in audit processes); and activity is focused on institutional risks, including information technology and fraud risks. Ms. Kalil noted that the external team members were so impressed with our policies and procedures that they wanted to take them back to their institutions.

It was determined that Audit “generally conforms” to the IIA Standards and Code of Ethics. This is the highest level of achievement and means that the relevant structures, policies, and procedures comply with the standards and Code of Ethics in all material respects. No conformance gaps were identified and three recommendations were made for continued improvement towards best practices. Ms. Kalil presented a chart showing the history of the 3 assessments (2008, 2013, and 2018). Audit has improved with each assessment, having zero gaps and 3 opportunities for improvement in this latest assessment. Opportunities for improvement are to 1) revise the Audit & Compliance Committee (ACC) Charter to include the ACC’s role and responsibilities regarding the appointment, removal, and remuneration of the Chief Audit Executive; 2) communicate results of the Quality Assurance Improvement Plan (QAIP) more formally to the ACC at least annually; and 3) consolidate strategic planning and QAIP efforts more formally into an internal audit strategic plan. To address #2, Audit is developing a scorecard and some metrics which will be shared with ACC going forward. For #3, Audit already conducts a strategic planning exercise every three years, and will now put it in a formal plan. For #1, revisions are being proposed to the ACC charter.

As a result of the QAR, changes to the charter are recommended in order to: implement QAR best practices recommendations; better align with BOG regulations; and create a clear mechanism for future charter amendments. Revisions include the addition of the ACC’s role and responsibilities regarding the appointment, removal, and remuneration of the Chief Audit Executive and the Chief Compliance Officer (to ensure independence of the audit and compliance functions); removal of Committee’s responsibility to approve the annual report as it is not required by standards or regulations; and per consultation with legal counsel, the charter will include a procedure for amending the charter.

A motion was made to approve the Audit & Compliance Committee (ACC) Charter revisions. The motion was seconded and approved by all Committee members present.

#### **IV. New Business – Information Items**

##### **a. USF System Audit Annual Report 2017/18**

Ms. Kalil presented the USF System Audit Annual Report for 2017-18. The report covers internal audit, consulting, and investigative activities for FY 2017-18. FY 2017-18 is year 2 of a 2-year work plan which was approved in August 2016.

The physical report is in final review; the information presented today is final/hardened data. The final report will be available to the Committee prior to its required submission to the BOG.

USF System Audit consists of 10 highly credentialed audit professionals, including 2 Sr. IT auditors. As of today, Audit is fully staffed.

Direct services include audits, consulting projects, investigations, and follow-up on management's corrective actions related to audit recommendations. In 2017-18, USF System Audit completed 10 audits, including 3 IT audits; 3 consulting projects; and 16 investigations. 5 audits were in core processes and Academic Affairs and 5 audits were in governance, research, and IT. About 1,500 hours were lost in direct services due to staff vacancies throughout the year, resulting in deferring 3 projects.

Part of the audit process includes recommendations. In 2017-18, recommendations were made in the following areas: assignment of responsibility; authorization (adequacy and timeliness); compliance with federal laws; effective and efficient operations; IT (confidentiality, integrity, and availability of data); reporting: (accuracy, completeness, and timeliness); safeguarding of assets; separation of duties; and training and guidance (accuracy, completeness, and timeliness). Recommendations are categorized in order to identify trends. Added to the list for 2017-18 was effective and efficient operations; workplace safety dropped off. 55% of open recommendations were completed (rolling 12 month percentage) – this is down from 71% in 2016-17. This is due to more complex actions needed to address the risks identified and due to lower staff level in Audit earlier in the year resulting in the majority of audit reports issued in the second half of the fiscal year.

**b. USF System Audit External Quality Assurance Review**

See IIIb.

**V. Adjournment**

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 2:20pm.