

University of South Florida
Board of Trustees Special Meeting
Tuesday, April 23, 2019
Minutes

Chair Jordan Zimmerman called to order the special meeting of the University of South Florida Board of Trustees at 10:02 AM. Chair Zimmerman thanked everyone for joining the call with limited notice and asked President Judy Genshaft to call roll.

President Genshaft called roll with the following trustees present:

Trustee Michael Carrere – not in attendance
Trustee Stephanie Goforth (via phone)
Trustee Oscar Horton (via phone)
Trustee Moneer Kheireddine – not in attendance
Trustee Deanna Michael (via phone)
Trustee Harold Mullis (via phone)
Trustee Leslie Muma – not in attendance
Trustee John Ramil – not in attendance
Trustee Byron Shinn – not in attendance
Trustee Charles Tokarz (via phone)
Trustee Nancy Watkins (via phone)
Trustee Jordan Zimmerman (via phone)

Chair Zimmerman then reminded the Board the purpose of today's call was to review USF's certification of funding sources for capital projects and the review of construction accounting and control structure. He informed the Board that although no voting would occur, the meeting is important to the Board's oversight functions and commitment to transparency. He reminded everyone that Trustee Nancy Watkins, as chair of the Board's Audit and Compliance Committee, worked with University Audit and Compliance (UAC) staff members to lead an objective and independent review. By working with UAC, Trustee Watkins had timely access to all relevant materials, resources, and personnel. Chair Zimmerman also reminded the Board of Trustee Watkins' collaboration with the Florida Board of Governors in conducting the review. He then turned the call over to Trustee Watkins.

Trustee Watkins informed the Board that three final reports were published and thanked UAC's Executive Director and Chief Internal Auditor Virginia Kalil for all of her hard work and dedication and that of her staff. Trustee Watkins then made the following remarks:

The review conducted covered the use of Education and General (E&G) carryforward (CF) funds in capital projects and consisted of three components: to validate the population of projects (there are 51 in total) included in the university's certification was complete and consistent with the Board of Governors' (BOG) definition of a new capital project; to determine the projects which utilized E&G or E&G CF funds and validate utilization of these funds and other funding sources were appropriate; and to verify the Patel Center for Global Solution project information disclosed was accurate and complete.

The first report focuses on the use of E&G CF funds in the construction of the Patel Center. It is notable that throughout the life of the project there were significant changes in its scope, resulting in a reduction of costs from \$40 million to \$21.7 million. The Patel Center was approved approximately 15 years ago and completed over eight years ago, and in that time key personnel has changed. All nine remaining current employees were interviewed. Detailed information regarding Audit's review of the USF Certification with Exceptions regarding the Patel Center project can be found in Attachment C of the report.

Based on Audit's review of the Patel Center project, no evidence was found to indicate collusion, intentional misallocation of E&G CF funds, or that USF leadership made an overt attempt to conceal the use of or personally benefit from the misallocation. Rather, Audit identified several control deficiencies which directly contributed to the misallocation comingling of funds. After review of previous Board meeting minutes and interview with Board members there was no indication that the Board was told about the change in scope or usage of funds. Various control deficiencies that occurred during the Patel Center project have been corrected; many accounting processes have been centralized, allowing the university to have a higher level of expert oversight.

A total of \$10 million of E&G CF funds was transferred from the Provost's Office to the Construction Fund. The Provost's Office had a responsibility to ensure the funds provided were allowable based on CF guidelines and the projected costs provided by Facilities Planning Design and Construction (FP-DC) and FP-DC had a responsibility to ensure funds entrusted to them were spent consistently with projected costs and spending restrictions. While both transfers specified allowable intended uses for the funds, lack of controls led to misallocating \$5.7 million of the total \$10 million transferred. It is important to note again that many of the previous operating procedures used during the Patel Center project are no longer in place.

Audit's second report of this review focused on verification of the accuracy and completeness of the university's certification, including the population of projects reported and the appropriate use of E&G, E&G CF funds, and other funding sources.

The USF certification indicated, "USF has constructed approximately fifty one new capital projects totaling \$551 million, including multiple new projects adding more than 10,000 gross square feet of space or exceeding \$2 million in cost."

Based on the review, Audit determined all new capital projects meeting the BOG certification criteria were included in the 51 capital projects certified. In addition, Audit determined the projects certified by USF exceeded the BOG requirements as follows: Thirty capital projects, with certified expenditures totaling \$140 million, met the Florida Statute Chapter 1013.01 definition of renovations, repairs, or remodeling, and were not required to be included in the certification. Four of the remaining 21 capital projects, with certified expenditures totaling \$35 million, were approved by the BOT prior to July 1, 2008 and were not required to be included in the certification.

During the review, Audit also validated the funding sources for all 51 capital projects included in the certification, utilizing a variety of internal and external sources, in order to determine which projects

utilized E&G or E&G CF funds. Of these total 51 projects, only 17 were to be reviewed by the Board of Governors' directive, but Audit decided to still review all 51. Audit determined 29 of the 51 projects certified utilized E&G or E&G CF funds for a portion of the project costs. Audit reviewed the utilization of E&G and E&G CF funds to determine if the use was authorized in Chapter 1013 Florida Statutes and BOG Regulation 9.007(3), as well as BOG staff guidance regarding use of E&G and E&G CF funds in construction projects. While the review focused on the utilization of E&G and E&G CF funding, Audit also verified whether additional funding sources were appropriate.

When completing the BOG certification, USF made two primary assumptions: Statutory definitions contained in Chapter 1013 Florida Statutes were to be used to define the terms in the BOG certification where the same or substantively similar terms were used; and BOG guidance, regarding both the certification and the use of E&G and E&G CF funds in construction projects, was to be treated as an authorization for the purpose of the USF certification. Of the 51 projects reviewed only the Patel Center funds were used inappropriately.

Lastly, Audit reviewed the current construction accounting and control structure and concluded that current procedures in place are adequate, assuming corrective actions are taken timely to address the seven medium-priority risks included in the report.

Trustee Watkins ended her remarks and then asked if there were any questions. Chair Zimmerman thanked Trustee Watkins and congratulated her on a job well done. Trustee Oscar Horton asked what the next steps were with moving forward with this report and the Board of Governors; Trustee Watkins responded that this was a State University System process, not isolated to USF, and that the BOG has been in the loop the whole time and that this, as of now, is just for informational purposes.

Chair Zimmerman asked for confirmation that there were improved controls in place; Trustee Watkins confirmed there were seven already in place. Trustee Hal Mullis echoed Chair Zimmerman's remarks that the review is thorough, independent and transparent and thanked Trustee Watkins and the UAC team for their work.

Before closing the meeting, Trustee Mullis also made comments of congratulations for USF officially receiving its chapter of Phi Beta Kappa on April 22.

Chair Zimmerman thanked the Board again for their attendance and adjourned the meeting at 10:29 AM.