Board of Trustees Audit & Compliance Committee

Tuesday, November 15, 2022
11-11:45am

Microsoft Teams Virtual Meeting

Trustees: Sandra Callahan, Chair; Oscar Horton, Lauran Monbarren

A G E N D A

I.	Call to Order and Comments	Chair Sandra Callahan
II.	Public Comments Subject to USF Procedure	Chair Callahan
III.	New Business – Action Items	
	a. Approval of August 16, 2022 Meeting Notes	Chair Callahan
	b. Approval of Revised Internal Audit Charter	Exec Director/Chief Internal Auditor Virginia Kalil
	c. Acceptance of Audit & Compliance Committee Performance Assessment	Exec Director/Chief Internal Auditor Virginia Kalil
	d. Approval of Revised Compliance & Ethics Program Plan	Chief Compliance Officer Caroline Fultz-Carver
IV.	New Business – Information Items	
	a. USF/DSO Independent Audit Findings Report	University Treasurer Fell Stubbs
V.	Adjournment	Chair Callahan

USF Board of Trustees
Audit & Compliance Committee
NOTES
August 16, 2022
Microsoft Teams Virtual Meeting

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Sandra Callahan at 11:03am. Chair Callahan asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Sandra Callahan, Oscar Horton, and Lauran Monbarren. 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 May 24, 2022 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Callahan requested a motion for approval, it was seconded and the May 24th meeting notes were unanimously approved as written.

b. Internal Audit Work Plan FY23-FY24

Ms. Virginia Kalil, Executive Director and Chief Internal Auditor, presented the Internal Audit (IA) Work Plan for FY23 and FY24. In conformance with professional standards, BOG regulations, IA's charter, and the Audit & Compliance Committee charter, it is the Chief Audit Executive's responsibility to develop a risk-based plan for use of our internal audit resources and present it to the BOT for review and approval. In developing the risk-based plan, IA evaluated risks and updated risk models associated with over 150 auditable areas across the enterprise. Once the risk assessment was complete, projects were identified and prioritized in the areas of highest risk and interest to the board, senior management, and IA. Project hours were then estimated and aligned with available resources. Proposing resuming a two-year work plan. This gives us the flexibility to move projects across years as necessary and as schedules may require. The work plan includes allocation of hours for 14 internal audit professionals and also includes use of supplemental auditing services. The work plan includes coverage of core processes, academic areas, information technology, research, regulatory/compliance areas, and direct support organizations (DSOs). In addition, IA will provide advisory services related to fraud awareness and the implementation of the new Human Capital Management system recently approved by the BOT. Lastly, the work plan includes upgrading IA's audit management software by migrating to the vendor's cloud service solution and conducting a comprehensive quality self-assessment in preparation for

the department's 5-year external quality assurance review. Direct Services take up the majority of the plan, which consist mainly of audit services, consulting and advisory projects, and investigations and follow-up. The plan includes three projects that were carried over from the prior year. Carry over projects are the Attractive Items and Procure to Pay (Jaggaer) audits under core processes and the End User Computing audit under Information Technology. Direct services are normally 60% of effort – that is our KPI and we are working to get back to that. That number is 49% in this plan in FY23 due to vacancies (working to fill) and back to 60% in FY24.

A motion was made to approve the FY23-FY24 Internal Audit Work Plan and allocation of available staff hours. The motion was seconded and approved by all Committee members present.

IV. New Business – Information Items

a. Internal Audit Annual Report 2021-22

Ms. Kalil presented the Internal Audit Annual Report for 2021-22. It is the Chief Audit Executive's responsibility to report periodically on the progress IA is making towards the plans that are approved by the BOT, as well as to report IA's conformance with professional standards and code of ethics. The report describes the internal audit, consulting, and investigative activities and allocation of resources as compared to the approved Work Plan for 2021-22. The annual report is required to be submitted to the BOG by September 30 every year.

Ms. Kalil reviewed departmental resources by showing a snapshot of IA's organizational chart as of July 2022 and comparing it to the previous year (July 2021). Last year, IA was a team of 10 professional with 5 vacancies. About the same time, the University decided to roll the DSO internal audit activities into IA and IA estimated this would take an additional four team members. Five vacancies instantly became nine and IA was recruiting in a very difficult market. Looking at July 2022, four of the nine vacancies have been filled and three have offers accepted for start dates in July and August. This leaves just two vacancies to be filled a year later. Recruiting efforts continue and hope to have remaining positions filled by end of calendar year. The current structure has three areas of focus – IT, DSO, university (all other non-IT areas).

Ms. Kalil then discussed how the resources were utilized. The FY2022 work plan budgeted 48% of IA's resources for direct services. Actual direct services of 36% fell less than budget due to vacancies. However, disregarding the vacancies, IA resources in place spent 50% of their time on direct services which was slightly above the 48% budgeted. In 2021-22, IA completed 9 audits; 4 consulting projects; and 11 investigations. Three audits, one consulting project, and 7 investigations were in progress at year-end. Most of IA's time in 2021-22 was spent on audits and consulting at 74% followed by investigations and follow-up.

As part of the audit process, recommendations are made in response to any risks identified. Recommendations are then categorized for tracking and trending purposes. IA issues semi-annual reports (two times each year), in January and in July. In FY2022, management's average rate of open recommendations completed was 64%. Ms. Kalil did not have concerns with management's progress.

As part of IA's Quality Assurance and Improvement Program (QAIP), internal assessments performed throughout the year confirmed IA's conformance with IIA's *International Standards for the Professional Practices of Internal Auditing* and *Code of Ethics*. External assessment is required every five years and the last one conducted in 2018 confirmed conformance with IIA Standards. The next external assessment is planned to be conducted in Spring 2023.

Ms. Kalil described the experience and professionalism of the IA staff. The team's continued service to the internal audit profession included, but was not limited to, providing subject matter experts to share knowledge and experience through working groups, speaking engagements, conferences, and specific training events with the Association of College and University Auditors, the Institute of Internal Auditors, the Association of Inspectors General, and the USF Muma College of Business.

Ms. Kalil thanked her team for a job well done, especially during a challenging year and also thanked the President and the Trustees for their support.

Trustee Monbarren expressed how impressive this team has been to accomplish all they did in FY22 with the vacancies.

Chair Callahan echoed Trustee Monbarren's comment and thanked Ms. Kalil for a very comprehensive report.

b. 2021 Compliance & Ethics Annual Report

Dr. Caroline Fultz-Carver, Chief Compliance Officer, presented the 2021 Compliance & Ethics Annual Report ("2021 Annual Report"). The report summarized the activities of the Office of Compliance & Ethics (OCE) for calendar year 2021. This report was organized under the "essential elements" of an effective compliance program as prescribed by Federal Sentencing Guidelines and fulfills annual reporting requirements contained in BOG Regulation 4.003 and the Office of Compliance & Ethics Program Plan.

Dr. Fultz-Carver reviewed the changes in governance structure and compliance unification process which occurred during 2021. The compliance functions for Title IX, Equal Opportunity, and Americans with Disabilities Act (ADA), formerly part of Diversity Inclusion and Equal Opportunity (DIEO) joined OCE in April 2021. Health Compliance, Privacy and Healthcare Civil Rights Compliance, and Athletics Compliance joined OCE in August 2021. The high-risk compliance areas of Research Integrity & Compliance, Information Technology Security, Environmental Health & Safety, and Human Resources Compliance retained their accountable reporting relationship to the Chief Compliance Officer. The Title IX compliance functions were joined with the Violence Against Women Act (VAWA) compliance functions to form a new compliance program: Title IX-VAWA Compliance. Within the first six months of unification (June to December 2021), this unification reduced Title IX-VAWA report processing time (i.e., from receipt to resolution and closure) from an average of 54 days to 21 days.

Dr. Fultz-Carver presented highlights from the 2021 Annual Report of work done during the past calendar year. These highlights touched on Foreign Influence (including screening foreign researchers; foreign travel and research institutions; foreign gifts to and contracts with USF reporting; international cultural agreements; and researchers' outside activity and financial interest disclosure); 5-Year Program Effectiveness Review; eDisclose; and

EthicsPoint. The OCE continues to monitor employee compliance with the annual Florida Code of Ethics (FCOE) disclosure requirements through their online reporting system, eDisclose. All faculty and administration employees, and certain staff and temporary employees are required to complete this disclosure, equating to approximately 6,800 employee FCOE disclosures annually. USF did not reach 100% FCOE disclosure compliance in 2021. Overall, the university's compliance rate was 95%.

Dr. Fultz-Carver reviewed EthicsPoint reporting for calendar year 2021. EthicsPoint is the anonymous reporting system for known or suspected violations of USF policies and regulations. There were 118 reports received – 107 (91%) were closed and 11 (9%) remained open. Of those reports which were closed, five reports (4.67%) were substantiated, 83 reports (77.57%) were unsubstantiated, and 19 reports (17.76%) were referred. Reporters in EthicsPoint may choose to remain anonymous or identify themselves. It is not required that they identify themselves. During 2021, 80% of EthicsPoint reporters chose to stay anonymous.

Trustee Horton asked how can USF get to 100% FCOE compliance in eDisclose. Dr. Fultz-Carver explained that her office monitors this every year and works towards reaching 100% compliance. The OCE works with management in terms of applying progressive discipline options for USF's small pool of individuals that are consistently non-compliant or areas that are consistently not at the desired goal.

Chair Callahan commented on the totality of the report that was included in the materials. She stated that when you read through the report, it becomes very clear just the absolute magnitude of activity that is going on across the university literally every day as relates to compliance. And what is also obvious is the sheer volume of laws and regulations and their complexity that USF has to comply with. Chair Callahan commended Dr. Fultz-Carver and the entire team of people across the university for the job they do in keeping us in compliance. Dr. Fultz-Carver explained that higher education is one of the most heavily regulated industries. There are over 498 separate federal and state laws to which USF must comply based on analysis from a sister institution within the State University System.

c. 2022 Foreign Travel Annual Report

Jason Ramage, Director of Research Integrity & Compliance, presented the 2022 Foreign Travel Annual Report. Florida Statute 1010.36, Foreign Travel and Research Institutions, requires all SUS institutions to establish an approval and monitoring program for international travel by January 1, 2022. Section 1010.36(4) requires USF to submit an annual report of employment-related foreign travel to countries of concern to the Board of Governors (BOG) or other appropriate governing board. In April of this year, the BOG issued guidance clarifying that the annual travel report must be submitted to the USF Board of Trustees on July 31, beginning in 2022. This is the inaugural annual foreign travel report and covers the period from January 1, 2022 through June 30, 2022. There are currently seven foreign countries of concern identified under state law: People's Republic of China, Russian Federation, Islamic Republic of Iran, Democratic People's Republic of Korea (North Korea), Republic of Cuba, Venezuelan regime of Nicolás Maduro, and Syrian Arab Republic. Program activities include: established a Foreign Influence Committee and a Foreign Travel Subcommittee to address how we will deal with the new legislation; Research Integrity & Compliance (RIC) and USF World adapted existing travel review process to comply with new laws; RIC is responsible for submitting annual report; and Senior Foreign Influence Analyst hired in June 2022 and second analyst will start mid-August. As part of the travel

review and approval process, RIC provides guidance if any concerns are identified, but does not formally approve or disapprove travel (that is up to the department). Requests for travel to a foreign country of concern are screened by RIC. Institutions to be visited are subject to Restricted Party Screening using Visual Compliance. For the inaugural report of employment-related foreign travel to countries of concern for the period January 1, 2022 – June 30, 2022, there was one instance. This first report is for six months only due to the effective date of the legislation. Going forward, the annual report will cover the entire fiscal year.

d. Update – Review of Financial Internal Controls/University Support Organizations

Ms. Kalil provided another update to the financial internal control review taking place at the university's support organizations. Ms. Kalil reminded the group that this was a very comprehensive review of the financial internal controls for all university support organizations in the SUS at the direction of the BOG. This review was conducted by Crowe, an external consulting firm. The review was to assess whether financial controls were reasonable over each support organization's financial processes and records to protect the organization from theft or malfeasance and that duties were properly segregated among employees with proper oversight and monitoring activities. There are 90 support organizations throughout the SUS including 14 at USF. This review consisted of four phases – planning, risk assessment, testing, and reporting. Crowe has completed testing and provided reports to the DSOs as well as the USF summary. Four support organizational reports included observations for improvement. Five observations were reported in total in the areas of: completeness/timeliness/accuracy; review and approval; and segregation of duties. Overall, there are opportunities to strengthen controls through training and documentation.

Chair Callahan stated that this review is very helpful to us as we integrate the DSOs into our IA umbrella/program.

V. Adjournment

Having no further business, Chair Callahan adjourned the Audit & Compliance Committee meeting at 11:55am.

Agenda Item: III.b.

USF Board of Trustees
December 7, 2022

Issue: Office of Internal Audit (IA) Charter Revisions

Proposed action: Approval of the IA Charter Revisions

Executive Summary:

According to Florida Board of Governors (BOG) Regulations 4.002 State University System Chief Audit Executives, “each board of trustees shall adopt a charter which defines the duties and responsibilities of the office of the chief audit executive” and this “charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices”.

In compliance with BOG Regulation 4.002, the current Charter has been reviewed and suggestions have been made by the chief audit executive to better align the Charter with professional standards.

The current Charter was approved on March 10, 2020.

Financial Impact: N/A

Strategic Goal(s) Item Supports: To practice continuous visionary planning and sound stewardship throughout USF to ensure a strong and sustainable financial base, and to adapt proactively to emerging opportunities in a dynamic environment.
BOT Committee Review Date: 11/15/2022
Supporting Documentation Online (please circle): (Yes) No
USF Internal Audit Charter 10292022 DR.pdf
Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor, USF Internal Audit

UNIVERSITY of SOUTH FLORIDA
Office of Internal Audit

Internal Audit Charter

This Charter identifies the purpose, authority, and responsibilities of University of South Florida (USF or University) Office of Internal Audit (IA).

I. ~~Purpose~~Mission

IA provides independent, objective assurance and advisory services designed to add value and improve the university's operations. IA's mission is to enhance and protect organizational value through risk-based and objective assurance, advice, and insight and assist the university in achieving its strategic goals by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes.
~~IA provides independent, objective assurance and advisory services to the USF Board of Trustees (BOT) in the effective discharge of their responsibilities. IA facilitates the University of South Florida (USF or University) in accomplishing its goals and objectives through a systematic, disciplined approach to evaluating and improving risk management, internal control, compliance, and governance processes. IA is responsible for coordinating activities that promote accountability, integrity, and efficiency in the operations of USF.~~

II. Authority

IA reports functionally to the USF Board of Trustees (BOT)~~BOT~~ and administratively to the President. This reporting relationship ensures the organizational independence and objectivity of the Chief Audit Executive (CAE) in the performance of ~~his/her~~their responsibilities in a manner free from actual or perceived impairment. The CAE routinely reports to the BOT significant risk exposures, control issues, fraud risks, governance issues, and other matters requested by the President and the BOT. This reporting is done through the BOT Audit & Compliance Committee.

In order to ensure independence, promote comprehensive audit coverage, and assure adequate consideration of IA recommendations:

- IA has full, unrestricted, and timely access to all USF functions, including its direct support organizations (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. Any unresolved restrictions or barriers which restrict the scope or access of IA to information or people necessary to perform its assigned duties will be addressed by the CAE. If such scope and access limitations cannot be remedied by the CAE after working with the BOT and university management, the CAE shall timely notify the Board of Governors (BOG) through its Office of the Inspector General and Director of Compliance (OIGC) of any such restrictions, barriers, or limitations.
- The CAE is responsible for ensuring confidential records obtained in the course of performing IA activities are adequately secured and are not disclosed without established

authority.

- IA has no direct operational responsibility or authority over any of the activities they review. Participation of IA in the planning, development, implementation, or modification of university systems or processes is limited to an advisory or consulting role. This IA role is managed so as to provide independence when conducting future assessments.
- IA staff shall govern themselves by adherence to the Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) ~~Standards for the Professional Practice of Internal Auditing (IIA), the IIA Code of Ethics,~~ and the Florida Code of Ethics for Public Officers and Employees.

III. Responsibilities

IA is responsible for coordinating activities that promote accountability, integrity, and efficiency in the operations of USF. This is accomplished through~~IA is responsible for~~ assessing the various functions and control systems of USF, including its DSOs, and for advising management concerning their condition. ~~While DSOs may obtain internal audit and compliance services from public accountants, consultants, and their own internal audit staff, IA may also provide DSOs with internal audit and compliance services.~~ IA may also provide these services to other entities under the control and direction of USF at the request of management or the BOT.

IA and CAE responsibilities include, but are not limited to, the following activities:

- Developing and submitting an IA Work Plan to the BOT Audit & Compliance Committee and the President for review and approval. Such IA Work Plan development utilizes an appropriate risk-based methodology which takes into consideration risk or control concerns identified by management. The IA Work Plan progress and resource requirements, including significant changes, must be communicated to the BOT Audit & Compliance Committee at least annually.
- Evaluating risk exposures and the adequacy and effectiveness of controls within the governance, operations, and information systems of USF in responding to identified risk exposures. This evaluation of risk exposure and control assessment is performed in the context of the following:
  - Ability of USF to achieve its strategic objectives,
  - Reliability and integrity of financial and operational information,
  - Effectiveness and efficiency of operations and programs,
  - Safeguarding of assets, and
  - Compliance with laws, regulations, policies, procedures, and contracts, including controls designed to enhance and promote accountability.
- Providing audits, consulting services, and compliance oversight based on the following professional frameworks and standards:
  - Mandatory elements of the IIA~~International Professional Practices Framework, published by the IIA professional standards~~ IPPF, including the definition, standards, core principles, and code of ethics;
  - Information Technology Assurance Framework, published by the Information Systems Audit and Control Association (ISACA); and/or
  - Other professional standards as appropriate for the IA engagement.
- Following up on findings appearing in IA's reports. Such follow up by IA will determine

whether the corrective actions appearing in these reports and assessments have either been effectively implemented or senior management or the BOT have chosen to accept the risk of not taking these corrective actions.

- Providing and issuing reports to the President, BOT Audit & Compliance Committee, and others, as appropriate, on the following:
  - IA work performed and resources utilized;
  - Status of internal audit recommendations; and
  - Significant unmitigated risks and/or noncompliance.
- Promoting, in collaboration with other appropriate University officials, effective coordination of external audit, review, and investigatory work performed at USF between the University and the State of Florida Auditor General, federal auditors, accrediting bodies, and other governmental or oversight bodies to facilitate effective, timely completion of these engagements.
- Provide training programs to USF employees and management to assist in improving operational efficiency, effectiveness, and compliance. Such training programs are provided based on IA work performed or as requested.
- Ensure compliance with all BOG reporting requirements as established by BOG Regulation 4.002.

IA is responsible for the providing investigative services to all entities and support organizations, including auxiliary facilities and services, DSOs, practice plans, and other component units under the control and direction of USF. The investigatory responsibilities of the CAE include the following:

- Receiving complaints and conducting, supervising, or coordinating activities for the purpose of preventing and detecting fraud and abuse within University programs and operations, including serving as the BOT Audit & Compliance Committee-designated employee responsible for reviewing statutory whistleblower information and coordinating all activities of USF as required under the Florida Whistleblower's Act and ensuring compliance with BOG Regulation 4.001.
- Providing direction for~~,~~ initiating, conducting, supervising, and coordinating audits and investigations, which promote economy, efficiency, and effectiveness in the administration of University programs and operations, that fall within the purview of IA, as appropriate. Investigative assignments shall be performed in accordance with professional standards issued for the State University System, consistent with the Association of Certified Fraud Examiner standards.
- Issuing final investigative reports to the appropriate USF officials, the BOT, and the ~~Board of Governors~~BOG, which will include recommended corrective actions and reports on the progress made in implementing corrective actions if, in the CAE's judgment, any significant and credible allegations and known occurrences of waste, fraud, mismanagement, abuses, and deficiencies relating to University programs and operations exist. When provided for by law, such reports shall be redacted to protect confidential, non-public information and the identity of individuals cited in the investigator reports.

To ensure IA has the capabilities to perform the responsibilities and duties described herein, the CAE will:

- Review and make recommendations, as appropriate, concerning policies and regulations related to the University's programs and operations including, but not limited to, auxiliary facilities and services, DSOs, and other component units.
- Establish policies, which articulate steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.
- Hire and retain professional staff with sufficient knowledge, skills, experience, and professional certification to fulfill IA's responsibilities and the requirements of this Charter.~~;~~
- Assure appropriate training and education designed to promote accountability and address topics such as fraud awareness, risk management, controls, and other related subject matter is provided to all IA employees in accordance with applicable professional education standards.
- For specialized or technical engagements, hire consulting experts to effectively perform and complete the engagement and supplement IA's efforts.
- Coordinate or request audit, financial- and fraud-related compliance, controls, and investigative information or assistance as may be necessary from any university, federal, state, or local government entity.
- Inform the BOT when contracting for specific instances of audit or investigative assistance.
- Develop and maintain a quality assurance and improvement program in accordance with professional standards, which includes an external assessment at least once every five years. Such external assessments are presented to the BOT Audit and Compliance Committee and forwarded to the BOG.
- By September 30th of each year, ~~Prepare~~ prepare an annual report for distribution to the President, BOT, and BOG which summarizes the following:
    - IA activities for the preceding fiscal year;
    - Plans and resource requirements for the IA office, including significant changes; and
    - Impacts of any resource limitations.

IV. Charter Review and Approval

The Board of Trustees-approved IA Charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and USF regulations, professional standards, and best practices. A copy of the approved Charter and any subsequent changes shall be provided to the Board of Governors.

_____ Approved on: _____
~~Jordan B. Zimmerman~~William Weatherford, USF Board of Trustees
Chair

_____ Approved on: _____
~~Steven C. Currall~~Rhea Law, USF President

_____ Approved on: _____
Virginia L. Kalil, Chief Audit Executive and
Executive Director of USF Internal Audit

Agenda Item: III.c.

USF Board of Trustees
December 7, 2022

Issue: Audit and Compliance Committee (ACC) Performance Assessment

Proposed action: Acceptance of the ACC Performance Assessment

Executive Summary:

In accordance with the Board of Trustees (Board) ACC Charter, the committee is required to evaluate its own performance on a periodic basis and communicate the results of this evaluation to the Board.

Financial Impact: N/A

Strategic Goal(s) Item Supports: To practice continuous visionary planning and sound stewardship throughout USF to ensure a strong and sustainable financial base, and to adapt proactively to emerging opportunities in a dynamic environment.
BOT Committee Review Date: 11/15/2022
Supporting Documentation Online (please circle): (Yes) No
23-012 QAIP ACC Performance Assessment FR 12072022-Signed.pdf
Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor, USF Internal Audit

UNIVERSITY of SOUTH FLORIDA
Office of Internal Audit

MEMORANDUM

TO: Chair Will Weatherford, USF Board of Trustees
Trustee Sandra Callahan, USF Board of Trustees Audit and Compliance Committee Chair

FROM: Virginia L. Kalil, CIA, CISA, CFE, CRISC
Executive Director/Chief Internal Auditor

DocuSigned by: Virginia Kalil 0D6C38EF9E6641E...

DATE: December 7, 2022

SUBJECT: 23-012 Audit and Compliance Committee Performance Assessment

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The USF Office of Internal Audit (IA) conducted an assessment of the USF Board of Trustees Audit and Compliance Committee (Committee) performance. The Committee Charter requires the Committee to evaluate its performance on a periodic basis and communicate the results of this evaluation to the USF Board of Trustees.

In compliance with this requirement, the IA conducted a performance assessment and evaluated the Committee's compliance with the Committee Charter to verify that the Committee fulfilled its responsibilities as outlined in the Committee Charter. The IA also solicited feedback from the Committee members about their understanding of the IA and the USF Office of Compliance and Ethics operation and communication with the Committee. The results of this assessment and the Committee members' survey responses are included in Appendix A.

Based on the review, IA concluded the Committee fulfilled its responsibilities as outlined in the Committee Charter and complied with the Committee Charter components. See Appendix A for additional details.

Please contact us at 974-2705 if you have any questions.

cc: Rhea Law, USF President
Oscar Horton, Trustee, USF Board of Trustees Audit and Compliance Committee
Lauran Monbarren, Trustee, USF Board of Trustees Audit and Compliance Committee

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APPENDIX A
EVALUATION SUMMARY

The USF Board of Trustees Audit and Compliance Committee (Committee) Charter Components	Compliant (✓/X)[1]
Membership	
Committee consists of at least three members of the USF Board of Trustees (Board).	✓
Committee members 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.	✓
Committee consists of at least one member with professional experience and expertise in the following areas: finance, accounting, financial reporting, auditing, risk management, or compliance.	✓
Meetings	
Meeting agendas are prepared jointly by the Committee Chair, the Chief Audit Executive (CAE), and the Chief Compliance Officer (CCO).	✓
Meeting agendas and appropriate briefing materials are provided in advance to Committee members.	✓
Written minutes of the meetings are prepared.	✓
Authority & Governance	
Committee is provided full and unrestricted access to records and personnel for all functions of the organization needed to fulfill its responsibilities.	✓
Board is informed of Committee's investigative activities, as appropriate.	✓
Responsibilities	
Committee considers the economy, efficiency, and effectiveness of the financial and operational internal control systems, including information technology, by requesting and reviewing information from the CAE, CCO, and external auditors about significant risks, including compliance with laws and regulations, within USF and its direct support organizations (DSOs).	✓

The USF Board of Trustees Audit and Compliance Committee (Committee) Charter Components	Compliant (✓/X)[1]
Committee assesses the adequacy of management's actions to identify, assess, and mitigate identified risks with strong control activities, information and communication, and monitoring processes.	✓
Committee reviews external auditors' audits and engagements, including the review of financial internal controls over financial reporting, and obtains reports on significant findings and recommendations, together with management's responses.	✓
Committee reviews 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'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's internal controls.	✓
Committee performs annual reviews of DSOs' audit and financial reports in accordance with USF Regulation 13.002.	✓
Committee reviews the independence, qualifications, activities, performance, resources, and structure of the USF Office of Internal Audit (IA) and the USF Office of Compliance and Ethics (Compliance & Ethics) functions.	✓
Committee discusses with the CAE any difficulties encountered in the course of performing audits and other engagements, including restrictions on the scope of work and access to required information.	✓
Committee reviews and approves the IA risk-based Work Plan and Compliance & Ethics Program Plan and any subsequent changes.	✓
Committee obtains and reviews IA reports, including those concerning investigations to address significant and credible allegations relating to waste, fraud, or financial mismanagement.	✓
Committee reviews the status of IA and Compliance & Ethics recommendations to ensure significant findings and recommendations made by IA and Compliance & Ethics and management's proposed responses are received, discussed, and appropriately dispositioned.	✓
Committee reviews the IA Annual Report and IA's performance relative to the Work Plan and the impact of any resource limitations.	✓
Committee ensures procedures for reporting misconduct and criminal violations includes a mechanism that allows for anonymity or confidentiality, whereby members of the USF community may report or seek guidance without the fear of retaliation.	✓

The USF Board of Trustees Audit and Compliance Committee (Committee) Charter Components	Compliant (✓/X)[1]
Committee Chair consults with the President on the hiring, dismissal, and compensation of the CAE and CCO in accordance with USF Policy 0-100, IV.B.2.(d).	✓
Committee reviews the Committee, IA, and Compliance & Ethics Charters at least every three (3) years.	✓
Committee reviews the results of IA's and Compliance & Ethics' quality assurance and improvement programs, including the external assessments performed every five (5) years.	✓
Committee regularly updates the Board about the Committee's activities and makes appropriate recommendations.	✓
Committee ensures the Board is aware of matters that may have a significant financial, legal, reputational, or operational impact to USF or its DSOs.	✓

[1]✓ - Compliant, X - Non-Compliant

AUDIT 23-012

SURVEY RESULTS

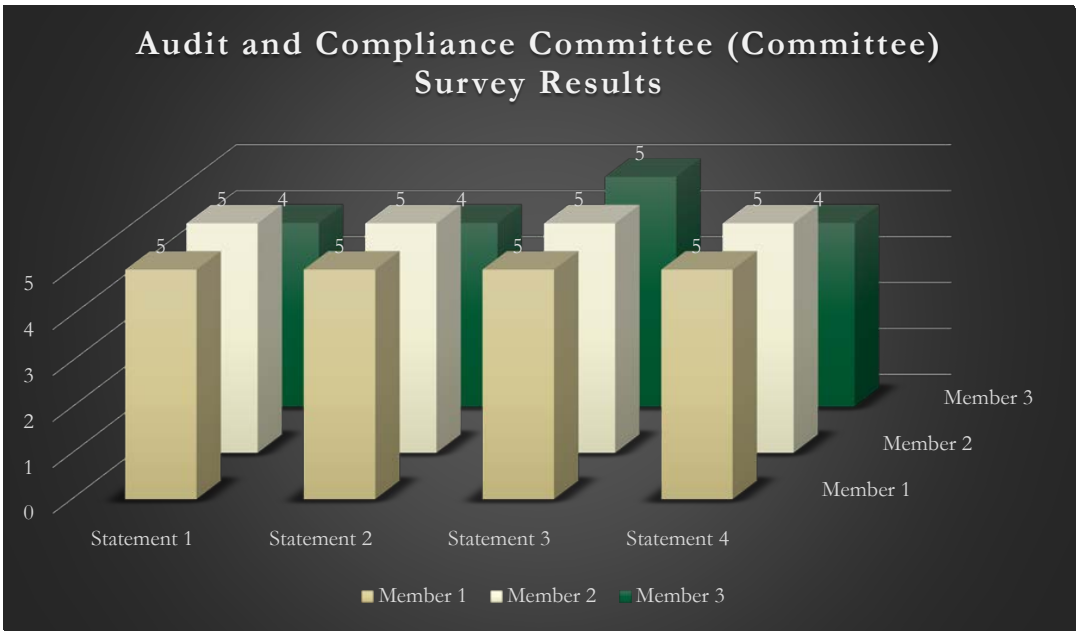

Figure 1 : Audit and Compliance Committee Survey Results: 5 - Strongly Agree, 4 – Agree, 3 – Neither Agree or Disagree, 2 – Disagree, 1 – Strongly Disagree

Survey Statement	Average Response
Statement 1 – Committee receives sufficient information to expand its knowledge about current and emerging risks to the organization. **Comment:** "The Audit and Compliance committee reviews everything diligently."	4.67
Statement 2 – Committee understands how the IA Work Plan and Compliance & Ethics Program Plan covers challenging and critical areas, including emerging or existing risk areas that will or could impede the organization's objectives. **Comment:** "Being able to be briefed on all audit and compliance matters in depth has helped maintain."	4.67
Statement 3 – Committee builds a trusting relationship with IA and Compliance & Ethics that includes candid and continual communication between meetings, facilitating ability to raise sensitive issues. **Comment:** "We have worked extremely hard to keep the relationships together and strong and trusting."	5.00
Statement 4 – Committee ensures the role of IA and Compliance & Ethics meets the Committee's needs for assurance and provides value to management.	4.67

Agenda Item: IIId

USF Board of Trustees
November 15, 2022

Issue: Compliance & Ethics Program Plan Revisions

Proposed action: Approval of the revised Compliance & Ethics Program Plan

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Executive Summary:

According to Florida Board of Governors (BOG) Regulation 4.003, all State University System institutions must "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". The Office of Compliance & Ethics is responsible for developing and implementing a Program Plan to reflect these programmatic responsibilities.

Changes to the Program Plan must be approved by the Board of Trustees and a copy of the approved plan provided to the Board of Governors, pursuant to BOG Regulation 4.003, Section (7)(a).

The current Program Plan has been reviewed and suggestions have been made by the Chief Compliance Officer (CCO) to bring the plan into alignment with the current Office of Compliance & Ethics governance structure.

The current Program Plan was approved on October 15, 2020.

Financial Impact: None

Strategic Goal(s) Item Supports: ***Goal 5: A strong, sustainable, and adaptable financial base*—**To practice continuous visionary planning and sound stewardship throughout USF to ensure a strong and sustainable financial base and adapt proactively to emerging opportunities in a dynamic environment.
BOT Committee Review Date: Audit & Compliance – November 15, 2022
Supporting Documentation Online (*please circle*): **(Yes)** **No**
Prepared by: Caroline Fultz-Carver, Chief Compliance Officer

UNIVERSITY of SOUTH FLORIDA
Office of Compliance & Ethics

Program Plan

The Office of Compliance & Ethics (Compliance & Ethics) is responsible for the coordination and management of all compliance and ethics activities at the University of South Florida (USF). Compliance & Ethics provides assurance to the USF Board of Trustees that such activities are reasonably designed, implemented, enforced, and effective in preventing and detecting violations of law, regulation, and policies, as well as violations of ethical principles of conduct. Compliance & Ethics 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 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 Board of Governors (BOG) Regulation 4.003, organized by prescribed "essential elements" under the Federal Sentencing Guidelines.

Element 1: 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. USF addresses this element through the Board of Trustees Audit and Compliance Committee, Compliance & Ethics program, Chief Compliance Officer, Executive Compliance and Ethics Council, and Compliance Officers Workgroup.

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 serves as USF's governing authority for the Compliance & Ethics program. Members of this committee are appointed by the Chair of the USF Board of Trustees. This committee assists the Board in discharging its oversight responsibilities and oversees the following for USF 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.

B. 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)]

Compliance & Ethics was established in 2007 with the appointment of a Chief Compliance Officer, who was charged by the USF President and 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. Compliance & Ethics is responsible for the coordination and management of all USF compliance and ethics activities. As such, Compliance & Ethics serves as a central point for coordination of and responsibility for activities promoting ethical conduct and maximizing compliance with applicable laws, regulations, rules, policies, and procedures. Compliance & Ethics provides assurance to the Board 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 Compliance & Ethics 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 FSG and BOG Regulation 4.003. The *vision* is for USF to demonstrate and maintain preeminence—via our institution's commitment to a culture of compliance and ethics throughout all levels of our organization.

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 Chief Compliance Officer (CCO) is ultimately responsible for the Compliance & Ethics program. The CCO reports functionally to the Board of Trustees Audit and Compliance Committee and administratively to the USF President

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 programmatic efforts,
- Communicating routinely with the Board of Trustees and USF President regarding program activities and perform assessments of the program with changes and improvements where necessary, and
- Developing and updating this plan.

D. Executive Compliance and Ethics Council

The Executive Compliance and Ethics Council (ECEC) serves as the oversight committee for operational issues concerning the Compliance & Ethics program. The Council's primary role is advising the USF President on appropriate system responses to major cross-jurisdictional compliance gaps, including determination of "risk ownership", mitigation strategies, and resource implications.

The ECEC is chaired by the Senior Vice President for Business and Financial Strategy. The Council is comprised of the following individuals:

- Senior Vice Provost and Dean, Office of Graduate Studies
- Vice President, Student Success
- Senior Associate Vice President and Chief Financial Officer, USF Health
- Vice President and Chief Operating Officer, USF Foundation
- Vice President, Business & Finance and Chief Financial Officer
- Chief Information Officer
- Chief Compliance Officer
- Executive Director/Chief Internal Auditor
- Associate Vice President, Research & Innovation
- General Counsel

The ECEC meets at the call of the Chair and is provided staff support by the Associate Compliance Officer and the Senior Compliance Officers. The CCO is responsible for keeping the Audit and Compliance Committee informed as to the activities of the ECEC.

E. Senior Compliance Officers

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)]

Pursuant to the Compliance & Ethics charter, senior compliance officers in "high-risk" compliance units within USF are either accountable or direct reports to the CCO. The terms of accountable reporting are outlined in memoranda by the USF President. Senior compliance officers include the following individuals, listed by their reporting relationship to the CCO:

Accountable Reports

- Senior Director, Research Integrity & Compliance
- Assistant Vice President, Compliance Programs, Human Resources
- Chief Information Security Officer
- Director, Environmental Health and Safety
- Other compliance officers as designated by the USF President

Direct Reports

- Athletics Compliance Officer
- Healthcare Compliance Officer
- Privacy and Healthcare Civil Rights Compliance Officer

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Deleted: <#>Senior Associate Director of Athletics, Compliance¶
Chief

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Deleted: <#>Director, Equal Opportunity and Compliance¶

- Equality Opportunity and Americans with Disabilities Act (EO-ADA) Compliance Officer
- Title IX and Violence Against Women Act (Title IX-VAWA) Compliance Officer

Senior compliance officers assist the CCO 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, recommend corrective actions. The CCO may also include compliance officers from other risk areas in senior compliance officer deliberations to assist the Compliance & Ethics program in its efforts.

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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)]*

USF establishes, maintains, and publishes policies which address the risks of doing business. USF 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 faculty, staff, administration, and temporary employees ("USF employees") through the *myUSF* portal.

The foundational standard of conduct for USF employees is the FCOE, Section 112.313 of the Florida statutes. Under the FCOE, USF 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 our university. All USF employees are public employees of the State of Florida and, therefore, are subject to the provisions of the FCOE. Guidance for USF employees regarding compliance with the FCOE and related standards of conduct are provided in USF 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 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 can better incentivize employee compliance via their risk and compliance controls 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 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 USF. Our institution strives to identify and promptly investigate any possibility of wasteful, fraudulent, or related dishonest activities against USF 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 Regulation USF5.001. USF 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 Regulation USF5.001 assigns responsibility to all levels of USF management, their employees, and related-entity employees to prevent, detect, and report waste, fraud, financial mismanagement, or other violations of USF policy or regulation. These responsibilities are assigned as described below:

> **USF 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 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 management is also required to establish and follow internal controls necessary for their operations.

USF 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 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 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 CCO is responsible for the management of EthicsPoint. In addition to anonymous reporting in EthicsPoint, USF 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 Ombuds Office provides ombuds services to all USF employees. The Ombuds Office at USF St. Petersburg (USFSP) provides ombuds services to faculty, staff, administration, and temporary employees at USFSP.

USF publicizes EthicsPoint and employee ombuds services via the following mechanisms:

- Including EthicsPoint, Ombuds Office, Regulation USF5.001, and USF Policy 0-027 education and training in the Compliance & Ethics portion of New Employee Orientation,
- Displaying EthicsPoint posters prominently throughout our campuses, and
- Including EthicsPoint information as part of the training component of the FCOE disclosure form, completed annually by the following USF employee position 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 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 and Ethics Training for New Employees

Compliance & Ethics delivers compliance and ethics training to new USF 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 new employees' one-on-one orientation with their HR department, due to the low volume of new hires relative to the Tampa and St. Petersburg campuses.

B. Compliance and Ethics Training for Current Employees

Certain USF 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 training 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 Policy 0-027. An annual FCOE disclosure is required of the following employee position types, 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.

Compliance & Ethics does not provide compliance and ethics training to new staff or temporary employees who do not have a financial role for USF; that is, they have not been issued a PCard or FAST role.

C. Compliance and Ethics Training for Board of Trustees

Members of the Board of Trustees 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 standards 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, USF requires a criminal history background check be conducted on prospective employees as a condition of employment under USF 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 controls established to minimize risks and ensure 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. Enterprise-Wide Risk Assessments

Every three years since 2011, Compliance & Ethics has coordinated and facilitated an enterprise-wide risk assessment for USF as part of the Enterprise Risk Management (ERM) program. ERM is an institution-wide or holistic approach to 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-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 the process will fail to contribute to that achievement.

B. Auditing and Monitoring Risks

The Office of Internal Audit (Internal Audit) is available to consult with USF management to assist in establishing effective internal controls and recognizing improper conduct. As part of their annual work plan, Internal Audit performs audits which test internal controls established by USF management. When deficiencies through such testing are found, Internal Audit collaborates with USF management in developing actionable steps to implement effective internal controls which are consistent with applicable federal or state law, USF policies and procedures, and industry best practices. Internal Audit then follows up with management to verify the corrective and preventative measures are implemented in a timely fashion. Compliance & Ethics is available to perform compliance reviews, risk assessments, and other consulting projects when compliance gaps are known or suspected. Compliance gaps can arise when USF 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 Compliance & Ethics aim to bring the process or unit into compliance and, thereby, mitigate risk to the institution.

All USF 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 CCO 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 CCO is required to provide an annual USF Compliance & Ethics program report (Annual Report) on the effectiveness of the program to the Board of Trustees. Any program plan revisions, based on the CCO's Annual Report, must be approved by the Board of Trustees. Copies of the Annual Report and revised program plan are provided to the 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 CCO and Compliance & Ethics staff are responsible for developing and implementing the Compliance & Ethics program plan. The CCO is responsible for routinely communicating to the Board of Trustees and USF President regarding program activities and providing an annual report on the effectiveness of the program. Any program plan revisions, based on the CCO's routine or annual reporting, shall be reviewed and approved by the Board of Trustees. A copy of the approved program plan and any subsequent changes shall be provided to the Florida Board of Governors.

_____ Approved on: _____

William Weatherford, Chair, USF Board of Trustees

Deleted: Jordan B. Zimmerman

_____ Approved on: _____

Rhea Law, USF President

Deleted: Steven C. Currall

_____ Approved on: _____

Caroline B. Fultz-Carver, Chief Compliance Officer

Agenda Item: IV.a.

USF Board of Trustees
Audit & Compliance Committee Meeting
November 15, 2022

Issue: Update to February 2022 University and DSO Independent Audit Findings Report

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Proposed action: Informational

Executive Summary:

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

The Independent Audit Findings Report was proved to the Board of Trustee Audit & Compliance Committee on February 21, 2022.

This report provides an update to the status for all of the Findings presented at that time.

The University and DSOs received a total of 16 audits from independent auditors for the fiscal year ended June 30, 2021. The reports containing findings include the following:

- 2 Findings in the University Operational Audit – IT June 30, 2021 Audited Financial Statements Received to Date
- 5 Findings in the 8 DSO June 30, 2021 Audited Financial Statements
- 1 Finding in the USF Health Services Support Organization, Inc.'s June 30, 2021 Audited Financial Statements

As of June 30, 2022, all of the previously reported findings have now been closed.

Financial Impact:

N/A

Strategic Goal(s) Item Supports: **Goal 5: Strong, Sustainable and Adaptable Financial Base**
Workgroup Review Date: **November 15, 2022**
Supporting Documentation Online (*please circle*): **Yes** **No**
Prepared by: **Fell L. Stubbs, University Treasurer, (813) 974-3298**

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – November 15, 2022

UPDATE ON FINDINGS REPORTED AT FEBRUARY 2022 BOT A&C COMMITTEE MEETING

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
UNIVERSITY OF SOUTH FLORIDA 2020 Information Technology Operational Audit Finding No. 1	**Finding 1: Access Privileges** As of June 2020, 173 of the 197 employees with IT user access privileges to update student residency status and impact student tuition assessments did not need the privileges to perform their assigned duties.	University management should continue efforts to ensure that access privileges granted to update student residency status is appropriate based on employee assigned responsibilities.	Based on the recommendation, Information Technology was able to employ Fine Grain Access Control on the SGASTDN page in Ellucian Banner. This Fine Grain Access Control has limited access to thirteen Office of the Register employees who have a business need to update student residency status as part of their regularly assigned responsibilities. **Responsible Party:** Catherine Mund, University Registrar	CLOSED	CLOSED MAY 14, 2021
UNIVERSITY OF SOUTH FLORIDA 2020 Information Technology Operational Audit Finding No. 2	**Finding 2: Security Controls** **REPEAT FINDING** Certain University IT security controls related to user authentication, account management, and monitoring need improvement to ensure the confidentiality, integrity, and availability of IT resources.	University management should improve IT security controls related to user authentication, account management, and monitoring to ensure the confidentiality, integrity, and availability of University data and IT resources.	As recommended, the University implemented a number of measures to enhance and improve our IT security controls related to user authentication, account management, and monitoring to ensure the confidentiality, integrity, and availability of IT resources. **Responsible Party:** Alex Campoe, Chief Information Security Officer	CLOSED	CLOSED JULY 2022

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – November 15, 2022

UPDATE ON FINDINGS REPORTED AT FEBRUARY 2022 BOT A&C COMMITTEE MEETING

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
UNIVERSITY OF SOUTH FLORIDA FOUNDATION, INC. 2021 Audit of Internal Control over Financial Reporting	**Material Weakness** The misclassification of the contribution revenue into an unrestricted fund resulted in an audit adjustment to reclassification of $20 million of unrestricted net position to restricted position.	We recommend the Foundation review its current processes in the Office of Advancement Operations to ensure the Foundation Office of Business & Financial Services obtains the necessary information and documentation for all gifts to determine whether the contribution revenue (and related receivable) is subject to external donor or grantor restrictions for proper reporting and classification in the financial system.	Fulfilling donor intent is central to the Foundation's mission and is at the forefront of every process within the organization. The spirit of the actions of Foundation staff has been and will continue to be to uphold the fiduciary responsibility to ensure that donor's wishes are strictly observed. The unique circumstances that led to the misclassification of net position are described below along with our corrective action plan. To accommodate a donor's request that their gift not be reflected in the benefitting college/unit on internal fundraising progress reports for a period of time, the Office of Advancement Operations recorded $20 million in support from the donor to a different fund rather than the fund as directed in the gift documentation. This led to a $20 million increase to unrestricted net position rather than donor restricted, which was a material misclassification of net position. In responding to the auditor's documentation request, after the close of the fiscal year, the Office of Business & Financial Services identified the misclassification, recorded an audit adjustment to correctly classify net position, and transferred the full amount of the $20 million in support to the restricted fund intended by the donor. There was no financial loss and the funds remain available as intended by the donor.	Steps noted in corrective action plan for immediate implementation have been implemented. See below:	See below:

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			The Foundation agrees with the auditor's recommendation that the Foundation review its current processes in the Office of Advancement Operations to ensure the Foundation Office of Business & Financial Services obtains the necessary information and documentation for all gifts to determine whether the contribution revenue (and related receivable) is subject to external donor or grantor restrictions for proper reporting and classification in the financial system. The following steps of the corrective action plan will be implemented during the fiscal year ending June 30, 2022, unless otherwise indicated below: • Update procedures in Advancement Operations to communicate any changes to a gift transmittal to the submitting area and the Office of Business & Financial Services. This change was implemented immediately.	CLOSED	CLOSED BY JUNE 30, 2022
			• Establish criteria and add procedures in the Office of Business & Financial Services to perform a post-transaction verification for gifts. This change was implemented immediately.	CLOSED	CLOSED BY JUNE 30, 2022
			• Grant direct access to staff in the Office of Business & Financial Services to pull giving information in electronic format to expedite reconciliations and related tasks. This change was implemented immediately.	CLOSED	CLOSED BY JUNE 30, 2022
			• Strengthen donor intent compliance procedures and policy to enhance current procedures and practices assuring strict adherence to donor restrictions in recording gifts and outline the review and distribution of donor agreements.	CLOSED	CLOSED BY JUNE 30, 2022

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			• Evaluate changes to fundraising progress reports to accommodate special donor requests. Additional enhancements made to the fund reconciliation process and review of fundraising and financial reports to aid in detection efforts. **Responsible Party:** Rob Fischman, CFO	CLOSED CLOSED	CLOSED BY JUNE 30, 2022 CLOSED BY JUNE 30, 2022
UNIVERSITY MEDICAL SERVICE ASSOCIATION (UMSA) 2021 Audit of Internal Control over Financial Reporting	**Material Weakness** An internal control breakdown occurred because there was insufficient oversight of an employee's work.	During December of 2020, UMSA conducted an investigation into the potential embezzlement of funds. UMSA was assisted by outside counsel, a consulting company, and the University of South Florida's internal audit department. The investigation concluded that an employee used corporate credit cards to make personal purchases and concealed the transactions as legitimate business expenses on UMSA's books and records. The investigation uncovered a multi-million dollar embezzlement that occurred over a six-year period. The investigation is ongoing, but the employee was put on administrative leave, then terminated in December of 2020. The investigation indicated that the internal control breakdown occurred because there was insufficient oversight of the employee's work. We recommend that UMSA management continue to evaluate its overall internal controls to include the following: (1) review of the journal entry process; (2) segregation of duties; (3) review authorization levels for transactions; (4) preparation and review of general ledger account reconciliations; (5) logical access in IT systems; (6) detailed review of disbursements, including corporate credit card charges; and (7) regular review of vendor master files.	1. UMSA upgraded its CODA general ledger system to the current version of the software. This allowed management to activate a workflow for journal entry submissions and approvals so they can be electronically captured in the system. As a result, UMSA can now track approval of journal entries and their supporting documentation before being posted to the general ledger. 2. Remediated deficiency in segregation of duties and by reassigning administrator rights to the credit card ESP platform and all banking portals to the CFO and Director of Finance who do not have access to corporate credit cards. 3. UMSA reviewed and updated its signature authorization policy. 4. UMSA updated format of balance sheet reconciliations so that month over month changes can be easily reviewed as well as journal entry detail behind those balances. Management is also developing a process to track preparation and submission of balance sheet reconciliations in DocuSign and that will be implemented by the end of FY2022.	CLOSED CLOSED CLOSED CLOSED	CLOSED BY JUNE 30, 2022 CLOSED BY JUNE 30, 2022 CLOSED BY JUNE 30, 2022 CLOSED BY JUNE 30, 2022

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			5. Reassigned administrator rights to the credit card ESP platform and all banking portals to the CFO and Director of Finance who do not have access to corporate credit cards. Management immediately removed the ability of the Director to post entries to the general ledger. Furthermore, no employees with access to credit cards are able to post to the general ledger. 6. All corporate credit card reconciliations are now reviewed and approved by several individuals including: the preparer of the reconciliation, the cardholder, the cardholder's supervisor, the UMSA AP Supervisor, the UMSA CFO, and the USF Health CFO. All reconciliations are reviewed to ensure compliance with UMSA policies, and that appropriate support and documentation are included with the reconciliation. 7. Updated vendor add/change process so that they are now submitted and approved via DocuSign. Management is also working with IT to develop a CODA workflow for vendor additions to streamline the submission process while ensuring appropriate documentation of changes. **Responsible Party:** Alisha Ozmeral, CFO	CLOSED CLOSED CLOSED	CLOSED BY JUNE 30, 2022 CLOSED BY JUNE 30, 2022 CLOSED BY JUNE 30, 2022

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UNIVERSITY MEDICAL SERVICE ASSOCIATION (UMSA) 2021 Audit of Internal Control over Financial Reporting	**Material Weakness** Assessment of Finance Department Needs: With the recent departure of personnel, UMSA's Finance Department has lost institutional knowledge and appears understaffed.	Management should perform an assessment of the organizational structure of the Finance Dept and reorganize in a manner that will provide for maximum, yet practical, segregation of duties. We recommend the preparation of a staffing plan and position guides that will clearly define and describe the authority and responsibilities of the various positions. Responsibilities should be aligned with competencies. We recommend UMSA consider hiring appropriately experienced personnel to assist with the day-today accounting, including accounting for all major process areas, supervising accounting clerical personnel, preparing monthly financial statements, and preparing annual financial statements in accordance with GAAP. All reports and financial information should be reviewed on a regular basis by upper-level management, and summarized information should be reviewed on a regular basis by the Audit Committee.	We have developed a strong staffing plan which includes 2 new positions (Senior Accountant and Staff Accountant) and upgraded a clerk level position to a Staff Accountant. We have filled the following vacant/new positions: Senior Accountant – new 1/10/22 Senior Accountant – replacement 1/3/22 Business & Fiscal Manager -replacement 2/4/22 Director of Finance replacement 3/29/21 Staff Accountant – new 1/3/22 Staff Accountant – replacement – interview process as of 2/4/22 Purchasing Manager –replacement 12/7/21 Sr Purchasing Agent – replacement – interview process as of 2/4/22 **Responsible Party:** Alisha Ozmeral, CFO	CLOSED	CLOSED BY JUNE 30, 2022

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UNIVERSITY MEDICAL SERVICE ASSOCIATION (UMSA) 2021 Audit of Internal Control over Financial Reporting	**Material Weakness** Financial Reporting: There were several material adjustments identified during the conduct of the 2021 audit. Many of these were due to the condensed timeline of the 2021 audit and understaffing noted above. Management submitted the trial balance before year-end procedures were complete. As a result, some statement of net position reconciliations were not complete before audit procedures began.	UMSA should staff its finance team appropriately so that all major statement of net position accounts from the general ledger reconcile to supporting documentation, including subsidiary ledgers, in a timely manner on a monthly basis. Additionally, all journal entries should be recorded in a timely manner.	We have been diligently recruiting since June of 2021. **Responsible Party:** Alisha Ozmeral, CFO	CLOSED	CLOSED BY JUNE 30, 2022

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UNIVERSITY MEDICAL SERVICE ASSOCIATION (UMSA) 2021 Audit of Internal Control over Financial Reporting	**Significant Deficiency** Update of Policies and Procedures: The change in auditors, coupled with turnover in personnel, brought to light that UMSA's policies and Procedures documentation needs to be updated. Current management did not have access to all narratives and written policies and procedures provided to external auditors in the past and struggled to provide narratives to describe the significant accounting processes.	We recommend that UMSA institute a program to methodically identify and document its significant operational and accounting processes. Processes include activities and procedures involved in repeatable operational or accounting transactions or events, such as hiring new employees, recording revenue and accounts receivable, paying invoices, processing payroll, preparing journal entries, etc. Accounting processes, in particular, are procedures to initiate, authorize, record, process, and report transactions.	We have reviewed policies and procedures and have developed a priority list of those which need updating. **Responsible Party:** Alisha Ozmeral, CFO	CLOSED	CLOSED BY JUNE 30, 2022

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UNIVERSITY OF SOUTH FLORIDA HEALTH SERVICES SUPPORT ORGANIZATION (HSSO) 2021 Audit of Internal Control over Financial Reporting	**Material Weakness** The Organization accounts for its investment in Tampa Bay Health Alliance, LLC (TBHA) using the equity method. During the current year, two other investors gave up their investment in TBHA. This resulted in an increase in the Organization's ownership percentage in TBHA from 33% to 75%, and a noncash capital contribution on behalf of the Organization. The Organization did not record the capital contribution and recorded the equity in earnings in TBHA at 75% for the entire year, when the ownership change happened part of the way through the year. This resulted in material audit adjustments.	We recommend the Organization implement policies and procedures to ensure that it records its investment in TBHA in accordance with the governing documents based on its ownership percentage.	HSSO updated its policies and procedures related to the recording on the investment in TBHA. **Responsible Party:** Alisha Ozmeral, CFO	CLOSED	CLOSED BY JUNE 30, 2022

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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	Determined by Auditor General	No Findings	No Findings	State of Florida Auditor General
USF Operational Audit (Schedule Determined by Auditor General)	Determined by Auditor General	No Report in CY 2020	No Report in CY 2019	State of Florida Auditor General
USF Operational Audit – IT (Schedule Determined by Auditor General)	Determined by Auditor General	2 Findings – 1 REPEAT	No Report in CY 2019	State of Florida Auditor General
USF - State of Florida Federal Awards Audit (Formerly A-133)	Determined by Auditor General	No Findings	No Findings	State of Florida Auditor General
USF Auxiliary - Health Sciences Center Self-Insurance Program (SIP)	December 15	No Findings	No Findings	Crowe LLP
USF Auxiliary - Health Sciences Center Insurance Co., Inc. (CIC)	December 15	No Findings	No Findings	Crowe LLP
USF Auxiliary - Intercollegiate Athletics Program	January 15	No Findings	No Findings	James Moore & Co., P.L.
USF Auxiliary - WUSF-FM, A Public Telecommunications Entity	January 15	No Findings	No Findings	James Moore & Co., P.L.
DSO - USF Foundation, Inc.	October 15	1 Finding	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	4 Findings	1 Finding	Warren Averett (FY 2021) Grant Thornton (FY 2020)
DSO - USF Health Professions Conferencing Corporation (HPCC)	October 15	No Findings	No Findings	Mayer Hoffman McCann P.C.
DSO - USF Research Foundation, Inc.	October 15	No Findings	1 Finding	Cherry Bekaert LLP
DSO - USF Sun Dome, Inc.	October 15	No Findings	No Findings	James Moore & Co., P.L.
DSO - USF Institute of Applied Engineering, Inc.	October 15	No Findings	No Findings	Warren Averett
USF Health and Education International Foundation (HEIF) – Related Party of HPCC (DSO)	October 15	Operations Ceased as of 12/31/2019	No Findings	Cheng Y Asociados
HSSO - USF Health Support Services Organization, Inc.	October 15	1 Finding	No Findings	Grant Thornton LLP