Board of Trustees Audit & Compliance Committee

Tuesday, February 18, 2020
11:45am – 12:45pm
Tampa Campus - Marshall Student Center Room# 3707

Trustees: Nancy Watkins, Chair; Sandra Callahan, Oscar Horton, Byron Shinn

A G E N D A

I.	Call to Order and Comments	Chair Nancy Watkins
II.	Public Comments Subject to USF Procedure	Chair Watkins
III.	New Business – Action Items	
	a. Approval of August 27, 2019 Meeting Notes	Chair Watkins
	b. Approval of Revised Audit Charter	Exec Director Virginia Kalil
	c. Acceptance of Performance-Based Funding (PBF) Data Integrity Audit & Approval of PBF Data Integrity Certification	Exec Director Virginia Kalil
IV.	New Business – Information Items	
	a. USF/DSO Independent Audit Findings Report	Vice President/CFO Nick Trivunovich
	b. Annual Compliance Certifications of DSOs	University Treasurer Fell Stubbs
	c. USF System Compliance & Ethics Annual Report	Chief Compliance Officer Jeff Muir & Assoc. Compliance Officer Caroline Fultz-Carver
V.	Adjournment	Chair Watkins

USF Board of Trustees
Audit & Compliance Committee
NOTES
August 27, 2019
Tampa Campus – Marshall Student Center Room 3707

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Nancy Watkins at 12:45pm.

Committee members present: Nancy Watkins, Oscar Horton and Byron Shinn. A quorum was established. Trustees Stephanie Goforth, Mike Griffin, Les Muma, Charles Tokarz. Chair Zimmerman were also present.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of February 12, 2019 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Watkins requested a motion for approval, it was seconded and the February 12th meeting notes were unanimously approved as written.

IV. New Business – Information Items

a. USF System Audit Annual Report 2018/19

Virginia Kalil, Executive Director, USF System Audit, presented the USF System Audit Annual Report for 2018-19. The report describes the internal audit, consulting, and investigative activities and allocation of resources as compared to year one of the two-year Work Plan.

The physical report will be finalized by September 30, prior to its required submission to the BOG. The narrative is in final review. All information presented today is final/hardened data.

USF System Audit consists of 10 highly credentialed team members. Audit was fully staffed for most of FY19. Currently there are two vacancies which are very hard to fill due to a very competitive market.

Direct services include audits, consulting projects, investigations, and follow-up on management's corrective actions related to audit recommendations. In 2018-19, USF System Audit completed 9 audits, including 4 IT projects; 2 consulting projects; and 14 investigations. 5 audits were in core processes and Academic Affairs, and 4 audits were in governance, research, and IT. One audit, 3 consulting projects, and 11 investigations crossed over into the new fiscal year and are in progress. Recharge Centers Operations audit was deferred to year 2 and has started. Just over 1,700 hours were spent on the Patel Center investigation and construction accounting, which is almost one FTE for one year. 61% of Audit's time is spent on direct services; the goal is 60%.

Part of the audit process includes recommendations. Recommendations are made in response to risks identified. In 2018-19, recommendations were made in the following areas: assignment of responsibility; authorization (adequacy and timeliness); compliance with federal laws; compliance with state and local laws; effective and efficient operations; IT (confidentiality, integrity, and availability of data/system); reporting (accuracy, completeness, and timeliness); safeguarding of assets; separation of duties; and training and guidance (accuracy, completeness, and timeliness). Recommendations are categorized in order to identify trends. 71% of open recommendations were completed by management (rolling 12 month percentage). This is an improvement over the prior year (55%). Chair Watkins stated that this still needs improvement. She wants the implementation rate to be 80-85%.

As part of Audit's Quality Assurance and Improvement Program (QAIP), internal assessments performed throughout the year confirmed Audit's conformance with the Institute of Internal Auditors' *International Standards for the Professional Practices of Internal Auditing* and *Code of Ethics*. Additionally, Audit completed implementation of the three recommendations for continuous improvement towards best practices included in the 2018 external assessment (received the highest level of achievement, "generally conforms"). The three opportunities for improvement that were identified were 1) revision of Audit & Compliance Committee (ACC) Charter; 2) communication of QAIP to ACC; and 3) development of a formal strategic plan. All three were implemented in FY19.

b. BOG Controls Review by Crowe

Jennifer Condon, University Controller, gave an update on the progress of the BOG Controls review by Crowe LLP. The Florida Board of Governors (BOG) engaged Crowe LLP to perform an Internal Management and Accounting Control and Business Process Review of the twelve universities in the State University System. USF is not expecting any findings from Crowe. Crowe will present final report at the BOG meeting in November.

c. Construction Accounting and Control Structure Status Update

Nick Trivunovich, Vice President for Business & Finance and CFO, gave an update on construction accounting and controls structure. University Audit issued Audit 19-035 which included a risk assessment and an internal controls evaluation of the administrative and financial controls environment in place over major and minor construction projects accounting as of January 1, 2019. A presentation was made at the May 14, 2019 Board of Trustees meeting that provided information on the timing and methodology of the implementation of the recommendations in the report. Mr. Trivunovich reviewed the current status of the recommendations. All recommendation have been completed except one which is beyond our control; we are waiting for the BOG to finalize adjustments to their guidelines.

d. State of Florida Federal Awards Audits Update (formerly A-133)

Mr. Trivunovich gave an update on the Florida Federal Awards Audit (formerly known as A-133). The audit for fiscal year ending June 30, 2018 was issued March 28, 2019. USF had one finding related to cash management (how we pay our vendors) which has since been resolved.

V. Adjournment

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 1:20pm.

Agenda Item: IIIb

USF Board of Trustees
March 10, 2020

Issue: USF System Audit Charter Revisions

Proposed action: Approval of the revised Charter for USF System Audit

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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 the BOG regulation and professional standards.

The current Charter was approved on March 9, 2017.

Financial Impact: N/A

Strategic Goal(s) Item Supports: Goal 4: Sound financial management to establish a strong and sustainable economic base in support of USF’s continued academic advancement.
BOT Committee Review Date: Audit & Compliance Committee, 02/18/2020
Supporting Documentation Online (*please circle*): **Yes** **No**
Proposed Revised Charter for USF System Audit
USF System or Institution specific: USF System
Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor

USF System Audit Charter

This Charter identifies the purpose, authority, and responsibilities of University of South Florida System Audit.

I. Purpose

USF System Audit (Audit) provides independent, objective assurance and advisory services to the USF System Board of Trustees (BOT) in the effective discharge of their responsibilities. Audit facilitates the University of South Florida System (USF System 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. Audit is responsible for coordinating activities that promote accountability, integrity, and efficiency in the operations of the USF System.

II. Authority

USF System Audit reports functionally to the BOT and administratively to the President ~~and the Chief Operating Officer (COO)~~. This reporting relationship ensures the organizational independence and objectivity of the Chief Audit Executive (CAE) in the performance of his/her 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~~to the BOT~~. This reporting is done ~~reporting~~ through the BOT Audit & Compliance Committee ~~as requested by the President and the BOT~~. ~~The CAE conducts and reports on audits, investigations, and other inquiries free from actual or perceived impairments to the independence of USF System Audit.~~

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

- Audit has full, unrestricted, and timely access to all USF System 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 Audit 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 Audit activities are adequately secured and are not disclosed without established

authority.

- Audit has no direct operational responsibility or authority over any of the activities they review. Participation of Audit in the planning, development, implementation, or modification of university systems or processes is limited to an advisory or consulting role. This Audit role is managed so as to provide independence when conducting future assessments.
- Audit staff shall govern themselves by adherence to the International 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

Audit is responsible for assessing the various functions and control systems of the USF System 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, Audit may also provide DSOs with internal audit and compliance services. Audit may also provide these services to other entities under the control and direction of the USF System at the request of management or the Board of Trustees.

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

- Developing and submitting an Audit Work Plan to the BOT Audit ~~and~~ & Compliance Committee and the President for ~~annual~~ review and approval. Such Audit Work Plan development utilizes an appropriate risk-based methodology which takes into consideration risk or control concerns identified by management. The Audit 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 the USF System in responding to identified risk exposures. This evaluation of risk exposure and control assessment is performed in the context of the following:
  - Ability of the USF System 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:
  - International Professional Practices Framework, published by the IIA professional standards;
  - Information Technology Assurance Framework, published by the Information Systems Audit and Control Association (ISACA); and/or
  - Other professional standards as appropriate for the Audit engagement.
- Following up on findings appearing in Audit's reports ~~as well as those in reports and assessments issued by external audit entities, research sponsors, and other external parties~~. Such follow up by Audit 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, ~~COO,~~ BOT Audit & Compliance Committee, and others, as appropriate, on the following:
  - Audit work performed and resources utilized;
  - Status of internal ~~and external~~ 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 the USF System 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 System employees and management to assist in improving operational efficiency, effectiveness, and compliance. Such training programs are provided based on Audit work performed or as requested.
- Ensure compliance with all BOG reporting requirements as established by BOG Regulation 4.002.

Audit is responsible for the providing investigative services to all entities and support organizations, including auxiliary facilities and services, DSOs, ~~and~~ practice plans, and other component units under the control and direction of the USF System. 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 the USF System 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 Audit, 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 System officials, the BOT, and the Board of Governors, 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 Audit 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 Audit'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 Audit 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 Audit'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.
- Prepare an annual report for distribution to the President, BOT, and BOG which summarizes the following:
    - Audit activities for the preceding fiscal year;
    - Plans and resource requirements for the Audit office, including significant changes; and
    - Impacts of any resource limitations.

IV. Charter Review and Approval

The Board of Trustees-approved Audit Charter shall be reviewed at least every three (3) years for consistency with applicable Board of Governors and USF System 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: _____
~~Brian D. Lamb~~Jordan B. Zimmerman, Chair, Board of Trustees

_____ Approved on: _____
~~Judy L. Genshaft~~Steven C. Currall, USF System President

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

Agenda Item: IIIc

USF Board of Trustees
February 18, 2020

Issue: Board of Governors Performance-Based Funding Data Integrity Audit and Certification

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Proposed action: Acceptance of Performance-Based Funding (PBF) Data Integrity Audit and Approval of PBF Data Integrity Certification

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Executive Summary: Pursuant to Florida Statute 1001.706(5)(e) and former Board of Govenors Chair Lautenbach's letter to University Presidents and Univeristy Board of Trustees Chairs dated June 18, 2019, USF System Audit (Audit) conducted an internal audit of PBF Data Integrity. Our primary audit objectives were to:

- Determine whether the processes and internal controls established by the university ensure the completeness, accuracy, and timeliness of data submissions which support the performance measures.

- Provide an objective basis of support for the President and Board of Trustees Chair to sign the representations included in the Data Integrity Certification.

The Board of Governors requires the acceptance of the audit results and the approval of the Data Integrity Certification by the Board of Trustees, with submittal to the Board of Govenors by March 2, 2020.

The scope and objectives of the audit were set jointly and agreed to by the university's president, Board of Trustees Chair, Board of Trustees Audit and Compliance Committee Chair, and chief audit executive. Audit followed its standard risk assessment, audit program, and reporting protocols.

Conclusion:

Audit's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming corrective actions are taken timely to address the one medium-priority risk communicated in the Management Letter. No impact to the performance metrics was identified.

In response to the issue identified, management has developed implementation plans for their corrective actions which are included in the Management Letter and currently underway.

Financial Impact: The USF System received $77.1 million in PBF allocations for fiscal year 2019-2020, including a return of the institutional investment of $40.6 million.

Strategic Goal(s) Item Supports: Goal 4: Sound financial management to establish a strong and sustainable economic base in support of USF's continued academic advancement.
BOT Committee Review Date: 02/18/2020
Supporting Documentation Online (*please circle*): **Yes** **No**
Data Integrity Certification
PBF Data Integrity Audit Presentation
20-010_021320_Performance Based Measures_FR
20-010_021320_Performance Based Measures_FML
USF System or Institution specific: USF System
Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor

STATE UNIVERSITY SYSTEM of FLORIDA
Board of Governors

Data Integrity Certification

March 2020

University Name: _____

INSTRUCTIONS: Please respond "Yes" or "No" for each representation below. Explain any "No" responses to ensure clarity of the representation you are making to the Board of Governors. Modify representations to reflect any noted **significant or material** audit findings.

Data Integrity Certification Representations			
Representations	**Yes**	**No**	**Comment / Reference**
1. I am responsible for establishing and maintaining, and have established and maintained, effective internal controls and monitoring over my university's collection and reporting of data submitted to the Board of Governors Office which will be used by the Board of Governors in Performance Based Funding decision-making ~~and Preeminence or Emerging Preeminence Status~~.	☐	☐	
2. These internal controls and monitoring activities include, but are not limited to, reliable processes, controls, and procedures designed to ensure that data required in reports filed with my Board of Trustees and the Board of Governors are recorded, processed, summarized, and reported in a manner which ensures its accuracy and completeness.	☐	☐	
3. In accordance with Board of Governors Regulation 1.001(3)(f), my Board of Trustees has required that I maintain an effective information system to provide accurate, timely, and cost-effective information about the university, and shall require that all data and reporting requirements of the Board of Governors are met.	☐	☐	
4. In accordance with Board of Governors Regulation 3.007, my university shall provide accurate data to the Board of Governors Office.	☐	☐	
5. In accordance with Board of Governors Regulation 3.007, I have appointed a Data Administrator to certify and manage the submission of data to the Board of Governors Office.	☐	☐	

Data Integrity Certification

Data Integrity Certification Representations			
Representations	**Yes**	**No**	**Comment / Reference**
6. In accordance with Board of Governors Regulation 3.007, I have tasked my Data Administrator to ensure the data file (prior to submission) is consistent with the criteria established by the Board of Governors Data Committee. The due diligence includes performing tests on the file using applications, processes, and data definitions provided by the Board Office.	☐	☐	
7. When critical errors have been identified, through the processes identified in item #6, a written explanation of the critical errors was included with the file submission.	☐	☐	
8. In accordance with Board of Governors Regulation 3.007, my Data Administrator has submitted data files to the Board of Governors Office in accordance with the specified schedule.	☐	☐	
9. In accordance with Board of Governors Regulation 3.007, my Data Administrator electronically certifies data submissions in the State University Data System by acknowledging the following statement, "Ready to submit: Pressing **Submit for Approval** represents electronic certification of this data per Board of Governors Regulation 3.007."	☐	☐	
10. I am responsible for taking timely and appropriate preventive/ corrective actions for deficiencies noted through reviews, audits, and investigations.	☐	☐	
11. I recognize that Board of Governors' and statutory requirements for the use of data related to the Performance Based Funding initiative ~~and Preeminence or Emerging Preeminence~~ status consideration will drive university policy on a wide range of university operations – from admissions through graduation. I certify that university policy changes and decisions impacting data used for these purposes have been made to bring the university's operations and practices in line with State University System Strategic Plan goals and have not been made for the purposes of artificially inflating the related metrics.	☐	☐	

Data Integrity Certification

Data Integrity Certification Representations			
Representations	**Yes**	**No**	**Comment / Reference**
12. I certify that I agreed to the scope of work for the Performance Based Funding Data Integrity Audit ~~and the Preeminence or Emerging Preeminence Data Integrity Audit (if applicable)~~ conducted by my chief audit executive.	☐	☐	
13. In accordance with section 1001.706, Florida Statutes, I certify that the audit conducted verified that the data submitted pursuant to sections ~~1001.7065 and~~ 1001.92, Florida Statutes ~~[regarding Preeminence and Performance-based Funding, respectively]~~, complies with the data definitions established by the Board of Governors.	☐	☐	

Data Integrity Certification Representations, Signatures
I certify that all information provided as part of the Board of Governors Data Integrity Certification for Performance Based Funding ~~and Preeminence or Emerging Preeminence status (if applicable)~~ is true and correct to the best of my knowledge; and I understand that any unsubstantiated, false, misleading, or withheld information relating to these statements render this certification void. My signature below acknowledges that I have read and understand these statements. I certify that this information will be reported to the board of trustees and the Board of Governors. Certification: _____ Date_____ President
I certify that this Board of Governors Data Integrity Certification for Performance Based Funding ~~and Preeminence or Emerging Preeminence status (if applicable)~~ has been approved by the university board of trustees and is true and correct to the best of my knowledge. Certification: _____ Date_____ Board of Trustees Chair

Performance-Based Funding Data Integrity Audit

Virginia L. Kalil
Executive Director/Chief Internal Auditor

Audit & Compliance Committee | February 18, 2020

UNIVERSITY of SOUTH FLORIDA

UNIVERSITY of SOUTH FLORIDA

Overall Objectives

- Determine whether the processes and internal controls established by the university ensure the completeness, accuracy, and timeliness of data submissions which support performance-based funding (PBF)
- Provide an objective basis of support for the President and BOT Chair to sign the representations included in the BOG Data Integrity Certification

UNIVERSITY of SOUTH FLORIDA

Scope

- Identifying and evaluating any material changes to the controls and processes, including:
  - *Prior year recommendations*
  - *BOG data definition changes*
  - *Data element, key personnel, and/or file submission changes*
- Reviewing data resubmissions
- Updating the PBF risk assessment, including fraud risks
- Verifying accuracy, completeness, and consistency with BOG expectations of data submitted for all 10 PBF metrics

UNIVERSITY of SOUTH FLORIDA

Conclusion

- Adequate system of internal controls in place
- No high risks identified
- One medium risk identified with no impact to performance metrics

MEMORANDUM

TO: Dr. Ralph Wilcox, Provost & Executive Vice President of Academic Affairs
Dr. Terry Chisolm, Vice Provost for Strategic Planning, Performance & Accountability

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

DATE: February 13, 2020

SUBJECT: 20-010 Performance-Based Funding Data Integrity Audit

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USF System Audit (Audit) performed an audit of the internal controls that ensure the completeness, accuracy, and timeliness of data submissions to the Board of Governors (BOG). These data submissions are relied upon by the board in preparing the measures used in the performance-based funding (PBF) process. This audit also provides an objective basis of support for the President and Board of Trustees (BOT) Chair to sign the representations included in the Data Integrity Certification to be filed with the BOG by March 2, 2020. This project is part of the approved 2019-2020 Work Plan.

The PBF measures are based on data submitted through the State University Database System (SUDS) utilizing a state-wide data submission process for BOG files. For additional information on data files included in this audit, see Appendix A.

Audit's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming corrective actions are taken timely to address one medium-priority risk communicated separately in our management letter related to Metric Nine-percent of bachelor's degrees awarded without excess hours. **No impact to the performance measures was identified.**

OVERALL CONCLUSION		
☐	Adequate System of Internal Control	Findings indicate that, as a whole, controls are adequate. Identified risks, if any, were low-priority requiring timely management attention within 90 days.
☒	Adequate System of Internal Control – with reservations	Medium-priority risks are present requiring urgent management attention within 60 days.
☐	Inadequate System of Internal Control	High-priority risks are present requiring immediate management attention within 30 days.

We received outstanding cooperation throughout this audit. Please contact us at (813) 974-2705 if you have any questions.

cc: President Steven C. Currall, USF System
Chair Jordan Zimmerman, USF Board of Trustees
David Lechner, Senior Vice President, Business and Financial Strategy
Dr. Charles Lockwood, Senior Vice President, USF Health
Dr. Karen Holbrook, Regional Chancellor, USF Sarasota-Manatee
Dr. Martin Tadlock, Regional Chancellor, USF St. Petersburg
Dr. Paul Dosal, Vice President for Student Affairs and Student Success
Nick Trivunovich, Vice President, Business and Finance and Chief Financial Officer
Sidney Fernandes, Vice President, Information Technology and Chief Information Officer
Dr. Paul Atchley, Dean of Undergraduate Studies and Sr. Associate Vice President, Student Affairs and Student Success
Billie Jo Hamilton, Associate Vice President, Enrollment Planning & Management
Masha Galchenko Director, University Budgets, Analytics and Data Administration Dr.
Dr. Glen Besterfield, Dean of Admissions and Associate Vice President, Student Affairs and Student Success

BACKGROUND

In 2014, the Board of Governors (BOG) implemented the Performance-Based Funding (PBF) Model which includes 10 metrics intended to evaluate Florida institutions on a range of issues (e.g., graduation and retention rates, average student costs). Eight of the metrics are common to all institutions, while the remaining two vary by institution and focus on areas of improvement or the specific mission of the university.

The metric calculations are based on data submitted through the State University Database System (SUDS) utilizing a state-wide data submission process for BOG files. In order to ensure the integrity of the data being submitted to the BOG to support the calculation of the metrics, USF has established specific file generation, review, certification, and submission processes.

File Generation Process

USF utilizes an automated process, Application Manager, to extract data files from the original systems of record and reformat and redefine data to meet the BOG data definition standards. The only data file that can be impacted outside the Application Manager process is the Hours to Degree submission. (See Hours to Degree File Generation Process below.)

This Application Manager process includes the following key controls:

- ✓ The Application Manager jobs can only be launched by authorized Data Stewards. In addition, individuals responsible for the collection and validation of the data have no ability to modify the Application Manager jobs.
- ✓ The Retention File generated by the BOG is downloaded from the BOG SUDS portal to HubMart by Resource Management & Analysis (RMA). The Data Stewards and Sub-certifiers cannot change the files.
- ✓ Corrections are made to the original systems of record and the Application Manager job is re-run until the file is free of material errors.
- ✓ Any changes to the data derivations, data elements, or table layouts in the Application Manager jobs are tightly controlled by RMA and Information Technology (IT) utilizing a formal change management process.
- ✓ There are IT controls designed to ensure that changes to the Application Manager jobs are approved via the standard USF change management process and that access to BOG submission-related data at rest or in transit is appropriately controlled.

Hours to Degree File Generation Process

The Hours to Degree file submission has two primary tables: 1) Hours to Degree (HTD) that contains information regarding the students and the degrees issued and 2) Courses to Degree (CTD) that includes information regarding the courses taken and utilization of the courses to degree. The HTD file is derived based on data in HubMart (Degrees_Submitted_Vw) and data from the student records system, OASIS (Online Access Student Information System)-a Banner product. The CTD file is generated from a combination of OASIS data and data obtained from the degree certification and advising system (DegreeWorks).

While an Application Manager process is used to create the HTD file, the process utilizes a series of complex scripts to select the population, normalize the data fields to meet BOG data definition standards, and populate course attributes used by the BOG to identify excess hours exemptions. This includes deriving whether courses are "used to degree" or "not used to degree" from DegreeWorks.

The systematically-identified HTD population and CTD file are loaded into two custom Banner reporting tables for validation. Any necessary corrections are made manually by the Data Steward utilizing custom Banner forms.

BOG File Review and Certification Process

USF utilizes a formal review process managed by RMA for all BOG file submissions. The review and certification process includes the following key controls:

- ✓ Data Stewards, Sub-certifiers and Executive Reviewers who had operational and/or administrative responsibility for the institutional data are assigned key roles and responsibilities. The RMA website defines each of these roles.
- ✓ A central repository (DocMart) contains detailed information regarding data elements for each BOG SUDS file.
- ✓ A secured file storage location (HubMart) provides read-only access and functionality to the data collected and extracted into the Data Warehouse from transactional source systems in order to allow Data Stewards and Sub-certifiers to review and validate data.
- ✓ A formal sub-certification and executive review process is in place to ensure that institutional data submitted to the BOG accurately reflects the data contained in the primary systems of record. No BOG file is submitted to the BOG by the Data Administrator until the Executive Reviewer(s) approves the file.
- ✓ A formal process for requesting and approving resubmissions includes a second executive review process.

BOG File Submission Process

Once all data integrity steps are performed and the file is ready for upload to the SUDS portal, a secure transmission process is used by RMA to ensure data cannot be changed prior to submission.

Key controls within this process include:

- ✓ A dedicated transfer server is used to transmit the BOG SUDS files. Only RMA and IT server administrators have access to the transfer server.
- ✓ Only RMA staff can upload a file from the transfer server to SUDS, edit submissions, generate available reports, or generate reports with re-editing.
- ✓ Only the Data Administrator and Back-up administrator can submit the final BOG file.

SCOPE AND OBJECTIVES

Our audit focused on the internal controls established by the USF System as of September 30, 2019 to ensure the completeness, accuracy, and timeliness of data submissions to the BOG, which support the PBF measures.

The primary objectives of our audit were to:

- Determine whether the processes and internal controls established by the university ensure the completeness, accuracy, and timeliness of data submissions to the BOG which support the PBF measures.

- Provide an objective basis of support for the President and BOT Chair to sign the representations included in the Performance-Based Funding Data Integrity Certification, which will be submitted to the BOT and filed with the BOG by March 2, 2020.

The scope and objectives of the audit were set jointly and agreed to by the President, BOT Chair, the BOT Audit & Compliance Committee Chair, and the university's Chief Audit Executive. USF System Audit (Audit) followed its standard risk assessment, audit program, and reporting protocols.

PROCEDURES PERFORMED

We followed a disciplined, systematic approach using the *International Standards for the Professional Practice of Internal Auditing*. The information system components of the audit were performed in accordance with the *ISACA (Information Systems Audit and Control Association) Standards and Guidelines*. The COSO (Committee of Sponsoring Organizations of the Treadway Commission) and COBIT (Control Objectives for Information and Related Technologies) Control Frameworks were used to assess control structure effectiveness.

For term-based submissions, testing of the control processes was performed on the files covering the period Summer 2018 through Spring 2019. For files submitted annually, the current year file was selected for testing if available by November 15, 2019. Our testing focused on the tables and data elements in the files which were utilized by the BOG to compute the performance measure. For additional information on the files included in this review see Appendix A.

Minimum audit guidelines were established by the BOG in year one which outlined eight key objectives. Although not required, these key objectives have been incorporated into the audit each subsequent year:

1. Verify the Data Administrator has been appointed by the university president and PBF responsibilities incorporated into their job duties.
2. Validate that processes and internal controls in place are designed to ensure completeness, accuracy, and timeliness of data submissions.
3. Determine whether policies, procedures, and desk manuals are adequate to ensure integrity of submissions.
4. Evaluate the adequacy of system access controls.
5. Verify data accuracy through sample testing of key files and data elements.

6. Assess the consistency of Data Administrator's certification of data submissions.
7. Confirm the consistency of data submissions with the BOG data definitions (files and data elements).
8. Evaluate the necessity and authorization of data resubmissions.

In year one, a comprehensive review (Audit 15-010) of processes and controls was conducted followed by a risk assessment. In each subsequent year, system process documentation was updated to reflect any material changes that took place; a new risk assessment was performed based on the updated system documentation and processes; and a new work plan was developed based on the updated risk assessment. Fraud-related risks, including the availability and appetite to manipulate data to produce more favorable results, was included as part of the risk assessment.

This year's audit included:

1. Identifying and evaluating any changes to key processes used by the Data Administrator and data owners/custodians to ensure the completeness, accuracy, and timeliness of data submissions to the BOG. This includes verifying new controls put in place to resolve deficiencies identified in the prior year's audit and identifying changes in key personnel performing these processes.
2. Reviewing 2019 BOG SUDS workshop proceedings, metric definitions, benchmarks, and other key documents to identify any changes to the BOG PBF metrics and data definitions used for the BOG PBF metrics.
3. Reviewing all requests to modify data elements and/or file submission processes to ensure they followed the standard change management process and are consistent with BOG expectations.
4. Reviewing the Data Administrator's data resubmissions to the BOG from January 1, 2019 to December 31, 2019 to ensure these resubmissions were both necessary and authorized, as well as evaluating that controls were in place to minimize the need for data resubmissions and were functioning as designed.
5. Updating the prior year risk assessment and fraud risk assessment to reflect changes identified.
6. Tracing samples from the Retention (RET), Student Instructional File (SIF), SIF – Degrees Awarded (SIFD), and Student Financial Aid (SFA) BOG files to OASIS (Online Access Student Information System), the system of record. The integrity of these files collectively impact metrics one through ten.
7. Verifying accuracy, completeness, and consistency with BOG expectations of the data submitted to the BOG for Measure Nine - Percent of Bachelor's Degrees without Excess Hours, via the Hours to Degree (HTD) file.

PRIOR AUDIT PROJECTS

In FY 2018-2019, an audit of the controls established by the university to ensure the completeness, accuracy, and timeliness of data submissions to the BOG which supported the PBF metrics (Audit 19-010, issued February 4, 2019) was performed. As of February 4, 2019, one of the two medium-priority risk recommendations were reported as in progress. As of the date of this report, all recommendations have been reported by management as implemented.

Audit verified the new controls in place were effectively mitigating the risks identified.

CONCLUSION

Audit's overall conclusion was that there was an adequate system of internal controls in place to meet our audit objectives, assuming corrective actions are taken timely to address one medium-priority risk communicated separately in our management letter related to Metric Nine-percent of bachelor's degrees awarded without excess hours. **No impact to the performance measures was identified.**

APPENDIX A
PERFORMANCE MEASURES DATA SOURCES

Measure	Description	BOG File	Data Used/Created by the BOG
One	Percent of bachelor's graduates employed full-time in or continuing their education in the U.S. one year after graduation	SIFD	National Student Clearing house, Florida Education and Training Placement Information Program
Two	Median wages of bachelor's graduates employed full-time one year after graduation	SIFD	Unemployment Insurance wage data
Three	Net Cost to Student	SIF, SFA, HTD	College Board national average book cost
Four	Four year FTIC graduation rate	SIFP, SIF, SIFD, Retention Cohort Change File	BOG created Cohort and Retention File
Five	Academic progress rate	SIF	BOG created Cohort
Six	Bachelor's degrees awarded within programs of strategic emphasis	SIFD	
Seven	University access rate	SFA, SIF	
Eight	Graduate degrees awarded within programs of strategic emphasis	SIFD	
Nine	Percent of bachelor's degrees without excess hours	HTD	
Ten[1]	Six-year FTIC graduation rate	SIFP, SIF, SIFD, Retention Cohort Change File	BOG created Cohort and Retention File

[1]Metric replaces number of post-doctoral appointees for 2020 cycle.

BOG FILES REVIEWED

Submission	System of Record	Table	Submission Reviewed
Hours to Degree (HTD)	OASIS, DegreeWorks	Hours to Degree Courses to Degree	2018-2019
Student Financial Aid (SFA)	OASIS	Financial Aid Awards	2018-2019
Student Instructional File - Degree (SIFD)	OASIS	Degrees Awarded	Summer 2018, Fall 2018, Spring 2019
Student Instructional File (SIF)	OASIS, GEMS	Person Demographics Enrollments	Summer 2018, Fall 2018, Spring 2019
Retention File (RET)	BOG	Retention Cohort Change	2017-2018

MEMORANDUM

TO: Dr. Ralph Wilcox, Provost & Executive Vice President of Academic Affairs
Dr. Terry Chisolm, Vice Provost for Strategic Planning, Performance & Accountability

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

DATE: February 13, 2020

SUBJECT: 20-010 Management Letter – Performance-Based Funding Data Integrity Audit

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USF System Audit (Audit) performed an audit of the University's processes and internal controls that ensure the completeness, accuracy, and timeliness of data submissions to the Board of Governors (BOG). These data submissions are relied upon by the board in preparing the measures used in the performance-based funding process. An audit report was issued on February 13, 2020, which defined the scope and results of our audit.

Based on the review, Audit concluded there was an adequate system of internal controls in place to meet the audit objectives, assuming timely corrective actions are taken for the one medium-priority risk included in this Management Letter.

As audit reports are focused only on high-priority risks, this medium-priority risk was not addressed in our audit report. Urgent management attention is required within 60 days. The medium-priority risk identified for management attention related to Measure Nine, percent of bachelor's degrees awarded without excess hours.

The risks identified had no impact on the performance metrics.

Within 10 business days, please provide your actions planned and expected implementation dates within the Team Central Follow-Up System for those recommendations not marked as resolved.

Please contact us at (813) 974-2705 if you have any questions.

USF SYSTEM AUDIT
4019 E. Fowler Ave., Suite 200 • Tampa, FL 33617
(813) 974-2705 • www.usf.edu/audit

cc: President Steven C. Currall, USF System
Chair Jordan Zimmerman, USF Board of Trustees
David Lechner, Senior Vice President, Business and Financial Strategy
Dr. Charles Lockwood, Senior Vice President, USF Health
Dr. Karen Holbrook, Regional Chancellor, USF Sarasota-Manatee
Dr. Martin Tadlock, Regional Chancellor, USF St. Petersburg
Dr. Paul Dosal, Vice President for Student Affairs and Student Success
Nick Trivunovich, Vice President, Business and Finance and Chief Financial Officer
Sidney Fernandes, Vice President and Chief Information Officer, Information Technology
Dr. Paul Atchley, Dean of Undergraduate Studies, and Sr. Associate Vice President of Student Affairs and Student Success.
Billie Jo Hamilton, Associate Vice President, Enrollment Planning & Management
Masha Galchenko Director, University Budgets, Analytics and Data Administration
Dr. Glen Besterfield, Dean of Admissions and Associate Vice President, Student Affairs and Student Success

MEDIUM PRIORITY RISKS	STATUS
1. Additional emphasis is needed to ensure repeated course work is properly identified in Banner and Degree work. Hours to Degree (HTD) Courses to Degree (CTD) logic relies on a course attribute which is placed on the course in Banner ("REPT"). Audit identified an issue where repeated course work, ineligible for use toward degree, was reflected as used toward degree in the CTD file. The CTD Credit Hour Usage Indicator (BOG Element 01489) (usage indicator) is a code used to indicate whether a course was used toward a student's degree requirements or to meet the foreign language requirement. The usage indicator is set to "D" if the hours were used toward degree. Repeated course work for which a passing grade is received cannot be flagged as used toward degree unless the course has been approved as a repeatable course or an exception has been approved. If the course is not a repeatable course the course instance with the lowest grade is assigned a course attribute ("REPT") in OASIS to prevent DegreeWorks and the HTD CTD Logic from using the repeated course toward a degree requirement. Of the 455,673 records in the CTD file, contained within the HTD submission, only 4,706 had the "REPT" course attribute applied. Since the "REPT" course attribute can be manually or systematically applied, Audit performed a reasonableness review of students who had two or more courses with the same prefix and suffix which had a usage indicator of "D"(used toward degree) in order to verify that the CTD logic was correctly handling duplicate course work. During the review, Audit identified 18 instances where a non-repeatable course was used toward a degree. None of these repeated courses identified by Audit had the "REPT" course attribute assigned to the course in OASIS. In five of the 18 instances the repeat course work was not properly identified in DegreeWorks and the CTD logic accurately reflected the system of record which contained the error. For the remaining thirteen instances, the CTD usage indicator did not match the system of record. The root cause of the difference was as follows: • For six students, the HTD CTD logic intentional coded the non-repeatable courses as "used for degree" to meet the minimum hours required for the degree. • For seven students, the HTD CTD logic selected the course as used toward degree in error since the course had not been flagged as a repeated course in OASIS. A new report designed to identify duplicate course errors was implemented in June 2019 but these students were not included on the report since they had already graduated. This report should identify these exceptions in the future. Audit verified that the errors identified had no impact on the student's excess hours computation. Failure to properly identify and code repeated course work in Banner	In Progress

MEDIUM PRIORITY RISKS	STATUS

and/or DegreeWorks increased the probability that repeated coursework will be improperly coded by the HTD CTD Logic.

Recommendation: The Office of the Registrar, in coordination with Information Technology and Undergraduate Studies, should:

1. **Reinforce appropriate best practices related to the utilization of repeated coursework toward degree in DegreeWorks including ensuring that DegreeWorks is properly applying non-repeatable course work toward degree and that documentation of any approvals to use previously excluded coursework toward degree is maintained within DegreeWorks.**
2. **Continue the recently implemented anomaly report process to identify repeated coursework which has not been properly identified to ensure that the "REPT" attribute is applied to the course which cannot be utilized toward degree without an exception. This will ensure that the CTD logic works properly.**

Management Attention Required: ☐ Immediate ☒ Urgent ☐ Timely

Resources/Effort Required: ☐ Significant ☒ Moderate ☐ Minimal

Management's Response:

Undergraduate Studies has already coordinated with the Office of the Registrar to identify process improvements and/or approaches to ensuring best practices to ensure the REPT course attribute is accurately applied. These improvements will be implemented no later than May 30, 2020.

The Office of the Registrar will continue our collaboration with Information Technology to ensure REPT error checking report logic remains sound, ensuring the efficacy of the tool.

Estimated Completion Date: May 30, 2020

Agenda Item: IVa

USF Board of Trustees
Audit & Compliance Committee Meeting
February 18, 2020

Issue: University and DSO Independent Audit Findings Report

Proposed action: Informational

Executive Summary:

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

The University and DSOs will receive a total of 17 audits from independent auditors for the fiscal year ended June 30, 2019.

Since June 30, 2019, 16 audits have been received:

- No Findings in the University or USF Auxiliary June 30, 2019 Audited Financial Statements
- 2 Findings in the University's Calendar Year 2018 Operational Audit
- 1 Finding in the 8 DSO June 30, 2019 Audited Financial Statements
- No Findings in the USF Health and Education International Foundation's (Related Party of HPCC DSO) or the USF Health Support Services Organization June 30, 2019 Audited Financial Statements

One audit report has not yet been issued: State of Florida Federal Awards Audit (Formerly A-133) for fiscal year 2019.

Financial Impact:

N/A

Strategic Goal(s) Item Supports: **Goal 4: Sound Financial Management**
Workgroup Review Date: **February 18, 2020**
Supporting Documentation Online (*please circle*): **Yes** **No**
USF System or Institution specific: **USF System**
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 – February 18, 2020

NEW FINDINGS

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 CY 2018 Operational Audit Finding No. 1	**Finding** **REPEAT FINDING** Information Technology User Access Privileges – Sensitive Personal Student Information	To ensure access to sensitive student information is properly safeguarded, the University should: • Continue efforts to ensure that only those employees who have a demonstrated need to access sensitive student information have such access. • Establish procedures that require and ensure documented, periodic evaluations of assigned IT user access privileges to determine whether such privileges are necessary and timely removed any inappropriate or unnecessary access privileges detected. Such removal may be achieved by masking the information from individuals who do not need it to perform their assigned duties. • Upgrade the University IT system to include a mechanism to differentiate current, former and prospective student information.	The University conducts annual entitlement reviews of employees with access to sensitive student information to confirm a business need for the access. The University has also developed and implemented a policy that addresses the appropriate length of time to retain sensitive student information for prospective students who have not enrolled in the semester in which they were admitted. **Responsible Party:** Billie Jo Hamilton, Associate Vice President, Enrollment Planning & Management	**CLOSED PER MANAGEMENT**	**N/A - Closed**

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 18, 2020

NEW FINDINGS

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 CY 2018 Operational Audit Finding No. 2	**Finding** **FOUR-PEAT FINDING** Severance Payments	The University should ensure that the severance pay provisions in University employment agreements are consistent with State law and that severance payments do not exceed the amounts established in State law.	The practice that gave rise to the finding was the payment of liquidated damages in excess of twenty weeks in USF employment contracts, which were primarily for intercollegiate athletic coaches. As of December 1, 2016, USF ceased entering into new contracts with terms that allowed for payment of liquidated damages in excess of twenty weeks and we renegotiated contracts containing the former liquidated damages term as such contracts expired. However, USF did not void any enforceable and existing contracts on December 1, 2016; therefore, the finding is based on a single legacy agreement and not a continuing or active practice. As of the date of this letter we are not aware of any current, enforceable USF contract containing the former liquidated damages provision. **Responsible Party:** Donna Keener, Associate Vice President, Human Resources	**CLOSED PER MANAGEMENT**	**N/A - Closed**
UNIVERSITY OF SOUTH FLORIDA No Findings were Reported in the University or Auxiliary June 30, 2019 Audited Financial Statements (See Summary of Entities Reviewed)	No Audit Findings				

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 18, 2020

NEW FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
SUN DOME, INC. 2019 Audit of Internal Control over Financial Reporting	**Significant Deficiency** Airplane Transactions	During the audit, we identified an instance where information regarding certain airplane transactions were not properly communicated between USF Sun Dome, Inc. and the University of South Florida's Treasurer's Office to allow for accurate recording of those airplane transactions. We recommend enhanced communication processes and improvements to the general ledger system utilized to capture airplane transactions, both of which would enable USF Sun Dome, Inc. to properly record all transactions.	Management acknowledges that transactions were not properly recorded in SDI's financial statements upon initial receipt of the aircraft invoices. Turnover in key positions as well as a shift in financial reporting systems supported by the University affected data entry and communication. Management has addressed this issue by hiring for the vacated positions and will begin transitioning financial data to a new accounting system that will assist in recording the appropriate data. Additionally, the University of South Florida's Treasurer's Office is responsible for developing policy for the appropriate use of the aircraft, authorizing each use of the plane, contracting for the operations and maintenance of the plane, maintaining insurance contracts for the aircraft, ensuring FAA, IRS and policy compliance for the aircraft, developing an annual budget for the plane, funding the annual budget for the plane, approving each aircraft invoice for payment and communicating with SDI. While the Treasurer's Office is not responsible for the accurate recording of the aircraft invoices, the Treasurer's Office has now amended its procedures to communicate its guidance whether an invoice should be considered for capitalization. **Responsible Party:** Brandon Hall, CFO	**CLOSED PER MANAGEMENT**	**N/A - Closed**

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 18, 2020

NEW FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
OTHER RELATED PARTIES No Findings were Reported in the USF HEIF or USF HSSO June 30, 2019 Audited Financial Statements (See Summary of Entities Reviewed)	No Audit Findings				

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 18, 2020

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 System	Determined by Auditor General	No Findings	No Findings	State of Florida Auditor General
USF Operational Audit (Issued every 2 years)	Determined by Auditor General	CY 2018 2 Findings – 2 REPEAT	CY 2016 6 Findings – 2 REPEAT	State of Florida Auditor General
USF - State of Florida Federal Awards Audit (Formerly A-133)	Determined by Auditor General	Report Not Yet Issued	1 Finding	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	No Findings	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	No Findings	No Findings	Grant Thornton LLP
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	No Findings	Cherry Bekaert LLP
DSO - USF Sun Dome, Inc.	October 15	1 Finding	No Findings	James Moore & Co., P.L.
DSO - USF Institute of Applied Engineering, Inc.	October 15	No Findings	No Findings	Warran Averett
USF Health and Education International Foundation (HEIF) – Related Party of HPCC (DSO)	October 15	No Findings	5 Findings	Cheng Y Asociados
HSSO - USF Health Support Services Organization, Inc.	October 15	No Findings	No Findings	Grant Thornton LLP

Agenda Item: IVb

USF Board of Trustees
Audit & Compliance Committee Meeting
February 18, 2020

Issue: Annual Compliance Certifications of Direct Support Organizations

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Proposed action: Informational

Executive Summary:

Each Direct Support Organization ("DSO") and related entity under the control and direction of the Board of Trustees of the University of South Florida ("USF") is expected to implement an internal control, reporting and governance structure consistent with best practices of USF, the DSO or related entity, as well as those detailed within National Association of College and University Business Officer's Advisory Report on the Sarbanes-Oxley Act of 2002.

The University amended USF System Regulation 13.002 during the fiscal year ending June 30, 2018 to require all DSOs to adopt the following policies no later than June 30, 2019: Conflict of Interest and Financial Code of Ethics Policy, Expenditure Policy, Signatory Authority Policy, Procurement Policy (to include supplier diversity), Travel Policy, Internal Controls and Internal Audit Policy, Workplace Discrimination and Retaliation Policy, and Public Appearance Policy.

During 2019, the University further amended USF System Regulation 13.002 to require the following of all DSOs:

1) The Articles or Bylaws of a DSO require the appointment of at least one representative to the DSO's Board by the Chair of the BOT, service on Board by the University President or designee, and that the BOT approve all appointments to the DSO's Board.

2) Purchases, acquisitions, projects and issuance of debt by DSO's of $1,000,000 or more require advance approval of the Chair of the Finance Committee of the BOT; purchases, acquisitions, projects and issuance of debt by DSO's of $2,000,000 or more require advance approval by the Finance Committee of the BOT.

Annually, each DSO must certify to the USF Board of Trustees compliance with the expectations described above. This certification must be completed by (1) the Chair of the Board or like position, (2) the Chief Executive Officer or President,

and (3) the Chief Financial Officer or individual with overall responsibility for financial operations.

All 10 DSOs (2 are reported on a consolidated basis) provided their Annual Compliance Certification Statements for the fiscal year ended June 30, 2019.

- No instances of non-compliance with the 22 requirements from five categories of compliance were cited in the Annual Compliance Certification Statement.

Financial Impact:

N/A

Strategic Goal(s) Item Supports: **Goal 4: Sound Financial Management**
Workgroup Review Date: **February 18, 2020**
Supporting Documentation Online (*please circle*): **Yes** **No**
USF System or Institution specific: **USF System**
Prepared by: **Fell L. Stubbs, University Treasurer, (813) 974-3298**

UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES
Annual Compliance Certifications of Direct Support Organizations
For the fiscal year ending June 30, 2019

NEW FINDINGS

Direct Support Organization	Compliance Requirement	Finding	Management's Response	Current Status of Finding	Target Completion Date
No certified non-compliance with the following compliance categories: (a) Compliance with Laws, Regulations, Policies and Professional Standards (b) System of Internal Controls (c) External Audit (d) Internal Audit (e) Governance					

UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES

Summary of DSO Annual Certifications

For the fiscal year ending, June 30, 2019

CERTIFICATION STATEMENTS	USFFC / PC	FOUNDATION	ALUMNI	UMSA / MSSC	HPCC	RESEARCH	SUN DOME	IAE
A. Compliance with Laws, Regulations, Policies and Professional Standards								
1. Compliance with Federal, State and Municipal Laws, Regulations and Professional Standards	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Compliance with Regulatory Reporting Requirements - Tax Reporting and Industry-Specific Reporting	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Compliance with Debt Covenants	Yes	N/A	N/A	N/A	Yes	Yes	Yes	Yes
B. System of Internal Controls								
1. Internal Control System - Designed & Implemented	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Internal Control System - Incorporated USF Policies, Procedures and Best Practices (including Reconciliation Certification Program)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Internal Control System - Implemented Risk Management Program	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
C. External Audit								
1. External Auditors Retained	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Management Letter Comments Implemented	N/A	Yes	N/A	N/A	Yes	Yes	Yes	Yes
3. External Auditors Prohibited from Performing Non-Audit Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4. External Auditors Did Not Employ Organization's Financial Preparer	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
D. Internal Audit								
1. Internal Audit Function Established OR	UAC	Yes	Yes	Yes	Yes	Yes	UAC	Yes
2. University Audit & Compliance Function Engaged	Yes	Internal	Internal	Internal	Internal	Internal	Yes	Internal
3. Risks and Opportunities Identified by Internal Auditors Have Been Addressed	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
E. Governance								
1. Articles or Bylaws require at least one DSO Board Member to be appointed by the Chair of the Board of Trustees, University President or designee serves on the Board, and Board of Trustees approves all appointments to the Board.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Audit Committee, or Equivalent, Established	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3. Audit Committee Consists of At Least One Financial Expert	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4. External Audit Firm Pre-Approved by Audit Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES

Summary of DSO Annual Certifications

For the fiscal year ending, June 30, 2019

CERTIFICATION STATEMENTS	USFFC / PC	FOUNDATION	ALUMNI	UMSA / MSSC	HPCC	RESEARCH	SUN DOME	IAE
5. Independent Audit Committee / Governing Board (N/A if governing documents preclude compliance with this item)	Yes	Yes	Yes	N/A	Yes	Yes	Yes	Yes
6. Organization complied with USF Regulation 13.002 - Prior Approval of $1M and $2M Purchases, Acquisitions and Projects by the Board of Trustees	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7. Organization has Adopted all Requirements Outlined in USF Regulation 13.002, including 8 Policies, by June 30, 2019 (N/A for policies that will be adopted during FY 2019)								
• Conflict of Interest and Financial Code of Ethics Policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Expenditure Policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Signatory Authority Policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Procurement Policy (to include Supplier Diversity)	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Travel Policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Internal Controls and Internal Audit Policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Workplace Discrimination and Retailation Policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
• Public Appearance Policy	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
8. Board Conflict of Interest Policy Adopted and Provided Annually	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
9. Employee Financial Code of Ethics Adopted and Compliance Reported Annually	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Agenda Item: IVc

USF Board of Trustees
Audit & Compliance Committee
February 18, 2020

Issue: USF System Compliance & Ethics Program 2019 Annual Report

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Proposed action: Informational

Executive Summary:

The USF System Compliance & Ethics Program 2019 Annual Report summarizes the activities of the program from January 1, 2019, to December 31, 2019. This report is 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 USF System Compliance & Ethics Program Plan.

Financial Impact: N/A

Strategic Goal(s) Item Supports: N/A
BOT Committee Review Date: 2/18/2020
Supporting Documentation Online (*please circle*): **Yes** **No**
USF System or Institution specific: USF System
Prepared by: Jeff Muir, Chief Compliance Officer

2019 ANNUAL REPORT
USF System Compliance & Ethics Program

BOT Audit & Compliance Committee

February 18, 2020

USF
UNIVERSITY OF SOUTH FLORIDA
SYSTEM

HIGHLIGHTS

- Foreign Influence
  - —Federal Research Disclosure
  - —Outside Activity Reporting
  - —Foreign Gifts/Contracts
- Higher Education Opportunity Act (HEOA)
- Recruitment & Hiring Process

HIGHLIGHTS

- Athletics
- General Data Protection Regulation (GDPR)
- eDisclose
- EthicsPoint

FCOE DISCLOSURE

January 1, 2019– December 31, 2019

Sarasota-Manatee

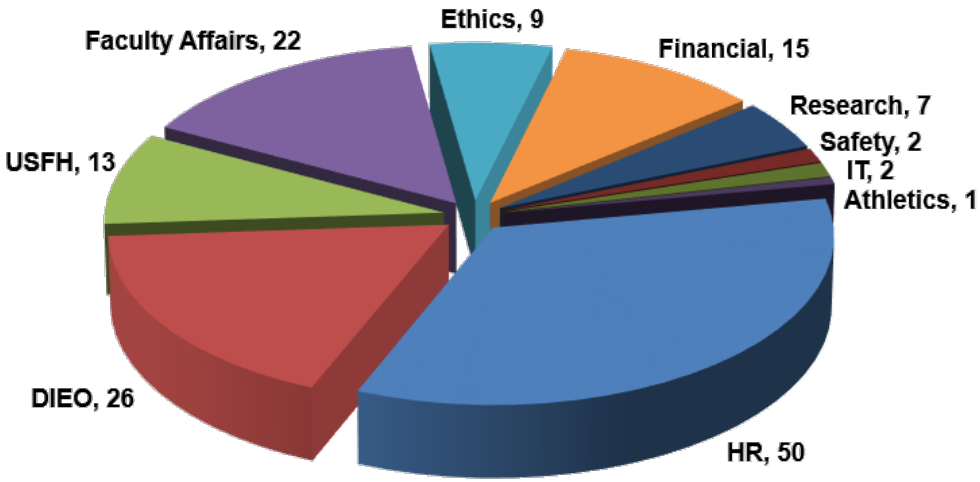
Tampa (Health too)

St. Petersburg

ETHICSPOINT

January 1, 2019– December 31, 2019

ETHICSPOINT REPORTS



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DIEO	1	19	3	3	26
USFH	1	3	1	8	13
Faculty Affairs	7	13	2	0	22
Ethics	1	3	4	1	9
Financial	1	8	1	5	15
Research	1	6	0	0	7
Safety	1	0	1	0	2
IT	1	1	-	-	2
Athletics	0	1	0	0	1
Total	26	75	17	29	147

2019 ANNUAL REPORT

USF System Compliance & Ethics Program

USF
UNIVERSITY OF SOUTH FLORIDA
SYSTEM

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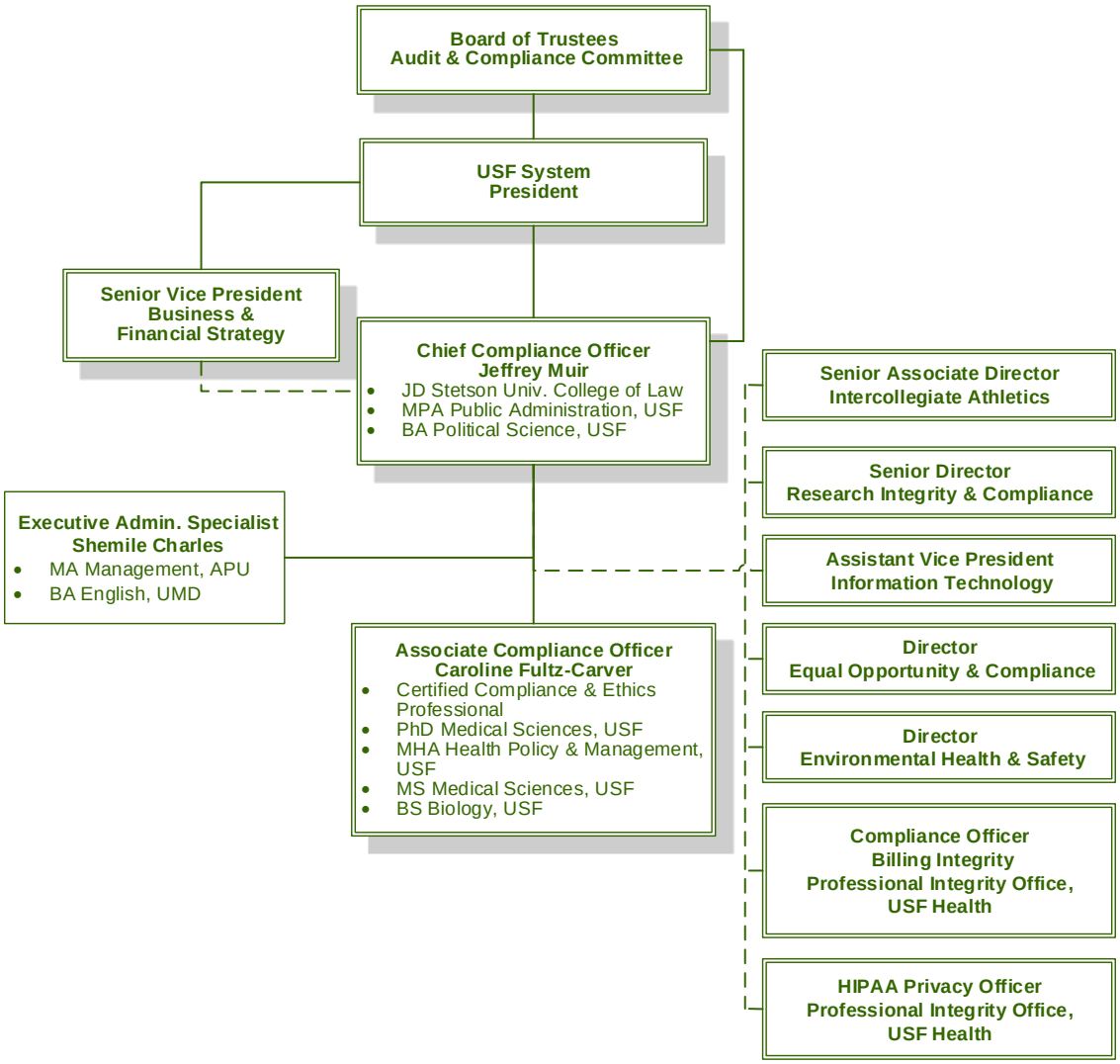
USF System Compliance and Ethics Program

Organizational Chart



2019 ANNUAL REPORT

USF System Compliance & Ethics Program

The USF Compliance & Ethics Program was created in 2007 as a component of University Audit & Compliance (UAC), with the appointment of a Chief Compliance Officer (CCO) charged by the USF President and the USF Board of Trustees (BOT) to create and maintain an effective compliance and ethics program based on best practices; to prevent, monitor, detect, and respond to non-compliance; and recommend corrective actions to fully meet regulatory requirements. In 2017, UAC separated into two entities: USF System Audit and the USF System Compliance & Ethics Program (the "Program"). This separation was in accordance with Board of Governors (BOG) Regulation 4.003, a regulation based on Chapter 8, Part B, Section 2(b) of the Federal Sentencing Guidelines, the Florida Code of Ethics for Public Officers and Employees, and industry best practices.

This annual report summarizes the activities of our Program from January 1, 2019, to December 31, 2019. This report is organized by the "essential elements" for an effective compliance and ethics program as prescribed by the Federal Sentencing Guidelines and fulfills our annual reporting requirements in accordance with BOG Regulation 4.003 and the USF System Compliance & Ethics Program Plan.

Element 1: Governance & High-Level Oversight

The USF System addresses this element through the BOT Audit & Compliance Committee, the USF System Compliance & Ethics Program, and the (High-Risk) Compliance Officers Workgroup.

A. Board of Trustees Audit & Compliance Committee

In accordance with BOG Regulation 4.003, the BOT Audit & Compliance Committee (the "Committee") has audit and compliance oversight responsibilities. These responsibilities are outlined in the BOT Audit & Compliance Committee Charter.

B. USF System Compliance & Ethics Program

In accordance with BOG Regulation 4.003, the USF System Compliance & Ethics Program (the "Program") reports directly to the BOT Audit & Compliance Committee and administratively to the USF System President. The purpose, authority, and responsibilities of our Program are governed by the following in accordance with BOG Regulation 4.003:

- USF System Policy 0-026: USF System Compliance & Ethics Program provides our Program with the authority to coordinate and manage all USF System compliance and ethics activities.

- USF System Compliance & Ethics Program Charter ("Program Charter") identifies the purpose, authority, and responsibilities of our Program.

- USF System Compliance & Ethics Program Plan ("Program Plan") summarizes the current status of our Program.

C. (High Risk) Compliance Officers Workgroup

The Compliance Officers Workgroup assists 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 and recommend corrective actions. This workgroup is comprised of senior compliance officers in the following "high-risk" compliance units within the USF System, all of whom have an "accountable reporting" relationships to the CCO:

- Athletics Compliance
- Environmental Health & Safety
- Research Integrity & Compliance
- Diversity Inclusion & Equal Opportunity
- Professional Integrity Program, USF Health
- Information Security

In early 2019, the above accountable reporting relationships to the CCO were formalized via Presidential memorandum, with the exception of Athletics Compliance, which has had a memo in place since 2017.

Brief descriptions of several of the above-listed "high-risk" compliance units and highlights from this reporting period are provided below.

Athletics Compliance

The USF Athletics Compliance Office (Athletics Compliance) ensures compliance with National Collegiate Athletic Association (NCAA) and American Athletic Conference rules and associated USF System regulations and policies through its education, monitoring, and enforcement efforts. During the 2018-2019 academic year, Athletics Compliance provided 303 in-person educational sessions. These sessions provided athletics compliance education to 750+ athletic employees, student-athletes, on-campus constituents, and external constituents. In 2018-19 the Athletics Compliance Office drafted and submitted 17 waivers (NCAA and AAC waivers combined). Of the submitted waivers 13 were officially approved by the NCAA or AAC, two were approved with conditions, one was withdrawn and one was denied; an 86.6% approval rate.

Environmental Health & Safety

USF Environmental Health & Safety (EH&S), a department within the Division of Facilities Management, ensures potential safety and environmental hazards are properly mitigated or remediated in accordance with applicable federal, state, and local requirements; USF System policies, procedures, guidelines; and industry best practices. EH&S serves as the liaison between the USF System and external agencies and provides environmental health and safety awareness and compliance training. EH&S administers multiple programs to achieve this end. Some highlights from FY 2018-2019 include:

- Provided safety and compliance training to approximately 10,493 faculty, staff, students, and affiliates via classroom-based and online training courses.
- Conducted approximately 167 emergency evacuation drills and 47,160 fire extinguisher inspections; provided Fire Safety Education and Training sessions for approximately 339 individuals; and, issued 76 hot work permits.
- Performed 1,191 laboratory safety inspections in research and teaching laboratories, studios, and shops.
- Coordinated the compliant management, treatment, and/or disposal of approximately 227,486 pounds of regulated waste for the USF System.
- Facilitated the following external regulatory agency inspections:
  - 18 inspections by the Florida Department of Health (biomedical waste and drinking water compliance);
  - 7 inspections by the Environmental Protection Commission (regulated storage tanks);
  - 1 Florida Department of Environmental Protection Large Quantity Generator Hazardous Waste inspection;
  - 1 City of St. Petersburg Industrial Wastewater Discharge Permit Inspection; and 258 fire and safety code inspections by the Office of the State Fire Marshall.
- Evaluated/mitigated approximately 279 Industrial Hygiene/Occupational Safety issues and/or complaints (i.e., asbestos, mold, noise, odor, etc.).
- Provided permitting and code/safety related inspection support for approximately $264 million construction-related value for the USF System.
- Processed/coordinated approximately 414 workers' compensation claims to ensure injured/ill workers receive proper medical treatment, disability leave and supplemental wages, as necessary.

Research Integrity & Compliance

Research Integrity and Compliance, a division within USF Research & Innovation, ensures research performed within the USF System is safe, ethical, and complies with all applicable regulations, laws, and institutional policies. Some highlights from FY 2018-2019 include:

- Provided live and online human subject research-related training to 1,600 individuals engaged in human subject research.
- Audited 38 human subject research sites of which 12 (32%) were audited for cause.
- Reviewed 161 project-specific disclosures reporting research-related financial conflicts of interest with 42 (26%) requiring a management plan.
- Performed 68 inspections of laboratories using biohazardous agents.
- Provided biosafety trainings to 1,450 individuals.
- Responded to 6 biosafety incident reports.
- Coordinated a successful, unannounced CDC site visit for our Select Agent program.
- Performed 229 IACUC (Institutional Animal Care and Use Committee) laboratory inspections.
- Coordinated a renewal of IACUC facility and program accreditation for laboratory animal care by AAALAC; accreditation renewed for another 3 years.
- Certified 229 new IACUC laboratory animal users.
- Offered Scientific Diving Techniques/First Aid/CPR/AED/Oxygen/Nitrox training for a total of 65 classes; and received 49 new Scientific Divers into the Diving Safety Program.
- Provided 30 boating safety classes resulting in 31 trained operators.

Diversity, Inclusion & Equal Opportunity

The Office of Diversity, Inclusion & Equal Opportunity (DIEO) ensures the USF System workplace and academic environments are free from discrimination, harassment, and retaliation based on protected categories of race, color, sex (including sexual harassment), national origin, sexual orientation, religion, age, disability, marital status, gender identity and expression, and veteran's status, as provided by law. DIEO highlights from 2019 include:

- The Equal Opportunity (EO) Section received 108 reports of which 33 were investigated. Of those investigated, one (3%) was substantiated based on the preponderance of evidence standard.
- The EO Section provided 9 live harassment prevention trainings. Sexual harassment prevention training is now being provided online to USF employees and it is mandatory training for all new employees as part of new employee orientation.
- The EO Section created an online mandatory training for Equal Opportunity Liaisons (EOLs) with a test that all must complete to become a certified EOL. During this reporting period, 135 EOLs took the training and passed the test.

- The Office of Title IX (Title IX) received 378 reports of which 357 were determined to fall under the provisions of Title IX. Of these, four were substantiated based on the preponderance of evidence standard with 16 currently in the investigative process.
- Title IX provided 70 live training sessions resulting in 4,866 USF System employees trained.

Professional Integrity Office, USF Health

The USF Health Professional Integrity Office encompasses two programs: the Billing Integrity Program and the HIPAA/Privacy Program. The Billing Integrity Program focuses on compliance with federal, state and insurance-provider regulations and policies governing the provision of and billing for healthcare services provided by USF Health practitioners. The HIPAA/Privacy Program focuses on compliance with the Health Insurance Portability and Accountability Act (HIPAA), federal and state privacy laws, regulations, and internal policies.

Billing Integrity Program highlights from 2019 include:

- Provided 141 in-person, customized trainings to 223 providers, staff and trainees. Trainings included an in-depth review of the documentation/coding/supervision standards applicable to the respective specialty/practice;
- Responded to 339 requests for assistance with supervision, documentation, coding guidelines;
- Audited 348 claims and provided respective education as identified to 68 providers/staff;
- Investigated five internal reports of inaccurate billing and facilitated implementation of corrective actions, including refunds as applicable;
- Responded timely to eight audits conducted by external parties;
- Developed compliance policies, education and monitoring for participation in an accountable care organization (AC0) and now participating on ACO steering committee;
- Participated as key stakeholder in the transition to three new electronic systems including our learning management system, physician billing system and compliance audit software; and
- Collaborated with the chief medical information officer on electronic health record process improvements to ensure compliance with state controlled substance prescribing/documentation requirements.

HIPAA/Privacy Program highlights from 2019 include:

- Monitored unauthorized access within the electronic health record (“EHR”) and conducted randomized access audits;
- Received and investigated more than 1,000 access alerts generated by the FairWarning program;
- Monitored and analyzed over 300 communications deleted within Epic by Providers to assure no privacy incident resulted prior to deletion;
- Received, monitored and investigated over 100 privacy incidents reported via PrivacyPro Solutions software by our workforce members;
- Monitored compliance with mandatory HIPAA privacy training for all workforce members within 90 days of hire and annually thereafter;
- Audited access to the EHR by researchers to ensure access to protected health information was authorized and within the research parameters pursuant to Institutional Review Board approval;
- Performed root-cause analysis of misdirected faxes generated from within the EHR to determine if a reportable breach occurred and corrected facsimile numbers or referring provider names as appropriate;
- Drafted guidance to front desk staff regarding applicable guidelines in granting proxy access to patients and family members seeking MyChart access;
- Worked jointly with Tampa General Hospital Compliance regarding drafting of updated Joint Notice of Privacy Practices and Organized Health Care Arrangement;
- Jointly launched Care Everywhere with Tampa General Hospital so our patients’ medical record is available to their other providers who participate in the Care Everywhere network unless they opt out;
- Conducted, trained and provided feedback to our HIPAA Liaisons within the clinics to conduct and report their quarterly HIPAA privacy walkthroughs to decrease HIPAA violations;
- Notified our workforce members of overlays they created in the EHR and monitored completion of Epic overlay retraining within 30 days of our email to the workforce member with the goal of a reduction in overlays.
- Investigated reports of HIPAA privacy potential breaches and facilitated corrective actions as identified, including reporting to Health & Human Services (HHS) as required;
- Drafted and negotiated Business Associate Agreements, including obtaining annual re-certifications as mandated under HIPAA;
- Performed annual revisions to all standards and procedures including the preparation of a new procedure for non-USF Health Observers in clinical settings; and
- Investigated, responded, and resolved HIPAA complaints from patients, workforce members, and external entities (HHS/Office of Civil Rights).

Information Security

Information Security ensures the security of USF information systems. Highlights from this reporting period include:

- Worked with USF Health Privacy and Integrity Office to review and update the medical record monitoring process for HIPAA.
- External consultants were brought in to perform an assessment of the **HIPAA environment at USFPG** and **NIST 800-171 research compliance** on campus.
- Multiple Security Awareness presentations were given throughout USF, including Bring Your Child to Work Day, Baker Act Reporting Center, and others.
- Security Awareness campaign drive in front of the library in October.
- Participated in multiple incident investigations on behalf of Human Resources, University Audit, General Counsel, and the Professional Integrity Office, determining the severity of the incident and potential need for breach notification to appropriate state and federal entities.
- A tabletop for Disaster Recovery was executed with representation from all IT departments. The scenario involved technical and procedural response in case of a severe Denial of Service attack by a disgruntled employee.
- Reviewed and updated several USF IT processes, policies, and standards, including change control, asset disposal, and others.
- Secured Box (cloud storage) folders for HIPAA and other high sensitivity data to be stored, controlled, and/or monitored.
- Reviewed more than 150 research contracts and Data Use Agreements. Worked with colleges and departments to identify and implement security control requirements in accordance with applicable Federal and State laws and regulations.
- Provided training to Sponsored Research Administrators to read/understand technical language inserted into contracts.
- Reviewed Export-Controlled projects for the College of Engineering, multiple contracts, and sponsors.
- Completed Data Use Agreements (and implemented security measures) for USF Researchers obtaining sensitive/restricted data from various outside organizations.
- Prepared cloud environment for the move of the Disaster Recovery systems from Clemson University to our Azure Cloud tenant.
- USF Healthcare administrative servers were moved to the Azure cloud.
- Participated in the University Operational Risk Assessment, led by the State Auditor General office.

- Participated in the following internal audits:
  - Change Management
  - Performance Based Funding
  - Banner Access Controls
  - Banner and DegreeWorks Provisioning

D. State University System of Florida Compliance & Ethics Consortium

In addition to being the first Compliance & Ethics Program at a State University System (SUS) institution and the first SUS institution to fully implement BOG Regulation 4.003, our Program continued its leadership role in the State University System of Florida Compliance & Ethics Consortium. This consortium was established on June 27, 2013, to provide an avenue for member universities to discuss the development and improvement of SUS compliance and ethics programs, new federal and state regulations, best practices, and issues they may be facing. In addition, the purpose of the consortium is to ensure effective communication and collaboration in the development of compliance and ethics programs across the SUS. The consortium is comprised of Compliance and Ethics Officers and their representatives from the compliance and ethics programs of SUS institutions; and, as non-voting, ex officio members, the Inspector General and Director of Compliance and his/her representatives from the SUS of Florida Board of Governors.

During this reporting period, the USF System Chief Compliance Officer continued to serve as the consortium chair. Our Program hosted an annual, in-person SUSCEC meeting at USF which included, but was not limited to, the following compliance topics:

- Implementation of BOG Regulation 4.003
- The General Data Protection Regulation
- New Title IX Regulations

The Consortium also continued its work to develop an assessment tool for the required 5-year Program Review under BOG Regulation 4.003. This review must occur by November 3, 2021.

Element 2: Establish Standards of Conduct, Policies, & Procedures

Throughout this reporting period, the USF System Compliance & Ethics Program reviewed new USF System policies and revisions to existing USF System policies issued by the Office of the General Counsel for comment. The Program provided the Office of the General Counsel, whenever possible, with draft language aimed at harmonizing language with existing policies; reducing or eliminating redundant policy statements with existing policies; and clarifying language to facilitate understanding. Below are highlights from this reporting period:

A. Foreign Influence on Research

In response to guidance from the National Institutes of Health issued in 2019, our Program created and chaired a working group to review our policies, procedures, processes and disclosure systems regarding faculty disclosure of research support from, or outside activity with, foreign entities. This working group includes representatives from the General Counsel's Office, the Office of the Provost, Research Compliance, Sponsored Research, Export Controls, USF Health, and USF World. This work included coordinating a response to a letter from U.S. Senator Rick Scott regarding our control processes for faculty affiliations with China. Our Program is also playing an important role in responses to inquiries from the Florida House of Representatives Committee investigating such affiliations.

Given the high-risk nature of this issue, the working group is recommending the creation of a Foreign Influence Program, housed in Research & Innovation and modeled after our successful Export Controls Program. As we do in Export Controls, the working group would become a permanent committee, and would continue education and training efforts and examination of our control processes on an ongoing basis.

B. Higher Education Act

The Higher Education Act of 1965 (HEA) governs the administration of federal funding for higher education programs. The USF System must comply with HEA in order to remain eligible for Title IV funding from the U.S. Department of Education (ED) and for funding from other federal agencies sponsoring USF System research projects.

Foreign Gifts to or Contracts with USF

Under Section 117 of HEA, institutions of higher education are required to disclose contracts with or gifts from a foreign source that, alone or combined, have a value of $250,000 or more for a calendar year. Institutions must disclose these gifts and contracts to the ED on the following January 31st or July 31st, whichever occurs first after the reporting threshold is crossed. Although these requirement have been in place for more than 30 years, the ED has never issued regulations. In early 2019, the ED initiated investigations into compliance with Section 117 at least four prominent, research universities. The ED also advised institutions of their intent to modernize their information collection portal. These portal changes will require the disclosure of significantly more information. Using the new portal is voluntary in January 2020 and mandatory thereafter.

During this reporting period, our program met with the following units to discuss implementing a coordinated approach for ensuring compliance: USF Foundation, Sponsored Research in USF Research & Innovation (Sponsored Research), Office of Clinical Research at USF Health, and Office of Financial Aid.

Units responsible for tracking and identifying foreign contracts and gifts data implemented internal procedures for ensuring accurate, timely provision of this information to our

program, which is responsible for coordinating receipt and review of disclosures prior to submission to the ED. USF System Compliance & Ethics will continue to monitor the foreign gifts and contracts disclosure requirements and associated processes.

Higher Education Opportunity Act (HEOA)

The Higher Education Opportunity Act of 2008 (HEOA) amended HEA and includes compliance with the following federal laws:

- Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act (Clery);
- Violence Against Women Act (VAWA) amendments to the Clery Act;
- Equity in Athletics Disclosure Act (EADA);
- Student Right to Know Act; and
- The Drug Free Schools and Communities Act (DFSCA).

For the purposes of this report, the term "HEOA" refers collectively to the above-listed federal laws and their associated regulations. HEOA requirements are complicated and often involve cross-jurisdictional compliance risks, e.g., regulatory risks affecting more than one university leadership area and/or more than one campus.

During this reporting period, our Program continued to assist each institution within the USF System to meet their HEOA compliance responsibilities in accordance with USF System Policy 0-233: Higher Education Opportunity Act Initiative: USF System, Portal, and Security & Fire Safety Reporting Compliance (the "HEOA Initiative") as follows:

- Coordinated with 36 authors across 22 separate units to produce Annual Security and Fire Safety Reports (ASRs) for each USF System campus (USF Tampa, USF Health South, USF St. Petersburg, and USF Sarasota-Manatee), including distribution of these reports to all current USF System students and employees and submission of required crime statistics to the U.S. Department of Education.
- Confirmed the USF HEOA portal complied with U.S. Department of Education HEOA disclosure requirements for this reporting period.

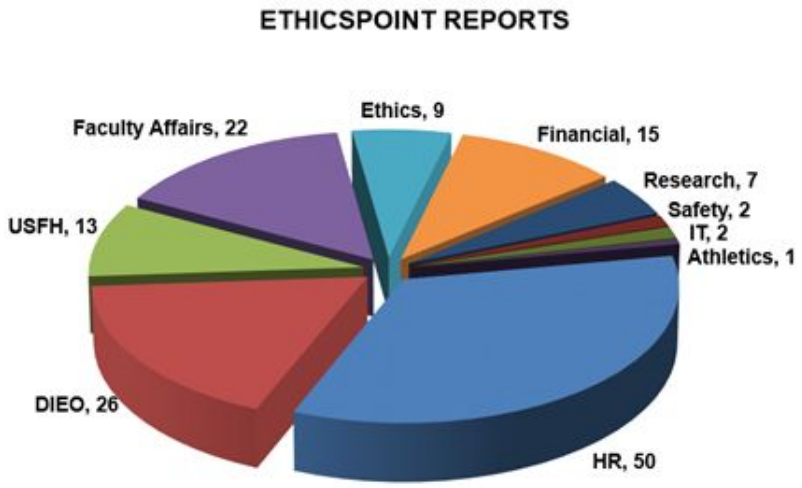
C. Recruitment & Hiring Process

Another major project for our Compliance & Ethics Program during 2019 was leading a very large working group (with several sub-groups) tasked with re-engineering the university's recruitment and hiring process (RH). This effort included many tasks, including the drafting and implementation of a new RH Policy, several new HR procedures, and a new procedure regarding the role of DIEO in the RH process. New HR training modules for mandatory training were created, and the dated "waiver" of advertising process was revamped and replaced with a new "targeted recruitment" procedure.

Elements 3 & 4: Create a Fair and Ethical Culture & Open Lines of Communication

Under the provisions of USF System Regulation 5.001: Waste, Fraud, or Financial Mismanagement Prevention and Detection, all USF System managers and their employees are responsible for preventing, detecting, and reporting waste, fraud, financial mismanagement, or other violations of USF System policy or regulation.

EthicsPoint, our anonymous reporting hotline, serves as one of the primary tools assisting the USF System in the effort to create and maintain a "culture of compliance". Recent upgrades to EthicsPoint included several improvements and included consolidation of our hotline with the USF Foundation EthicsPoint Hotline into one, central USF System EthicsPoint Hotline. For calendar year 2019, we received 147 unduplicated reports, which represents a 50% increase from 2018. However, the number of "substantiated" reports only increased marginally, from 22 in 2018 to 26 in 2019.



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Element 5: Education and Training

A. Compliance & Ethics Training for New Employees

Our Program provides compliance and ethics training or training content to new USF System employees as follows:

- Online compliance and ethics training required of new USF Tampa administration and staff employees attending new employee orientation, a program administered by the Division of Human Resources (DHR). 471 new employees completed this training in 2019.
- Live trainings provided periodically throughout the year, based on hiring volume, to new USF St. Petersburg (USFSP) faculty, administration, and staff employees attending orientation, a program administered by USFSP Human Resources.
- One-on-one orientation sessions with new USF Sarasota-Manatee (USFSM) faculty, administration, and employees provided by USFSM Human Resources using materials provided by our Program.

B. Compliance & Ethics Training for Current Employees

Certain USF System employees are required to complete an annual Florida Code of Ethics (FCOE) disclosure in eDisclose, our online disclosure and review system. This disclosure includes education on current FCOE, nepotism, and outside activity prohibitions and restrictions under the FCOE and USF System Policy 0-027. The following employee position types must annually complete this disclosure:

- All Faculty;
- All Administration employees;
- Staff employees issued a procurement card (PCard) or role in FAST (our financial accounting system); and
- Temporary employees issued a PCard or FAST role.

During 2019, 6,953 FCOE disclosures were submitted by current USF System faculty, administration, staff, and temporary employees in eDisclose. This translates to 6,422 individual USF System employees receiving FCOE, nepotism, and outside training during the 2019 calendar year.

Our program also provided additional live, department-level FCOE, nepotism, and outside activity training to several operating units, including USFSP Housing, USF Health's Department of Surgery, and Department of Chemistry in the USF College of Arts & Sciences.

Element 6: Detection, Remediation, and Enforcement

The USF Compliance and Ethics Program continues to work with compliance units to detect compliance gaps. When such gaps are identified, our program convenes multidisciplinary teams to develop and implement cross-jurisdictional policies and procedures aimed at addressing compliance gaps, including enforcement.

A. Form One Financial Disclosure

In 2018, the USF System Compliance & Ethics Program assumed USF System-wide responsibility for ensuring compliance with Fla. Stats. 112.3145 Financial Disclosure. In furtherance of this responsibility, a new Procedure (SOP 5) was developed and implemented defining roles and responsibilities for Form One disclosure by "specified state employees" (VPs, Deans, etc.), "state officers" (board members), and "purchasing agents". Effective processes to ensure institutional compliance with Form One disclosure requirements is particularly important for our employees, as failure to timely file such disclosures can result in fines of $25 per day. This is now a permanent program within compliance & ethics, and a new procedure was developed in conjunction with Purchasing, P-Card, USF St. Pete, USF Sarasota/Manatee, and the USF President's Office.

B. Intercollegiate Athletics Document Review

Our Program was tasked with assessing the USF System's readiness for a site visit by the National Collegiate Athletic Association (NCAA) or the National American Athletics Conference ("The American"). We co-developed with USF Athletics Compliance a Documentation Analysis tool. This tool identified key documents Intercollegiate Athletics would be expected to provide should the NCAA or The American request a site visit. A baseline analysis was completed in June 2017 by a cross-jurisdictional workgroup including, but not limited to, the following units: USF Athletics, Office of the Registrar, Financial Aid, Admissions, Human Resources, and Information Technology. During 2018, our Program continued assisting workgroup members in the bringing their documentation and associated processes into compliance with NCAA rules and best practices. During 2019, we worked closely with the Office of Admissions, Human Resources, the Athletics Business Office, and Athletics Compliance to complete the remaining outstanding, required NCAA documentation and associated procedures.

Element 7: Risk Assessment, Audit, and Monitoring

The USF System Compliance & Ethics Program is available to perform compliance reviews, risk assessments, and other consulting projects when compliance gaps are known or suspected. Compliance gaps can arise when the USF System 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 the Program aim to bring the process or unit into compliance and, thereby, mitigate risk to the institution. Below is a discussion of compliance reviews, risk assessments, and other consulting projects performed by our Program this reporting period:

A. General Data Protection Regulation

Effective May 25, 2018, the General Data Protection Regulation (GDPR) provides data protection and privacy rights for personal data processing for all individuals located within the European Union (EU) and the European Economic Area (EEU); and all EU citizens regardless of their location when their personal data is processed.

Institutions failing to comply with the GDPR may be subjected to significant fines of up to €10M ($11.3M) or 2% annual global turnover, whichever is higher. For example, the EU recently fined Google $56.8M for violating two provisions of the GDPR: lack of transparency and not having the legal basis to process user data for certain personalized advertisements.

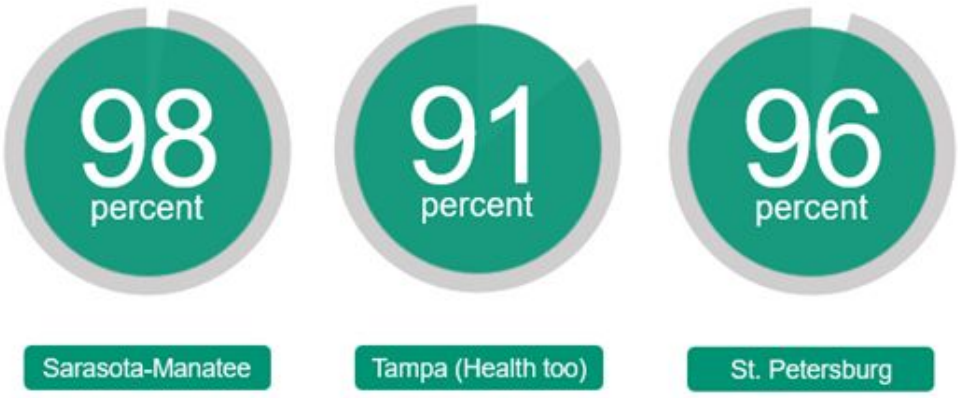
USF System functions affected by the GDPR include, but are not limited to, Admissions, Office of the Registrar, Study Abroad, Development, and Alumni Relations. The USF System Compliance & Ethics Program partnered with the Office of the General Counsel to implement a GDPR education and assessment strategy based on guidance from the National Association of College and University Attorneys (NACUA) and ISACA (a professional association focused on information technology governance). This strategy included the following steps:

1. Identification of applicable requirements;
2. Development of compliance assessment tools;
3. Training unit representatives;
4. Units' self-assessment;
5. Compliance reviews; and
6. Policy and procedure updates.

Our Program continues to provide compliance guidance and assistance to university units with functions that are subject to the GDPR. During 2019, we co-drafted with the Office of General Counsel a Privacy Policy for all USF web sites, including a privacy disclosure for EU/EEU users of our web sites. This policy is currently undergoing final review by the Officer of the General Counsel. This project is ongoing.

B. Annual FCOE Disclosure Compliance Monitoring

Our Program continues to monitor USF System employee compliance with the annual Florida Code of Ethics (FCOE) disclosure requirements set forth in USF System Policy 0-027. On the second Tuesday of every month, our Program sends senior managers an FCOE Disclosure Compliance Report (FCOE Report) identifying all USF System employees under their purview who are required to complete an annual FCOE disclosure and whether or not they have done so within the past 12 months. Senior managers and their designees then follow up with noncompliant employees to ensure they complete their annual FCOE disclosure in eDisclose. During 2019, our monitoring and subsequent follow up by senior managers resulted in an overall FCOE disclosure compliance rate of 91% for the USF System. The percentage of USF System employees who met their annual FCOE disclosure requirement in the eDisclose system is provided below.



C. Annual Sponsored Research Exemption Reporting

The Florida Code of Ethics for Public Officers and Employees (FCOE) prohibits USF System employees from having employment or contractual relationships with business entities also doing business with the USF System, unless an exemption under §112.313(12)(h) applies. There are multiple exemptions afforded under the FCOE, one of which, the Sponsored Research Exemption (SRE), when approved by the President and Board of Trustees Chair, must be reported to the Florida Governor and Legislature by March 1 each year.

USF System employees to disclose such relationships as part of their Florida Code of Ethics (FCOE) disclosure in eDisclose, our online reporting system. The Compliance & Ethics Program is responsible reviewing FCOE disclosures and determining whether or not an SRE applies to the disclosed relationship. Our program, in collaborated with Patent and Licensing and the Office of the General Counsel, has implemented multi-jurisdictional procedure with to ensure transactions eligible for a SRE are identified, reviewed, approved, and reported pursuant to statutory requirements. During 2019, there were six transactions eligible for a sponsored research exemption involving 11 employees.

Element 8: Assessment of Effectiveness

Under BOG Regulation 4.003, the CCO is required to provide an Annual USF System Compliance & Ethics Program Report ("Annual Report") on the effectiveness of the Program to the BOT. Any Program Plan revisions, based on the CCO's Annual Report, must be approved by the BOT. Copies of this Annual Report and revised Program Plan are provided to the BOG. This Annual Report fulfills our annual reporting requirement on the effectiveness of the USF System Compliance & Ethics Program to the Board. No revisions to our Program Plan, based on this Annual Report, are recommended by the USF System Compliance & Ethics Program at this time.