



Board of Trustees Audit & Compliance Committee

Monday, February 21, 2022
9:30-10:30am
Microsoft Teams Virtual Meeting

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

A G E N D A

- I. Call to Order and Comments Chair Sandra Callahan
- II. Public Comments Subject to USF Procedure Chair Callahan
- III. New Business – Action Items
 - a. [Approval of November 16, 2021 Meeting Notes](#) Chair Callahan
 - b. [Acceptance of Performance-Based Funding \(PBF\) and Preeminence Data Integrity Audits & Approval of Data Integrity Certification](#) Exec Director Virginia Kalil
- IV. New Business – Information Items
 - a. [USF Regulation 5.001 Revision](#) Exec Director Virginia Kalil
 - b. [USF/DSO Independent Audit Findings Report](#) University Treasurer Fell Stubbs
 - c. [Annual Compliance Certifications of DSOs](#) University Treasurer Fell Stubbs
 - d. [Review of Financial Internal Controls – University Support Organizations](#) Exec Director Virginia Kalil
- V. Adjournment Chair Callahan



**USF Board of Trustees
Audit & Compliance Committee
NOTES
November 16, 2021
Microsoft Teams Virtual Meeting**

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Sandra Callahan at 9:30am. Chair Callahan asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Sandra Callahan and Oscar Horton. A quorum was established. Trustee Lauren Monbarren joined the meeting after roll was called.

II. Public Comments Subject to USF Procedure

No requests for public comments were received.

III. New Business – Action Items

a. Approval of August 10, 2021 Meeting Notes

Upon request and receiving no changes to the draft meeting notes, Chair Callahan requested a motion for approval, it was seconded and the August 10th meeting notes were unanimously approved as written.

b. Approval of Revised Audit & Compliance Committee Charter

Ms. Virginia Kalil, Executive Director and Chief Internal Auditor, presented the revised Audit & Compliance Committee (ACC) charter. Per BOG regulation, the ACC charter must be reviewed at least every three years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. Any revisions must be approved by the BOT. As a result of the review, there are four recommended changes: 1) adding the authority to recommend the Board engage independent counsel and other advisors that the Committee deems necessary to accomplish its objectives; 2) reenforcing that the internal audit workplan is a risk-based workplan; 3) better defining the investigative reports that require this Committee's review; and 4) modifying the requirements of the Committee's self-evaluation. One additional change was identified during the briefings that is not noted in the materials. A policy reference in the charter needs to be updated. This affects sub section D, related to our external audit responsibilities for the Committee and its annual review of DSOs' audit and financial reports, and the reference should be updated to USF Regulation 13.002. This should also be considered for the Committee's approval as well.

Ms. Kalil made the following additional comments. She and Chair Callahan are working together to breakdown the responsibilities that are included the charter and summarizing how the Committee is accomplishing these objectives and then making sure that our meeting

records are reflective of accomplishing these objectives. Want to make sure that there is a clear connection between the goals and objectives and responsibilities within the charter and that our Committee records are reflecting that. Also, the BOT has started their own assessment and we want to ensure that this Committee's responsibilities of evaluating its performance are also covered adequately in that Board evaluation.

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

IV. Adjournment

Chair Callahan welcomed Trustee Monbarren to the Committee. Having no further business, Chair Callahan adjourned the Audit & Compliance Committee meeting at 9:36am.

Agenda Item: IIIb

USF Board of Trustees

February 21, 2022

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

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

Executive Summary: Pursuant to Florida Statute 1001.706(5)(e) and former Board of Governors Chair Kitson's letter to University Presidents and University Board of Trustees Chairs dated June 14, 2021, the USF Office of Internal Audit (IA) conducted internal audits of PBF and Preeminence Data Integrity. The primary audit objectives for both audits 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 Governors by March 1, 2022.

The scope and objectives of both audits 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. IA followed its standard risk assessment, audit program, and reporting protocols.

Conclusion: IA's overall conclusion for both audits was that there was an adequate system of internal controls in place to meet the audit objectives.

Financial Impact: The University received \$73.0 million in PBF allocations for fiscal year 2021-2022, including a return of the institutional investment of \$38.5 million.

Regarding Preeminence, the Florida Legislature has not awarded any new funding in the last three years.

Strategic Goal(s) Item Supports: To practice continuous visionary planning and sound stewardship throughout USF to ensure a strong and sustainable financial base, and to adapt proactively to emerging opportunities in a dynamic environment.

BOT Committee Review Date: Audit & Compliance - 02/21/2022

Supporting Documentation Online (*please circle*):

Yes

No

Data Integrity Certification

Data Integrity Internal Audit Presentation

22-010 Performance-Based Data Integrity Audit Report

22-020 Preeminence Data Integrity Audit Report

Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor, USF Office of Internal Audit



Data Integrity Certification

March 2022

University Name: University of South Florida

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 **material or significant** 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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
4. In accordance with Board of Governors Regulation 3.007, my university provided accurate data to the Board of Governors Office.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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."	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
10. I am responsible for taking timely and appropriate preventive/ corrective actions for deficiencies noted through reviews, audits, and investigations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
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.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

Data Integrity Certification Representations, Signatures
<p>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.</p> <p>Certification: _____ Date _____</p> <p style="text-align: center;">President</p>
<p>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.</p> <p>Certification: _____ Date _____</p> <p style="text-align: center;">Board of Trustees Chair</p>

Performance Metrics Data Integrity Audits

Virginia L. Kalil
Executive Director/Chief Internal Auditor

Audit & Compliance Committee | February 21, 2022



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) and preeminence measures
- Provide an objective basis of support for the university President and Board of Trustees Chair to sign the representations included in the Board of Governors (BOG) Data Integrity Certification

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 risk assessments, including fraud risks
- Verifying accuracy, completeness, and consistency with BOG expectations of data components, data metric methodologies, and data submitted through detailed testing

Conclusion

- Adequate system of internal controls in place
- No reportable risks identified

**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 3, 2022

SUBJECT: 22-010 Performance-Based Funding Data Integrity Audit

DocuSigned by:
Virginia Kalil
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The University of South Florida (USF) Office of Internal Audit (IA) 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 1, 2022. This project is part of the approved 2021-2022 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](#).

IA's overall conclusion was that there was an adequate system of internal controls in place to meet the audit objectives.

OVERALL CONCLUSION		
<input checked="" type="checkbox"/>	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.
<input type="checkbox"/>	Adequate System of Internal Control – with reservations	Medium-priority risks are present requiring urgent management attention within 60 days.
<input type="checkbox"/>	Inadequate System of Internal Control	High-priority risks are present requiring immediate management attention within 30 days.

The outstanding cooperation received throughout this audit was appreciated. Please contact IA at (813) 974-2705 if you have any questions.

cc: Richard Sobieray, Interim Senior Vice President for Financial Strategy
Dr. Charles Lockwood, Senior Vice President, USF Health
Dr. Karen Holbrook, Regional Chancellor, USF Sarasota-Manatee Campus
Dr. Martin Tadlock, Regional Chancellor, USF St. Petersburg Campus
Dr. Paul Dosal, Vice President, Student Success
Nick Trivunovich, Vice President, Business and Finance and Chief Financial Officer
Sidney Fernandes, Vice President and Chief Information Officer, Information Technology
Dr. Allison Crume, Dean of Undergraduate Studies and Associate Vice President, Student Success
Billie Jo Hamilton, Associate Vice President, Enrollment Planning & Management
Nick Setteducato, Associate Vice President of Resource Management and Analysis
Masha Galchenko, Director of Resource Management and Analysis
Dr. Glen Besterfield, Dean of Admissions and Associate Vice President, Student Success

BACKGROUND

In 2014, the BOG implemented the 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). Nine of the metrics are common to all institutions, while the remaining one varies by institution and focuses 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

The audit focused on the internal controls established by USF as of September 30, 2021 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 1, 2022.

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. IA 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 2020 through Spring 2021. For files submitted annually, the current year file was selected for testing if available by November 12, 2021. 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 2020-21 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, 2021 to December 31, 2022 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 Three - Net Cost to Student, via the Hours to Degree (HTD) file.

PRIOR AUDIT PROJECTS

In FY 2020-2021, 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 21-010, issued February 15, 2021) was performed and there were no high or medium-priority risk recommendations reported.

IA 22-010

CONCLUSION

IA's overall conclusion was that there was an adequate system of internal controls in place to meet the audit objectives.

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 ¹	a. Two-year Graduation Rates for Florida College System AA Transfers b. Six-Year Graduation Rate for First-Time-In-College Students with a Pell Grant	SIFP, SIF, SIFD, Retention Cohort Change File	
Ten	Six-year FTIC graduation rate	SIFP, SIF, SIFD, Retention Cohort Change File	BOG created Cohort and Retention File

¹ Metric replaced percent of bachelor's degrees without excess hours for 2021 cycle.

BOG FILES REVIEWED

Submission	System of Record	Table	Submission Reviewed
Hours to Degree (HTD)	OASIS, DegreeWorks	Hours to Degree Courses to Degree	2020-2021
Student Financial Aid (SFA)	OASIS	Financial Aid Awards	2020-2021
Student Instructional File - Degree (SIFD)	OASIS	Degrees Awarded	Summer 2020, Fall 2020, Spring 2021
Student Instructional File (SIF)	OASIS, GEMS	Person Demographics Enrollments	Summer 2020, Fall 2020, Spring 2021
Retention File (RET)	BOG	Retention Cohort Change	2019-2020

**MEMORANDUM**

TO: Dr. Ralph Wilcox, Provost & Executive Vice President of Academic Affairs
 Dr. Sylvia Wilson Thomas, Interim Vice President, Research and Innovation

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

DATE: February 3, 2022

SUBJECT: 22-020 Preeminence Data Integrity Audit

DocuSigned by:
Virginia Kalil
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The University of South Florida (USF) Office of Internal Audit (IA) performed an audit of the University's processes and internal controls which ensure the completeness, accuracy, and timeliness of data submissions supporting the 12 preeminence metrics. These data submissions are relied upon by the Board of Governors (BOG) in assessing USF's eligibility under [Florida Statute 1001.7065 Preeminent state research universities program](#). 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. This project was included on the 2021-2022 Internal Audit Work Plan.

Data supporting these metrics comes from a variety of sources including data submitted to the BOG via routine and ad hoc requests, financial data submitted by the USF Foundation regarding endowments, data reported to external entities, and data created and reported by independent entities external to USF's control. USF may assist the BOG's Office of Data Analytics (BOG-ODA) by gathering the data or confirming the data. For additional information on metrics and data sources included in this review see [Appendix A](#).

IA's overall conclusion was that there was an adequate system of internal controls in place over all 12 metrics (Metrics A- L).

OVERALL CONCLUSION	
<input checked="" type="checkbox"/> 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.
<input type="checkbox"/> Adequate System of Internal Control – with reservations	Medium-priority risks are present requiring urgent management attention within 60 days.
<input type="checkbox"/> Inadequate System of Internal Control	High-priority risks are present requiring immediate management attention within 30 days.

IA 22-020

The outstanding cooperation received throughout this review was appreciated. Please contact IA at (813) 974-2705 if you have any questions.

cc: Richard Sobieray, Interim Senior Vice President, Financial Strategy
Dr. Charles J Lockwood, Senior Vice President, USF Health
Dr. Dwayne Smith, Senior Vice Provost and Dean, Office of Graduate Studies
Nick Trivunovich, Vice President, Business and Finance and Chief Financial Officer
Robert Fischman, Vice President and Chief Financial Officer
Sidney Fernandes, Vice President, Information Technology and Chief Information Officer
Dr. Terry Chisolm, Vice Provost for Strategic Planning, Performance & Accountability
Dr. Paul Dosal, Vice President for Student Success
Nick Setteducato, Associate Vice President of Resource Management and Analysis
Masha Galchenko, Director, University Budgets, Analytics and Data Administration

BACKGROUND

Regulatory Requirements

In 2013, the Legislature and Governor approved Senate Bill 10761, (see [Florida Statute 1001.7065](#)), creating the Preeminent State Research Universities Program, specifying 12 benchmarks and providing added resources and benefits to those eligible universities meeting six out of those 12 benchmarks for emerging preeminence and 11 out of 12 for preeminence. Florida Statute 1001.7065 established the academic and research excellence standards and data sources for the preeminent state research universities program. The university's performance results related to the preeminence metrics are reported to the BOG via the Accountability Plan, after review and approval by the USF BOT. The 2021 Accountability Plan was approved by the USF BOT, via consent agenda, on April 13, 2021. The BOG Strategic Planning Committee reviewed and approved the Accountability Plan on August 31, 2021.

The 2021 Accountability Plan was based on data for all USF campuses with the exception of Metric C (Freshman Retention Rate) and Metric D (4-year Graduation Rate) which were reported for the Tampa campus only at the determination of the BOG. Beginning with the 2022 Accountability Plan Metrics C and D will be based on data for all USF campuses.

[BOG regulation 2.002 University Accountability Plans](#) requires each university BOT to “prepare an accountability plan and submit updates on an annual basis for consideration by the Board of Governors. The accountability plan outlines the university's top priorities, strategic directions, and specific actions for achieving those priorities, as well as progress towards previously approved institutional and System-wide goals.”

[Florida Statute 1001.706 Section \(5\) \(e\)](#) requires the BOG to define the data components and methodology used to implement Florida Statute 1001.7065 and required each university to conduct an annual audit to verify that the data submitted pursuant to Florida Statute 1001.7065 complies with the data definitions established by the Board. The BOG updated the Preeminent Metrics Methodology Document in October 2020.

The data supporting preeminence metrics comes from a variety of sources including:

- Data reported to external entities, which is managed in accordance with [USF Policy 11-007](#).
- Data submitted to the BOG via routine and ad hoc requests, which is managed by Resource Management & Analysis' (RMA) Office of Data Administration & State Reporting (RMA-ODA).
- Financial data submitted by the USF Foundation (USFF) regarding endowments to the National Association of College and University Business Officers (NACUBO).
- Data that is created and reported by independent external entities outside of USF's control. USF may assist the BOG-ODA by gathering the data or confirming the data, but has no ability to impact the data.

USF Roles and Responsibility for External Data Requests

In order to ensure the integrity of the data submitted to external agencies outside of the BOG process, USF promulgated [USF Policy 11-007 Data Submission to External Entities](#), effective August 24, 2018, which communicates “to USF, the roles and responsibilities for responding to requests from external entities that involve provision of institutional data.” “The policy applies to all units/offices across USF and provides guidelines for processing data requests by external entities.” External data requests not exempted from this policy, “must go through the USF’s Office of Decision Support (ODS) which has established procedures for processing those requests details of which may be accessed on the [ODS Data Request site](#).”

According to [USF Policy 11-007](#), institutional data is defined as “all data elements created, maintained, received, or transmitted as a result of business, educational or research activities of a USF unit or office.” External data requests include, but are not limited to, “publications by external entities (NSF, CUPA, ACT, etc.), ranking publications – international and domestic (U.S. News and World Report, Times Higher Education, etc.), surveys administered by or on behalf of external entities (NSSE, THE-WSJ, Princeton Review, etc.), other external reports available to the general public, and mandated reports (IPEDS, etc.).”

ODS Validation Process

There are three surveys used as data sources for the preeminence metrics: the NSF HERD Survey, the NSF/National Institutes of Health (NIH) Graduate Students and Post doctorates in Science and Engineering (GSS) Survey, and the NACUBO – TIAA Study of Endowments (NTSE) Survey. Due to the financial nature of the NTSE Survey, this survey follows the BOG ad hoc review process.

The external survey results reviewed by ODS are used in four metrics: Research Expenditures in Science & Engineering (Metric F), Research Expenditures in Non-Medical Science & Engineering (Metric G), Top 100 Rank in Research Funding (Metric H), and Post-doctoral appointees (Metric K).

BOG Submission Validation Process

Specifically excluded from [USF Policy 11-007 Data Submission to External Entities](#) are requests from the BOG including official information requests, routine annual requests, and ad hoc special requests, which are managed by RMA-ODA. The Institutional Data Administrator manages the RMA process.

RMA-ODA is responsible for certifying and managing the submission of data to the BOG on behalf of USF pursuant to [BOG Regulation 3.007](#). RMA-ODA serves as a liaison between the BOG-ODA and USF regarding requests for information and coordinates the efforts of academic and administrative resources to ensure timely and accurate reporting. The RMA-ODA has established [roles and responsibilities](#) for those involved in maintaining institutional data, preparing required files for submission to the BOG, and validating the files are accurate and consistent with BOG data definitions. Each data submission is assigned to a primary executive reviewer who is responsible for the review and approval of the institutional data submission prior to the official submission to the

BOG. As an additional data integrity control the RMA-ODA collaborates with ODS, who services as a member of the executive review team, before submission to the BOG.

The process used to create standard BOG submissions, submitted via the State University Data System (SUDS), is audited each year by the IA. For more information on the control process, see Audit 22-010 Performance Based Funding (PBF) Data Integrity Audit.

The following BOG SUDS file submissions are utilized by the BOG to calculate or validate preeminence metrics:

- Admission file used to compute Average Grade Point Average and Average Scholastic Aptitude Test Score (Metric A).
- Student Instruction file used to generate the First Time in College cohort used in Metrics A, C (Retention Rate), and D (4-yr Graduation Rate) and calculate metrics.
- Degrees Awarded file used to compute Number of Doctoral Degrees Awarded Annually (Metric J) and Metric D (4-yr Graduation Rate).

BOG Adhoc Report Process

The USFF is responsible for calculating and reporting the data for the NTSE Survey which is used for Metric L (Endowments \geq \$500 Million). The USFF utilizes the NACUBO definition of endowments to complete the survey. Once compiled, the endowment team reviews the data and the survey is approved by the Vice President for Business & Financial Services. The endowment team includes the Vice President and three additional USFF team members (Assistant Vice President, Senior Director of Investments, and USFF Accounting manager). The NTSE Survey is also subject to the RMA-ODA adhoc data executive review process.

All BOG ad hoc reports are assigned to a sub-certifier who has been given the responsibility to oversee the definition, management, control, integrity, and maintenance of institutional data. A formal executive review meeting may be held or an executive review is performed via email in which institutional data is reviewed and approved prior to submission to the BOG. Upon approval by the executive review team, the data is provided to ODS for inclusion in the Accountability Plan.

Process Used to Validate Metrics Using External Sources

The results of three of the metrics are based on data maintained by external sources including: Public University National Ranking (Metric B), National Academy Memberships (Metric E), and Utility Patents Awarded (Metric I).

University ranking (Metric B) is tracked on an on-going basis by ODS. Annually, the BOG provides the rankings which is validated by ODS who validates the rank on the external entities' websites. USF does not submit the data to the BOG for Metric E or I, the BOG obtains the number of faculty members who are members of a National Academy by reviewing public data without the assistance of USF and obtains the number of patents directly from the United States Patent and Trademark Office ([uspto.gov](https://www.uspto.gov)). ODS (metric E) and the Office of Research & Innovation (Metric I) validate the BOG data.

SCOPE AND OBJECTIVES

Our audit focused on the internal controls established by USF as of September 30, 2021 to ensure the completeness, accuracy, and timeliness of data submissions, which support the preeminence 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 which support the preeminence measures.
- Provide an objective basis of support for the President and BOT Chair to sign the representations included in the Data Integrity Certification, which will be submitted to the BOT and filed with the BOG.

BOG submission files are used in both PBF and Preeminence. As a result, our audit scope will exclude controls in place to produce the data files supporting the PBF metrics, which were reviewed during the PBF Data Integrity Audit (Audit 22-010).

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. IA followed its standard risk assessment, audit program, and reporting protocols.

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.

PROCEDURES PERFORMED

Although not required by the BOG, the following key objectives have been incorporated into the audit each year:

1. Evaluate key processes and controls used by the data owner to ensure the completeness, accuracy, and timeliness of data submission.
2. Validate all populations utilized and recalculate metrics using internal and external data sets, when available.
3. Verify data accuracy through sample testing of key files and data elements.
4. Review the processes used by the data administrators in ODS and RMA-ODA to ensure the completeness, accuracy, and timely submission of data supporting the metrics.
5. Confirm the consistency of data components and methodology with the BOG's expectations for the implementation of Florida Statute 1001.7065 (Preeminent state research universities program).
6. Determine the overall risk of a data submission being inaccurate or incomplete.
7. Recommend corrective actions where weaknesses were identified.

In 2019, as the initial year for the audit, a comprehensive review of processes and controls was conducted, followed by a risk assessment. Subsequently in 2020 and 2021, 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, were included as part of the risk assessment.

This year's audit also included:

1. Evaluating any changes to key processes used to ensure the completeness, accuracy, and timeliness of data submissions used in the metrics. 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. Validating the accuracy of the data submitted via external surveys: NACUBO NTSE Survey, NSF GSS Survey, and the NSF HERD survey.
3. Verifying data accuracy through sample testing of key files and data elements from the Admission (ADM) BOG files to OASIS (Online Access Student Information System), the system of record. The Admission file is not tested in the PBF audit and the integrity of this file affects Metric A.

PRIOR AUDIT PROJECTS

IA's 2020-2021 Work Plan included an audit to assess the completeness, accuracy, and timeliness of data submissions that support the calculation of the 12 preeminence metrics as reported in the 2020 Accountability Plan. The 21-020 Preeminence Data Integrity Audit report was issued on February 15, 2021.

The report contained one high-risk issue. The recommendations related to the high-risk issue has been adequately implemented as confirmed through the follow-up work performed.

CONCLUSION

IA's overall conclusion was that there was an adequate system of internal controls in place over all 12 metrics (Metrics A-L).

APPENDIX A**PREEMINENCE DATA SOURCES**

Metric	Description	Responsible Unit	Source	Data Used/Created by the BOG
A	Average Grade Point Average GPA and SAT score for incoming freshman in Fall semester.	BOG-ODA	BOG Submission File	BOG-ODA performs concordance of SAT scores and calculates averages based on the Admission (ADM) file tables provided by USF.
B	Top 50 in national public university rankings	ODS	External websites	List of acceptable organizations maintained by BOG-ODA. USF's performance for listed organizations is prepared by BOG. ODS validates using external websites.
C	Freshman retention rate (Full-time, FTIC)	ODS	BOG Submission Files	Data based on BOG Student Instruction Files (SIF, SIFP) used to calculate the FTIC Cohort and the retention rate.
D	Four-year FTIC graduation rate	ODS	BOG Submission File	Data based on BOG files SIF, SIFP used to calculate the FTIC cohort and Degrees Awarded file (SIFD). BOG computes graduation rates based on BOG files (SIF, SIFP, and SIFD).
E	National Academy memberships	BOG-ODA	Official membership directories	Calculated by BOG but validated by ORI using external websites. List of acceptable organizations maintained by BOG.
F	Total annual research expenditures: science & engineering only	ORI	NSF HERD Survey	Survey utilized GEMS, FAST, FAIR, and BANNER financial data, and R&D activities reported by DSO via manual survey tools.
G	Total annual research expenditures in diversified non-medical sciences	ORI	NSF HERD Survey	Same as Metric F
H	Top 100 national ranking in research expenditures in at least five STEM disciplines	ORI	NSF HERD Survey	Same as Metric F, except ORI utilizes department ID number to associate R&D activities with a discipline.
I	Patents awarded over three-year period	BOG-ODA	USPTO website	As reported by USPTO for the most recent three years.
J	Doctoral degrees awarded annually	BOG-ODA	BOG Submission File	BOG computes and ODS validates based on SIFD.
K	Number of post-doctoral appointees	OPA	NSF GSS Survey	Survey utilized GEMS, FAST, and FAIR.
L	Endowment size	USFF	NACUBO NTSE Survey	Survey utilized USFF financial records in BANNER ¹ and external investment statements.

¹ NTSE included financial activity for 2019-2020. On July 1, 2020, USFF implemented a new financial system.

APPENDIX A**KEY TERMS**

Term	Description
BANNER	Financial accounting system used by USF Foundation and USF Research Foundation
BOG-ODA	Florida Board of Governors' Office of Data Analytics
FAIR	Faculty Academic Information Reporting System used to obtain departmental funded research efforts
FAST	Financial Accounting System used by USF to manage contracts and grant activities
FTIC	First-time in College as defined by IPEDS and BOG
GEMS	Global EMPloyment Systems used by USF to manage human resource and payroll activities.
NACUBO NTSE	National Association of College and University Business Officers TIAA Study of Endowments
NSF GSS	NSF/National Institutes of Health (NIH) Survey of Graduate Students and Post-doctorates in Science and Engineering
NSF HERD	National Science Foundation Higher Education Research & Development Survey
ODS	Office of Decision Support in the Office of the Provost
OPA	Office of Post-Doctoral Affairs in the Office of Graduate Studies
ORI	Office of Research & Innovation
PBF	Performance Based Funding
USFF	USF Foundation, direct support organizations of USF
USPTO	United States Patent & Trademark Office
R&D	Research & Development expenditures as defined by the HERD Survey

Agenda Item: IVa

**USF Board of Trustees
Audit & Compliance Committee
February 21, 2022**

Issue: USF Regulation 5.001 Revision

Proposed action: Informational

Executive Summary: In response to the Board of Governors (BOG) new Regulation 3.003: Fraud Prevention and Detection, technical changes were made to USF Regulation 5.001: Waste, Fraud, or Financial Mismanagement. In addition to renaming the USF regulation as Fraud Prevention and Detection, revisions were made to define the university's fraud framework and its component parts, align language with that of the BOG, and add a periodic review.

Financial Impact: N/A

Strategic Goal(s) Item Supports: To practice continuous visionary planning and sound stewardship throughout USF to ensure a strong and sustainable financial base, and to adapt proactively to emerging opportunities in a dynamic environment.

BOT Committee Review Date: Audit & Compliance - 02/21/2022

Supporting Documentation Online (please circle): ☒ Yes ☐ No

Revised USF Regulation 5.001: Fraud Prevention and Detection

Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor, USF Office of Internal Audit



**UNIVERSITY OF
SOUTH FLORIDA**

REGULATION

Number: USF5.001
Title: Fraud Prevention and Detection
Responsible Office: Office of Internal Audit

Date of Origin: 3-9-17

Date Last Amended: 2-4-22 (technical)

Date Last Reviewed: 2-4-22

I. PURPOSE AND INTENT

The University of South Florida (University or USF) is committed to creating an organizational culture where risk management structures are established to prevent and detect waste, fraud, and financial mismanagement within the University. This Regulation establishes criteria related to appropriate institutional controls and risk management framework that provide reasonable assurance that waste, fraud, or financial mismanagement within the University's areas of responsibility are prevented, detected, reported, and investigated.

II. STATEMENT OF REGULATION

USF is committed to the highest standards of ethical conduct, as defined by [Chapter 112, Part III, Florida Statutes: Code of Ethics for Public Officers and Employees](#), and has a **zero tolerance** for unethical and fraudulent activity. USF strives to identify and promptly investigate any possibility of wasteful, fraudulent or related dishonest activities including financial mismanagement against USF or its students and employees and to take appropriate disciplinary or legal action.

III. APPLICABILITY AND/OR AUTHORITY

Pursuant to Board of Governors Regulations [3.003 Fraud Prevention and Detection](#) and [4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement](#), each board of trustees shall adopt a regulation which establishes an antifraud framework including timely notification to the Board of Governors, through the Office of Inspector General and Director of Compliance (OIGC) for the State University System of Florida Board of Governors, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the university president or board of trustee member. The regulation shall also articulate how the university will address any significant and credible allegation(s) of fraud, waste,

mismanagement, misconduct, and other abuses made against the chief audit executive or chief compliance officer.

This Regulation applies to any real or suspected fraud or related wrongful acts involving any member of the University community, including Board of Trustees members, USF and related-entity employees, vendors, volunteers, students, and any other entities contracting or conducting business with USF.

IV. PROCESS STEPS/SPECIFIC PROVISIONS

Waste, fraud, or financial mismanagement can be generally defined as an intentional misrepresentation or concealment of a material fact for the purpose of obtaining a benefit that would not otherwise be received, or inducement of another to act upon the intentional misrepresentation or concealment to their detriment. These activities include, but are not limited to:

- Forgery or alteration of documents (e.g. checks, time sheets, contracts, purchase orders, budgets, etc.).
- Misrepresentation of information on documents.
- Misappropriation of funds, supplies, or any other asset.
- Theft, disappearance, or unauthorized destruction of any asset.
- Improperities in the handling or reporting of money transactions.
- Authorizing or receiving payment for goods not received or services not performed.
- Authorizing or receiving payment for hours not worked.

Framework

The University's antifraud framework includes, but is not limited to:

- Commitment to creating an organizational culture and structure conducive to fraud risk management through awareness, training, and "tone at the top",
- Thorough, on-going assessment of risks relevant to the University's operating environment,
- Development and implementation of process and systems to effectively prevent, detect, report, and investigate fraud,
- Evaluation of the adopted framework for continuous improvement of future fraud risk management.

The Chief Financial Officer is responsible for the design, development, implementation, and oversight of the University's antifraud framework. Consistent with USF Policy 0-023 Internal Control, University Leadership, is responsible for the design, development, implementation, and maintenance of an effective system of internal controls to prevent or detect fraud within their respective areas of responsibility. This includes creating a culture of compliance with antifraud

controls within their areas of responsibility and taking prompt action to remediate identified internal control deficiencies.

Prevention

All levels of USF management must be familiar with the types of improprieties that may occur in their areas of responsibility and must be alert for any indication of wasteful, fraudulent or dishonest acts including financial mismanagement. “Risk ownership” for such activities resides with each USF vice president/chancellor and each is, therefore, responsible for ensuring that a system of internal controls is established and maintained that provides reasonable assurance that improprieties are prevented. All levels of USF management must establish and follow internal controls necessary for their operations. The Office of Internal Audit is available to assist management in establishing effective internal controls and recognizing improper conduct.

Detection

USF Management is responsible for being aware of exposures and symptoms of waste, fraud, or financial mismanagement in their operational areas and for detecting such potential activity.

All members of the University community, including Board members, USF and related-entity employees, vendors, volunteers, students, and any other entities contracting or conducting business with USF are required to immediately report wasteful, fraudulent or dishonest acts, including financial mismanagement which they suspect, observe, or have made known to them using one of the following two reporting mechanisms:

1. Anonymously report wasteful, fraudulent, or dishonest activity or any other violation of USF policy or regulation through the USF *EthicsPoint* hotline at 1-866-974-8411 or www.ethicspoint.com; or
2. Report the incident or practice to their supervisor for subsequent reporting to the appropriate management official. If the USF employee believes their supervisor may be involved, then the employee must report the incident or practice to the next higher level of management or to the Office of Internal Audit. If the USF employee believes the Office of Internal Audit or the Office of Compliance and Ethics, including the chief audit executive or chief compliance officer, may be involved, then the employee must report the incident or practice to the Office of the General Counsel.

Consistent with USF Policy 0-020 Retaliation, Retribution or Reprisal Prohibited, the University prohibits any form of retaliation against individuals who make a reasonable good faith report of potential misconduct including fraud or suspected fraud or for their participation in an investigation into misconduct. Additionally, the chief audit executive shall assess each reported

allegation, when the reporter is known, to determine if it meets the criteria delineated under the Florida Whistleblower's Act (Sections [112.3187](#) – [112.31895](#), Florida Statutes). The reporter shall be notified whether their complaint is provided additional protection under this act.

Investigation

The Office of Internal Audit is the official contact point for all persons reporting suspected wasteful or fraudulent activities, including financial mismanagement either directly or through the supervisory chain of command. The Office of Internal Audit will oversee all investigations into allegations of falsification, misappropriation, and other financial irregularities. The Office of Internal Audit has free and unrestricted access to all USF and related entity records and documents and premises, whether owned or rented, and the authority to examine, copy, and/or remove such records and documents.

Reporting

If an investigation reveals suspected criminal activity, The Office of Internal Audit will notify University Police. The Office Internal Audit will also inform and consult with the General Counsel, the Office of Research & Innovation, Human Resources, and the Office of the Provost or USF Health Faculty Affairs, as appropriate.

If an investigation reveals significant and credible allegation(s) of fraud, waste, mismanagement, misconduct and other abuses made against the USF President or a member of the Board of Trustees, the Office of Internal Audit shall timely notify the Office of Inspector General and Director of Compliance (OIGC) for the State University System of the Florida Board of Governors and such matters will be handled in accordance with [BOG Regulation 4.001](#).

Allegations or matters of conduct deemed outside the scope of this policy, such as academic or research misconduct, must be referred to the appropriate management area for review and action. To avoid damaging the reputations of innocent persons and to protect USF from potential liability, investigative information will not be disclosed or discussed with anyone other than those persons who have a legitimate need to know, and within the limits of applicable law. Managers or other persons who become aware of potential wrongdoing should not attempt to interview or contact persons involved or discuss the circumstances of the situation with anyone other than the appropriate USF official. All members of the USF community are expected to support USF's fiduciary responsibilities and to cooperate with USF and law enforcement agencies in the detection, investigation, and reporting of fraudulent or criminal acts, including the prosecution of offenders.

Remediation

When fraud is identified or substantiated, University Leadership will make every effort to recover

assets and/or losses and will review and remediate any internal control deficiencies. Anyone found to have engaged in wasteful or fraudulent conduct, including financial mismanagement, is subject to disciplinary action up to and including dismissal or expulsion and civil or criminal prosecution. Employees who deliberately, willfully, and knowingly make false accusations are subject to disciplinary action up to and including dismissal. USF will make every effort to recover losses that result from fraudulent or criminal acts.

V. **PERIODIC REVIEW**

This regulation shall be reviewed every five (5) years for currency and consistency with applicable Board of Governors and University regulations. The status of the University's antifraud framework and any necessary revisions to improve the framework shall be evaluated and reported to the Board of Trustees at least annually.

Related Documents: §§ 112.311-112.326 Fla. Stat. - Code of Ethics for Public Employees; §§ 112.3187-112.31895 Fla. Stat. - Whistle-blower's Act; the Office of Internal Audit Charter

Regulation 5.001 formerly known as USF Policy 0-024: Fraud Prevention and Detection

Authority: Art. IX, Sec. 7, Fla. Const.; FL Board of Governors Regulation 3.003 and 4.001.

History – New (BOT approval) 3-9-17, Amended 5-2-17 (technical), Amended 6-24-20 (technical), 2-4-22 (technical).

Consolidation Amendments Effective: 7-1-20

Certification: USF certifies that it has followed the Florida Board of Governors Regulation Development Procedure and has a record of written notices, comments, summaries and responses as required.

Agenda Item: IVb

USF Board of Trustees
Audit & Compliance Committee
February 21, 2022

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 16 audits from independent auditors for the fiscal year ended June 30, 2021.

Since June 30, 2021, 15 audits have been received:

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

One audit report for the fiscal year ended June 30, 2021 has not yet been issued:

- State of Florida Federal Awards Audit (Formerly A-133)

Financial Impact:

N/A

Strategic Goal(s) Item Supports:	Goal 5: Strong, Sustainable and Adaptable Financial Base
BOT Committee Review Date:	February 21, 2022
Supporting Documentation Online (please circle):	Yes No
Prepared by:	Fell L. Stubbs, University Treasurer, (813) 974-3298

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 21, 2022

NEW FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
<u>UNIVERSITY OF SOUTH FLORIDA</u> 2020 Information Technology Operational Audit Finding No. 1	<u>Finding 1: Access Privileges</u> As of June 2020, 173 of the 197 employees with IT user access privileges to update student residency status and impact student tuition assessments did not need the privileges to perform their assigned duties.	University management should continue efforts to ensure that access privileges granted to update student residency status is appropriate based on employee assigned responsibilities.	Based on the recommendation, Information Technology was able to employ Fine Grain Access Control on the SGASTDN page in Ellucian Banner. This Fine Grain Access Control has limited access to thirteen Office of the Registrar employees who have a business need to update student residency status as part of their regularly assigned responsibilities. Responsible Party: Catherine Mund, University Registrar	CLOSED PER MANAGEMENT	N/A – Closed
<u>UNIVERSITY OF SOUTH FLORIDA</u> 2020 Information Technology Operational Audit Finding No. 2	<u>Finding 2: Security Controls</u> REPEAT FINDING Certain University IT security controls related to user authentication, account management, and monitoring need improvement to ensure the confidentiality, integrity, and availability of IT resources.	University management should improve IT security controls related to user authentication, account management, and monitoring to ensure the confidentiality, integrity, and availability of University data and IT resources.	As recommended, the University is putting a number of measures in place to enhance and improve our IT security controls related to user authentication, account management, and monitoring to ensure the confidentiality, integrity, and availability of IT resources. Responsible Party: Alex Campoe, Chief Information Security Officer	IN PROGRESS	MARCH 31, 2022

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 21, 2022

NEW FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
<u>UNIVERSITY OF SOUTH FLORIDA FOUNDATION, INC.</u> 2021 Audit of Internal Control over Financial Reporting	<u>Material Weakness</u> The misclassification of the contribution revenue into an unrestricted fund resulted in an audit adjustment to reclassification of \$20 million of unrestricted net position to restricted position.	We recommend the Foundation review its current processes in the Office of Advancement Operations to ensure the Foundation Office of Business & Financial Services obtains the necessary information and documentation for all gifts to determine whether the contribution revenue (and related receivable) is subject to external donor or grantor restrictions for proper reporting and classification in the financial system.	<p>Fulfilling donor intent is central to the Foundation's mission and is at the forefront of every process within the organization. The spirit of the actions of Foundation staff has been and will continue to be to uphold the fiduciary responsibility to ensure that donor's wishes are strictly observed. The unique circumstances that led to the misclassification of net position are described below along with our corrective action plan.</p> <p>To accommodate a donor's request that their gift not be reflected in the benefitting college/unit on internal fundraising progress reports for a period of time, the Office of Advancement Operations recorded \$20 million in support from the donor to a different fund rather than the fund as directed in the gift documentation. This led to a \$20 million increase to unrestricted net position rather than donor restricted, which was a material misclassification of net position. In responding to the auditor's documentation request, after the close of the fiscal year, the Office of Business & Financial Services identified the misclassification, recorded an audit adjustment to correctly classify net position, and transferred the full amount of the \$20 million in support to the restricted fund intended by the donor. There was no financial loss and the funds remain available as intended by the donor.</p>	<p>Steps noted in corrective action plan for immediate implementation have been implemented. Remaining steps will be completed by June 30, 2022. See below:</p>	<p>See below:</p>

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 21, 2022

			<p>The Foundation agrees with the auditor's recommendation that the Foundation review its current processes in the Office of Advancement Operations to ensure the Foundation Office of Business & Financial Services obtains the necessary information and documentation for all gifts to determine whether the contribution revenue (and related receivable) is subject to external donor or grantor restrictions for proper reporting and classification in the financial system.</p> <p>The following steps of the corrective action plan will be implemented during the fiscal year ending June 30, 2022, unless otherwise indicated below:</p> <ul style="list-style-type: none"> • Update procedures in Advancement Operations to communicate any changes to a gift transmittal to the submitting area and the Office of Business & Financial Services. This change will be implemented immediately. • Establish criteria and add procedures in the Office of Business & Financial Services to perform a post-transaction verification for gifts. This change will be implemented immediately. • Grant direct access to staff in the Office of Business & Financial Services to pull giving information in electronic format to expedite reconciliations and related tasks. This change will be implemented immediately. • Strengthen donor intent compliance procedures and policy to enhance current procedures and practices assuring strict adherence to donor restrictions in recording gifts and outline the review and distribution of donor agreements. 	<p>CLOSED PER MANAGEMENT</p> <p>CLOSED PER MANAGEMENT</p> <p>CLOSED PER MANAGEMENT</p> <p>IN PROGRESS</p>	<p>N/A – CLOSED</p> <p>N/A – CLOSED</p> <p>N/A – CLOSED</p> <p>JUNE 30, 2022</p>
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UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
Independent Audit Findings
Status Report to the BOT Audit & Compliance Committee – February 21, 2022

			<ul style="list-style-type: none"> Evaluate changes to fundraising progress reports to accommodate special donor requests. <p>Additional enhancements will be made to the fund reconciliation process and review of fundraising and financial reports to aid in detection efforts.</p> <p>Responsible Party: Rob Fischman, CFO</p>	<p>CLOSED PER MANAGEMENT</p> <p>IN PROGRESS</p>	<p>N/A – CLOSED</p> <p>JUNE 30, 2022</p>
<p><u>UNIVERSITY MEDICAL SERVICE ASSOCIATION (UMSA)</u></p> <p>2021 Audit of Internal Control over Financial Reporting</p>	<p><u>Material Weakness</u></p> <p>An internal control breakdown occurred because there was insufficient oversight of an employee's work.</p>	<p>During December of 2020, UMSA conducted an investigation into the potential embezzlement of funds. UMSA was assisted by outside counsel, a consulting company, and the University of South Florida's internal audit department. The investigation concluded that an employee used corporate credit cards to make personal purchases and concealed the transactions as legitimate business expenses on UMSA's books and records. The investigation uncovered a multi-million dollar embezzlement that occurred over a six-year period. The investigation is ongoing, but the employee was put on administrative leave, then terminated in December of 2020.</p> <p>The investigation indicated that the internal control breakdown occurred because there was insufficient oversight of the employee's work. We recommend that UMSA management continue to evaluate its overall internal controls to include the following: (1) review of the journal entry process; (2) segregation of duties; (3) review authorization levels for transactions; (4) preparation and review of general ledger account reconciliations; (5) logical access in IT systems; (6) detailed review of disbursements, including corporate credit card charges; and (7) regular review of vendor master files.</p>	<ol style="list-style-type: none"> UMSA upgraded its CODA general ledger system to the current version of the software. This allowed management to activate a workflow for journal entry submissions and approvals so they can be electronically captured in the system. As a result, UMSA can now track approval of journal entries and their supporting documentation before being posted to the general ledger. Remediated deficiency in segregation of duties and by reassigning administrator rights to the credit card ESP platform and all banking portals to the CFO and Director of Finance who do not have access to corporate credit cards. UMSA will review and update its signature authorization policy. UMSA updated format of balance sheet reconciliations so that month over month changes can be easily reviewed as well as journal entry detail behind those balances. Management is also developing a process to track preparation and submission of balance sheet reconciliations in DocuSign and that will be implemented by the end of FY2022. 	<p>CLOSED PER MANAGEMENT</p> <p>CLOSED PER MANAGEMENT</p> <p>IN PROGRESS</p> <p>IN PROGRESS</p>	<p>N/A – CLOSED</p> <p>N/A – CLOSED</p> <p>JUNE 30, 2022</p> <p>JUNE 30, 2022</p>

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

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
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NEW FINDINGS

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

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
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NEW FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
<p><u>UNIVERSITY MEDICAL SERVICE ASSOCIATION (UMSA)</u></p> <p>2021 Audit of Internal Control over Financial Reporting</p>	<p><u>Material Weakness</u></p> <p>Financial Reporting:</p> <p>There were several material adjustments identified during the conduct of the 2021 audit. Many of these were due to the condensed timeline of the 2021 audit and understaffing noted above. Management submitted the trial balance before year-end procedures were complete. As a result, some statement of net position reconciliations were not complete before audit procedures began.</p>	<p>UMSA should staff its finance team appropriately so that all major statement of net position accounts from the general ledger reconcile to supporting documentation, including subsidiary ledgers, in a timely manner on a monthly basis. Additionally, all journal entries should be recorded in a timely manner.</p>	<p>We have been diligently recruiting since June of 2021. As of 2/4/22 we have 2 positions unfilled, Staff Accountant and Sr. Purchasing Agent.</p> <p>Responsible Party: Alisha Ozmeral, CFO</p>	<p>IN PROGRESS</p>	<p>JUNE 30, 2022</p>

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
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NEW FINDINGS

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

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
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NEW FINDINGS

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

UNIVERSITY OF SOUTH FLORIDA and RELATED ENTITIES
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PRIOR YEAR FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
<u>UNIVERSITY MEDICAL SERVICE ASSOCIATION (UMSA)</u> 2020 Audit of Internal Control over Financial Reporting	<u>Material Weakness</u> Management review controls were not sufficient to identify unauthorized transactions.	As a result of this finding, there was a total of approximately \$14.5 million of unauthorized transactions over the period from June 30, 2014 through December 31, 2020. We recommend that the Company increase the precision of its review controls over expenditures.	In totality, the Company agrees with the condition, effect, and recommendation as provided. Responsible Party: Alisha Ozmeral, 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 21, 2022

PRIOR YEAR FINDINGS

USF Entity and Audit Report	Audit Finding	Auditor Recommendations	Management's Response to Auditor	Current Status of Finding	Target Completion Date
<u>USF RESEARCH FOUNDATION</u> 2020 Audit of Internal Control over Financial Reporting	<u>Material Weakness</u> Internal Controls over the Allocation of Cash for Aggregate Remaining Funds Opinion Unit (Fiduciary Funds)	The Research Foundation would benefit from improving the reconciliation and review process for cash disbursements and inter-entity allocation to ensure funds held in trust are not spent contrary to the intended use. Improvements in this process would also result in management being able to transfer funds from the Research Foundation's money market account, which had sufficient funds to cover this deficit, in a timely manner. The Research Foundation would also benefit from the use of a separate bank account for cash held in trust for the fiduciary entities to help maintain proper segregation of funds.	<p>As a result of this audit, management has a better understanding of GASB requirements for the accounting of fiduciary funds. Management will ensure that a minimum cash balance is maintained in the operating bank account at all times which would be sufficient for the sum of fiduciary funds cash balances. At no time has the Research Foundation lacked available cash to cover its own operating expenses and debt reserve requirements.</p> <p>The responsibility for oversight of fiduciary funds is taken seriously by management, to include ongoing monitoring and reconciliation of those fund balances. Oversight procedures are in place to ensure cash receipts, disbursements and transfers are properly recorded for the numerous custodial and fiduciary fund balances entrusted to us. All expenditures are reviewed without exception for adherence to expenditure guidelines for the respective fiduciary activity. Fiduciary funds are continually reconciled and monitored on a regular basis. In addition to current controls, we incorporated improvements to system reporting of each fiduciary's "claim on cash" into the design of the new IT system/ Banner conversion that had a go-live date in August 2020 for the Research Foundation. Our new system also decreases the use of excel to reconcile fiduciary funds.</p> <p>In early quarter 2 of fiscal year 2020, \$4.0 million of cash funds was transferred from the operating bank account to a Vanguard treasury money market account. By definition, the money market account is highly liquid and could be categorized as a cash equivalent. A transfer of funds could occur without delay. The \$4.0 million transfer of funds was considered by management to be a conservative measure to address excess liquidity and custodial credit risk, while maintaining unrestricted access to those funds. The exception cited of \$113,000 occurred on June 29, 2020 in our final check run of the fiscal year.</p> <p>The introduction of separate bank accounts, ideally for each fiduciary fund, would be overly cumbersome with increased opportunity for errors. Separate bank accounts would require ongoing transfer of cash between the accounts as multiple cash receipts of fiduciary funds from payees, are routinely co-mingled with Research Foundation cash receipts.</p> <p>Responsible Party: Patricia Gamble, CFO</p>	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 21, 2022

SUMMARY OF ENTITIES REVIEWED FOR AUDIT FINDINGS

USF Entity	Audit Due Date (Month and Day)	Current Audit Findings	Previous Audit Findings	Audit Firm
University of South Florida	Determined by Auditor General	No Findings	No Findings	State of Florida Auditor General
USF Operational Audit (Schedule Determined by Auditor General)	Determined by Auditor General	No Report in CY 2020	No Report in CY 2019	State of Florida Auditor General
USF Operational Audit – IT (Schedule Determined by Auditor General)	Determined by Auditor General	2 Findings – 1 REPEAT	No Report in CY 2019	State of Florida Auditor General
USF - State of Florida Federal Awards Audit (Formerly A-133)	Determined by Auditor General	Report Not Yet Issued	No Findings	State of Florida Auditor General
USF Auxiliary - Health Sciences Center Self-Insurance Program (SIP)	December 15	No Findings	No Findings	Crowe LLP
USF Auxiliary - Health Sciences Center Insurance Co., Inc. (CIC)	December 15	No Findings	No Findings	Crowe LLP
USF Auxiliary - Intercollegiate Athletics Program	January 15	No Findings	No Findings	James Moore & Co., P.L.
USF Auxiliary - WUSF-FM, A Public Telecommunications Entity	January 15	No Findings	No Findings	James Moore & Co., P.L.
DSO - USF Foundation, Inc.	October 15	1 Finding	No Findings	Cherry Bekaert LLP
DSO - USF Alumni Association, Inc.	October 15	No Findings	No Findings	Cherry Bekaert LLP
DSO - USF Financing Corporation and USF Property Corporation	October 15	No Findings	No Findings	KPMG LLP
DSO - University Medical Service Association, Inc. (UMSA) and USF Medical Services Support Corporation (MSSC)	October 15	4 Findings	1 Finding	Warren Averett (FY 2021) Grant Thornton (FY 2020)
DSO - USF Health Professions Conferencing Corporation (HPCC)	October 15	No Findings	No Findings	Mayer Hoffman McCann P.C.
DSO - USF Research Foundation, Inc.	October 15	No Findings	1 Finding	Cherry Bekaert LLP
DSO - USF Sun Dome, Inc.	October 15	No Findings	No Findings	James Moore & Co., P.L.
DSO - USF Institute of Applied Engineering, Inc.	October 15	No Findings	No Findings	Warren Averett
USF Health and Education International Foundation (HEIF) – Related Party of HPCC (DSO)	October 15	Operations Ceased as of 12/31/2019	No Findings	Cheng Y Asociados
HSSO - USF Health Support Services Organization, Inc.	October 15	1 Finding	No Findings	Grant Thornton LLP

Agenda Item: IVc

USF Board of Trustees
Audit & Compliance Committee
February 21, 2022

Issue: Annual Compliance Certifications of Direct Support Organizations

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.

During 2021, the University amended USF Regulation 13.002 to require all DSOs, beginning in FY 2022, to engage the USF Office of Internal Audit to perform independent and objective internal audit and investigative services in accordance with professional standards.

Annually, each DSO must certify to the USF Board of Trustees compliance with the requirements 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.

The University requests, by November 10, 2021, 8 Annual Compliance Certification Statements for the 10 DSOs for the fiscal year ended June 30, 2021 (2 are reported on a consolidated basis). Since June 30, 2021, all 8 Certification Statements have been received.

- No instances of non-compliance with the 23 requirements from five categories of compliance were cited in the 8 Annual Compliance Certification Statements.

Financial Impact:

N/A

Strategic Goal(s) Item Supports:	Goal 5: Strong, Sustainable and Adaptable Financial Base
BOT Committee Review Date:	February 21, 2022
Supporting Documentation Online (please circle):	Yes No
USF or Institution specific:	USF
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, 2021

NEW FINDINGS

Direct Support Organization	Compliance Requirement	Finding	Management's Response	Current Status of Finding	Target Completion Date
<p>No Finding were Reported in the DSO Annual Certification Statements Received to Date.</p> <p>DSOs certified compliance with the following compliance categories:</p> <p>(a) Compliance with Laws, Regulations, Policies and Professional Standards</p> <p>(b) System of Internal Controls</p> <p>(c) External Audit</p> <p>(d) Internal Audit</p> <p>(e) Governance</p>	<p>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, NACUBO's Advisory Report on the Sarbanes-Oxley Act of 2002, and USF Regulation 13.002.</p> <p>Each DSO must certify to the USF Board of Trustees compliance with the requirements described above, and executed by the Chair of the DSO Board, CEO, and CFO.</p>	No Audit Findings			

UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES

Summary of DSO Annual Certifications

For the fiscal year ending, June 30, 2021

<u>CERTIFICATION STATEMENTS</u>	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	Yes	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	Yes	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. Compliance in FY 2022 with USF Regulation 13.002 Requirements for USF Office of Internal Audit to Perform Audit and Services	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2. Internal Audit Function Established <u>OR</u>	UAC	Yes	Yes	Yes	Yes	Yes	UAC	UAC
3. University Audit & Compliance Function Engaged	Yes	Internal	Internal	Internal	Internal	Internal	Yes	Yes
4. Risks and Opportunities Identified by Internal Auditors Have Been Addressed	Yes	Yes	Yes	Yes	Yes	Yes	N/A	N/A
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

UNIVERSITY OF SOUTH FLORIDA BOARD OF TRUSTEES**Summary of DSO Annual Certifications****For the fiscal year ending, June 30, 2021**

<u>CERTIFICATION STATEMENTS</u>	USFFC / PC	FOUNDATION	ALUMNI	UMSA / MSSC	HPCC	RESEARCH	SUN DOME	IAE
4. External Audit Firm Pre-Approved by Audit Committee	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5. Independent Audit Committee / Governing Board (N/A if governing documents preclude compliance with this item)	Yes	Yes	Yes	Yes	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								
• 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 Retaliation 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: IVd

**USF Board of Trustees
Audit & Compliance Committee
February 21, 2022**

Issue: Review of Financial Internal Controls – University Support Organizations

Proposed action: Informational

Executive Summary: During the June 23, 2021 Board of Governors (BOG) meeting, former Chair Kitson directed each university board of trustees chair to develop a plan to evaluate the financial internal controls at their institution's support organizations. The review is expected be conducted by an entity not routinely or directly connected with the operations or internal oversight of the support organization. Additionally, the review will assess whether financial controls are reasonable over each support organization's financial processes and records to protect the organization from theft or malfeasance and that duties are properly segregated among employees with proper oversight and monitoring activities. Upon completion of the review, each university is required to submit a summary report to the BOG no later than June 30, 2022.

Furthermore, the BOG, through its Chief Financial Officer, Tim Jones, encouraged all universities to work together on a shared contract with one outside entity to complete the reviews. As a result, Crowe, LLP, was selected to conduct these reviews at the 12 universities.

At the University of South Florida, the scope of the review will include 14 support organizations and is expected to begin in mid-February, 2022.

Financial Impact: Support organizations represent approximately 22% of overall university expenditures.

Strategic Goal(s) Item Supports: To practice continuous visionary planning and sound stewardship throughout USF to ensure a strong and sustainable financial base, and to adapt proactively to emerging opportunities in a dynamic environment.

BOT Committee Review Date: Audit & Compliance - 02/21/2022

Supporting Documentation Online (please circle):

Yes

No

Support Org Financial Controls Presentation

Prepared by: Virginia Kalil, Executive Director/Chief Internal Auditor, USF Office of Internal Audit

Financial Internal Controls – USF Support Organizations

Virginia L. Kalil
Executive Director/Chief Internal Auditor

Audit & Compliance Committee | February 21, 2022



SUPPORT ORGANIZATIONS

State University System	90
University of South Florida	14
Phase 1: Planning	✓
Phase 2: Risk-Controls Assessment & Key Control Identification	<i>In progress</i>
Phase 3: Key Control Testing	
Phase 4: Reporting	
Timeline for USF Testing & Reporting	Apr-May