UNIVERSITY of SOUTH FLORIDA

USF Board of Trustees
Audit & Compliance Committee
NOTES
February 23, 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 11:54am. Chair Callahan asked Dr. Cindy Visot to call roll. Dr. Visot called roll with the following committee members present: Sandra Callahan, Oscar Horton and Shilen Patel. A quorum was established.

II. **Public Comments Subject to USF Procedure**

No requests for public comments were received.

III. **New Business – Action Items**

   a. **Approval of November 10, 2020 Meeting Notes**

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

   b. **Acceptance of Performance-Based Funding and Preeminence Data Integrity Audits & Approval of Data Integrity Certification**

   Virginia Kalil, Executive Director and Chief Internal Auditor, presented the results of the Performance-Based Funding (PBF) and Preeminence Data Integrity Audits. These audits must be conducted annually pursuant to Board of Governors (BOG) request. Ms. Kalil provided some background on PBF and Preeminence funding and described the annual audit process. This is the seventh year conducting the PBF data integrity audit (the BOG approved the PBF funding model in 2014). The Preeminence audit is newer; this is the second year (USF reached full Preeminence in 2018). The primary audit objectives were to determine whether the processes and internal controls established by the university ensure the completeness, accuracy, and timeliness of data submissions which support PBF; and to provide an objective basis of support for the President and BOT Chair to sign the representations included in the BOG Data Integrity Certification. It is key for the BOG to rely on data submitted by the universities. The audit scope was to identify and evaluate any material changes to the controls and processes, including prior year recommendations, BOG data definition changes, and data element, key personnel, and/or file submission changes; review data resubmissions (why they were resubmitted); update risk assessments, including fraud risks; and verify accuracy, completeness, and consistency with BOG expectations of

data components, data metric methodologies, and data submitted through detailed testing. As required by the BOG, the scope and objectives of both audits were set jointly by the Chief Audit Executive (Ms. Kalil), the Audit & Compliance Committee Chair, the BOT Chair and the President. These audits were performed in accordance with current professional standards. The overall conclusion of the PBF audit was that there was an adequate system of internal controls in place, with no reportable risks identified. Ms. Kalil congratulated the University on these results; this is not an easy task to get all these processes in line with no reportable risks identified. This is the seventh year for this audit and the first time there have been no reportable risks identified.

Before presenting the results of the Preeminence audit, Ms. Kalil reviewed the prior year's results which centered around the inadequate controls associated with the metrics that relied upon data from the National Science Foundation (NSF) Higher Education Research & Development (HERD) survey. Two high risks (inclusion of affiliates expenditures and inadequate data governance structure over the survey) were identified, impacting reported performance, however not impacting the affected performance metrics status (pass/fail). Remediation of the control structure was expected to be a multi-year plan due to the complexities of the changes needing to be made and the timing of the survey submission. The survey is submitted in the spring, following the fiscal year in which the expenditures occurred (the University was working on the next survey when these audit results were released). Some but not all improvements were made for the FY 2019 submission. Progress has been made and improved controls were observed. The overall conclusion of the current year audit (FY 2019 survey) was that there was an adequate system of control over 9 of the 12 metrics and an inadequate system of control over the remaining three metrics which relied upon the HERD Survey. One high risk was identified that still remains, related to the overall control structure. Six recommendations were made which management currently has underway (four of these corrective actions have been completed). Ms. Kalil noted that while one high risk was identified and still remains, it did not impact the overall status of the performance metrics and the University still met Preeminence.

The Data Integrity Certification combines/covers both audits. Chair Callahan noted that all the questions on the certification can be answered in the affirmative for both audits except for questions 1 and 2. Responses to these will need more explanation as we have different answers/responses for each of the audits, due to the deficiencies in the HERD survey. Chair Callahan asked how this will be addressed. President Currall stated that Sr. Vice President David Lechner and Vice President Nick Trivunovich are working on adding additional language to address this; we will submit a bifurcated answer for questions 1 and 2 (respond 'yes' for PBF and 'no' for Preeminence) and a footnote will be added to the certification explaining the improvements that have been made to get the issues resolved so there are no exceptions going forward.

Chair Zimmerman stated that the University is fully committed to developing the processes and systems necessary to provide accurate and complete data for the reporting of research expenditures. He asked if everyone involved continues to actively engage with the audit team as changes are made to improve the internal control structure and its framework. Ms. Kalil responded yes, and that the Office of Research & Innovation is being very proactive in seeking guidance from the Internal Audit department as well as all the other stakeholders that are involved (research gathers and complies the data, other departments/areas incur these expenses). Chair Zimmerman expressed great confidence in Ms. Kalil and her team. President Currall commended Ms. Kalil on her judgment and performance which allows the University to maintain compliance, not only relating to the HERD survey, but all regulations

surrounding these metrics. This is the kind of relationship we need between Internal Audit and the rest of the University to be effective.

A motion was made to recommend to the BOT acceptance of the Performance-Based Funding (PBF) and Preeminence Data Integrity Audits and approval of the Data Integrity Certification. The motion was seconded and approved by all Committee members present.

A brief, full BOT meeting will be called after this committee meeting to approve this item in order to meet the BOG deadline of March 1.

IV. New Business – Information Items

a. USF/DSO Independent Audit Findings Report

Mr. Trivunovich presented the University and Direct Support Organizations (DSOs) Independent Audit Findings Report which describes audit findings and auditor recommendations, and management's responses and correction status. The University and DSOs will receive 16 audits from independent external auditors for the fiscal year ended June 30, 2020. Since June 30, 2020, 13 audits have been received with the following results: a) no findings in the University or USF Auxiliary June 30, 2020 audited financial statements received to date; b) 1 finding in the 7 DSO June 30, 2020 audited financial statements received to date; and c) no findings in the USF Health and Education International Foundation's (related party of HPCC DSO) or the USF Health Services Support Organization, Inc.'s June 30, 2020 audited financial statements. Three audit reports have not yet been issued for fiscal year 2020: University of South Florida Financial Audit; State of Florida Federal Awards Audit (Formerly A-133); and the audit report for the University Medical Services Association, Inc. (UMSA) and USF Medical Services Support Corporation (MSSC) (combined).

The one audit finding for the DSOs was for the USF Research Foundation related to a new GASB requirement for accounting for fiduciary funds; closed per management. It was determined by the Research Foundation auditors that research foundation funds specifically set aside for fiduciary balances had a deficit of $113K. These fiduciary balances are all related to the University and the Research Foundation has more than adequate funding to cover all of these funds held in trust, the fiduciary funds were not held in an account specifically set aside for the fiduciary funds. Additional controls and procedures have been put into place to assure this does not occur again in the future. Mr. Trivunovich is confident this finding will not be repeated.

b. Annual Compliance Certifications of DSOs

Fell Stubbs, University Treasurer, presented the Annual Compliance Certifications of DSOs. Each DSO and related entity under the control and direction of the BOT is expected to implement an internal control, reporting, and governance structure consistent with best practices of USF, the DSO or related entity, as well as those detailed within National Association of College and University Business Officer's Advisory Report on the Sarbanes-Oxley Act of 2002. The Compliance Certification process is an important element of DSO oversight and governance.

The University received 8 of 10 Annual Compliance Certification Statements from the DSOs, signed by the DSO Board Chair, CEO and CFO, for the fiscal year ended June 30,

2020, consistent with the Annual Reporting Requirements for DSOs. There were no instances of non-compliance with the 22 requirements from five categories of compliance cited in the Annual DSO Compliance Certification Statements, for the 8 DSOs reporting.

Trustee Seixas asked about compliance training for staff and faculty (code of ethics, gift laws, safety, EHS, etc.) – is training online, how is it tracked. Mr. Trivunovich explained that compliance covers a wide variety of items and we have many kinds of compliance training (we have very robust training in our on-boarding process, as well as some recurring compliance training and are hoping to expand this training). Mr. Trivunovich suggested talking about these different types of training at a future meeting.

V.   Adjournment

Having no further business, Chair Callahan adjourned the Audit & Compliance Committee meeting at 12:20pm.