

**USF Board of Trustees  
Audit & Compliance Committee  
NOTES  
Thursday, August 25, 2016  
Tampa Campus - Marshall Student Center Room# 3707**

**I. Call to Order and Comments**

The meeting of the new Audit & Compliance Committee was called to order by Chair Nancy Watkins at 1:15 pm. The Chair welcomed everyone to the meeting.

President Judy Genshaft called roll with the following committee members present:

Nancy Watkins  
Stephanie Goforth  
Byron Shinn

The following Trustees were also present: James Garey, Christopher Griffin, Scott Hopes (arrived late), and Brian Lamb.

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

No requests for public comments were received.

**III. New Business – Action Items**

**a. University Audit & Compliance Work Plan – FY 2017 and FY 2018**

Debra Gula, Executive Director, presented the work plan for University Audit and Compliance (UAC) for FY 2017 and FY 2018. The BOT is being asked to approve the work plan per UAC's charter and IIA Performance Standards. For the second time, a two-year plan has been prepared to allow for more flexibility and increased efficiency in managing time and resources. The Board is being asked to consider whether the work plan is aligned with the USF System's strategic plans, objectives, and enterprise risk; and whether this plan optimizes the use of UAC resources and the value added by the UAC activity in the following areas: results of operations, programs, or projects including accomplishment of objectives and effective use of resources; reliability and integrity of financial and operating information; compliance with policies, laws, regulations, and ethical standards; the means to safeguard assets, loss prevention, and fraud detection; and process improvement.

The development of this plan includes many inputs and drivers. The inputs include 1) enterprise risk assessment (updated on an annual basis on a 3-year cycle); 2) System President and BOT (strategic initiatives and goals); and UAC pipeline (fed by known issues at the university). Each year, UAC performs a fraud risk assessment and an IT risk assessment.

The model for the work plan is an 80/20 split (consistent with previous work plans), with 80% provided for direct services and indirect support and 20% for non-working hours including leave, holidays, and CPE. Twelve projects are planned for FY 2017. There are two new items under core processes – Construction Accounting Offices (FY 2017) and Treasurer’s Office (FY 2018). Delegation of Authority/MOUs/Contract Approval (governance) is also on the list for FY 2017 – this is the next item of interest of the BOG audit committee.

UAC consists of the Chief Audit Executive (CAE) and 9 staff, including 2 IT auditors.

Trustee Goforth suggested future audits of individual construction projects since the university is building again. However, this is an expensive audit and we may want to outsource as other SUS universities do.

Ms. Gula noted that since the committee is new, it will need to be determined how to communicate major fraud issues to the committee.

A motion was made to approve the work plan. The motion was seconded. The motion passed unanimously by those in attendance.

#### **IV. New Business – Information Items**

##### **a. USF/DSO External Audit Findings**

Fell Stubbs, University Treasurer, introduced the USF/DSO Outstanding External Audit Findings Annual Report. The University and DSOs received 18 audits from independent external auditors for the fiscal year ended June 30, 2015. All audits have been issued and are included in the report. The audits disclosed a total of 6 findings, 3 of which were repeat findings. Five findings (2 repeat) were from the USF Operational Audit and one finding (repeat) was from the Federal Circular A-133 audit. Of the 6 findings, 5 have been closed. The remaining finding is being addressed and is expected to be closed by March 1, 2017. Additionally, 2 findings from the previous year have been closed.

Mr. Stubbs reported that each year the DSOs certify that they complied with laws, regulations, policies and professional standards, and have implemented effective systems of internal controls, compliance reporting and governance. The statements certify compliance with 19 standards and are signed by the DSO Board Chair, CEO and CFO.

Vice President and CFO Nick Trivunovich reviewed the findings. From the Operational Audit, findings included background screening for sensitive or special trust positions (closed); Florida Residency classification for Latin American or Caribbean country scholars (closed); severance pay (particularly within Athletics) (repeat/closed); IT access controls (repeat/closed); and IT security controls (2<sup>nd</sup> repeat/partially corrected). The A-133 showed a significant deficiency in the university’s procedures to document each student’s last day of attendance (repeat) – USF has implemented enhanced procedures to ensure compliance with the auditor recommendations.

Regarding the background screening finding, a system policy (including DSOs) has been put in place to ensure that sensitive or special trust positions complete a level two background check. Chair Watkins advised that now would be a good time to look at summer camps to see if the policy worked.

Regarding the severance pay finding, USF has a difference of opinion with the auditor's position. In order to resolve the issue, General Counsel will look at modifying wording in contracts to more accurately describe the agreement. Sr. Vice President John Long explained that this applies to about 10 contracts and the new wording would not affect total compensation.

Regarding IT security controls, the solution was discussed with the Board by Sidney Fernandes, CIO. Trustee Goforth stated that we need to fix this issue – cannot have another repeat finding on this issue or on any other finding.

Trustee Lamb explained that we need to know what success looks like in a solution and all solutions should be system-wide. Trustee Shinn stated that UAC should follow up on external audit recommendation solutions. Chair Watkins stated that we need to look at compliance with internal policies and procedures especially those that come out of an external audit.

Mr. Trivunovich also reviewed the resolution of two previously disclosed findings from the 2014 A-133 audit, which are now closed.

Mr. Trivunovich stated that the University did well in reducing the number of audit findings received.

#### **b. BOG Draft Audit Regulations**

Ms. Gula gave an update on the BOG draft audit regulations. The BOG Audit and Compliance Committee has issued final drafts of four new regulations as follows: 1) SUS Complaint Handling; 2) SUS Chief Audit Executives; 3) SUS Compliance and Ethics Programs; and 4) BOG Oversight Enforcement Authority. This is the first time the BOG has issued a regulation for the universities' internal audit functions. These regulations will be presented at the September BOG meeting.

Ms. Gula gave a brief overview of two of the regulations – 4.002 Chief Audit Executives and 4.003 Compliance & Ethics Programs.

4.002 requires each university to have an office of the chief audit executive. It specifies program requirements, including reporting relationship, and responsibilities and tasks for Chief Audit Executives and Boards of Trustees, ensuring independence and conformance with IIA Standards. UAC already complies with this regulation.

4.003 requires each university to implement a compliance and ethics program and appoint a Chief Compliance Officer within 2 years. It specifies program requirements, including reporting relationship, and responsibilities and tasks for the Chief Compliance Officers and Boards of Trustees. Only half of the SUS universities have this structure. USF has had a program since 2007.

Chair Watkins challenged the committee to think about who the unit compliance officers (Athletics, Research, etc.) should report to – possibly someone outside their area.

For the next Audit & Compliance Committee meeting, Chair Watkins would like an in-depth presentation on our compliance structure (what we are doing, what we are doing well, and what we want to do) and a comparison to the other SUS universities (not for best practice, but for

information only, as USF's program is one of the most robust of the SUS universities and USF is a leader to which others aspire).

**V. Adjournment**

Having no further business, Chair Watkins adjourned the Audit & Compliance Committee meeting at 2:20 pm.