



2023-24 ANNUAL REPORT

Office of Internal Audit



UNIVERSITY of
SOUTH FLORIDA
Office of Internal Audit

EXECUTIVE SUMMARY

It is my pleasure to present the Office of Internal Audit's (IA's) Annual Report for fiscal year 2024. IA concluded the year by completing:

- ✓ 15 audits, including four (4) related to Information Technology (IT) and two (2) conducted by contracted IA services,
- ✓ One (1) advisory project, and
- ✓ 45 investigations.

Also, projects in progress at year-end included:

- Four (4) audits,
- One (1) consulting project, and
- 14 investigations.

Beyond these projects noted above, the department's most significant events this year included recruiting and onboarding new talent, supporting the roll out of the new enterprise risk management (ERM) process across the university as well as the direct support organizations (DSOs), beginning an assessment of the new Global Internal Audit Standards, and continuing our fraud awareness initiative.

The IA team's efforts throughout the year assisted leadership with ensuring the appropriate internal control structure was in place to: minimize the risk of asset loss, including fraud; promote effectiveness and efficiency of resources; comply with applicable laws, rules, and regulations; and ensure data supporting the preeminence and performance-based metrics could be relied upon. Summaries of the work performed are included within this report.

In response to the audit work performed and in demonstrating their commitment to excellence, leadership improved the control environment through the implementation of 69% of the audit recommendations open during the fiscal year.

Along with the internal work performed, the team continued to support external services received from the Governor's Chief Inspector General, the State Auditor General, the Board of Governors' (BOG's) Office of Inspector General and Compliance, and other external auditors.

As part of the Quality and Assurance Improvement Program, IA's internal assessments confirmed conformance to the 2017 Institute of Internal Auditors International Standards for the Professional Practice of

Internal Auditing (IIA Standards), Code of Ethics, and Core Principles. Additionally, an external assessment, required at least once every five years, was performed in 2023. Based on the internal and external assessments, it was determined IA "generally conforms" to the IIA Standards, Code of Ethics, and Core Principles, which is the highest level of achievement in the assessment process.

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

- 32 hours facilitating
- 10 educational events to
- 701 participants;
- One (1) opportunity to advise on chief audit executive roundtables; and
- One (1) opportunity to participate as an external assessor for another university.

Also, in alignment with the team's strategic objectives for talent development:

- 2 team members achieved the Analytics Certified Data Analyst (ACDA) designation;
- 9 team members participated in leadership development programs; and
- 5 completed the Muma College of Business Fintech certificate program.

Congratulations to the team for a job well done, especially during quite a challenging year! Thank you to the Board of Trustees, President, and senior leadership for their support in this year's accomplishments.



Virginia L. Kalil, CIA, CFE, CISA, CRISC

USF OFFICE OF INTERNAL AUDIT

Virginia Kalil, Executive Director/Chief Internal Auditor

- Certified Internal Auditor
- Certified Information Systems Auditor
- Certified Fraud Examiner
- Certified in Risk and Information Systems Control
- BS Accounting, University of South Florida

Kate Head, Director of Audits & Investigations

- Certified Public Accountant
- Certified Information Systems Auditor
- Certified Fraud Examiner
- Certified Inspector General
- BS Accounting, Oklahoma State

Berina Fazlic-Frljak, Assistant Director

- Certified Internal Auditor
- Certified in Risk Management Assurance
- MBA, Louisiana State University
- BS International Trade and Finance, Louisiana State University

Jennifer Dent, Assistant Director

- Certified Public Accountant
- Certified Fraud Examiner
- MAcc, University of Texas
- BS Marketing, University of Maryland

Glenn Hoffman, Assistant Director, Information Technology Audit

- Certified Information Systems Auditor
- Certified HITRUST CSF Practitioner
- Certified HITRUST Quality Professional
- BBA Economics, Bernard M. Baruch College, CUNY

Kethessa Carpenter, Senior Audit Consultant

- Certified Public Accountant
- Certified Internal Auditor
- BA Business Administration & Accounting, St. Leo University

John Kraus, Senior Audit Consultant

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Joe Garcia, Senior Information Technology Audit Consultant

- Certified Information Systems Auditor
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Ivan Viamontes, Senior Information Technology Audit Consultant

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- Certified Information Systems Auditor
- Certified Information Systems Security Professional
- MAcc & MBA Management & MIS, University of South Florida
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- Certified Fraud Examiner
- Certified Inspector General Auditor
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- BS Accounting, University of South Florida

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- BS, Interdisciplinary Studies, Herbert H. Lehman College, CUNY

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MISSION, PURPOSE, AND ORGANIZATION

The Office of Internal Audit (IA) provides the University of South Florida (USF) with independent, objective assurance and advisory services designed to add value and improve the university's operations. IA's mission is to enhance and protect organizational value through risk-based and objective assurance, advice, and insight and assist the university in achieving its strategic goals by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes. These services add value and promote stewardship, accountability, integrity, efficiency, and compliance.

In order to effectively fulfill its responsibilities, IA is organizationally independent from the University's operational activities and structurally reports at an appropriate level within the organization to support its organizational independence. IA reports functionally to the Audit and Compliance Committee (ACC) of the Board of Trustees (BOT) and administratively to the University President. This reporting relationship ensures responsibilities are carried out in a manner free from actual or perceived impairment.

The nature and scope of services provided by IA include audits, compliance reviews, management advisory services, consulting, and investigations. IA is committed to being insightful, proactive, and future-focused and upholding the values of integrity, objectivity, respect, confidentiality, excellence, and collaboration in the performance of their duties.

AUDITS

IA projects are performed in accordance with the 2017 [Institute of Internal Auditors \(IIA\)](#)

[International Standards for the Professional Practice of Internal Auditing \(the "IIA Standards"\), Code of Ethics, and Core Principles.](#) The IIA is the recognized authority for those in the internal audit profession and the IIA standards are required by the [Florida Board of Governor's Regulation 4.002 \(6\)\(a\) State University System Chief Audit Executives.](#)

USF has adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Control Framework which is utilized by IA to assess the effectiveness of the University's internal control systems in place. USF's internal control objectives are communicated to all USF employees via [USF Policy 0-023 Internal Control.](#)

Performance-Based Funding Data Integrity

IA reviewed the processes and controls established to ensure the completeness, accuracy, and timeliness of data submissions relied upon by the Board of Governors (BOG) to support the Performance-Based Funding measures.

Based on the review, IA concluded there was an adequate system of internal controls in place.

Preeminence Data Integrity

IA reviewed the processes and controls established to ensure the completeness, accuracy, and timeliness of data submissions relied upon by the BOG to support calculations for the 12 preeminence metrics and assess USF's eligibility under the [Florida Statute 1001.7065 Preeminent state research universities program.](#)

Based on the review, IA concluded there was an adequate system of internal controls in place over all 12 metrics (Metrics A-L), assuming

corrective actions are taken timely to address two medium-priority risks related to additional control improvements over the research and development (R&D) expenditures in the National Science Foundation (NSF) Higher Education Research and Development (HERD) Survey. Despite the risks identified, there was no impact on the overall status of each metric.

Post-Tenure Faculty Review

IA performed an audit of the Post-Tenure Faculty Review process as required by [BOG Regulation 10.003 Post-Tenure Faculty Review](#). The focus of this audit was the design and effectiveness of controls governing the comprehensive post-tenure faculty review process, including compliance with the applicable BOG regulation.

Based on the review, IA concluded the post-tenure faculty review process had been established in compliance with BOG Regulation 10.003 and that there was an adequate system of internal control in place over the process.

USF Procurement Card Amazon Purchases

IA contracted with Protiviti, a global consulting firm, to perform an audit of USF procurement card Amazon purchases. The audit focused on the design and effectiveness of controls governing the procurement card program with an emphasis on Amazon charge activity.

Based on Protiviti's review, it was concluded there was an adequate system of internal control in place, assuming corrective actions are taken timely to address the one medium-priority risk related to purchases of gift cards.

Construction

IA contracted with Jefferson Wells, a professional services consulting firm, to perform a Construction Audit. The focus of the audit was to test how well existing internal controls are performed by the Design and Construction (D&C) Department and to use knowledge of industry best practices to help improve the control environment in advance of significant forthcoming capital expenditures.

Based on Jefferson Wells' review, it was concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address the seven medium-priority risks related to a need to consolidate the Design and Construction policies and procedures, identify a new project management system, create project transition plans, track projects and provide reporting in a uniformed manner, increase the threshold for the use of the small projects form, align contract clauses with industry best practices, and define a monitoring framework for projects managed by third-party consultants in policies and procedures.

Driver and Vehicle Information Database (DAVID) System

IA performed a review of the DAVID System for two departments that utilize DAVID. The focus of this audit was to determine whether access and use of DAVID complies with the terms of the Memoranda of Understanding (MOUs) with the Florida Department of Highway Safety and Motor Vehicles (FLHSMV). This system allows the USF Division of Parking and Transportation Services (PATS) and USF Office of the Registrar (Registrar) to obtain access to the Florida of Motor Vehicles driver and vehicle data.

Based on the review, recommendations were made in separate reports for each department reviewed to address risks identified. These reports were classified as confidential due to the sensitive nature of the IT issues disclosed.

Direct Support Organization (DSO) IT Governance

IA performed a review of DSO IT Governance. The focus of this audit was to identify and assess the DSOs' organizational structures, policies, and processes in place to help ensure IT resources were effectively governed.

Based on the review, recommendations were made in separate reports for each environment reviewed to address risks identified. The separate environments included: Institute of Applied Engineering, USF Foundation and USF Alumni Association, and DSOs dependent on USF central Information Technology. These reports were classified as confidential due to the sensitive nature of the IT issues disclosed.

USF Foundation (USFF) Donor Intent

IA performed an audit of Donor Intent. The audit focused on the design and effectiveness of controls governing the use of donor funds, including compliance with donor intent. The audit focused only on the use of donor funds.

Based on the review, IA concluded there was an adequate system of internal control in place, assuming corrective actions are taken timely to address the three medium-priority risks related to decentralized units not utilizing training opportunities provided by the USFF, reconciliations performed by decentralized units not complying with USFF guidelines, and enhancement of procedures to ensure the timely submission of vendor payments.

USFF Procurement Card

IA performed an audit of the USFF's corporate credit card program. The focus of this audit was the design and effectiveness of controls governing the corporate card program with an emphasis on Amazon charge activity.

Based on the review, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address four medium-priority risks related to non-compliance with existing policies and procedures and insufficient program monitoring, the enhancement of policies and procedures, use of personal Amazon accounts, and the availability of level three purchasing data through the USF Federal Credit Union (USF FCU).

USF Alumni Association (USFAA) Procurement Card

IA performed an audit of the USFAA's corporate credit card program. The focus of this audit was the design and effectiveness of controls governing the corporate card program with an emphasis on Amazon charge activity.

Based on the review, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address four medium-priority risks related to non-compliance with existing policies and procedures and insufficient program monitoring, the enhancement of policies and procedures, use of personal Amazon accounts, and the availability of level three purchasing data through the USF FCU.

USFF Access Controls

IA performed an audit of user access within the USFF's Financial Edge NXT (FE) accounting system. The focus of the audit was to determine if controls for USFF system access

management were designed properly, operating effectively, and whether access was properly restricted to authorized individuals.

Based on the review, recommendations were made to address risks identified. This report was classified as confidential due to the sensitive nature of the IT issues disclosed.

USFF Customer Relationship Management (CRM) Access Controls

IA performed an audit of the USFF's user access. The focus of the audit was to determine if controls for USFF system access management were designed properly, operating effectively, and whether access was properly restricted to authorized individuals. A component of that review was a risk assessment of the USFF CRM system.

Based on the review, a risk assessment report was documented and shared with management. This report was classified as confidential due to the sensitive nature of the IT information disclosed.

University Medical Services Association (UMSA) Corporate Credit Card Program

IA performed an audit of UMSA's corporate credit card program. The focus of this audit was the design and effectiveness of controls governing the corporate credit card program.

Based on the review, IA concluded there was an inadequate system of internal controls in place related to a high-priority risk of non-compliance with existing internal controls and insufficient program monitoring which resulted in a fraud risk. IA also identified four medium-priority risks related to cards for employees of Academic Medical Group, approval process inefficiencies, policy

enhancements, and use of personal Amazon accounts.

UMSA Journal Entry Process

IA performed an audit of UMSA's journal entry process. The focus of this audit was the design and effectiveness of controls governing the journal entry process.

Based on the review, IA concluded there was an adequate system of internal control in place, assuming corrective actions are taken timely to address the one medium-priority risk related to capturing and monitoring changes made to user privileges for preparing and approving journal entries.

Health Professions Conferencing Corporation (HPCC) Procurement Card

IA performed an audit of the HPCC's corporate credit card program. The focus of this audit was the design and effectiveness of controls governing the corporate card program with an emphasis on Amazon charge activity.

Based on the review, IA concluded there was an adequate system of internal controls in place, assuming corrective actions are taken timely to address the four medium-priority risks related to level three purchasing data not being used to validate corporate credit card transactions, use of personal Amazon accounts, the enhancement of policies and procedures, and untimely cardholder reconciliations and supervisor approvals and insufficient program monitoring.

INFORMATION TECHNOLOGY

Thirty-eight percent (38%) of the IA team is certified with IT-related designations. IA's information system projects are performed in accordance with the ISACA (formerly Information Systems Audit and Control

Association) standards and guidelines. ISACA has designed this guidance as the minimum acceptable level of performance required to meet the professional responsibilities set out in the ISACA Code of Ethics for Auditing and Control Professionals. ISACA standards and guidelines are consistent with the Control Objectives for Information and Related Technology (COBIT), an IT governance framework which enables management to bridge the gap between control objectives, technical issues, and business risk. This year, IA completed IT audits related to USFF Access Controls, USFF CRM Access Controls, DSO IT Governance, and the Driver and Vehicle Information Database (DAVID).

The IT IA Team focuses on factors which impact the confidentiality, integrity, and availability of the university's information systems as well as the resources held within those systems. Confidentiality not only addresses the security of sensitive data, but also whether access to such data is effectively controlled.

IA utilizes an integrated audit approach whereby the IT IA Team assists the general IA Team on audit and consulting projects with significant information systems components. Integrated audit projects this year included, Performance-Based Funding Data Integrity, Preeminence Data Integrity, and UMSA Journal Entries.

CONSULTING SERVICES

Consulting services are collaborative projects between university leadership and IA. These services may be requested in advance and included as part of the annual work plan; however, many requests are made throughout the year. A project's objective will vary depending on the needs of leadership but may include: improving a process or procedure; assisting in the implementation of a new system; interpreting laws, rules, policies, and

other guidance; or facilitating education/training programs. These services are proactive in nature and can be helpful to any university function or department.

This year, IA was involved in and/or completed the following consulting projects:

- ✓ Human Capital Management System Design and Implementation

ADVISORY SERVICES

IA is committed to providing proactive advice on internal controls, operations, and compliance. Requests for advisory services may come from various management levels throughout the University and often involve emerging issues in research, IT, or compliance. The information we provide through these services assists management in decision-making and improving operations. Results of these types of services are communicated verbally or through a memorandum.

This year, IA was involved in the following advising projects:

- ✓ USF Research Foundation Data Privacy
- ✓ Risk Assessment
- ✓ Fraud Awareness

INVESTIGATIONS

The BOT and President have charged IA with performing investigations related to the University and its associated organizations. Investigations are an objective review of evidence related to a complaint or allegation.

IA may receive complaints or allegations from EthicsPoint, the University's anonymous reporting system, directly from an individual, or referred by various university offices or state and local government agencies.

Reports of complaints, allegations, or concerns may or may not be supported by the facts. Hence, it is critical that the investigative process be managed discreetly and confidentially to ensure the integrity of the process and protect the reputations of named individuals. Florida law supports the need for confidentiality during investigations and permits active investigations to be classified as exempt from public record. Only those with a legitimate business need are provided with information related to ongoing investigations.

Out of 64 such reports of complaints, allegations, or concerns received by IA, 5 were referred to other units and 14 remained open as of June 30, 2024. Of the 45 completed investigations, 14 were substantiated and 7 resulted in recommendations to improve the control environment. The substantiated recommendations related failure to disclose potential conflicts of interest (7), mismanagement of institutional resources (6), and asset misappropriation (1).

FOLLOW-UP ACTIVITY

In accordance with IIA Standards, IA follows up on all IA recommendations to determine if corrective actions have been taken. Utilizing a web-based tracking system, university leadership can continuously update the status of their corrective actions, including action plans and target implementation dates, and IA can efficiently and effectively monitor their progress. Follow-Up Reports, covering activity from July 1 through December 31, 2023, and January 1 through June 30, 2024 were issued during the fiscal year demonstrating a fiscal year implementation rate of 69%.

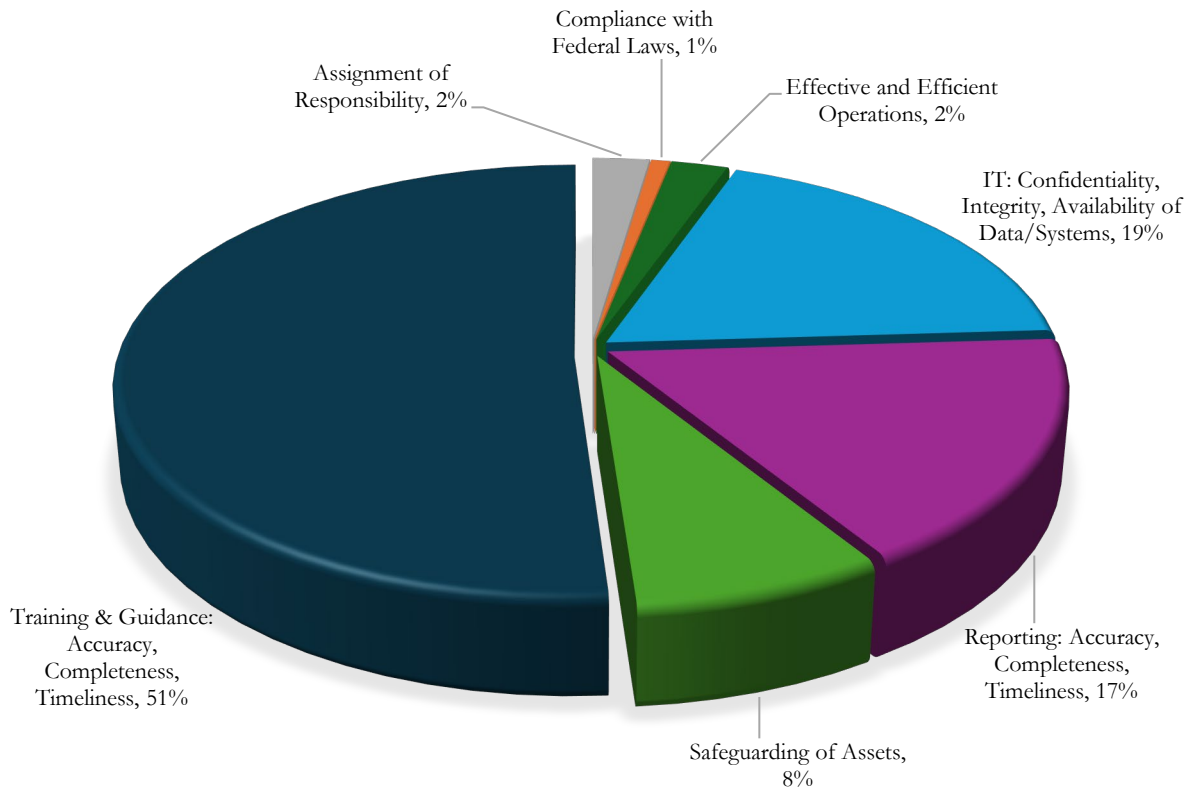
During this fiscal year, leadership implemented corrective actions related to recommendations in the following categories:

- Assignment of Responsibility

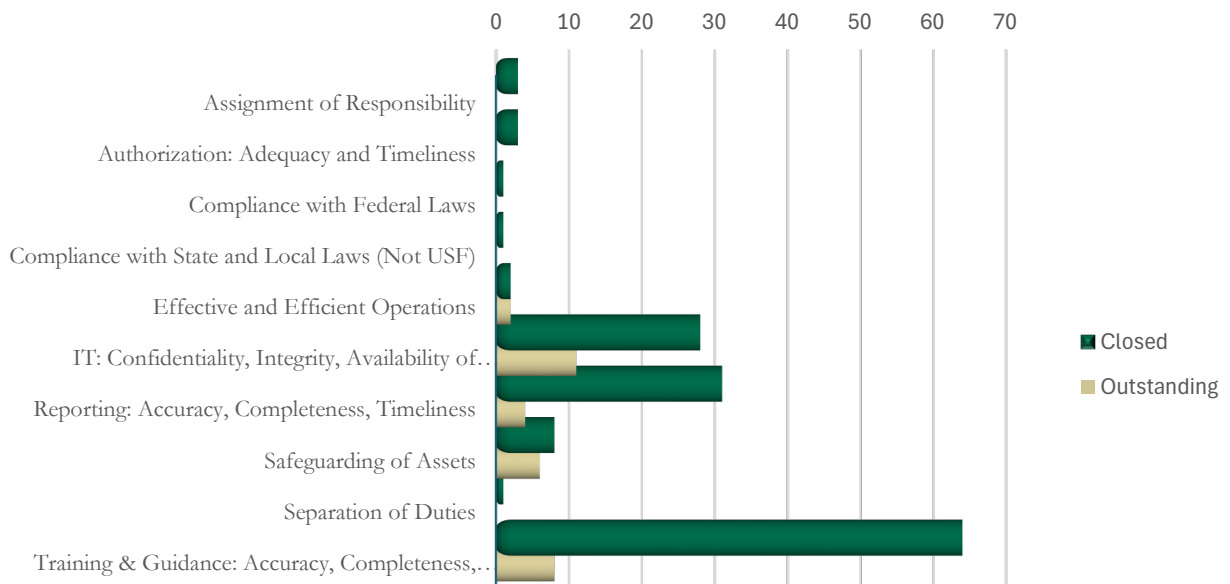
- Authorization: Adequacy & Timeliness
- Compliance with Federal Laws
- Compliance with State and Local Laws (Not USF)
- Effective and Efficient Operations
- IT: Confidentiality, Integrity, Availability of Data/Systems
- Reporting: Accuracy, Completeness, Timeliness
- Safeguarding of Assets
- Separation of Duties
- Training & Guidance: Accuracy, Completeness, Timeliness

The following graphs depict summaries of new recommendations made during the fiscal year and the status of implementing corrective actions for all outstanding recommendations, including those carried forward from the prior year.

Recommendations

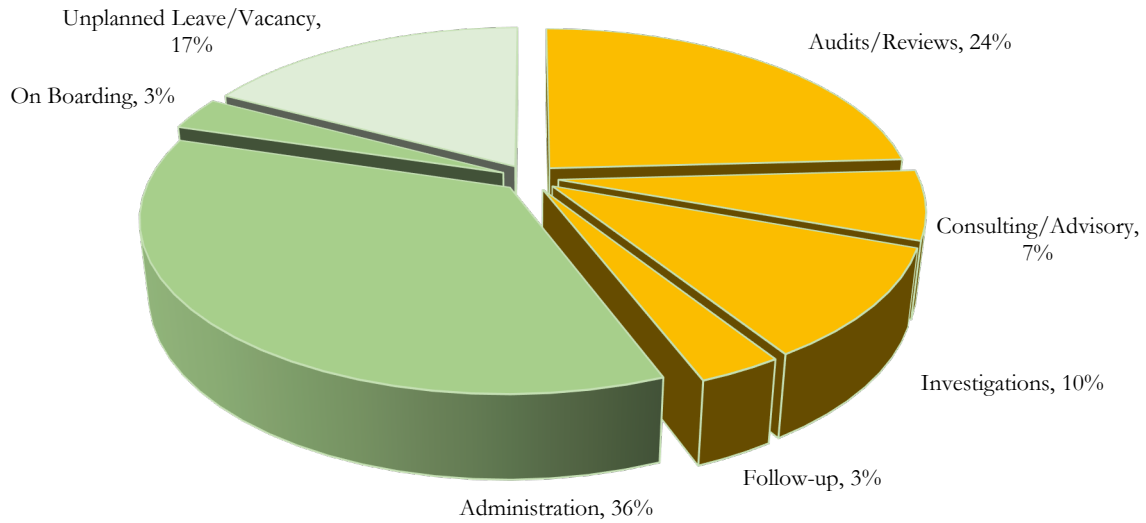


Implementations



ACTIVITY ANALYSIS

Total Hours FY 2024



PROJECT	BUDGET	%	ACTUAL	%
DIRECT SERVICES:				
Audits/Reviews	6,965	24%	7,025	24%
Consulting/Advisory	1,390	5%	1,883	7%
Investigations	2,124	7%	3,025	10%
Follow-up	600	2%	915	3%
Contingency	624	2%	0	0%
Total Direct Services	11,703	40%	12,848	44%
OTHER:				
Administration	9,257	32%	10,362	36%
On Boarding	400	1%	894	3%
Unplanned Leave/Vacancy	7,760	27%	5,016	17%
Total Other	17,417	60%	16,272	56%
TOTAL	29,120	100%	29,120	100%

IA's direct services include activities related to the performance of audits, consulting and advisory projects, investigations, and follow-up. The fiscal year 2024 revised work plan budgeted 40% of IA's resources for direct services due to anticipated vacancies. Actual direct services of 44% exceeded budget due to successful recruiting efforts to fill those vacancies.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

In conformance with IIA Standards, BOG regulations, and the USF IA Charter, it is the responsibility of the Chief Audit Executive (CAE) to develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and includes both internal and external quality components. Internal assessments were performed throughout the audit processes by IA leadership to confirm conformance with the IIA Standards, Code of Ethics, and Core Principles. Additionally, this year, an external assessment, which is required at least once every five years, was performed. Based on the internal and external assessments, it was determined IA **“generally conforms”** to the 2017 [IIA Standards](#), [Code of Ethics](#), and [Core Principles](#), which is the highest level of achievement in the assessment process. The full external report, USF Office of Internal Audit Self-Assessment with Independent Validation, was issued on June 27, 2023, and is available on IA’s website at www.usf.edu/audit/publications.

PROFESSIONAL ACTIVITIES

IA is proud of the experience and professionalism of its staff. During 2023-24, we continued our involvement with the following organizations that support higher education, internal auditing, information technology, and compliance activities.

- Association of College and University Auditors (ACUA)
- Institute of Internal Auditors (IIA)
- Association of Healthcare Internal Auditors (AHIA)
- Association of Certified Fraud Examiners (ACFE)
- ISACA (formerly, the Information Systems Audit & Control Association)

- American Institute of Certified Public Accountants (AICPA)
- Association of Inspectors General (AIG)

The team’s involvement included, but was not limited to, providing subject matter experts to share their knowledge and experience through working groups, speaking engagements, conferences, and specific training events with the ACUA, the IIA, the AIG, and the USF Muma College of Business. Specific highlights include:

- 32 hours facilitating
- 10 educational events to
- 701 participants;
- 1 opportunity to advise on chief audit executive roundtables; and
- 1 opportunity to participate as an external assessor for another university.

Also, in alignment with the team’s strategic objectives for talent development:

- 2 team members achieved the Analytics Certified Data Analyst (ACDA) designation;
- 9 team members participated in leadership development programs; and
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