



**USF Board of Trustees
Audit & Compliance Committee
NOTES
May 14, 2024
Microsoft Teams Virtual Meeting**

I. Call to Order and Comments

The meeting of the Audit & Compliance Committee was called to order by Chair Callahan. Chair Callahan asked Kiara Guzzo to call roll. Ms. Guzzo called roll with the following committee members present: Sandra Callahan, Oscar Horton and Luran Monbarren. 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 February 20, 2024 Meeting Notes

Upon request and receiving no changes to the meeting notes, Chair Callahan requested a motion for approval. Trustee Horton made the motion which was seconded by Trustee Monbarren and the February 20th meeting notes were unanimously approved as written.

IV. New Business – Audit & Compliance Committee Information Items

a. USF/DSO Independent Audit Reports

Jennifer Condon, Chief Financial Officer, presented information item IV(a): University and DSO Independent Audit Finding Report. The Independent Audit Findings Report describes audit findings and auditor recommendations, and management's responses and correction status.

The University and DSOs received a total of 16 audits from independent auditors for the fiscal year ended June 30, 2023. The reports containing findings include the following:

- 1 Finding in the University of South Florida June 30, 2023 Audited Financial Statements – CLOSED as of March 21, 2024
- 1 Finding in Statewide Audit of Bright Futures and Florida Assistance Grants – PARTIALLY COMPLETED; expect to be closed June 1, 2024
- 1 Exception in the USF Intercollegiate Athletics Program Independent Auditor's Report – CLOSED as of February 8, 2024

In March, the University's financial audit was released. The audit report includes an independent audit report on internal controls over financial reporting and other matters which identified a significant deficiency related to procurement card controls. The auditors recommended that the university continue efforts to enhance controls over the accountability for and use of university pcards. USF implemented these enhanced

internal controls prior to the issuance of the audit report and recommendations. This matter has been closed by management.

In April, the statewide audit report on the administration of the Bright Futures Scholarship program and Student Assistance Grants Program was released. The audit report, which covered both fiscal years 2022 and 2023, cited USF for delayed refunds back to the Bright Futures program for courses that students dropped or withdrew from after the end of the drop and add period. The refunds, which approximated \$142,000, were all made to the Bright Futures program. They were just delayed. It should be noted that the \$142,000 is on a population of \$120 million over the two fiscal years. USF already enhanced internal control procedures to ensure the timely refund of these scholarship funds through accelerated reconciliation on the fund to 30 days, which exceeds the state required 60 days. USF is also in the process of hiring a fiscal position within the Office of Financial Aid that will be dedicated to reconciliation duties. This recommendation is listed as partially corrected because while controls were enhanced, the new employee is not yet on board. This recommendation should be closed at the next meeting.

The final issue to report on is related to the agreed upon procedures for the USF Intercollegiate Athletics program. This report was received in February and noted one exception for one of the 34 student athletes selected in that the aid in the student system was less than the student aid detailed in another system. This was an administrative matter and did not impact the amount of aid provided to the athlete. USF has improved processes to include regularly scheduled reviews to catch any discrepancies. These procedures were implemented prior to the date of the report, so the matter has been closed by management.

Jennifer Condon then concluded with a review of the collective report that shows the audit findings that were received during the prior and current years. It was noted that only one exception is still open, and that was the Bright Futures finding previously discussed.

b. 2023 Compliance & Ethics Annual Report

Stefen Sloane, Associate Compliance Officer, presented information item IV (b): 2023 Compliance & Ethics Annual Report. The annual report summarized the activities of the Office of Compliance & Ethics (OCE) during the calendar year 2023. This report fulfills an annual reporting requirement pursuant to BOG regulation 4.003 and was provided to the committee in accordance to the BOT-ACC approved OCE Program Plan. In addition, the OCE also submitted a copy of the annual report to the Florida Board of Governors (BOG).

In calendar year 2023, OCE had several organizational changes, as represented on the organizational chart with red text. OCE hired two new team members in Title IX, one new member in healthcare privacy and three new members in Athletics. Moreover, OCE hired a new Associate Compliance Officer, Stefen Sloane and the inaugural Foreign Influence Compliance Officer, Jorge Rodriguez. There were also changes to the accountable reports to the Chief Compliance Officer, Caroline Fultz-Carver, including the Director of Environmental, Health and Safety, Krystal Sullivan, and the HR Compliance Officer, Dr. Alexis Mootoo.

Mr. Sloane presented highlights from the 2023 OCE Annual Report, including: Foreign Influence Compliance, Enterprise Risk Management, the Partner with Privacy Initiative, eDisclose, and EthicsPoint.

OCE established a Foreign Influence Compliance Program. USF was the first in the State University System (SUS) to have a dedicated, full-time Foreign Influence Compliance Officer. This employee was charged with the development and implementation of a centralized Foreign Influence Compliance Program. The Foreign Influence Compliance program is responsible for providing assurance to the USF-BOT for compliance with requirements pursuant to the U.S. Department of Education and the State of Florida Foreign Influence laws. USF's Foreign Influence Compliance program is involved in screening applicants for research positions; reporting foreign gifts to and contracts with USF; reporting grants, partnerships, and agreements with Foreign Countries of Concern, including employment agreements; reporting international cultural agreements; and researchers outside activity and financial interest reviews.

OCE modernized USF's Enterprise Risk Management (ERM) program, by transitioning away from paper-based methods and leveraging technology, enabling real-time risk voting and footprint creation. PowerBI is being used as a tool for dynamic visualization, providing risk owners with a better understanding of associated risks. Moreover, USF has updated the overall ERM processes based on industry standards and best practices and aligned standardized risk types with the Association of College and University Auditors Risk Dictionary in collaboration with Internal Audit. Further, USF strengthened its risk oversight governance structure via the establishment of a Risk Committee.

OCE launched the Healthcare Privacy Initiative, managed by the Privacy and Healthcare Civil Rights Compliance program. This initiative enhanced education of all levels of the organization on the benefits of partnering with Privacy Compliance to proactively develop and implement HIPAA compliance solutions. This included outreach, trainings, and relationship building with compliance partners, such as: both virtual and in-person meetings, lunch-and-learn events, and monthly privacy tips to reduce common HIPAA-related privacy errors. Additionally, privacy topics are now presented on a more frequent basis at new team member orientations.

OCE monitored employee compliance with annual disclosure requirements pursuant to the Florida Code of Ethics (FCOE), which are submitted in the eDisclose system. USF's overall compliance rate in 2023 was 99%; both USF Sarasota-Manatee and USF St. Petersburg campuses were at 100%, and USF Tampa was at 99%. This was the highest rate of compliance in USF history.

During 2023, OCE addressed 128 EthicsPoint reports. Of these 110 were closed and 18 remained open. Of the closed reports, 30 were substantiated, 66 were unsubstantiated and 14 were referred.

c. Antifraud Framework Annual Status

Virginia Kalil, Chief Internal Auditor, presented information item IV (c): Antifraud Framework Annual Status. Ms. Kalil began by wishing everyone a happy Internal

Audit Awareness month, as May is recognized as the month for promoting the positive impact internal audit makes on organizations around the world. The report was presented in accordance with the BOG regulation 3.003, Fraud Prevention and Detection, which requires that the status of the University's Antifraud Framework is reported to the BOT, at least annually; this is the second status to be reported to the Board. Ms. Kalil noted the university community believes fraud prevention and detection is important because it is the right thing to do; they want to be good stewards of the resources entrusted to them. Ms. Kalil noted the specific BOG and University have regulations and policies that outline expectations related to fraud prevention and detection, including: BOG Regulation 3.003: Fraud Prevention and Detection, USF Regulation 5.001: Fraud Prevention and Detection, and USF Policy 0-023, Internal Controls.

Ms. Kalil then noted the four key components of the University's Anti-Fraud Framework, which included: Tone at the top; Assessment of risks; Processes & systems; and Continuous improvement. The framework includes a commitment to creating an organizational culture and structure conducive to fraud risk management through awareness, training, and a tone at the top. This is where a zero-tolerance culture for unethical and fraudulent activity is cultivated.

Ms. Kalil then highlighted the antifraud activities performed thus far during the fiscal year, including risk assessments, the rollout of the University's newly revamped enterprise risk management process, EthicsPoint hotline investigations, recommendations and follow up of corrective actions related to recovery of losses and remediation of improvements, human resources system upgrade, and the fraud awareness initiative.

Ms. Kalil indicated the internal audit antifraud awareness program kicked off about 18 months prior with a goal to educate and empower the USF community to recognize the red flags of fraud, to understand their reporting responsibilities, and then ultimately, to report suspected fraud. Key components included on-demand presentations, in leadership and staff meetings, including all three campuses as well as a variety of colleges and DSO's. Also, fraud flash reports distributed monthly via email regarding emerging fraud topics and trends. Since the last board status, 12 flash reports have been issued.

Additionally, webinars utilizing external experts to speak to the USF community on fraud were hosted. During the last 12 months, two webinars that included 419 attendees coming from 32 different units across the university were hosted. Cyber Florida and the FBI were partners in these webinars.

Next, Ms. Kalil highlighted the fiscal year 2024 summary of investigations, as of April 30, 2024 which included 47 cases of which 33 had been closed. Of the closed, 13 only needed limited investigative support. Of the remaining 20 closed investigations, nine were determined to be founded. Most of the nine founded reports fell in the area of conflict of interest. Fiscal mismanagement and asset misappropriation were also areas of founded concerns.

Lastly, Ms. Kalil outlined how to report fraud, which included contacting the EthicsPoint hotline, reporting the incident to management, or reaching out to the Office of Internal Audit.

V. Adjournment

Having no further business, Chair Callahan adjourned the Audit & Compliance Committee meeting.