



**Board of Trustees
Audit & Compliance Committee
NOTES
Tuesday, November 19, 2024
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. Chair Callahan asked Brittany Dix to call roll. Ms. Dix 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 August 27, 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 August 27th meeting notes were unanimously approved as written.

b. Approval of Revised Audit & Compliance Committee Charter

Virginia Kalil, Executive Director and Chief Internal Auditor, presented the revised Audit & Compliance Committee (ACC) charter. Per Board of Governors (BOG) regulation, the ACC charter must be reviewed and approved by the Board of Trustees (BOT) every three years for consistency with BOG and university regulations, professional standards, and best practices. The ACC Charter was last reviewed and approved in 2021. The Office of Internal Audit and the Office of Compliance & Ethics both provided suggestions for changes to the Charter. As a result of the review, there are four recommended changes: 1) adding the Committee's responsibility to discuss the authority, role, responsibilities, scope and services of the internal audit function; 2) adding the Committee's responsibility to participate in discussions with the Chief Auditor and senior management about the essential conditions that establish the foundation for an effective internal audit function; 3) in the compliance area, adding for the Chief Compliance Officer to discuss any difficulties encountered while performing their work; and 4) technical changes and aligning the risk

areas noted for level one risks for the organization as outlined in the new enterprise risk management process. It was noted by Executive Director Kalil that both changes #1 and #2 are activities that the committee is already participating in, but this is now being added to the Charter in compliance with the new Internal Audit standards.

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

c. Approval of Revised Internal Audit Charter

Virginia Kalil, Executive Director and Chief Internal Auditor, presented the revised Internal Audit Charter. Per BOG regulation, the Internal Audit charter must be reviewed and approved by the BOT every three years for consistency with Board of Governors and university regulations, professional standards, and best practices. The Internal Audit Charter was last reviewed and approved in 2022, but Internal Audit is working to meet the new global internal audit standards issued by the Institute of Internal Auditors in January of 2024, so revisions were made to align with those new standards. As a result of the review, the following were recommended changes: 1) technical changes throughout the document such as for acronyms, grammar, or appropriate reference to the standards; 2) adding the word “foresight” to the mission of Internal Audit; 3) adding the mandate for the internal audit function, including the BOG regulation that mandates the internal audit function be created; and 4) the annual requirement to confirm the organizational independence of the internal audit function to the Committee.

A motion was made by Trustee Horton to approve the Internal Audit Charter changes as presented. The motion was seconded by Trustee Monbarren and approved by all Committee members present.

d. Acceptance of Audit & Compliance Committee Performance Assessment

Executive Director and Chief Internal Auditor Virginia Kalil presented the results of the Audit & Compliance Committee Performance Assessment. In accordance with the Board of Trustees ACC Charter, the committee is required to evaluate its own performance on a periodic basis and communicate the results of this evaluation to the Board. This is the second time the assessment was performed.

Executive Director Kalil explained that the assessment evaluated the elements of the Charter and the conformance to the Charter requirements and included a survey of the committee members to ensure that they are getting the appropriate communication and information from both the Audit Department and the Compliance Department.

The results indicated the Committee is in conformance and complied with all the components within the Charter. From the survey questions to the committee members, there was a solid 5.0 or “strongly agree” score that indicated that the committee members 1) feel strongly that they receive sufficient information to expand their knowledge about current and emerging risks to the organization; 2) that they understand how both of these

departments' work plans cover challenging and critical areas, including emerging risks and existing risks; 3) that they can build a trusting relationship with both of the departments, including candid and continual communication and being able to raise any sensitive issues they would like to talk about; and 4) that the Committee ensures that the roles of these departments meet the Committee's needs for assurance throughout the organization and provide value.

Chair Callahan requested a motion to accept and approve the Audit & Compliance Committee Performance Assessment. The motion was given by Trustee Horton; Trustee Monbarren seconded, and the motion passed.

IV. **New Business – Information Items**

a. **Update on New Global Internal Audit Standards**

Executive Director and Chief Internal Auditor Virginia Kalil provided an update on the new global internal audit standards from the Institute of Internal Auditors that were announced in January 2024 and become effective on January 9, 2025, highlighting the changes and the progress made in aligning with these standards. This was the first major change to the International Professional Practices Framework and all of the elements since 2001.

Notable changes included: 1) restructuring the framework with elements better organized; 2) shift from compliance to performance with best practices in mind; 3) clarification of board and management responsibilities; 4) specific guidance to assist internal auditors in the public sector and for small internal audit functions; and 5) specific guidance and standards on critical areas like cybersecurity.

The reorganization into five different domains includes:

- Domain I: Purpose of Internal Auditing
- Domain II: Ethics and Professionalism
- Domain III: Governing the Internal Audit Function
- Domain IV: Managing the Internal Audit Function
- Domain V: Performing Internal Audit Services

Internal Audit (IA) is taking the following actions to ensure compliance with the updated standards: 1) performing a gap analysis between current IA processes and requirements of the standards; 2) reviewing and updating IA's Audit Operations Manual; 3) reviewing and updating IA procedures; 4) updating IA's audit and advisory service templates; 5) updating TeamMate+ Audit Software templates; and 6) reviewing and updating relevant charters – ACC Charter, IA Charter, and Direct Support Organizations (DSO) committee charters.

Themes to the changes being made include: enhancing documentation, including IA's Audit Operations Manual, procedures, and templates to evidence how IA follows best practices; updating report templates to comply with new standards, including the action

plan mitigating the identified risk, action plan owner, and action plan date; and updating IA, ACC, and DSO charters to align with new standards. IA is 85% complete and on track to meet the new standards effective implementation date.

b. International Fraud Awareness Week

Executive Director and Chief Internal Auditor Virginia Kalil presented on International Fraud Awareness Week. As part of Internal Audit's (IA) fraud awareness initiative supporting the university's anti-fraud framework, IA joined the Association of Certified Fraud Examiners in recognizing this week to promote anti-fraud awareness and education. The Association of Certified Fraud Examiners states that organizations lose 5% of their revenue each year to occupational fraud, which refers to fraud committed by individuals against the organizations that employ them.

Executive Director Kalil also reminded the Committee about the Fraud Awareness Initiative of the Office of Internal Audit, which includes: 1) monthly "flash" reports on emerging fraud topics; 2) periodic fraud training; 3) on-demand presentations for leadership/unit staff meetings; and 4) special events/activities for Internal Fraud Awareness Week in November. The goal is to make USF employees, the USF community, the Board, students, and everyone to be aware of fraud and become a "Fraud Fighter," by increasing awareness of common fraud schemes, red flags, and what can be done to help prevent and detect fraud. Ms. Kalil also reminded the Committee of the applicable rules and regulations, including the Board of Governors Regulation 3.003 Fraud Prevention and Detection; USF Regulation 5.001 Fraud Prevention and Detection; and USF Policy 0-023 Internal Control and how to report fraud via the EthicsPoint hotline. There was also an announcement of the Fraud Awareness Webinar on Disaster Fraud to be held on November 20.

c. USF/DSO External Audit Reports

Jennifer Condon, Vice President for Business and Finance, provided an update on prior external audit reports received along with USF's response and correction status. As reported in the last Audit & Compliance Committee meeting, there are no prior outstanding audit recommendations for USF or our DSOs. For fiscal year 2024, six university and nine DSO audit reports are expected. To date, two University reports and all nine DSO reports have been received, and as of November 19, 2024, no findings or recommendations have been identified.

V. Adjournment

Having no further business, Chair Callahan adjourned the Audit & Compliance Committee meeting at 10:30 am.