

University of South Carolina
BOARD OF TRUSTEES

Audit, Compliance and Risk Committee
In Person, Floyd Boardroom, Pastides Alumni Center
and By Microsoft Teams
June 9, 2023

OPEN SESSION

I. Call to Order

Chair Smith called the meeting to order at 10:28 a.m. Secretary Howell confirmed Trustees attending in person and by Microsoft Teams audio and video conference.

Committee Members in attendance:

C. Dorn Smith III, Chair
Brian C. Harlan
Richard A. Jones Jr.
Hubert F. Mobley
E. Scott Moise
Leah B. Moody
Charles H. Williams (online)
Rose Buyck Newton, *Board Vice Chair*
Thad H. Westbrook, *Board Chair*

Other Trustees in attendance:

C. Dan Adams
Alex English
C. Edward Floyd (online)
Henry L. Jolly Jr.
Emma W. Morris (online)
Reid T. Sherard
John C. von Lehe Jr. (online)

Others in attendance:

Audrey Korsgaard, USC Columbia Faculty Senate Chair
Emmie Thompson, USC Columbia Student Government President
Robin Roberts, Advisor to the Advancement, Engagement and Communications Committee
(online)
David Seaton, Advisor to the Governance Committee (online)

Administrators in attendance:

Michael Amiridis, President
Cameron Howell, University Secretary and Secretary of the Board of Trustees

Donna Arnett, Executive Vice President for Academic Affairs and Provost
Terry Parham, General Counsel
Ed Walton, Executive Vice President and Chief Financial Officer

Media in attendance:

Lianna Hubbard, the *Post and Courier*
Alexa Jurado, the *State*

Notice:

Chair Smith stated notice of the meeting and agenda had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated to the Committee; and a quorum was present to conduct business.

MOTION FOR EXECUTIVE SESSION

Chair Smith stated there was a need for an Executive Session for the discussion of personnel matters related to the President's compensation, the performance evaluation of the Chief Audit Executive, leadership of the Department of Information Technology, and the Integrity Line.

Mr. Mobley made the motion to enter Executive Session, and Ms. Moïse seconded the motion. A vote was taken, and the motion carried unanimously.

Chair Smith invited the following to remain: Trustees, Dr. Korsgaard, Ms. Thompson, Mr. Roberts, Mr. Seaton, Secretary Howell, President Amiridis, Dr. Arnett, Ms. Dunleavy, Mr. Parham, Mr. Walton, Ms. Agardy, and Board support staff.

EXECUTIVE SESSION

– Executive Session Removed

RETURN TO OPEN SESSION

II. External Audit

– Uniform Guidance Audit, FY 2021-22

Chair Smith stated the external audit report was posted to the Board portal in advance of the meeting and was received as information.

III. Internal Audits

Chief Audit Executive Pam Dunleavy presented internal audits.

A. External Quality Assurance Review Report

Ms. Dunleavy presented the External Quality Assurance Review report.

Chair Smith stated the report was received as information.

B. Risk Assessment and Audit Plan for Fiscal Year 2023-24

Financial and Operational Audit Team Director Glenn Murray and Assistant Director of IT Audit Roscoe Patterson presented the Risk Assessment and Audit Plan for FY2023-24. [ACRC 060923 OS III B]

Chair Smith stated the report was received as information.

C. Tracking Report

Chair Smith stated the tracking report was posted to the Board portal and was received as information.

D. Audit Reports

Chair Smith stated the following three audit reports were posted to the Board portal and were received as information.

1. Board Office and President's Expenses Review for Calendar Year 2022
2. IT Security Awareness Audit Report
3. Mental Health Access and Awareness Audit Report

IV. Risk and Compliance Reports

Chair Smith stated the report of other external audits and reviews was posted to the Board portal and was received as information.

V. Audit, Compliance and Risk Committee

– Matrix Review

Chair Smith stated the Audit, Compliance and Risk Committee's updated matrix was posted to the Board portal.

VI. Other Matters

Chair Smith called for any other matters to come before the Committee. There were none.

VII. Adjournment

Chair Smith declared the meeting adjourned at 11:46 a.m.

Respectfully submitted,

Cameron Howell
Secretary



ACRC 062423 OS III B

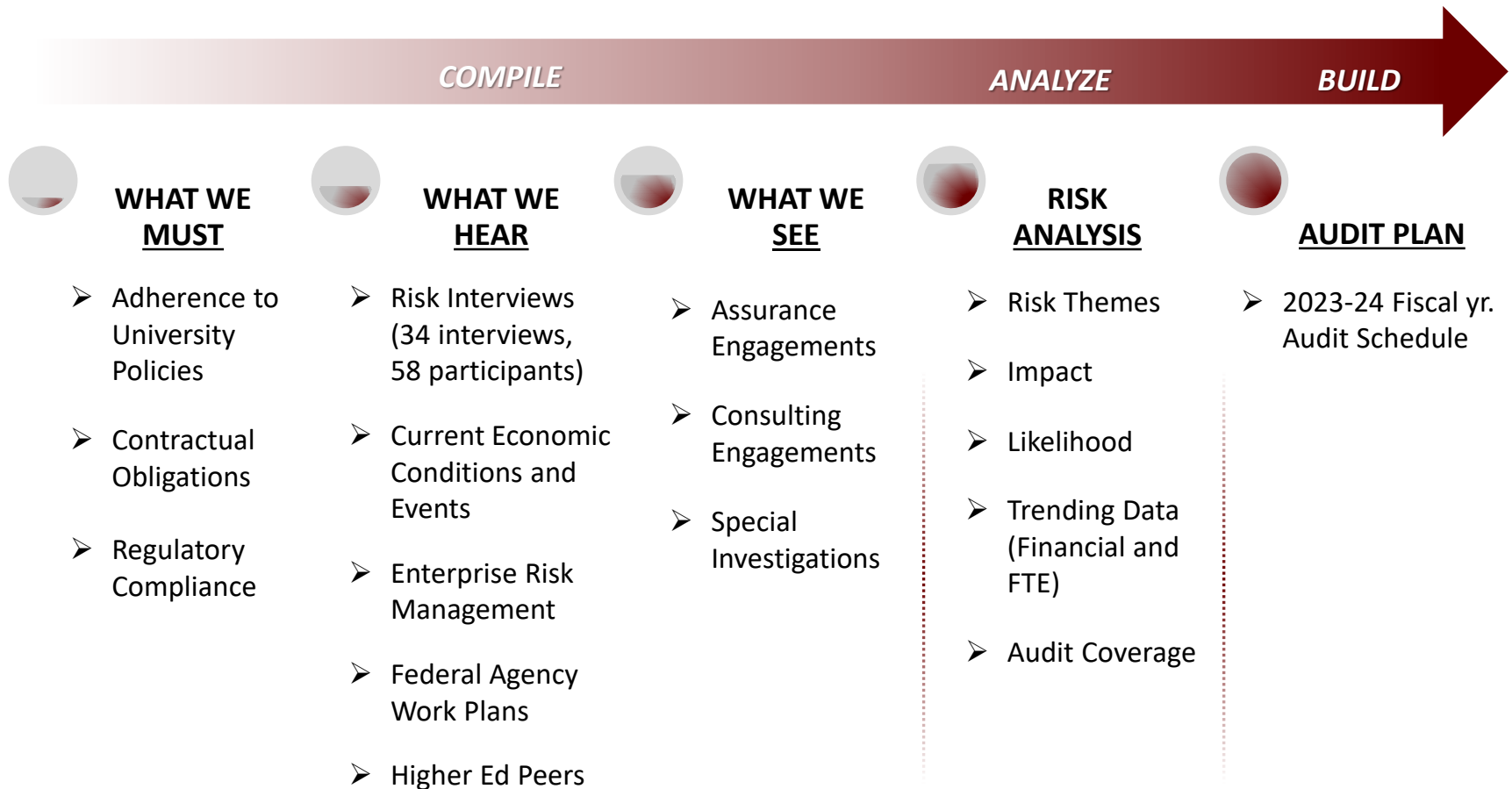
University Risk Assessment and Proposed Audit Plan Fiscal Year 2023-24

*Audit & Advisory Services
June 9, 2023*

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University Risk Assessment and Audit Plan Development Process



Risk Analysis Process

TREND

- Interview notes
- Known concerns
- Higher Ed News
- Compiled Data
- Develop Themes
- Determine High Priority Risks

PRIORITIZE

- High Priority Risks
- Emerging Risks/New leadership
- Known areas of concern
- Time since last audited

EXECUTE

The Audit Plan

- High Priority Risk Audits
- Special Investigations
- Audit Coverage
- Advisory Engagements

Common Themes

We noted themes that transcended multiple areas of the University and impact the risk profile of many of the areas we assessed.

- **Hiring and Retaining Talent:** Challenges remain in finding and retaining talent. Staffing lower in multiple key central support functions making it difficult to keep up with demand. Decreased retention of talent also affects the University's ability to develop leaders with diverse experiences to step into mid-level and senior leadership roles (*i.e.* succession planning).
- **Cybersecurity:** With colleges and universities storing massive amounts of sensitive data (*i.e.*, social security numbers, intellectual property, financial and health data), cybersecurity remains a significant risk for higher education. The University must ensure its risk identification, prevention, and mitigation processes are effective in securing this data.
- **Campus Health and Safety:** A healthy and safe environment in which to work, study, and play is an important component for the University community, allowing members to be more engaged in school and work life. Whether it be physical, mental, or emotional well-being, it's imperative for the University to have processes in place to support its community.
- **Concerning Behaviors:** Concerning behaviors, including activism, protests, mental health issues, and sexual assault raise the need to mitigate the risks involved, develop response plans and provide appropriate support to the University community.

Common Themes (cont.)

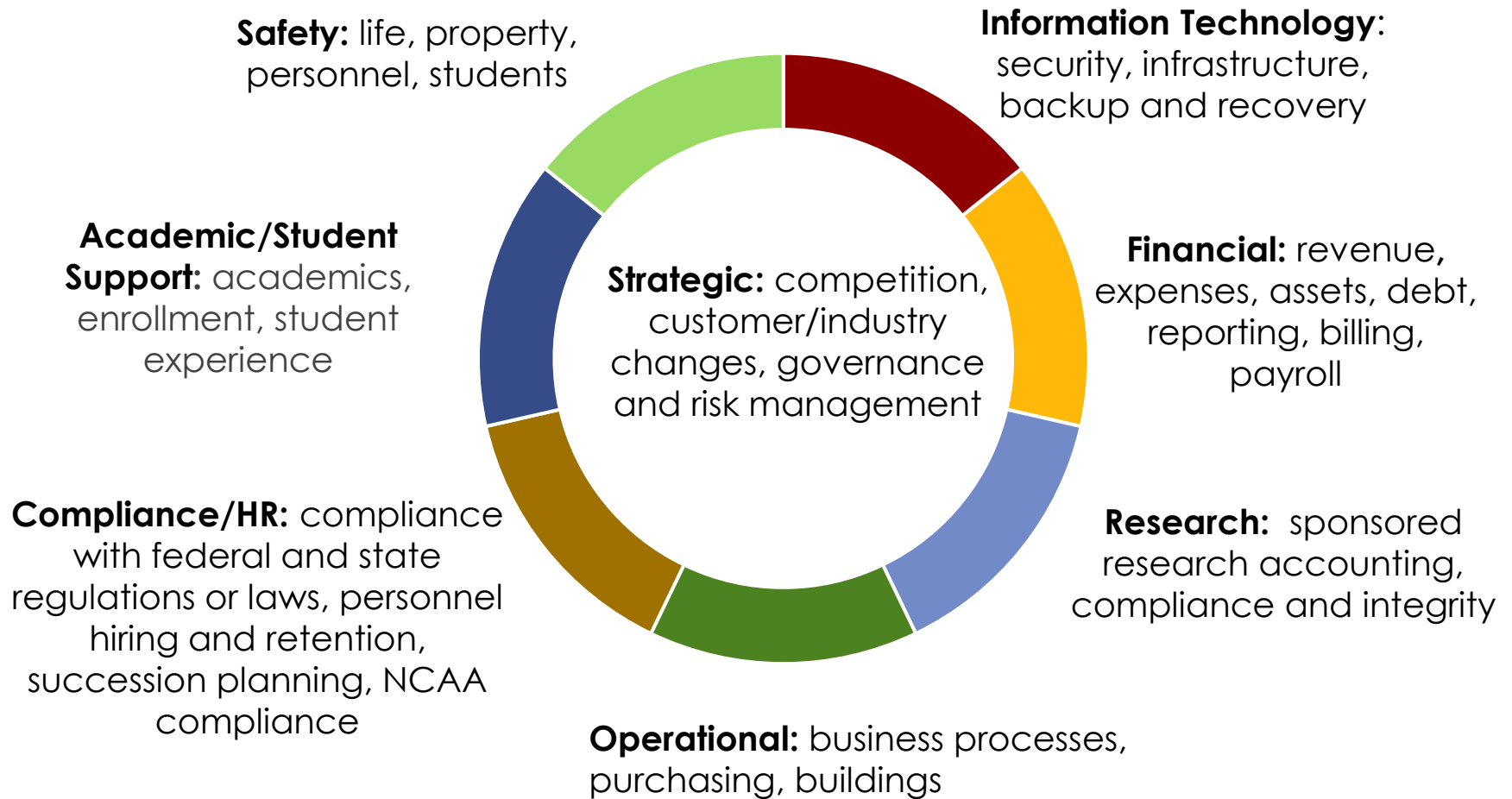
- **Financial Sustainability:** The University must continue to balance revenue sources with the costs of providing an education. This is particularly important with inflationary pressures causing increases to the cost of doing business.
- **Research Integrity and Compliance:** With heightened awareness and scrutiny related to foreign influence in higher education research, new requirements and guidance have been issued to hold colleges responsible for managing this risk. Structures to ensure integrity, transparency, and compliance are essential in securing and maintaining research funding.
- **Capital Renewal:** Reducing capital renewal backlogs has been a challenge for colleges and universities for decades -- this University is no stranger to this challenge. Unaddressed capital needs affect the ability to recruit students and attract top faculty talent critical to the University's research mission.
- **Artificial Intelligence:** The use of artificial intelligence in colleges and universities is an emerging trend that is being forecasted to change the industry like never before. While artificial intelligence in some form has been around for years, its increased use and application holds great promise for higher education. Along with its abundance of positive impacts comes academic, ethical, and legal challenges. The University must determine how to address these challenges.

High Priority Risk Considerations

In considering high priority risk areas, there are important points to keep in mind:

- While some risks can be mitigated with structured, proactive processes, there are risks beyond the University's control that can be managed, but not eliminated. The Board of Trustees, the Audit, Compliance and Risk Committee, Enterprise Risk Management Process, and senior leadership should monitor the University's efforts for mitigating the High Priority Risk Areas, especially those that may not lend themselves to internal audits.
- High Priority Risk Areas should not be considered "problem" areas, but rather areas that may warrant the University's attention and/or inclusion within the Audit Plan to provide assurances.
- The risk assessment process primarily considers inherent risk, before any internal controls or management plans are applied. The University has plans, processes, and/or controls to mitigate many of the identified risks; such areas are considered in establishing the Audit Plan and assessed as part of the audit process.
- The risk assessment was not intended to test risk mitigation strategies or review the University's response to the risks identified, although we gathered some understanding of risk mitigation activities in our interviews. Therefore, these areas may be inherently risky, yet well-managed and controlled.

Risk Framework



High Priority Risk Areas

Risk Category	Risk Area
Academic and Student Support	➤ Mental health
Compliance/Human Resources	<ul style="list-style-type: none"> ➤ ADA compliance ➤ Hiring and retention, succession planning
Financial	<ul style="list-style-type: none"> ➤ Enrollment pressures ➤ Impact of rising inflation on costs
Information Technology	<ul style="list-style-type: none"> ➤ Aging IT infrastructure ➤ Disaster recovery & business continuity ➤ IT security
Research	<ul style="list-style-type: none"> ➤ Complying with federal IT security requirements ➤ Foreign influence
Safety	<ul style="list-style-type: none"> ➤ Campus safety across System – prevalence of national violence ➤ Freedom of expression
Strategic	<ul style="list-style-type: none"> ➤ Artificial intelligence ➤ System infrastructure



Audit Plan 2023-24 Fiscal Year

A typical engagement consists of evaluating internal controls of key operations, testing compliance with University policies and applicable regulations, and verifying reported information. When planning our review, we welcome other areas management would like to include.

Academics/Student Support

Financial Aid Abatements and
Withdrawal Funds

Mental Health – Comprehensives

Compliance/Human Resources

ADA Compliance

Employee Classification and
Compensation

Title IX Operations

Financial

HEERF Fund Expenditures

Information Technology

Cybersecurity – Data Leak Protections

Cybersecurity – Federal sponsors
(NSPM-33)

Information Technology

Cybersecurity – Remote Access
Management

Cybersecurity – Secure
Configuration of Assets

Managed Human Resources

Managed Service Agreements

Strategic Planning

Suppliers and Third-Party Risks

Operational

College Business Operations –
School of Law

Transportation Services –
Columbia

University Policies and Procedures

USC Beaufort Business Operations

Research

Grant Accounting

Safety

Campus Safety Training – Columbia

Strategic

Artificial Intelligence - Advisory

Reviews Required by Policy or Charter

Board Office and President’s Expenses

Follow-up reviews for Outstanding
Audit Issues

IT Investment Analysis

Management Advisory Reviews

Special Investigations/Internal Control
Reviews

Note: *Garnet font indicates a High Priority Risk Audit*

Other AAS Activities

In addition to the engagements previously listed, other AAS activities include:

- Delivering training on stewardship, conflicts of interest, fraud, or other areas upon request.
- Publishing a quarterly newsletter to promote ethics and a strong internal control environment.
- Maintaining AAS' website to provide risk and control information to the University community.
- Overseeing the University's Integrity Line, including assigning, tracking, and reporting investigations.
- Attending professional development conferences and seminars to stay current, meet professional certification requirements, and network with peers.
- Participating in professional organizations by volunteering on committees to share our expertise and gain the benefit of learning from other professionals in our field.

Audits not on the Audit Plan

- **Athletics** – The ever-changing landscape, from Name, Image, Likeness to the potential for revenue sharing among student-athletes, has presented college athletic departments with a significant set of financial unknowns.
- **Capital Renewal** – Reducing capital renewal backlogs has been a challenge for colleges and universities for decades. We have audited areas within capital renewal in prior audit plans. This audit did not make the plan when we balanced priorities with audit resources.
- **Delivering and Tracking Training** – delivering and tracking training to the University community can assist in compliance with the constantly changing regulatory and higher education environment.
- **Purchasing** – The Purchasing Department is currently undergoing a state procurement audit, as well as a review by the Office of Organizational Excellence and Effectiveness.
- **Succession Planning** – While succession planning remains a high priority risk area, Audit & Advisory Services has completed two recent engagements (October 2019 and February 2022).

Appendix A

Risk Assessment Interviews

Board of Trustees

Thad Westbrook – Chair, Board of Trustees	Dr. C. Dorn Smith, III - Chair, Audit, Compliance & Risk Committee
Rose Buyck Newton – Vice Chair, Board of Trustees	Cameron Howell - Secretary to the Board and University Secretary

President and University Officials

Dr. Michael Amiridis - President	Terry Parham – Gen. Counsel/Exec. Dir. of Compliance Programs
Caroline Agardy - Vice President for Human Resources	J. Rex Tolliver – VP for Student Affairs and Academic Support
Dr. Donna Arnett – Exec. VP for Academic Affairs and Provost	Scott Verzyl – VP, Enroll. Mgmt./Dean, Undergraduate Admissions
Dr. Julius Fridriksson, Vice President for Research	Ed Walton – Executive VP For Administration and CFO

System Chancellors

Dr. Susan Elkins – Chancellor, Palmetto College	Dr. Daniel Heimmermann – Chancellor, USC Aiken
Dr. Bennie Harris – Chancellor, USC Upstate	Dr. Al Panu – Chancellor, USC Beaufort

College Deans and Administration

Dr. Mary Alexander – Assistant Provost and Chief of Staff	Christine Bowman – Managing Principal, CliftonLarsonAllen
David Banush – Dean of Libraries	Betsy Bradley – HIPAA Compliance Officer
Dr. Janice Bass - Interim Dean, Darla Moore School of Business	Jean Bushong – Principal, CliftonLarsonAllen
Dr. Claudia Benitez-Nelson – Senior Associate Dean, CAS	Tommy Coggins – Dir. of Spons. Awards Mgmt./Res. Compliance
Sandra Besley – Executive Director, Business & Finance, ASPH	Derham Cole – Vice President for Student Affairs

Appendix A

Risk Assessment Interviews

College Deans and Administration	
Lindsay Crawford – Associate Controller	Becky Padgett – Asst. Dean, Dir. of Admin. Serv., Univ. Libraries
Joey Derrick – Director of Student Financial Aid and Scholarships	Beth Patrick – Vice Chancellor, Finance, Ops., IT, USC Beaufort
Kay Dorrell – Director of Finance and Operations, CEC	Lee Pearson – Assoc. Dean for Operations and Accreditation, ASPH
Kelly Epting – Associate Vice President for Finance and Budget	Molly Peirano – Associate VP for Civil Rights and Title IX
Dr. Hossein Haj-Hariri – Dean, College of Engineering & Computing	Jeff Perkins – Chief Operating Officer
Brian Hann – Director, Enterprise Risk Management & Insurance	Scott Prill – Deputy Chief of Police
Heather Heckman – Assoc. Dean, Technology, University Libraries	Cam Reagin – Vice Chancellor, Finance & Admin., USC Aiken
Andy Humes – Sr. Assoc. Athletics Director, Compliance Services	LaTasha Robinson – Director of HR & Faculty Affairs, CAS
Mandy Kibler – Assoc. VP for Admin. & Fin., University Controller	Chris Rogers – Sr. Associate Athletics Director for Administration
Susan Klie – Dir. of Budget Operations, College of Arts & Sciences	Dr. Joel Samuels – Dean, College of Arts and Sciences
Dr. Audrey Korsgaard – Faculty Senate Chair	Joe Sobieralski – Univ. Treas., Asst. VP/Chief of Staff – Adm. & Fin.
Venis Manigo – Assoc. Vice Pres. and Chief Procurement Officer	Dr. Jason Stacy – Assoc. VP, Student Health & Well-Being (Interim)
Dr. Mike Matthews – Sr. Assoc. Dean, Research & Grad. Programs	Jeff Tallant – Chief Financial Officer, Athletics
Danielle McElwain – Director of Research, CEC	Sheryl Turner-Watts, V. Chan., Admin. & Bus. Affairs, USC Upstate
Donald Miles – Dir. of Institutional Effectiveness and Accreditation	Marcos Vieyra – Acting VP for Inf. Tech./CIO, Exec. Dir. and CISO
Chance Miller – Senior Deputy Athletics Director	Chris Wuchenich – Assoc. VP, Law Enf. & Safety; Chief of Police