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University of South Carolina
BOARD OF TRUSTEES

Audit, Compliance and Risk Committee

April 9, 2021

The Audit, Compliance and Risk Committee of the University of South Carolina Board of Trustees met at 11:40 a.m. on Friday, April 9, 2021, in the Pastides Alumni Center Ballroom and by Microsoft Teams video conference.

Committee members present were Ms. Rose Buyck Newton, Chair; Mr. Brian C. Harlan; Mr. Richard A. Jones Jr.; Ms. Emma W. Morris; Mr. Robin D. Roberts; Mr. Charles H. Williams; Dr. C. Dorn Smith III, Board Chair; and Mr. Thad H. Westbrook, Board Vice Chair. Mr. J. Egerton Burroughs participated by Microsoft Teams video conference.

Other Board members present were Mr. Alex English; Dr. C. Edward Floyd; Mr. Toney J. Lister; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Mr. John C. von Lehe Jr.; Mr. Eugene P. Warr Jr.; and Mr. Mack I. Whittle Jr. Mr. C. Dan Adams, Mr. Miles Loadholt, and Ms. Molly M. Spearman participated by Microsoft Teams video conference.

Also present were USC Columbia Faculty Senate Chair Dr. Mark Cooper and USC Columbia Student Government President Mr. Alex Harrell. Board of Trustees' Strategic Advisor Mr. David Seaton participated by Microsoft Teams video conference.

Others in attendance were President Robert L. Caslen Jr.; Acting Secretary Cameron Howell; Vice President for Human Resources Caroline Agardy; Associate Vice President for Health and Well-Being and Chief Health Officer Deborah Beck; President's Chief of Staff

Mark Bieger; Presidential Faculty Fellow Susan Bon; Executive Director of Strategic Planning Jack Claypoole; Assistant Director of Facilities Administration and Finance Jason Cone; Interim USC Upstate Chancellor Derham Cole; Vice President for Development Monica Delisa; Chief Audit Executive Pam Dunleavy; Palmetto College Chancellor Susan Elkins; Associate Vice President for Finance and Budget Kelly Epting; Arnold School of Public Health Professor Stacy Fritz; Vice President for Information Technology and Chief Information Officer Doug Foster; Associate Vice President of Facilities Planning, Design and Construction and University Architect Derek Gruner; Interim Director of Academic Programs Trena Houpp; USC Aiken Chancellor Sandra Jordan; University Controller Mandy Kibler; Assistant to the President for System Affairs Eddie King; Executive Director of the Office of Economic Engagement Bill Kirkland; Darla Moore School of Business Professor Audrey Korsgaard; Director of Revenue Contract Management and Support for the Carolina Card Sandra Lee; Associate Vice President and Chief Procurement Officer Venis Manigo; Senior Director of Strategic Partnership for Military and Government Programs Todd McCaffrey; Senior Deputy Athletics Director Chance Miller; Senior Associate Provost for Social Innovation and eLearning Diana Mitchell; Director of the Financial and Operational Audit Team Glenn Murray; USC Beaufort Chancellor Al Panu; Assistant Director of Information Technology Audit Roscoe Patterson; General Counsel and Executive Director of Compliance Programs Terry Parham; Chief Operating Officer Jeff Perkins; Vice President for Student Affairs and Vice Provost Dennis Pruitt; Interim Executive Communications Director Amy Rogers; Interim Dean of College of Arts and Sciences Joel Samuels; Special Assistant to the President James Smith; University Treasurer and Assistant Vice President of Administrative Operations and Chief of Staff Joe Sobieralski; Assistant Vice President of Media and External Engagement Jeff Stensland; Executive Vice President for Academic

Affairs and Provost Bill Tate; Vice President for Diversity, Equity and Inclusion Julian Williams; Associate Vice President and Chief of Police Chris Wuchenich; and Board of Trustees' support staff.

OPEN SESSION

I. Call to Order

Chair Newton called the meeting to order, welcomed everyone, and asked Trustees in the room to introduce themselves. Acting Secretary Howell confirmed Trustees in attendance by Microsoft Teams video conference.

Chair Newton called on Mr. Jeff Stensland to introduce members of the media. Mr. Stensland introduced Andy Shain with the *Post and Courier*, Lucas Daprile and Michael Lananna with the *State*, and Collyn Taylor with the *Daily Gamecock*.

Chair Newton 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 Newton stated there was a need for Executive Session to discuss personnel matters regarding recommended appointments for the USC Aiken Chancellor and three vice president positions, and separately, a conflict-of-interest matter. Mr. Harlan made the motion to enter Executive Session and Mr. Williams seconded the motion. A vote was taken, and the motion carried unanimously. Chair Newton stated no action would be taken in Executive Session and invited the following to remain: Trustees, President Caslen, Acting Secretary Howell, Dr. Cooper, Mr. Harrell, Mr. Seaton, the President's Executive Council, Mr. Murray, and Board of Trustees' support staff.

EXECUTIVE SESSION

– Executive Session Removed –

RETURN TO OPEN SESSION

II. External Audits

Chair Newton called on University Controller Ms. Mandy Kibler for introductory comments related to external audits. Ms. Kibler stated the Controller's Office has resolved all outstanding financial reporting findings of previous years related to the uniform guidance audit. She introduced Mr. Howie Houston with Elliott Davis to present fiscal year 2020 audit engagements and findings. Mr. Houston stated the Audit of Federal Awards Under Uniform Guidance (Single Audit) and National Collegiate Athletic Association (NCAA) Agreed Upon Procedures for USC Columbia, USC Upstate, and USC Aiken was completed.

There were no financial statement findings and no material weaknesses over compliance of the reportable findings. There were five findings that were significant deficiencies over compliance. He advised that four of the five related to the student financial assistance area. The report included a summary of prior audit findings and the status of each.

III. Internal Audits/Reviews

Chair Newton called on Ms. Pam Dunleavy to present internal audits and reviews.

A. Board Requested Contracts Review Report

Ms. Dunleavy presented findings from the Board of Trustees contracts and agreements review. As part of the review, a list of Board approved contracts and agreements for Calendar Years 2018, 2019, and 2020 was compiled using Board meeting minutes from the Governance Committee and full Board to determine whether approvals were obtained as required by University policy. Ms. Dunleavy noted the review was limited by the functionality of the current contract management

database. Recommendations included updating University Policy BTRU 1.04 to identify when contracts and agreements with total values of more than \$250,000 may be exempted from Governance Committee review and only require approval by a majority vote of the Board of Trustees, upgrading the contract management system used by the Office of General Counsel, and improving the timeliness required to execute contracts approved by the Board.

B. Facilities' Operating Budgets Audit Report

Ms. Dunleavy presented findings of the Facilities' operating budget audit. She noted the scope included evaluation of Facilities' operating budget for sufficiency, reviewing budget to actual expenditure, verifying operating expenses for utilities and custodial services, reviewing Facilities' chargebacks for appropriate allocations and timely billings, and assessing the Facilities Administration and Management Information System. AAS recommended that Facilities retain copies of rate schedules/agreements and documentation used to calculate utility fees. At least annually, Energy Management should review and verify rates. In addition, Facilities in consultation with the University's Division of Information Technology, should perform a cost/benefit analysis to determine the best system option to support Facilities' functions.

C. Foreign Influence Audit Report

Ms. Dunleavy presented findings of the foreign influence audit. AAS recommended that Sponsored Awards Management should enhance the conflict evaluation process currently in place to include review for relationships with foreign entities.

D. Third-Party Contracts Audit Report

Ms. Dunleavy presented the findings of the third-party contracts audit report. Based on AAS's review, the evaluation of security and privacy controls for IT-related contracts is adequate, and the terms and conditions on contracts are reviewed before they are signed. A recommendation was made to identify and strengthen the University's third-party risk management efforts.

E. Tracking Report

Ms. Dunleavy stated the tracking report lists open audit items to be resolved. The current report lists two audit recommendations overdue longer than two years. The first recommendation related to user access reviews for student data systems should be resolved by June 2021. The second recommendation related to the implementation of the contract management system should be resolved with the implementation of the new contract management system in the summer of 2021.

F. Cybersecurity Framework Assessment Audit Report

Ms. Dunleavy advised a cybersecurity framework assessment was done by Deloitte and introduced Managing Director, Renell Dixon, to present the audit findings. Ms. Dixon reported the University adopted the National Institute of Standards and Technology Cyber Security Framework (NIST CSF). The NIST CSF helps organizations understand, manage, and reduce cyber security risks. Deloitte, in collaboration with senior management, reviewed several key areas of the framework. The audit concluded the University has a holistic, risk-based approach with clear visibility into the current and target state of program maturity as well as a focus on people, processes, and technology. The approach is consistent with peer universities.

A recommendation was made that management develop and communicate an action plan to achieve the targeted maturity for information security.

Chair Newton stated the reports were received as information.

IV. Approval of Audit & Advisory Services' Budget FY 2021-22

Chair Newton called on Ms. Dunleavy to present the proposed fiscal year 2021-22 Audit & Advisory Services' Budget for approval. Ms. Dunleavy advised next year's proposed budget includes salaries and benefits for a staff of ten full time equivalent employees, which included the new Conflict-of-Interest Manager.

Chair Newton called for a motion to approve the Audit & Advisory Services' fiscal year 2021-22 budget as presented and posted on the Board portal. Mr. Harlan so moved, and Ms. Morris seconded. A vote was taken, and the motion carried.

V. Re-accreditation of the University Health Center

Chair Newton called on Associate Vice President for Health and Well-being and Chief Health Officer Dr. Deborah Beck to present a report of the re-accreditation of the University Health Center. Dr. Beck stated campuses today recognize that student health issues are directly connected to student retention and academics, requiring a more sophisticated response and room for comprehensive services. Research shows a direct correlation between student's health, academic achievement, and completion of degree. The University's Student Health Services has been accredited for more than 25 years and in 2014 was accredited as a Patient Centered Medical Home (PCMH). The University's Student Health Services is the only accredited PCMH in South Carolina. Less than 10% nationally are accredited as a PCMH. She stated the University's Student Health Services was re-accredited in 2017 and 2021.

Chair Newton thanked Dr. Beck and stated the report was received as information.

VI. New Charge to Conduct Risk Analyses

Chair Newton advised four new charges were presented to the Committee by the Board Chair, which include a Title IX independent review, a review of all payroll increases, a board policy review on Board and Presidential oversight of intercollegiate sports, and a charge to review executive level retirement benefits. The results of these on-going reviews will be presented for information at a future meeting.

VII. Audit, Compliance and Risk Committee

Chair Newton reminded the Committee that information would be forthcoming regarding the Committee's self-assessment and asked that members return the assessment to her so that the results could be presented at a future meeting.

VIII. Other Matters

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

IX. Adjournment

Chair Newton declared the meeting adjourned at 1:07 p.m.

Respectfully submitted,

Cameron Howell
Acting Secretary