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University of South Carolina
BOARD OF TRUSTEES

Audit, Compliance and Risk Committee

October 15, 2021

The Audit, Compliance and Risk Committee of the University of South Carolina Board of Trustees met at 9:00 a.m. on Friday, October 15, 2021 in the Floyd Boardroom of the Pastides Alumni Center 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. Miles Loadholt, Mr. Hubert F. Mobley, Mr. Eugene P. Warr Jr., and Mr. Mack I. Whittle Jr. Mr. C. Dan Adams, Ms. Leah B. Moody, and Mr. John C. von Lehe Jr. joined by Microsoft Teams video conference.

Also present were USC Columbia Faculty Senate Chair Dr. Audrey Korsgaard and USC Columbia Student Government President Mr. Alex Harrell.

Others in attendance were Interim President Harris Pastides; Secretary Cameron Howell; Vice President for Human Resources Caroline Agardy; College of Retail and Sports Management Interim Dean David Cardenas; Executive Director of Strategic Planning Jack Claypoole; Interim Provost and Dean of the College of Pharmacy Stephen Cutler; Communications Manager Abe Danaher; Vice President for Development Monica Delisa;

Chief Audit Executive Pam Dunleavy; Palmetto College Chancellor Susan Elkins; Associate Vice President of Finance and Budget Kelly Epting; President and Provost Faculty Fellow Stacy Fritz; Vice President of Facilities Planning, Design and Construction and University Architect Derek Gruner; USC Upstate Chancellor Bennie Harris; USC Aiken Chancellor Dan Heimmermann; Chief Executive Officer of the USC Alumni Association Wes Hickman; Interim Director of Academic Programs Trena Houp; Howie Houston with Elliott Davis; University Controller Mandy Kibler; Executive Director of Economic Engagement Bill Kirkland; Senior Deputy Athletics Director Chance Miller; USC Beaufort Chancellor Al Panu; 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; Special Assistant to the President James Smith; University Treasurer and Assistant Vice President of Administrative Operations and Chief of Staff Joe Sobieralski; Interim Vice President of Health and Well-Being and Chief Health Officer Jason Stacy; Assistant Vice President of Media and External Engagement Jeff Stensland; Athletics Director Ray Tanner; Vice President for Communications Larry Thomas; USC Aiken Provost and Executive Vice Chancellor of Academic Affairs Daren Timmons; Executive Vice President and Chief Financial Officer Ed Walton; Vice President for Diversity, Equity and Inclusion Julian Williams; 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. Secretary Howell confirmed Trustees in attendance by Microsoft Teams video conference.

Chair Newton called on Mr. Jeff Stensland to introduce members of the media. There were no members of the media in attendance.

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.

II. External Audit Reports

Chair Newton called on University Controller Ms. Mandy Kibler to present the external audit reports. Ms. Kibler stated the comprehensive annual financial report was issued and submitted to the State of South Carolina before the due date. Ms. Kibler then introduced Mr. Howie Houston from Elliott Davis for an update on the audit.

Mr. Houston stated the comprehensive annual financial statement audit was completed and the June 30, 2021 report noted no significant or unusual matters and no material weakness in internal control. The prior-year financial statements received a certificate of excellence in financial reporting from the Government Finance Officers Association. Mr. Houston reviewed highlights and positive trends from this year's financial statements. He stated there were three recently issued accounting standards. One will not have an impact on USC; two will have an impact on future financial audits, and he will report on those at a future date.

Mr. Houston provided the status of other engagements, including the Upstate financial statement audit which has been issued. He stated the Columbia, Beaufort, and Aiken financial statement audits would be issued the following week. Mr. Houston reported the single audit is in progress, which includes an audit of federal awards.

Chair Newton thanked Mr. Houston and stated the reports were received as information.

III. Internal Audits

Chair Newton called on the Director of the Audit & Advisory Services' (AAS) Financial and Operational team, Mr. Glenn Murray, to present internal audits.

A. Budget Process Audit Report

Mr. Murray presented the results of the budget model and process engagement audit report, which was posted to the Board portal. He stated focus was on assessing the underlying mechanics and methodologies of the budget model, as opposed to the associated outcomes. The audit concluded the Budget Office was doing a commendable job of executing the prescribed budget model. The budget model's major components are functioning as intended and the allocation methodologies are being accurately applied across units. Mr. Murray highlighted four recommendations AAS noted in the report to enhance the budget process.

Chair Newton stated the report was received as information.

B. Gamecock iHub Audit Report

Mr. Murray presented the results of the Gamecock iHub audit report, which was posted to the Board portal. The review was performed prior to the campus Apple authorized store opening; thus, the primary focus of the audit was to assess procedures for business operations and accounting processes. The Gamecock iHub is a contractual relationship between the South Carolina Research Foundation (SCRF) and Apple. The College of Hospitality, Retail and Sports Management is responsible for the daily operations in the University-provided space. A service agreement exists requiring SCRF to reimburse the University in a timely manner for

expenses paid on behalf of SCRF; and a financial policies and procedures document has been established to provide a framework for managing personnel expenses. No formal agreement covering Gamecock iHub operations exists between the University and SCRF. Mr. Murray stated that once a methodology has been established for all expenses related to operating the Gamecock iHub, AAS recommends SCRF management formally document the process.

Chair Newton stated the report was received as information.

C. Management Reporting Audit Report

Mr. Murray presented results of the management reporting audit, which focused on determining if the University's enterprise resource planning systems were providing the data needed for decision making. The audit found that University data are available, but the systems do not have built-in reporting tools. Mr. Murray highlighted AAS's recommendations and management's responses to enhance reporting functions in the future.

Chair Newton thanked Mr. Murray and stated the report was received as information.

Chair Newton called on Chief Audit Executive Ms. Pam Dunleavy to present the tracking report.

D. Tracking Report

Ms. Dunleavy reviewed the AAS's tracking report which was posted to the Board portal. Ms. Dunleavy stated the tracking report shows the status of outstanding AAS audit recommendations. The current report had 15 recommendations that are overdue.

Chair Newton stated the report was received as information.

E. Approval of FY21-22 Audit Plan

Chair Newton stated the FY2021-22 audit plan was presented at the August 20, 2021 Committee meeting and posted to the Board portal. She called for a motion to approve the FY2021-22 audit plan as presented and posted to the Board portal. Mr. Harlan made the motion, and Ms. Morris seconded the motion. A vote was taken, and the motion was approved.

Chair Newton stated this agenda item would be included on the Audit, Compliance and Risk Committee's written consent agenda for consideration at the full Board meeting later in the day.

IV. Risk and Compliance Reports

Chair Newton stated the report of other external audits and reviews was posted to the Board portal and Ms. Dunleavy was available to respond to any questions. Hearing none, she stated the report was received as information.

V. Voluntary Separation Programs Update

Chair Newton stated a voluntary separation program update was posted to the Board portal and Vice President of Human Resources, Ms. Caroline Agardy, was available to respond to any questions. Hearing none, she stated the report was received as information.

VI. Audit, Compliance and Risk Committee

A. Education Materials – Enterprise Risk Management

Chair Newton called attention to reading material posted to the Board portal for educational purposes related to enterprise risk management.

B. Matrix Review

Chair Newton called attention to the Audit, Compliance and Risk Committee's planning matrix which was posted to the Board portal. She noted two items, the evaluation of the external audit firm and uniform guidance, were moved to the first quarter of 2022.

C. Committee Self-Assessment

Chair Newton stated the result of the Audit, Compliance and Risk Committee's self-assessment was posted to the Board portal.

VII. Other Matters

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

VIII. Adjournment

Chair Newton declared the meeting adjourned at 9:40 a.m.

Respectfully submitted,

Cameron Howell
Secretary