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University of South Carolina

BOARD OF TRUSTEES

Audit, Compliance and Risk Committee

February 19, 2021

The Audit, Compliance and Risk Committee of the University of South Carolina Board of Trustees met at 12:50 p.m. on Friday, February 19, 2021, in the Pastides Alumni Center Ballroom and via Microsoft Teams video conference.

Committee members present were Ms. Rose Buyck Newton, Chair; Mr. J. Egerton Burroughs; 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.

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

Also present was USC Columbia Student Government President Ms. Issy Rushton. USC Columbia Faculty Senate Chair Dr. Mark Cooper and Board of Trustees Strategic Advisor Mr. David Seaton participated by Microsoft Teams video conference.

Others in attendance were President Robert L. Caslen Jr.; Secretary J. Cantey Heath Jr.; Assistant Secretary Cameron Howell; Vice President of Human Resources Caroline

Agardy; President's Chief of Staff Mark Bieger; Budget and Human Resources Manager On Your Time Initiatives Jean Brklich; Executive Director of Strategic Planning Jack Claypoole; Interim Chancellor USC Upstate Derham Cole; Vice President of Development Monica Delisa; Chief Audit Executive Pamela Dunleavy; Chancellor Palmetto College Susan Elkins; Associate Vice President of Finance and Budget Kelly Epting; Vice President of Information Technology and Chief Information Officer Doug Foster; Chief Executive Officer USC Alumni Association Wes Hickman; Assistant to the President for System Affairs Eddie King; Executive Director Office of Economic Engagement Bill Kirkland; Interim Director Academic Programs Trena Houpp; Chancellor USC Aiken Sandra Jordan; Darla Moore School of Business Professor Audrey Korsgaard; Senior Director of Strategic Partnership for Military and Government Programs Todd McCaffrey; 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; University Treasurer and Assistant Vice President of Administrative Operations and Chief of Staff Joe Sobieralski; Assistant Vice President Media and External Engagement Jeff Stensland; Director of Athletics Ray Tanner; Executive Vice President for Academic Affairs and Provost Bill Tate; and Associate Vice President and Chief of Police Chris Wuchenich and Board of Trustees 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 Heath confirmed Trustees in attendance via

Microsoft Teams video conference.

Chair Newton called on Mr. Jeff Stensland to introduce members of the media. Mr. Stensland introduced Lucas Daprile with *The State* and Christine Bartruff 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 advised there was a need for Executive Session to discuss a personnel matter. Mr. Williams made the motion to enter Executive Session and Ms. Morris seconded the motion. A vote was taken, and the motion carried unanimously. Chair Newton invited the following to remain: Trustees, President Caslen, Secretary Heath, Assistant Secretary Howell, Dr. Cooper, Ms. Rushton, Mr. Seaton, Ms. Agardy, Mr. Parham, Provost Tate, Dean Haj-Hariri, Chief Wuchenich, Ms. Dunleavy, and Board of Trustees Staff.

EXECUTIVE SESSION

- Executive Session Removed

RETURN TO OPEN SESSION

II. Internal Audits/Reviews

Chair Newton called on Chief Audit Executive Pamela Dunleavy to present a review of internal audits.

A. CARES Act Funding Audit Report

Ms. Dunleavy advised Audit and Advisory Services (AAS) audited Coronavirus Aid, Relief, and Economic Security (CARES) Act funding received by the University.

The University received \$35.8 million in higher education emergency funds as of year-end 2020. The scope included testing spending methodology and distribution of funds for compliance with statutory requirements. Data analysis was performed to identify anomalies and unexpected patterns which included a test sample of students receiving emergency grants to ensure they met eligibility requirements. Quarterly reports were reviewed for accuracy and compliance with statutory requirements. Ms. Dunleavy advised there were no reportable observations and the audit concluded funds were used appropriately.

Chair Newton stated this report was received as information.

B. HIPAA Compliance Audit Report

Ms. Dunleavy presented the Health Insurance Portability and Accountability Act (HIPAA) compliance audit report. HIPAA regulations are comprised of three components: privacy, security, and breach notification. The University has two types of entities within this regulation. The first is a covered entity, which includes full medical service entities that must comply with the full extent of the regulations. The second is business associate agreements which includes contractual relationships between two parties in which protected health information is shared. This second type may only need to be partially compliant with some of the regulation. The University has 96 active business associate agreements primarily associated with research. Each covered entity listed in the Contextual Data section of the report employs a unit-level HIPAA Privacy Officer and Security Officer not solely dedicated to compliance efforts. Additional support is provided by the University's Information Security Office. The overarching Director of HIPAA Compliance position reporting

to General Counsel is currently vacant. Recent establishment of a Chief Health Officer position may dictate a shifting of responsibilities for HIPAA compliance. AAS recommends the Office of General Counsel perform an assessment of risks related to HIPAA compliance efforts to determine if more resources are needed. The Research Compliance Office and General Counsel's Office should work together to ensure the 96 active business associate agreements are properly executed. Other observations for consideration include dedicating a resource to oversee IT security requirements for HIPAA regulations.

Management responded the Office of General Counsel will confer with the Division of Information Technology (DoIT) in the first quarter of 2021 to determine whether an additional full-time employee (FTE) should report to the General Counsel or DoIT.

Chair Newton commented the HIPAA compliance audit report indicated a management response will be forthcoming in the first quarter of 2021. Ms. Dunleavy confirmed this. Chair Newton stated the report was received as information.

C. IT Governance Audit Report

Ms. Dunleavy introduced Assistant Director of Information Technology Audit Roscoe Patterson to present the IT (Information Technology) Governance audit report. Mr. Patterson stated a review of IT Governance was started in October 2020 and concluded in December 2020. Internal audit is uniquely positioned within the University to assess the maturity of the University System's IT governance structure and make recommendations as needed. Audit procedures and objectives were developed using a risk-based approach to determine if the University's IT governance

framework reflected guidance provided by the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. In collaboration with senior management, a risk assessment was completed which reviewed the following areas related to IT governance: 1) alignment between organizational priorities and IT objectives; 2) investment management strategies, including analysis of existing investments and approved systems to properly vet proposed investments and unapproved systems; 3) business cases to justify spending University funds and provide measurable goals to assess the return on investment; and 4) IT procurement policies for clarity and completeness.

Mr. Patterson reported three observations. First, the alignment between organizational and IT governance is not clearly traceable or communicated, which increases the risk of employees intentionally or unintentionally circumventing Board-approved policy. AAS made three recommendations and noted management's response. The first recommendation included the need to map the alignment between Board's bylaws and policies to IT governance. Management responded by June 30, 2021, DoIT will create and publish a document that establishes clear alignment between the Board of Trustees and IT Governance. AAS's second recommendation included establishing an Enterprise IT Governance Framework, through policy, that focuses on five domains: 1) strategic alignment; 2) value delivery; 3) resource management; 4) performance management; and 5) risk management. The policy should include, but not be limited to, the following: audience, purpose, scope, roles and responsibilities, revision and review, and references. Management responded by June 30, 2021, DoIT will establish an IT Governance Policy that encompasses the

recommendation outlined above by AAS. The third AAS recommendation included communicating expectations. Management responded the DoIT will implement communications and organizational change management initiatives to ensure the IT Governance Policy is well-understood and stakeholders are prepared for any changes in accountability or responsibility.

AAS's second observation noted the DoIT maintains a listing referred to as the Technical Reference Manual (TRM) of approved standard systems that reside on the University's network. DoIT is aware of systems that are not listed in the TRM and therefore, are on the University network without approval. AAS made four recommendations. The first recommendation was to analyze the list and identify and quantify investment redundancies. The second recommendation advised in the case of redundancy was to remove unnecessary systems, risks, and/or costs from the network and update the TRM. The third recommendation advised was to require system owners who have systems on the network not listed in the TRM, to submit a request for an exception review for consideration of continued usage. The final recommendation was to review the request and approve or disapprove based on specific criteria. Management responded by June 30, 2021, DoIT will perform an analysis of the TRM which will include a review of all software purchased/renewed at the University over the last two years to ensure all systems on the network are included in the TRM. The Technical Review Board (TRB) is responsible for approving IT purchase requests. The TRB will use the TRM to identify and minimize potential redundancies for future purchases and renewals. The TRB will maintain the information in the TRM as new technology is requested.

The third observation made by AAS reported business cases for new IT investments were not required. Without the requirement of a business case or equivalent, personnel are authorized to spend University funds without justification and metrics for assessing the value and return on investment. This increases the risk of unnecessary spending and imprudence with University funds. AAS recommended outline criteria for when business cases are required, as well as, communicating the enforcing the requirement. Consideration should be given to aligning the business case requirement with the criteria for bringing investments to the TRB for approval. Management responded DoIT is committed to fiduciary responsibility, therefore by June 30, 2021, DoIT will create a standard business case template and process for University wide use that assesses recommendations by AAS. Finally, communications and organizational change initiatives will be launched to ensure the process and any elements required by the business case template are well understood by the enterprise.

Chair Newton thanked Mr. Patterson for his report stating the timing was appropriate for work of the newly formed Ad Hoc Advisory Committee on Information Technology and stated the report was received as information.

D. Payroll Audit Report

Chair Newton noted observations on the Payroll Auditing report were posted on the Board portal and were received as information.

E. President's Office and Board Expenditures Calendar Year 2020

Chair Newton noted the President's Office and Board Expenditures Calendar Year 2020 report was posted on the Board portal. Expenditures of the departments were found to be properly managed and there were no material observations. This

report was received as information.

F. Tracking Report

Ms. Dunleavy briefly reviewed the tracking report which covered outstanding audit issues. She stated three outstanding observations overdue longer than two years had made good progress over the last few months.

Chair Newton thanked Ms. Dunleavy and stated this report was received as information.

III. Approval of Retirement Incentive Program

Chair Newton called on Vice President of Human Resources Caroline Agardy to present a Retirement Incentive Program (RIP) for approval. Ms. Agardy stated Section 9-1-1140 and 9-1-50 of the South Carolina Code of Laws allow the purchase of service time for an employee participating in the South Carolina Retirement System (SCRS) or the Police Officers Retirement System (PORS). The RIP allows agencies to purchase service credit on behalf of employees who are currently eligible to retire or the purchase of time necessary to make employees eligible to retire. The University's Audit and Advisory Services would like to implement such a plan. Only one employee would be eligible for the plan. The total savings for FY 21-22 and FY 22-23 is estimated to be \$127,385. Only employees in FTE positions are eligible under the plan. No employee who has submitted a notice of resignation/retirement which has been accepted prior to RIP notification is eligible. All decisions to request participation in the program are voluntary.

Additional components require the program must be funded with existing funds; the cost to purchase the employee's time cannot exceed one year's salary; implementation must be based on the unit's ability to demonstrate recurring cost savings over two fiscal years; and

the University must report the results to the Division of State Human Resources by August 15 of the next fiscal year. The program must be approved by the University President and the Director of State Human Resources.

Mr. Williams asked who pays to buy the additional service credits. Ms. Agardy stated in this program, the University would pay the funds anticipating savings benefited from not filling the position. Dr. Smith advised the University needs to continue these programs to control expenses.

Mr. Harlan made a motion to approve the retirement incentive plan as presented and posted on the Board portal. Mr. Burroughs seconded the motion. A vote was taken, and the motion carried. Chair Newton advised the Retirement Incentive Program would be presented on the Committee's consent agenda for approval at the next full Board meeting.

IV. Audit, Compliance and Risk Committee

Chair Newton informed the Committee's charter was due for annual review. The changes to the Audit, Compliance and Risk Committee charter were posted on the Board portal. The most significant change was made to remove language that was appropriate for the Finance and Infrastructure Committee and the Governance Committee.

Mr. Jones made a motion to approve the Audit, Compliance and Risk Committee charter as posted on the Board portal. Mr. Roberts seconded the motion. A vote was taken, and the motion carried. Chair Newton advised the Committee charter would be presented for approval at the next Governance Committee meeting.

Chair Newton advised an updated Committee matrix was posted on the Board portal. Chair Newton noted the education requirement for today's meeting would be fulfilled by Ms. Dunleavy's presentation to the full Board later in the day.

Chair Newton advised management's evaluation of external auditor Elliott Davis was posted on the Board portal. These updates were received as information.

V. Other Matters

Chair Newton called for any other matters to come before the Committee.

VI. Adjournment

Hearing none, Chair Newton declared the meeting adjourned at 10:16 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "J. Cantey Heath, Jr.", written in a cursive style.

J. Cantey Heath, Jr.
Secretary