

MINUTES
FINANCE/AUDIT COMMITTEE
UNIVERSITY OF SOUTHERN INDIANA
BOARD OF TRUSTEES

September 4, 2025

The Finance/Audit Committee of the University of Southern Indiana Board of Trustees met on Thursday, September 4, 2025, in the Griffin Center on campus. Present were Committee Chair C. Wayne Kinney '77 and Trustees Jeffrey L. Knight and Michael J. Solliday '27. Also in attendance were Vice President for Marketing and Communication Kindra L. Strupp M'22; Vice President for Development Andrea R. Gentry '05; Vice President for Student Affairs Abeer A. Mustafa; and Director of Internal Audit Bradley V. Will.

Trustee Kinney called the meeting to order at 9:42 a.m.

1. REPORT ON THE VOLUNTARY EMPLOYEES' BENEFIT ASSOCIATION (VEBA) TRUST FUND

Mr. Kinney called on Mr. Brad Will, who reported that the Voluntary Employees' Benefit Association (VEBA) Trust was created in 1995 to establish a long-term investment vehicle to partially fund future retiree benefit costs for medical, dental, and life insurance.

Mr. Will introduced Neil Heppler, Senior Institutional Advisor with Mariner and the investment advisor for the VEBA Trust, to provide the annual performance report for period ending June 30, 2025. Mr. Heppler began by reviewing the market environment over the year noting quarterly and 1-year performance rates and the Treasury Yield Curve. He reviewed the VEBA Trust performance summary since its inception on December 31, 1995, as compared to the Diversified Balanced Index. Peer-plan performance comparisons were made for the period ending June 30, 2025, and rolling three and five years. Additionally, Mr. Heppler provided an overview of USI's VEBA Trust asset allocation which has a market value of \$31,916,470 as of June 30, 2025. There were no portfolio manager changes over the past year, and one longtime large-cap core equity manager is currently on the watch list. Mr. Heppler concluded his report by reviewing the investment program fee analysis. There were no recommended changes in the VEBA Trust Investment Policy.

2. VEBA TRUST INVESTMENT POLICY STATEMENT REVIEW

Mr. Kinney called on Mr. Brad Will to perform the annual review of the Investment Policy Statement for the VEBA Trust in Attachment A. Mr. Will directed the Committee to Attachment A, the current version of the VEBA Trust Investment Policy. USI is recommending no changes this year but will record in the minutes that the policy was reviewed by the committee. The committee chair's signature on the policy documents the review and signifies its approval for use by management.

On a motion by Mr. Knight, seconded by Mr. Solliday, the VEBA Trust Investment Policy Statement in Attachment A was approved.

3. UNIVERSITY INVESTMENTS UPDATE

Mr. Kinney called on Mr. Brad Will. Mr. Will noted in addition to his work with the VEBA Trust Fund, Neil Heppler assists the University with its investment portfolio and introduced him to provide an update for the University investment portfolio as of June 30, 2025.

Mr. Heppler reviewed USI's investment portfolio performance summary noting the returns are presented net of investment management fees. He reviewed the USI Unrestricted Assets performance summary since its inception on July 31, 2021, as compared to the Balanced Index. The Balanced Index is comprised of 80% of the Bloomberg Intermediate U.S. Government/Credit Index and 20% of the Bank of America 1-3 Year Government/Credit Index. Asset allocation for the portfolio is 10.5% in short-duration investments, 4.3% in certificates of deposit and cash, and 85.2% in intermediate-term investments. The target allocations for the portfolio are 80% intermediate duration and 20% short duration of invested assets. The market value of investments at fiscal year-end totaled \$109,805,349. Cash flow and market value history since inception was

reviewed. There were no portfolio manager changes over the past year, and no managers are on the watch list. Mr. Heppler concluded his report by reviewing the investment program fee analysis and recommended no changes were needed for the Investment Policy Statement.

4. UNIVERSITY INVESTMENT POLICY STATEMENT REVIEW

Mr. Kinney called on Mr. Brad Will for the annual review of the Investment Policy Statement for the University. USI is presenting the University Investment Policy provided in Attachment B for review. This annual review is preferred by banking partners even when there are no changes recommended with the policy. USI is not recommending changes but will document that the Committee reviewed the policy this year.

On a motion by Mr. Solliday, seconded by Mr. Knight, the University Investment Policy Statement in Attachment B was approved.

5. APPROVAL OF RECOMMENDATION FOR 2026-2027 HOUSING RATES

Mr. Kinney called on Mr. Will for a review of the recommendation for the 2026-2027 housing rates.

Mr. Will reported student housing at USI includes 43 buildings in the McDonald and O'Daniel apartment complexes and four residence halls totaling nearly 2,300 assignable spaces. For Fall 2025, student housing occupancy was consistent with the prior year at approximately 90% of assignable spaces. For the 2026-2027 academic year, the proposed rates include changes to simplify billing for the students, as well as to reflect current housing market conditions. USI is requesting a \$50 increase to all room rates. Of this, \$25 will help simplify billing by allowing elimination of the housing programming fee from the miscellaneous fee schedule next year. The remaining \$25 will cover resident access to laundry facilities, allowing Housing to eliminate per load fees. USI is requesting additional increases ranging from \$58 to \$323 dollars per semester for the various apartment arrangements to reflect market conditions and differentiate apartment pricing from residence hall pricing based on amenities. While rate increases will depend on the apartment type, the majority of students in apartments will see an approximate increase of 6%, and students in the residence halls will see no increase other than the \$50 mentioned previously.

In addition to the Fall and Spring Semester rates, USI includes the seasonal winter and summer rates and the camp and conference rates for approval. These rates have not been presented in the past but were based on pro-rating the Fall and Spring Rates. While USI continues to use a similar pricing philosophy, the seasonal rates are presented this year for Board approval to ensure transparency and consistency.

On a motion by Mr. Solliday, seconded by Mr. Knight, a recommendation to the Board of Trustees for approval of the following 2026-2027 housing rates was approved.

<u>FALL OR SPRING SEMESTER</u>	<u>CURRENT RATE</u>	<u>PROPOSED RATE</u>	<u>EFFECTIVE DATE</u>
<u>McDONALD or O'DANIEL APARTMENT</u>			
Two Bedroom: Two students per bedroom	\$2,654	\$2,836	7-01-26
One student per bedroom	4,627	5,000	7-01-26
One Bedroom: One student	5,831	5,939	7-01-26
Reconfigured Two bedroom/Three person:			
Two student bedroom	2,654	2,969	7-01-26
One student bedroom	3,656	3,960	7-01-26
<u>GOVERNORS, NEWMAN, O'BANNON, or RUSTON HALL</u>			
Two Bedroom: Two students per bedroom	\$2,654	\$2,704	7-01-26
One Bedroom Studio: One student	3,156	3,206	7-01-26

Students who live in apartment housing will have \$50 in Munch Money added to the proposed housing rates above for use in any venue on campus.

Students living in the residence halls must purchase either a Red, White, or Blue Meal Plan.

<u>WINTER HOUSING RATES</u>	<u>PROPOSED RATE</u>	<u>EFFECTIVE DATE</u>
Residence Halls	\$ 375	7-01-26
Apartments	650	7-01-26
<u>SUMMER HOUSING RATES</u>		
Residence Halls		
Summer Returning	1,390	7-01-26
Summer Not Returning	1,285	7-01-26
Apartments		
Summer Returning	2,755	7-01-26
Summer Not Returning	2,545	7-01-26
<u>CAMP & CONFERENCE RATES (PER DAY)</u>		
USI Affiliation		
Single	55	7-01-26
Double	32	7-01-26
USI non-affiliated		
Single	62	7-01-26
Double	37	7-01-26

6. APPROVAL OF 2026-2027 MEAL PLAN RATES

Mr. Kinney called on Mr. Will for a review of the recommendation for the 2026-2027 meal plan rates.

Mr. Will directed the Trustees to the proposed meal plan rates for 2026-2027 listed on the agenda. The recommended rates were developed in collaboration with Sodexo to ensure that the University is remaining apprised of national trends and maintaining a balance between affordability and flexibility. For 2026-2027, USI will continue to offer the seven meal plans that were approved September 2024. The University is requesting approval for a 3% increase to each of the meal plan rates. The increase is being requested to address anticipated increases in food and labor costs.

On a motion by Mr. Solliday, seconded by Mr. Knight, a recommendation to the Board of Trustees for approval of the following 2026-2027 meal plan rates was approved.

Students who live in the residence halls (Governors, Newman, O'Bannon, and Ruston) are required to purchase a resident meal plan. These plans offer different combinations of meals in The Loft and discretionary spending at other dining venues on campus. The proposed rate allows for normal increases in food and labor costs.

<u>FALL OR SPRING SEMESTER</u>	<u>CURRENT RATE</u>	<u>PROPOSED RATE</u>	<u>EFFECTIVE DATE</u>
Red Meal Plan	\$ 2,850	\$ 2,936	7-01-26
White Meal Plan	2,700	2,781	7-01-26
Blue Meal Plan	2,600	2,678	7-01-26
Block 50+	1,600	1,648	7-01-26

Block 75	1,400	1,442	7-01-26
Block 50	1,200	1,236	7-01-26
Block 25	995	1,025	7-01-26

7. REVIEW OF COMPLETED AUDITS AND ANNUAL AUDIT PLAN

Mr. Kinney called on Director of Internal Audit, Brad Will, for the report. Mr. Will began by noting Internal Audit last presented to the Finance and Audit Committee at its meeting in March 2025, at which time the Committee approved the 2025 Annual Audit and Advisory Services Plan.

Since March, Internal Audit completed audit and advisory reports covering two areas: an audit of Authorized Driver Certification and an advisory report on Social Security Number Collection and Legal Name Changes. The University's Risk Management (RM) office has established a Vehicle Safety Policy which outlines the requirements and expectations for individuals that drive vehicles for official business purposes. The policy requires personnel become certified as an authorized driver by completing a defensive driver training course and/or utility/golf cart operation training, as well as submitting to a motor vehicle driving record (MVR) check. The training and MVR check must be completed every four years according to the policy.

The audit report is based on a review of the controls over authorized driver certification as of March 2025. The audit approach included reviewing the Vehicle Safety Policy and authorized driver certification procedures; interviewing Risk Management personnel with responsibility for administering the policy and procedures; reviewing the authorized driver certification spreadsheet used for monitoring driver compliance; and comparing the authorized drivers listed in the spreadsheet to travel reimbursement claims for mileage and automobile rentals. The results of the audit noted opportunity for minor improvement with respect to the Vehicle Safety Policy and authorized driver certification procedures, opportunity for moderate improvement with respect to controls for identifying potential drivers and monitoring completion of certification, as well as controls for monitoring the expiration and renewal of authorized driver status and driver's licenses.

Internal Audit also completed an advisory services project focused on Social Security Number (SSN) collection and the legal name change process. Management was seeking additional information regarding two issues:

- 1) How changes to the student application process and workflows might be negatively impacting student onboarding and servicing.
- 2) Whether new software and workflows for application processing might allow a returning student to change their name without following the University's Name Change procedure.

The engagement approach included discussions with Undergraduate Admissions, Registrar's Office, College Achievement Program, Bursar's Office, Graduate Studies, and Center for International Programs personnel regarding how and when those departments are involved in the collection and processing of personally identifiable information for students. Internal Audit also coordinated discussions with those departments and Information Technology regarding methods and timing for collecting Social Security Numbers, identifying and preventing name changes processed through application workflows outside of the required procedures, and current and future documentation requirements for processing name change requests.

The objectives of this project were to: Identify personnel and electronic processes with the ability to input or make changes to the SSN and legal name data fields in university systems and identify ways to reduce or eliminate the negative impacts of prospective students not providing their SSN on the application for admission.

The results of our review can be summarized in three primary outcomes:

- 1) The participants in the discussions concluded that collection of SSN as early as possible mitigates the most downstream negative operational impacts.
- 2) Based on feedback from the project participants, Internal Audit created a draft policy for SSN collection, which includes timing requirements and acceptable methods of collection of the SSN and requirements for processing changes to a SSN already on file.

- 3) Internal Audit also provided management with information describing the name change requirements of 13 higher education institutions, including the methods by which individuals may submit the name change request, required proof of use of the name being changed, and required documentation of the new name.

Mr. Will also reviewed other audit and advisory activities including the update of internal control documents for state auditors, and the monitoring and advising on IT security initiatives.

Mr. Will concluded his report by providing an audit recommendation status update and reviewing Attachment C containing a summary of audits and other activities conducted by the Internal Audit Department during 2025.

8. REPORT OF CONSTRUCTION CHANGE ORDERS ISSUED BY THE PRESIDENT

Trustee Kinney called on Mr. Brad Will for a report. Mr. Will directed the Committee to Attachment D, which contained change orders related to the Health Professions Renovation Phase IV and approved by the President. The changes included removal of excess concrete from existing footings; lower-level renovations to address issues discovered prior to installation of bathroom fixtures and flooring; removal and replacement of additional exterior stone panels for water sealing; additional outlets, door changes, and finishes in the Market (which is a grab and go food and mini-mart); and replacement of drywall, wood trim, and baseboards in four interior stairwells.

All the changes were under the \$50,000 threshold requiring Board approval. Therefore, the report was for informational purposes only.

There being no further committee business, Trustee Kinney adjourned the meeting at 10:27 a.m.

UNIVERSITY OF SOUTHERN INDIANA VEBA TRUST INVESTMENT POLICY

INVESTMENT POLICY - GENERAL

The purpose of the investment policy (the "policy") is to define the attitudes, philosophy, and goals of the Finance/Audit Committee of the University of Southern Indiana Board of Trustees (the "Board of Trustees" or the "Board") for investing the VEBA (Voluntary Employees' Benefit Association) Trust Fund (the "Fund"). In addition, the policy defines the investment guidelines that will be provided to the investment managers. These guidelines address the structure necessary to achieve a diversified portfolio, including asset classes, allocation targets, and management styles. This portfolio should be capable of achieving significant long-term returns while maintaining acceptable levels of risk. The policy will further define the measurable industry standards that will be used to monitor and evaluate the performance attained by investment managers. While this policy defines the current guidelines for managing the Fund's investments, it is intended that it will be reviewed regularly and modified to meet the evolving financial environment.

INVESTMENT PHILOSOPHY

The VEBA Trust Fund was established with the intent of providing a revenue stream that will be utilized to partially fund future costs of the University of Southern Indiana's (the "University") post-retirement health benefit plan. Since inception, the assets in the VEBA Trust Fund have been allowed to grow through additional investments, reinvestment of current income from the asset base, and capital appreciation of the asset base. During this time no distributions were taken from the Fund. Beginning in fiscal year 2017-2018, the first annual distribution from the Fund was taken to fund a portion of the University's post-retirement health benefits. The investment philosophy for this fund will be based upon the goal of maintaining the purchasing power of the Fund into the future by exceeding the rate of inflation by the amount of the distribution rate of the Fund.

Investment decisions for the Fund will be based upon the continuing belief in a free enterprise society supported by publicly owned businesses; therefore, the Fund's assets should be invested in high quality equity and debt securities of these businesses. It is also recognized that in any economy or over any appreciable time period there will probably be an inflationary loss of purchasing power of the Fund's assets. Historically, over the extended periods of time, equity investments generally have grown through dividends and appreciation at a faster pace than inflation, and it is expected that such a trend will continue. Consequently, over the long run, equity investments generally provide the best hedge against inflation and a deterioration of the asset base.

The investment objectives of the Fund call for a disciplined and consistent management philosophy that accommodates the occurrence of those events that might be considered reasonable and probable. They do not call for a philosophy that represents extreme positions or opportunistic styles of investing.

The investment portfolio of the Fund will be diversified as to both fixed income and equity holdings. The purpose of diversification is to provide reasonable assurance that no single investment or class of investments will have a disproportionate or significant impact on the total portfolio. The purpose of fixed income investments is to provide a highly predictable and dependable source of income, to reduce the volatility of the total portfolio market value, and, when appropriate, to provide a source of funds for other investments. The purpose of equity investments is to provide current income, growth of income, and appreciation of principal with the recognition that this requires the assumption of greater market volatility and risk of loss.

The Fund will not be directly or internally managed by the Board of Trustees, the Finance/Audit Committee, or University officials. An investment consultant will be utilized to act as a fiduciary in providing information, analysis, and recommendations to University management and the Finance/Audit Committee on various aspects of the VEBA Trust Fund's investment program. Multiple

investment managers will be retained by the fund to manage the assets to (1) provide greater diversification of investment judgment, investment opportunity, and risk exposure, and (2) create a positive influence on performance through independent monitoring of each manager.

Investment managers will be selected from strongly established and financially sound organizations that have a proven and demonstrable record in managing funds with characteristics similar to those of the Fund. Selection will depend upon factors established by the Finance/Audit Committee from time to time. These factors will include the competitive structure of the investment manager's custodial and management fee schedules.

The Finance/Audit Committee has considered the financial implications of a wide range of asset allocation policies, and this policy describes the prudent investment process deemed appropriate. Further, in seeking to fulfill its obligations under this policy, the Finance/Audit Committee shall exercise prudence and appropriate care in accordance with the Uniform Prudent Management of Institutional Funds Act (hereinafter referred to as "UPMIFA" and added to Indiana Public Law as Indiana Code Sections 30-2-12-0.5 through 30-2-12-18).

As summarized for the purpose of this policy, UPMIFA requires that all investment actions and decisions must be based solely on what is in the best interest of the VEBA Trust Fund and conform to fundamental fiduciary duties of loyalty and impartiality. The Finance/Audit Committee is under a duty to the University to manage the Fund's investment assets as a prudent investor would, in light of the assets' purposes, scope, objectives and other relevant circumstances.

UPMIFA further requires the exercise of reasonable care, skill, and caution while being applied to investments not in isolation, but in the context of the portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the Fund. In making and implementing investment decisions, the Finance/Audit Committee has a duty to diversify Fund investments unless, under special circumstances, the purposes of the Fund are better served without diversifying. The Finance/Audit Committee also must act with prudence in deciding whether and how to delegate authority, in the selection and supervision of agents, and incurring costs where reasonable and appropriate.

DISTRIBUTION RATE

Effective July 1, 2014, the University eliminated the post-retirement health care benefit for all new hires and for existing benefits-eligible employees whose plus years of service as of July 1, 2014, is less than 57 points and whose benefits-eligible service as of July 1, 2014, is less than 10 years. Since the cost of the post-retirement health care benefit will cease to exist in the future, it is not the intent of the University to maintain the VEBA Trust Fund in perpetuity. As funding needs require, especially as the benefit ceases, the corpus of the Fund may be completely spent on post-retirement health care benefits.

For the near-term, University management has determined that an annual target distribution rate of 4.5% from the Fund is a reasonable and prudent use of the investment proceeds to partially fund the University's post-retirement health benefits costs. The distribution rate may vary from year to year depending on the University's funding need. Each year University management will review the funding need for the post-retirement health benefits cost and determine the amount of drawdown needed from the Fund. Setting a target distribution rate of 4.5%, does not preclude University management from exceeding this rate if warranted. Management will report the distribution rate or distribution amount to the Finance/Audit Committee and will review the financial status of the Fund annually with the Finance/Audit Committee.

FUND INVESTMENT OBJECTIVES

The long-term investment objectives of the VEBA Trust Fund are:

- (1) To exceed the general rate of inflation by the amount of the distribution rate;
- (2) To establish a diversified investment portfolio between fixed and equity securities;

- (3) To establish further diversification among various asset classes within the fixed and equity pools; and
- (4) To maximize total return utilizing prudent levels of risk.

ASSET ALLOCATION MIX

Historical performance results and future expectations suggest that equities will provide higher total investment returns than fixed-income securities over a long-term investment horizon. Investments in equities also carry with them increased exposure to market volatility and risk of loss of principal. Based upon the time horizon and current distribution rate for future distributions of the VEBA Trust Fund, the investment goals of the Fund, and prudent risk tolerances, the following asset allocation guidelines are deemed appropriate for the investment of Fund assets.

ALLOCATION

<u>Investment Type</u>	<u>Target</u>	<u>Range</u>
Equities	70%	65% - 75%
Fixed Income & Cash	30%	25% - 35%

Investments should not exceed the minimum and/or maximum levels for more than 30 days without the written authorization of the Finance/Audit Committee. University management, in consultation with the investment consultant, has discretion to move within the ranges as an expression of University management and the investment consultant's confidence or concern for the securities markets.

EQUITY ASSET CLASS DIVERSIFICATION

Within the equity portion of the portfolio, the Fund seeks to further diversify among different equity investment approaches based upon market capitalization, geographic domicile and investment style. These investment approaches and their target allocations are presented below.

<u>Asset Class/Style</u>	<u>Target</u>
<u>Equities</u>	
U.S. Large Capitalization	45%
International	13%
U.S. Small/Mid Capitalization	<u>12%</u>
Total Equities	70%

These target allocations are intended to be general guidelines. Movement among the various asset classes from time to time will be considered normal. The asset class target mix percentages are long-term in nature. The Finance/Audit Committee does not believe that short-term market timing will add value to the portfolio over the long run.

INVESTMENT RESTRICTIONS

Any investment manager is specifically prohibited from investing trust assets in the following securities and transactions:

- (1) Short sales or purchases on margin
- (2) Purchase of options
- (3) Direct investments in commodities or real estate
- (4) Letter stock or other unregistered securities
- (5) Private placements

- (6) Bonds rated less than "BBB/Baa"
- (7) Foreign debt issues
- (8) Derivatives for speculative purposes
- (9) Other investments which would appear to violate the fiduciary responsibility of the fund

PERFORMANCE OBJECTIVES

The Finance/Audit Committee will periodically review the performance of the investment managers based upon the performance objectives detailed below. It is generally expected that the performance objectives will be achieved over rolling five (5) year periods.

U.S. Large Capitalization Equity

The annualized total return of large capitalization domestic equity portfolios should equal or exceed the annualized total return generated by the Standard & Poor's 500 Stock Index, net of fees, and provide positive risk-adjusted returns. Investment managers' and mutual funds' returns in this category should exceed the median of a peer group of investment managers or funds utilizing a similar investment style.

International Equity

The annualized total return of international equity portfolios should equal or exceed the annualized total return generated by the Morgan Stanley Capital International All Country World ex – U.S. (ACWI ex US) Index, net of fees, and provide positive risk-adjusted returns. Investment managers' and mutual funds' returns in this category should exceed the median of a peer group of international equity mutual funds utilizing a similar investment style.

U.S. Small/Mid Capitalization

The annualized total return of small/mid capitalization domestic equity portfolios should equal or exceed the annualized total return generated by the Russell 2000 Index, net of fees, and provide positive risk-adjusted returns. Investment managers' and mutual funds' returns in this category should exceed the median of a peer group of investment advisors or funds utilizing a similar investment style.

U.S. Intermediate Fixed Income

The annualized total return of domestic intermediate fixed income portfolios should equal or exceed the annualized total return generated by the Bloomberg Intermediate Government/Credit Index, net of fees, and provide positive risk-adjusted returns. Investment managers' and mutual funds' returns in this category should exceed the median of a peer group of investment advisors or funds utilizing a similar investment style.

INVESTMENT CONSULTANT RESPONSIBILITIES

An investment consultant will be utilized to act as a fiduciary in providing information, analysis, and recommendations to University management and the Finance/Audit Committee on various aspects of the VEBA Trust Fund's investment program including the following:

- Strategic and tactical asset and sub-asset class allocation guidance to support the VEBA Trust Fund's investment portfolio objectives.
- Selection and monitoring of investment managers.
- Reporting of portfolio and investment manager performance relative to agreed upon benchmarks and timeframes. This includes preparation of performance evaluation reports for University management and the Finance/Audit Committee.
- Monitoring the investment managers relative to their organizational structure, investment style, and compliance with this investment policy.

INVESTMENT MANAGER RESPONSIBILITIES

It is expected that the investment managers will assume the following responsibilities in managing the VEBA Trust Fund assets:

- Comply with the provisions of the Investment Advisors Act of 1940.
- Invest the assets with the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in like activities.
- Communicate in writing with the Finance/Audit Committee the performance results and current holdings in the portfolio.
- Manage the assets under its care, custody, and/or control in accordance with the investment policy's performance objectives and guidelines set forth herein.

ROLE OF THE FINANCE/AUDIT COMMITTEE

The responsibility of the Finance/Audit Committee of the Board of Trustees is to provide direction for the investment of the financial assets of the University of Southern Indiana VEBA Trust Fund. The specific responsibilities are as follows:

- To establish and maintain policies and guidelines for the investments of the fund assets
- To determine the appropriate allocation ranges among classes of investments
- To engage and terminate the services of investment consultants and managers
- To monitor investment returns and review the performances of investment managers
- To report to the Board of Trustees

MONITORING OF INVESTMENT MANAGERS

The Finance/Audit Committee of the Board of Trustees is responsible for monitoring of the stewardship of the investment managers. From time to time, the Finance/Audit Committee may meet individually with the investment consultant and/or investment managers. During these meetings, the Finance/Audit Committee will focus on reports about:

- Managers' compliance with the investment policies developed by the Finance/Audit Committee
- The most recent economic environment and projected future changes in that environment
- Significant changes in the manager's organization, investment philosophy, and/or key personnel
- Comparisons of the investment manager's results with the appropriate benchmark standards as outlined in the investment policy

FINANCE/AUDIT COMMITTEE REVIEW

The Committee shall review this VEBA Trust Investment Policy annually. Investment performance will be reported to University management on a quarterly basis and the Committee will meet formally annually to review the returns of the investments subject to this Policy. Outside investment managers are welcome to provide suggestions regarding appropriate adjustments to this statement or the way investment performance is reviewed.

Acknowledged by: C. Wayne Kenney
Chair, Finance/Audit Committee
University of Southern Indiana

9-4-2025
Date

UNIVERSITY OF SOUTHERN INDIANA

Investment Policy Statement

for

Unrestricted Funds

PURPOSE

The purpose of this investment policy statement (the “IPS”) is to define the investment objectives and policies for the management and oversight of any marketable securities of unrestricted funds held by the University of Southern Indiana (the “University”).

The IPS establishes the governance principles and allocates responsibilities for the investment of these University assets. It will be used as a guideline for the Finance/Audit Committee of the Board of Trustees, University Management and all investment managers overseeing any portion of these assets.

INVESTMENT OBJECTIVES

The primary investment objective for all investments subject to this IPS is to ensure the preservation of asset principal necessary to maintain appropriate liquidity to meet the annual cash needs of the University with a secondary emphasis on maximizing return consistent with the primary investment objective. Additionally, the investment of these assets is subject to and shall comply with Section 30-4-3-3 of the Indiana Code.

ROLES AND RESPONSIBILITIES

Board of Trustees (the “Board”)

Under Indiana Code Section 21-29-2-1, the Board of the University is responsible for any establishment and oversight of written policies concerning the investment of funds in the manner provided by Indiana Code Section 30-4-3-3.

Finance/Audit Committee of the Board of Trustees (The “Committee”)

The Committee acts in a fiduciary capacity with respect to the University’s assets and is accountable to the University Board for overseeing the investment of assets consistent with this Board-approved IPS.

The Committee is responsible for the formulation of the IPS that sets forth the investment objectives and guidelines that govern the activities of the Committee and any other parties to whom the Committee has delegated investment management responsibility for University assets.

The Committee may hire an investment consultant or other advisor to act as a fiduciary in providing information, analysis, and recommendations to the Committee on various aspects of the University's investment program. With the guidance and assistance of the investment consultant, the Committee hires appropriate investment managers to manage portions of these assets.

The Committee is responsible for reviewing this IPS at least once per year. Changes to this IPS can be made only by affirmation of a majority of the Committee and requires approval by the Board prior to implementation.

University Management - Vice President for Finance and Administration

The office of the Vice President for Finance and Administration has day-to-day responsibilities and managerial oversight of any services provided to the University by any investment consultant, investment managers, and custodians. The primary functions of University management, in conjunction with the investment consultant, include:

1. Monitoring University investments and implementing Committee decisions consistent with this IPS.
2. Maintaining appropriate liquidity necessary to meet University spending needs and disbursements.
3. Investment of funds deemed too short-term to be overseen by an investment manager consistent with this IPS.
4. Informing and advising the Committee on financial, economic and political developments that may affect the University.
5. Monitoring custodial and brokerage activity.

Investment Consultant

University management may hire an investment consultant to act as a fiduciary in providing information, analysis, and recommendations to the Committee on various aspects of the University's investment program including the following:

1. Strategic and tactical asset allocation guidance to support the University's investment portfolio objectives.
2. Review of this IPS on an annual basis.

3. Investment manager search data and assistance in the selection and monitoring of investment managers.
4. Reporting of portfolio and investment manager performance relative to agreed-upon benchmarks and timeframes. This includes preparation of performance evaluation reports for University management and the Committee illustrating the risk/return profile of the University's investments and investment managers relative to appropriate indices and peers.
5. Monitoring the investment managers relative to their organizational structure, investment style, and compliance with this IPS. The investment consultant shall report to the Committee any findings that may prevent the portfolio from meeting the objectives of the IPS.

Investment Managers

With the guidance and assistance of the investment consultant, the Committee generally will engage investment managers to implement the investing of assets in various asset classes and to manage the University assets subject to this IPS. Investment managers are required to meet the following criteria:

1. Investment managers must be a bank, insurance company or its affiliate, mutual fund or investment advisor as defined by the Registered Investment Advisors Act of 1940.
2. Investment managers must provide to the investment consultant historical quarterly performance information calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style, and reported net and gross of fees.
3. Investment managers must provide detailed information to the investment consultant on the history of the firm, key personnel, key clients, fee schedule, and support personnel.
4. Investment managers must clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.

The duties and responsibilities of each investment manager retained by the Committee shall include the following:

1. Managing University investments under its care, custody, and/or control in accordance with the IPS objectives and guidelines set forth herein and expressed in separate written agreements when deviation is deemed prudent and desirable by the Committee.
2. Exercising investment discretion, including holding cash equivalents as an alternative, within the IPS objectives and guidelines set forth herein.
3. Promptly informing the Committee, University management, and the investment consultant in writing regarding all significant and/or material matters and changes pertaining to the investment of assets, including, but not limited to:

- a) Changes in investment strategy, portfolio structure, tactical approaches, and significant market value of managed assets.
 - b) Changes in the ownership, organizational structure, financial condition, and/or professional staff of the firm.
 - c) All material legal, SEC, and other regulatory agency proceedings affecting the firm.
- 4. At the discretion of the Committee, investment managers may vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the University set forth herein. Each investment manager shall keep detailed records of said voting of proxies and related action and will comply with all regulatory obligations related thereto.
 - 5. Each investment manager shall utilize the same care, skill, prudence, and due diligence under the circumstances then prevailing that experienced investment professionals, acting in a like capacity and fully familiar with such matters, would use in like activities.

Custodians

With the assistance of the investment consultant, University management will select one or more custodians to physically, or through agreements with sub-custodians, maintain possession of securities owned by the University, collect dividends and interest payments, redeem maturing securities, and effect receipt and delivery of securities following purchases and sales. Custodians will provide detailed monthly statements to University management and the investment consultant as directed and including all information as determined by the Vice President for Finance and Administration's office as necessary to meet the University's internal accounting requirements. Further, any custodian must be able to provide annual fiscal year-end data deemed necessary by University management to comply with all applicable Governmental Accounting Standards Board statements.

INVESTMENT PERFORMANCE GOALS

The following investment performance goals shall be monitored by University Management on a quarterly basis and by the Committee on at least a yearly basis. It is intended that they be achieved, net-of-investment management fees, over appropriate evaluation periods.

- 1. The total return is expected to exceed a Balanced Index comprised of 20 percent BofA Merrill Lynch 1-3 Year Government/Corporate Bond Index and 80 percent Barclays U.S. Intermediate Government/Corporate Bond Index.
- 2. The total return is expected to maintain volatility (beta) of no more than 1.20 times that of the Balanced Index and maintain a positive risk-adjusted performance (alpha).

EVALUATION OF INVESTMENT MANAGERS

Investment managers will be reviewed on an ongoing basis and will be evaluated based upon the following criteria:

1. Continuity of personnel and practices at the firm.
2. Adherence to the philosophy and style which were articulated to the University at, or subsequent to, the time the investment manager was retained.
3. Ability to exceed the investment performance (net-of-investment management fees) of other investment managers who adhere to the same or similar style.
4. Ability to exceed the investment performance objectives (net-of-investment management fees) stated below:

Fixed Income Managers

1. The total return of each manager's portion of these assets shall exceed that of the manager's corresponding index: either the BofA Merrill Lynch 1-3 Year Government/Corporate Bond Index or Bloomberg Barclays U.S. Intermediate Government/Corporate Bond Index.
2. Each manager will be evaluated versus a universe of similar fixed income managers and is expected to rank in the top one-third of this universe over most three-year periods.

ASSET ALLOCATION

The allocation of funds among the various investment categories shall be determined by the Committee and monitored by University Management on a quarterly basis to reflect the following structures for each asset pool.

<u>Investment Category</u>	<u>Minimum</u>	<u>Target Mix</u>	<u>Maximum</u>
Intermediate Fixed Income Securities (Duration between 3-5 years)	70%	80%	100%
Liquid/Short Term Fixed Income (Duration between 1-3 Years)	0%	20%	30%

AUTHORIZED INVESTMENTS AND EXPOSURE RESTRICTIONS

1. **Obligations of the U.S. Government and Agencies** – All obligations of the U.S. Government or sponsored agencies are authorized for use.
2. **Money Market Funds** – Shares of any established money market fund which invests only in U.S. Treasury and/or Federal Agency securities and whose assets exceed \$250 million or funds managed by Indiana banks which provide insurance for University funds under Indiana Statute by the Public Deposit Insurance fund and registered with the SEC (maximum maturity of one year) are authorized for use.
3. **Certificates of Deposit, Demand/Transaction Deposits, and Time Deposits** – Certificates of Deposit, Demand/Transaction Deposits, and Time Deposits may be purchased from domestic banks and savings and loan associations that are designated by the Indiana State Board of Finance as a depository for public funds in accordance with Indiana Code Section 5-13-9-5-3.
4. **Commercial Paper** – Commercial paper rated A-1 by Standard & Poor's or Fitch's or P-1 by Moody's and matures within 270 days are authorized for use. With respect to commercial paper that is split rated by the rating agencies (i.e., rated A-1 or P-1 by one or more agency but also rated below these ratings by one or more agency), where all three agencies have a rating on the commercial paper, the middle rating will apply. Where ratings are provided by only two agencies, the lower of the two ratings will apply.

Outstanding commercial paper of any individual corporation may not exceed \$500,000 and the aggregate for any individual industry will be limited to \$1 million.

5. **Bankers' Acceptances** – Bankers' acceptances are limited to those financial institutions designated as public depositories as described above in paragraph 3.

6. **Investment Grade Corporate Notes and Bonds** – U.S. dollar-denominated notes and bonds of a corporate business entity publicly issued in the U.S. domestic market where the indebted corporate business entity has a corporate bond rating by Standard & Poor's, Fitch's or Moody's of investment grade (BBB- or Baa-) or above are authorized for use. With respect to corporate bonds or notes that are split rated by the rating agencies (i.e., rated investment grade by one or more agency but also rated below investment grade by one or more agency), where all three agencies have a rating on the security, the middle rating will apply. Where ratings are provided by only two agencies, the lower of the two ratings will apply.

Outstanding Corporate Notes and Bonds may not constitute more than 60 percent of any investment manager's fixed income portfolio.

7. **Mortgage-Backed Securities** – Mortgage Pass-Through Securities (including TBAs, Commercial Mortgage-Backed Securities (CMBS), and non-agency MBSs) rated AA-/Aa- or better by Standard & Poor's, Fitch's or Moody's are authorized for use. With respect to mortgage-backed securities that are split rated by the rating agencies (i.e., rated AA-/Aa- or better by one or more agency but rated below AA-/Aa- by one or more agency), where all three agencies have a rating on the security, the middle rating will apply. Where ratings are provided by only two agencies, the lower of the two ratings will apply.

Outstanding Mortgage-Backed Securities may not constitute more than 20 percent (at the time of purchase) of any investment manager's fixed income portfolio. Outstanding non-agency residential mortgage-backed securities otherwise meeting the criteria of this subsection shall not comprise more than five percent of any fixed income manager's portfolio.

In the broadest sense, Mortgage-backed securities are derivative securities. However, for purposes of this Investment Policy Statement, "Whole Loan" Agency Pass-through Securities and Collateralized Mortgage Obligations (CMOs) which do not leverage the exposure of a portfolio to changes in interest rates or prepayment rates will not be considered derivatives. However, structured notes and lower class tranches of Collateralized Mortgage Obligations (CMO's) and securities created by stripping the principal and interest payments from the underlying mortgage-backed security into separate classes (including interest only (IO), principal only (PO), and inverse floating securities) which do leverage the exposure of a portfolio to changes in interest rates or prepayment rates are considered derivative securities and prohibited.

8. **Asset-Backed Securities** – Asset-backed securities rated AA-/Aa- by Standard & Poor's, Moody's or Fitch's or better are authorized for use. With respect to asset-backed securities that are split rated by the rating agencies (i.e., rated AA-/Aa- or better by one or more agency but rated below AA-/Aa- by one or more agency), where all three agencies have a rating on the security, the middle rating will apply. Where ratings are provided by only two agencies, the lower of the two ratings will apply.

Outstanding Asset-Backed Securities may not constitute more than 20 percent of any investment manager's fixed income portfolio.

9. **Municipal Bonds** – All general obligation and revenue bonds issued by domestic state and local governments and their creations with a municipal bond rating by Standard & Poor's, Fitch or Moody's of A- or above are authorized for use. With respect to municipal bonds that are split rated by the rating agencies (i.e., rated A- or better by one or more agency but rated below A- by one or more agency), where all three agencies have a rating on the security, the middle rating will apply. Where ratings are provided by only two agencies, the lower of the two ratings will apply.

Outstanding municipal bonds may not constitute more than 15 percent of any investment manager's total investment assets unless that investment manager has been specifically directed by the Committee to invest solely in municipal bond securities. Municipal bonds from one state may not exceed five percent of the total securities in a municipal bond portfolio

10. **Derivatives** – Investments in derivative securities shall not be utilized to increase the actual or potential risk posture of the University's investment portfolio. The use of primary derivatives, including, but not limited to, futures contracts, options, short sales, margin trading and such other specialized investment activity is prohibited without prior written approval of the Committee.

Moreover, investment managers are precluded from using derivative securities to affect a leveraged portfolio structure (if options and/or futures are specifically approved in writing by the Committee, such positions must be offset in their entirety by corresponding cash or securities).

INVESTMENT MANAGER GUIDELINES AND RESTRICTIONS

1. Each investment manager shall have full investment discretion regarding market timing and security selection.
2. Any investment manager shall immediately notify management in writing of any material changes in its investment strategy, ownership, organizational structure, financial condition or senior personnel.
3. Separate account investment managers should be prepared to meet with the University at least annually.
4. Securities transactions should be entered into based on best execution, which normally means best realized price.
5. There shall be no investments in non-marketable securities.
6. Any investment manager's investment grade fixed income portfolio must have a weighted average credit rating of AA-/Aa- or better by Standard & Poor's, Fitch's or Moody's rating services. Also, no investment grade fixed income manager shall purchase a security rated below investment grade (BBB-/Baa-).
7. If any security held in an investment manager's portfolio becomes an unauthorized investment subsequent to purchase, the investment manager must immediately notify University management and the investment consultant and submit a written analysis of the security to the appropriate oversight committee providing a recommendation for holding or disposing of such security.
8. The total exposure to any individual issuer shall not exceed five percent of any investment manager's portfolio, at aggregate cost value, except for securities issued by the U.S. Government (and its agencies).
9. Securities are to be diversified both as to sectors and industries as well as to number of holdings with no more than 30 percent of the portfolio at the time of purchase invested in securities of corporations in any one industry. Also, concentrating in industries or companies all of which are sensitive to a single economic or political event or investment idea should be avoided.
10. With respect to maturity and duration, "maturity" shall mean the time from valuation date to the date of expected repayment of principal. "Duration" shall mean the present value weighted average time to full recovery of principal and interest payments, and also shall mean Macauley's duration adjusted for implied options. Investment managers shall make these estimations for all issues, particularly self-amortizing issues.
 - a) The duration of any intermediate-term fixed income portfolio shall be between three years and five years.

- b) The duration of any short-term fixed income portfolio shall be between one year and three years.

FINANCE/AUDIT COMMITTEE REVIEW

This IPS shall be reviewed by the Committee annually. Investment performance will be reported to University management on a quarterly basis and the Committee will meet formally annually to review the returns of the investments subject to this IPS. Outside investment managers are welcome to provide suggestions regarding appropriate adjustments to this statement or the way investment performance is reviewed.

Acknowledged by: C. Wayne Kinney
Chair, Finance/Audit Committee
University of Southern Indiana

9-4-2025
Date



UNIVERSITY OF SOUTHERN INDIANA

Internal Audit Report

Prepared by

Bradley V. Will, CPA
Director of Internal Audit

Kendra Groeninger
Internal Audit Manager

Report No. USIA25-1
May 2, 2025

Audit Report Authorized Driver Certification

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Evaluate the adequacy of the Vehicle Safety Policy and Authorized Driver Certification Procedures				
Evaluate the adequacy of controls for identifying potential drivers and monitoring completion of certification				
Assess the adequacy of controls for monitoring the expiration and renewal of authorized driver status and driver's license expiration				

Introduction

Our report of the audit of authorized driver certification is presented below. We would like to thank Ryan Kacsmarski and Jeff Spohn who contributed positively to our results.

Background Information

The University of Southern Indiana owns a variety of motor vehicles, utility vehicles, and golf carts that are utilized by University personnel on and around campus to perform their job duties. In addition to the vehicles utilized by Facilities and Operations Staff, Distribution Services, and Public Safety Officers, personnel in other areas such as Athletics and Undergraduate Admissions may utilize University vehicles to transport student athletes or visitors to campus. Other University employees may operate their personal vehicle or a rental vehicle while traveling on official University business.

In an effort to promote the safety of University personnel, students, and the general public, the University's Risk Management (RM) office has established a Vehicle Safety Policy which outlines the requirements and expectations for individuals that drive vehicles for official business purposes. The policy requires personnel become certified as an authorized driver by completing a defensive driver training course and/or utility/golf cart operation training, as well as submitting to a motor vehicle driving record (MVR) check. The training and MVR check must be completed every four years according to the policy.

This report is based on a review of the controls over authorized driver certification as of March 2025. The audit approach included reviewing the Vehicle Safety Policy and authorized driver certification procedures; interviewing RM personnel with responsibility for administering the policy and procedures; reviewing the authorized driver certification spreadsheet used for monitoring driver compliance; and comparing the authorized drivers listed in the spreadsheet to travel reimbursement claims for mileage and automobile rentals.

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The **objectives** of the audit were to:

- Evaluate the adequacy of the Vehicle Safety Policy and authorized driver certification procedures
- Evaluate the adequacy of controls for identifying potential drivers and monitoring completion of certification
- Assess the adequacy of controls for monitoring the expiration and renewal of authorized driver status and driver's license expiration

Conclusion

The results of our audit procedures indicate opportunity for minor improvement with respect to the Vehicle Safety Policy and authorized driver certification procedures. We noted opportunity for moderate improvement with respect to controls for identifying potential drivers and monitoring completion of certification, as well as controls for monitoring the expiration and renewal of authorized driver status and driver's licenses.

Management will take or has taken the following actions:

- Tracking authorized driver certification in Team Dynamix
- Evaluating the risk/benefit of excluding infrequent drivers from the authorized driver requirements
- Creating an automated report to notify RM of new employees hired in positions designated as authorized driver positions
- Reviewing employee travel claims history to identify drivers not compliant with authorized driver certification

No additional action or response is required.

Bradley V. Will
Director of Internal Audit

Kendra Groeninger
Internal Audit Manager

Distribution: Ryan Kaczmarek
Jeff Sponn
Jina Platts
Steve Bridges

Report No. USIA25-1
May 2, 2025

Authorized Driver Certification Audit Report

Observations and Responses

Tracking authorized driver certification in Team Dynamix

Observation: The University of Southern Indiana RM office utilizes an Excel spreadsheet to track the completion of authorized driver certification requirements for individuals that drive a motor vehicle, golf cart, and/or utility cart for University business purposes. While the spreadsheet provides the basic functionality for tracking certification requirements, certification expiration/renewal dates, and driver's license expiration dates, it lacks automated reporting capabilities. As a result, RM personnel must manually review the spreadsheet for incomplete or expired authorized driver certifications and expired driver's licenses.

Risk: The inability of the spreadsheet tracking tool to generate reports alerting RM of incomplete or expired documentation increases the risk that these items may not be detected and individuals that drive on University business may not be compliant with the University's Vehicle Safety Policy.

Response: RM is working with Information Technology to transition the authorized driver certification tracking from the current spreadsheet into the Team Dynamix software. Team Dynamix will offer the ability to generate reports of individuals with incomplete or expired documentation and help improve RM's ability to proactively monitor authorized driver certification requirements and the expiration of training, motor vehicle record checks, and driver's license expiration dates. The target date for completion of the data transfer and implementation of reporting is November 30, 2025.

Evaluating the risk/benefit of excluding infrequent drivers from the authorized driver requirements

Observation: Based on a review of mileage reimbursement data from January 2024 through March 2025, Internal Audit identified 278 University employees who had claimed a mileage reimbursement, indicating that they had driven a personal vehicle for University business. Internal Audit noted that 91 of those employees, approximately 33%, were not included in the authorized driver certification spreadsheet. However, 52 of the 91 non-certified drivers claimed mileage only one time during the audit period.

Risk: The high percentage of employees requesting mileage reimbursements who drive infrequently and have not completed the authorized driver certification may be indicative of an excessive policy requirement.

Response: RM will evaluate the risks and benefits of excluding personnel from the authorized driver certification requirements for infrequent/occasional driving on University business where the individual utilizes their personal vehicle. RM is discussing best practices in this area with the University's insurance carrier and broker. The target date for completion of the analysis and implementation of any policy changes is November 30, 2025.

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May 2, 2025

Creating an automated report to notify RM of new employees hired in positions designated as authorized driver positions

Observation: The procedure within the Vehicle Safety Policy indicates that department heads/supervisors are responsible for notifying RM of the names of potential drivers. Based on discussions with RM and information obtained from Human Resources (HR) personnel, certain positions within the University have been designated as positions that require authorized driver certification due to the fact that the position requires routine driving for University business.

Risk: The reliance on supervisors to notify RM of employees hired or transitioning into positions that require authorized driver certification increases the risk that certification requirements are not completed and go undetected by RM.

Response: RM will work with HR and Information Technology to evaluate the feasibility of creating an automated report to notify RM of employees hired or transitioning into positions designated as requiring authorized driver certification. The automated report would allow RM to proactively coordinate completion of the authorized driver certification requirements by employees hired or transitioning into these roles. The target date for implementation of the report is November 30, 2025.

Reviewing employee travel claims history to identify drivers not compliant with authorized driver certification

Observation: Personnel who travel on University business submit travel authorizations and travel reimbursement claims through the Emburse travel expense management system. Anyone who has submitted a claim for mileage reimbursement or rental car expense for business travel is captured in Emburse. As a result, the Emburse system is an excellent source for evaluating compliance with the authorized driver certification requirements of the Vehicle Safety Policy. For the period under audit, there was not a comparison of employees with travel claims for mileage or rental cars to the authorized driver listing.

Risk: The absence of a review of personnel with mileage or rental car expense reports and comparison to the authorized driver spreadsheet increases the risk that unauthorized driver's go undetected.

Response: RM will work with Travel Procurement personnel to identify reports available in the Emburse system that may be used to periodically review employees with mileage and car rental claims and compare the employees to the list of authorized drivers. For individuals who are not on the authorized driver's list, RM will coordinate the completion of authorized driver certification and will consider adding positions of employees with frequent mileage/car rental claims to the list of positions requiring authorized driver certification maintained in conjunction with Human Resources. The target date for implementation of this review is November 30, 2025.

Report No. USIA25-2
June 30, 2025

Advisory Services Social Security Number Collection and Legal Name Change Process

Introduction

Our report of the advisory services, performed by Internal Audit, related to the timing and methods for collecting prospective and current student social security numbers (SSN) and the processes and documentation requirements for changing the name associated with a student's official academic record, is presented below. We would like to thank the personnel from the Registrar's Office, Information Technology (IT), College Achievement Program (CAP), Undergraduate Admissions, Graduate Studies, Institutional Analytics, Bursar's Office, and Student Financial Assistance who contributed positively to our results.

Background Information

Beginning with a prospective student's application for admission, the University collects personally identifying information, including legal name and SSN, in order to create a unique student account for the accumulation and retention of academic records. In the past, the SSN was a required data field on both the undergraduate and CAP applications for admission. Over the past 12 to 18 months, in an effort to simplify the application process and minimize the amount of sensitive personal data collected, the University made changes to operations processes and procedures, including making the SSN an optional data field on the application and implementing new software and workflows for processing applications.

While making the SSN field optional simplified the application for some prospective students and CAP students, there were some downstream operational challenges created when the SSN was not provided. Based on conversations with University personnel, the absence of a SSN may impact onboarding to University systems, matching the prospective student with FAFSA records, enrollment reporting compliance and employer degree verification capabilities through the National Student Clearinghouse, the ability to generate 1098-T forms for tax reporting, and the ability of students and alumni to retrieve their official transcripts. University personnel also raised concerns that the new software and workflows for processing applications might allow a returning student to change their legal name (academic record and transcript name) without following the University's name change procedure.

In an effort to assist management with addressing these issues, Internal Audit performed an advisory engagement to review SSN collection processes and evaluate controls to prevent name changes from occurring through the application process.

The **objectives** of the review were to:

- Identify personnel and electronic processes with the ability to input or make changes to the SSN and legal name data fields in University systems
- Identify ways to reduce or eliminate the negative impacts of prospective students not providing their SSN on the application for admission
- Formalize requirements, timelines, and procedures associated with SSN collection to maximize the student service experience, while minimizing the impact on operations personnel and ensuring compliance with laws and regulations
- Create awareness of name changes occurring through the application workflows and engage IT personnel in identifying preventive controls
- Discuss current name change documentation requirements and possible modifications to improve the student experience while maintaining adequate controls over name change requests

The engagement approach included discussions with Undergraduate Admissions, Registrar's Office, CAP, Bursar's Office, Graduate Studies, and Center for International Programs personnel regarding how and when those departments are involved in the collection and processing of personally identifiable information for

Report No. USIA25-2
June 30, 2025

students. Internal Audit also coordinated discussions with the foregoing operational departments and IT regarding methods and timing for collecting SSN, identifying and preventing name changes processed through application workflows outside of the required procedures, and current and future documentation requirements for processing name change requests.

As a result of these discussions, Internal Audit drafted a policy for collection of SSN for consideration by the operations departments and the Data Governance Tactical Team. The policy is based on notes from the meetings facilitated by Internal Audit with the aforementioned department personnel and includes acceptable methods of collection (i.e. when an individual may self-submit their SSN electronically and when processing must be completed and validated through the Registrar's Office). Internal Audit also provided management with information describing the name change requirements of 13 higher education institutions, including the methods by which individuals may submit the name change request, required proof of use of the name being changed, and required documentation of the new name.

Conclusion

Based on our review and discussions with operations personnel, collection of the SSN as early as possible, either at application for admission or prior to enrollment, will mitigate the most negative downstream operational impacts. There are opportunities to facilitate SSN self-disclosure after submission of the application utilizing a secure form in the Slate Customer Relationship Management system (Slate) and improve the security and confidentiality of documentation submission to the Registrar's Office to support SSN changes. Additionally, active monitoring of the admission application workflows will be necessary to identify name changes processed by the system outside of policy. Finally, there are opportunities to streamline the name change request process to improve the student experience while maintaining adequate controls over name change requests.

Management will take or has taken the following actions:

- Reviewing, editing, and adopting the SSN Collection Policy and adding a SSN requirement to the undergraduate admitted student checklist
- Monitoring the admission application workflows to identify name changes processed by the system
- Revising the current policy and procedures for processing name change requests

No additional action or response is required.

Bradley V. Will
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June 30, 2025

Advisory Services Report Social Security Number Collection and Legal Name Change Process

Improvement Opportunities and Responses

Reviewing, editing, and adopting the SSN Collection Policy and adding a SSN requirement to the undergraduate admitted student checklist

Observation: Based on conversations with University personnel, changes to operations policies and procedures regarding the collection of SSN have created downstream operational challenges.

Risk: The absence of a SSN may impact onboarding to University systems, matching the prospective student with FAFSA records, enrollment reporting compliance and employer degree verification capabilities through the National Student Clearinghouse, the ability to generate 1098-T forms for tax reporting, and the ability of students and alumni to retrieve their official transcripts.

Response: The Registrar's Office, Office of Undergraduate Admissions, and CAP will review, edit, and coordinate adoption of the draft policy for the collection of SSN by December 1, 2025, including the following provisions:

- CAP made SSN a required field on the CAP application effective June 16, 2025.
- Undergraduate Admissions implemented a secure form in Slate for students to submit SSN after the undergraduate application has been submitted. IT integration to pass the SSN from Slate to Banner will be completed by July 31, 2025.
- The Registrar's Office will begin accepting a signed Form W-9 as an acceptable first-time student self-submission of SSN effective August 31, 2025.
- IT will work with the Registrar's Office to develop a self-submission process for existing students without an ID in Slate. The target for completion is December 1, 2025.
- The Registrar's Office will work with IT and Data Governance to implement submission and documentation requirements for SSN change requests by December 1, 2025.

In addition to the above items, Undergraduate Admissions has added a SSN requirement to the undergraduate admitted student checklist beginning in April 2025.

Monitoring the admission application workflows to identify name changes processed by the system

Observation: Based on activity observed and reported by the Associate Registrar, the new software and workflows for processing applications appear to allow a returning student to change their legal name (academic record and transcript name) without following the University's name change procedure and documentation requirements.

Risk: Name changes to academic records and transcripts without proper verification increases the risk of academic fraud.

Response: IT will work with the Associate Registrar to monitor the admission application workflows for name changes that are processed through the application process, which do not undergo the name change procedure and documentation requirements. Monitoring began in April 2025 and will continue until a cause is determined and/or a preventive control is implemented.

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June 30, 2025

Revising the current policy and procedures for processing name change requests

Observation: During discussions about the current policy and procedures for processing legal name change requests, management expressed concerns about the efficiency and practicality of the in-person submission and documentation requirements, as well as the lack of a secure electronic submission option.

Risk: Procedures requiring the submission of documentation to the Registrar's Office proving both use of the original name and evidence of the new legal name may not provide the most efficient, effective, and secure student service experience in the current environment.

Response: The Registrar's Office will work with IT and Data Governance to evaluate alternative methods by which individuals may submit a name change request, the required proof of use of the name being changed, and required documentation of the new name. The evaluation will include online methods for authentication of the requestor and the secure submission of documentation supporting the change. Management expects the evaluation to be completed and a revised policy and procedure to be implemented by December 1, 2025.

**University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2019**

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
Employment, Payroll, and Benefits					
4. The current payroll processing schedule includes a bi-weekly payroll for support staff and temporary workers, a bi-weekly payroll for student workers, and monthly payroll for full-time faculty, administrative staff members, and adjunct faculty. The bi-weekly payrolls are paid one week in arrears, while the monthly payroll is paid current. The variety of payroll cycles creates complexities that impact the efficiency and effectiveness of payroll processing.	Low	Transition the monthly payroll to a bi-weekly payroll schedule that is one week in arrears.	Senior management has approved the transition of monthly payroll to a bi-weekly payroll schedule. The transition will be scheduled to occur following the implementation of an electronic time reporting system for both student employees and support staff in the fall of 2020 and spring of 2021, respectively.	8/1/2021 Revised: 7/1/2024 Fall 2025	Completed
5. During the audit, payroll personnel indicated they have established an objective to increase the use of technology through the selection and implementation of an electronic time-keeping/time-tracking system. The current payroll processing environment relies heavily on hard-copy documents for tracking and reporting hours worked and employee time off (both paid and unpaid time). The University uses paper time sheets for employees to record their hours. In addition, personnel within the various departments summarize the hours from employee timesheets by recording them on a hard-copy recap document.	Moderate	Continue to pursue ways to increase the use of technology as it relates to time tracking and reporting for payroll. Depending upon the cost and amount of time required to implement a "package" solution, the payroll department could see near-term efficiency gains by replacing the paper recap documents with an electronic spreadsheet.	Human Resources has targeted the implementation of an electronic time and attendance reporting system to occur in three phases. The first phase will involve transitioning student employees to electronic time reporting in the summer or fall of 2020. The second phase will transition support staff to electronic time reporting in the spring of 2021. Lastly, monthly employees would be transitioned to electronic attendance reporting in the fall of 2021 or thereafter, depending on the ability to complete the first two phases as expected.	Phase 1: Fall 2020 Revised: Summer 2023 Phase 2: Spring 2021 Revised: Fall 2023 Spring/Summer 2024 Spring 2025 Phase 3: Fall 2021 Revised: Summer 2024 Fall 2025	Phase 1: Completed Phase 2: Completed Phase 3: Completed

**University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2020**

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
Bonds Payable Post-issuance Compliance					
1. While the University works closely with bond legal counsel regarding bond compliance issues, post-issuance compliance guidelines or procedures have not been formally documented.	Moderate	Work with the University's bond legal counsel to formalize and document guidelines or written procedures associated with post-issuance bond compliance.	Finance and Administration will work with bond counsel to formalize and organize our efforts in documenting post-issue bond compliance. This project will start in fall 2020 with a completion expected by the end of January 2021.	January 31, 2021 Revised: March 31, 2021 January 31, 2022 May 31, 2022 December 31, 2022 June 30, 2023 June 30, 2024 December 31, 2024 June 30, 2025 December 31, 2025	
2. In order to comply with federal tax law, the University must measure private business use in each facility financed with tax exempt bonds. The University does not have a formal process for measuring and reporting private business use.	Moderate	Work with Special Events and Scheduling Services to obtain reporting of facility usage by third parties. This information should be used to measure private business use and create reporting for management to monitor and evaluate usage at least on an annual basis.	Business Office personnel will work with Special Events and Scheduling Services to obtain facility usage by third parties and document this usage. This project will start in fall 2020 with a completion expected by the end of January 2021.	January 31, 2021 Revised: March 31, 2021 January 31, 2022 May 31, 2022 December 31, 2022 June 30, 2023 June 30, 2024 December 31, 2024 June 30, 2025 December 31, 2025	

**University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2022**

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
Institutional and Outside Scholarship Controls					
1. The current process for posting outside scholarships to student accounts involves manual manipulation of scholarship data by the Associate Bursar prior to uploading and posting the awards to student accounts.	Moderate	Investigate alternatives for posting outside scholarships to eliminate the need for manual manipulation by Bursar Office personnel.	The Associate Director of Student Financial Assistance will inquire of some peer institutions regarding the processing methods they use for posting outside scholarships. If no effective processing alternatives are identified, SFA will work with Information Technology and the Bursar's Office to implement a feed or upload eliminating the need for manual intervention.	March 31, 2023 Revised: December 15, 2023 August 1, 2024 July 31, 2025 July 31, 2026	

**University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2023**

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
Purchasing Card (P-Card) Review					
4. There is currently not a mobile application for capturing and uploading P-card receipts, which increases the risk that receipts are not submitted timely.	Moderate	Investigate potential options for utilizing a mobile application for collection and submission of P-card receipts.	Procurement has identified two options for a mobile application for uploading P-card transaction supporting documents. Selection and implementation of a solution will be coordinated with the accounts payable manager in a timeframe to be determined following the position being filled. Revised Response: AP will address through evaluation of a potential new P-card program.	Investigation: Completed Implementation: TBD - based on hire of accounts payable manager Revised: July 2025 September 2026	
Investment Policy Compliance					
3. The Fifth Third Bank investment management agreement for managing a portion of the unrestricted fund investments contains a provision allowing the managers to purchase certain types of investments prohibited by the University investment policy (e.g. short sales, forward contracts, options, and derivative transactions).	Moderate	Execute an amendment with Fifth Third to clarify that the University's investment policy shall control with respect to the investment assets which are prohibited.	The Vice President for Finance and Administration will execute an amendment with Fifth Third Bank by May 31, 2024, to clarify that the University's investment policy shall control with respect to the investment assets which are prohibited.	May 31, 2024 Revised: December 31, 2024 June 30, 2025 March 31, 2026	

**University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2024**

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
Administrative Appeals					
1. There is not a clear, consistent purpose and scope for the Administrative Appeals Committee, which increases the risk that appeal decisions are not made in accordance with management's expectations.	Moderate	The Administrative Appeals Committee Chair should work with the Vice President for Strategic Enrollment Management and the Office of the President to clarify and document the purpose and scope of the Administrative Appeals Committee responsibilities. The purpose and scope should be communicated to the committee and updated in both the University Handbook and on the University website.	The committee will clarify the purpose, scope, and composition of the Administrative Appeals Committee in both the University Handbook and on the University website. The target date for completion of these items is September 30, 2024.	September 30, 2024 Revised: August 1, 2025 September 30, 2025	
3. Although the appeals PDF form is online and fillable, students must print it for signature and submission. In addition, the intake process is inefficient because the appeal data must be manually entered into a tracking spreadsheet	Moderate	The Chair of the Administrative Appeals Committee and the AA should work with IT to transition the Administrative Appeal Form to an electronic form that can be automatically routed and from which data can be automatically populated in a data table for tracking and reporting purposes.	The AA has created a rough draft of a new University appeals form in Slate. This new form and delivery system will allow for automatic routing and data will be automatically populated into a spreadsheet for ease of reporting. The target date for implementation of the appeals form in Slate is December 31, 2024.	December 31, 2024 Revised: August 1, 2025	Completed
4. There is not a process to identify and automatically withdraw students who never attended their courses, which increases the risk that student accounts will become delinquent, students will receive failing grades, and the students will need to submit administrative appeals.	Moderate	The Bursar should work with the Provost, Registrar, and IT to develop a mechanism to identify and cancel registration for students who are not engaged in coursework, have not utilized their USI email, nor have they taken any actions toward initiating payment.	The Bursar will work with the Provost, Registrar, and Information Technology to develop a procedure to identify students who are not engaged in coursework and therefore should have courses dropped and charges removed from their account. The target for implementation of this procedure is December 1, 2024.	December 1, 2024 Revised: August 1, 2025 August 1, 2026	In Progress
Housing and Residence Life (HRL) System Access and Internal Control Review					
2. When students check out of campus housing, the HRL assistant director of occupancy management assesses damage fees based on estimated materials replacement cost and labor. However, there are currently no standard damage fees established based on the general condition of the living space, furniture, and fixtures.	Moderate	HRL should work with Facilities personnel to develop standardized damage fees to be used as a guideline for assessing damage fees.	The HRL facilities manager will work with the assistant director of occupancy management to standardize and streamline the assessment of damage fees.	June 30, 2025	Completed

**University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2025**

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
Authorized Driver Certification					
1. The Risk Management (RM) office utilizes an Excel spreadsheet to track the completion of authorized driver certification requirements. While the spreadsheet provides basic tracking functionality, it lacks automated reporting capabilities.	Moderate	RM should work with Information Technology to transition authorized driver certification tracking from the current spreadsheet into Team Dynamix software. Team Dynamix will offer the ability to generate reports and help improve RM's ability to proactively monitor authorized driver certification requirements and the expiration of training, motor vehicle record checks, and driver's license expiration dates.	RM is working with Information Technology to transition the authorized driver certification tracking from the current spreadsheet into the Team Dynamix software. The target date for completion of the data transfer and implementation of reporting is November 30, 2025.	November 30, 2025	
2. Based on a review of mileage reimbursement data from January 2024 through March 2025, 278 University employees claimed a mileage reimbursement, indicating that they had driven a personal vehicle for University business. 91 of those employees, approximately 33%, were not included in the authorized driver certification spreadsheet. However, 52 of the 91 non-certified drivers claimed mileage only one time during the audit period.	Low	RM should evaluate the risks and benefits of excluding personnel from the authorized driver certification requirements for infrequent/occasional driving on University business where the individual utilizes their personal vehicle.	RM will evaluate the risks and benefits of excluding personnel from the authorized driver certification requirements for infrequent or occasional driving where the individual utilizes their personal vehicle. RM is discussing best practices in this area with the University's insurance carrier and broker. The target date for completion of the analysis and implementation of any policy changes is November 30, 2025.	November 30, 2025	
3. The procedure within the Vehicle Safety Policy indicates that department heads/supervisors are responsible for notifying RM of the names of potential drivers. Based on discussions with RM and information obtained from Human Resources (HR) personnel, certain positions within the University have been designated as positions that require authorized driver certification due to the fact that the position requires routine driving for University business.	Moderate	RM should work with HR and Information Technology to create an automated report to notify RM of employees hired or transitioning into positions designated as requiring authorized driver certification.	RM will work with HR and Information Technology to evaluate the feasibility of creating an automated report to notify RM of employees hired or transitioning into positions designated as requiring authorized driver certification. The target date for implementation of the report is November 30, 2025.	November 30, 2025	
4. Anyone who has submitted a claim for mileage reimbursement or rental car expense for business travel is captured in Emburse. As a result, the Emburse system is an excellent source for evaluating compliance with the authorized driver certification requirements of the Vehicle Safety Policy.	Moderate	RM should implement an annual review of employees with mileage and car rental claims in Emburse and compare the employees with those claims to the list of authorized drivers.	RM will work with Travel Procurement personnel to identify reports available in the Emburse system that may be used to periodically review employees with mileage and car rental claims and compare the employees to the list of authorized drivers. The target date for implementation of this review is November 30, 2025.	November 30, 2025	
Social Security Number (SSN) Collection and Legal Name Change Process					
1. Changes to operations policies and procedures regarding the collection of SSN have created downstream operational challenges.	High	The Registrar's Office, Office of Undergraduate Admissions, and College Achievement Program (CAP) should adopt a policy governing the timing and acceptable methods for the collection of SSN and establish documentation requirements for SSN change requests.	The Registrar's Office, Office of Undergraduate Admissions, and CAP will review, edit, and coordinate adoption of the draft policy governing the timing and acceptable methods for the collection of SSN and establish documentation requirements for SSN change requests by December 1, 2025.	December 1, 2025	
2. Based on activity observed and reported by the Associate Registrar, the new software and workflows for processing applications appear to allow a returning student to change their legal name (academic record and transcript name) without following the University's name change procedure and documentation requirements.	High	Information Technology (IT) will work with the Associate Registrar to monitor the admission application workflows for name changes that are processed through the application process, which do not undergo the name change procedure and documentation requirements.	IT began monitoring in April 2025 and will continue until a cause is determined and/or a preventive control is implemented.	April 1, 2025	Completed and ongoing
3. During discussions about the current policy and procedures for processing legal name change requests, management expressed concerns about the efficiency and practicality of the in-person submission and documentation requirements, as well as the lack of a secure electronic submission option. .	Moderate	The Registrar's Office should work with IT and Data Governance to evaluate alternative methods by which individuals may submit a name change request.	The Registrar's Office will work with IT and Data Governance to evaluate alternative methods by which individuals may submit a name change request, including online methods for authentication of the requestor and the secure submission of documentation supporting the change.	December 1, 2025	

**University of Southern Indiana
Annual Audit & Advisory Services Plan
Calendar Year 2025**

QUARTER BEGINNING	AUDIT AREA	DESCRIPTION	HOURS
January 2025	Changes to Personal Information	Review policies and procedures for name changes, SSN changes, etc. across departments	100
	Authorized Driver Recertification	Review controls over driver recertifications	150
	Registrar - Degree Conferral	Review controls over academic degree conferral	220
	Internal Control Documents for financial statement audit	Documentation of accounting and financial reporting controls for state auditors	125
April 2025	IT Security Initiatives	Monitor progress on security findings from prior IT security and privacy audits & coordinating follow-up to past external audit reviews	200
	Accounts Payable	Review controls over accounts payable processing	240
	United Healthcare Claims	Review process for claims processing and payment	150
	Facility Operations Storeroom	Physical inventory observation	50
July 2025	Athletics Grant-in-Aid	Evaluate NCAA Compliance	240
	Slate (CRM) Review	Analyze data collection and storage	225
	Federal Student Financial Aid	Review administration of federal student aid for compliance with federal requirements governing Title IV student aid programs	250
October 2025	University Risk Management Committee	Facilitation of University Risk Management Committee activities	100
	External Audit Support	Support for external auditors performing federal financial aid audit and state aid agreed upon procedures	150
	Payroll Time Reporting	Review Web Time Entry controls	225
	Business Office	Financial Accounts and Authorized Signer Review	75

Total Hours	<u>2,500</u>
Hours Available	2,553
Hours available for unscheduled audits	53

**Summary of Construction Change Orders
Authorized by the President
September 4, 2025**

HEALTH PROFESSIONS RENOVATION PHASE IV

Empire Contractors – General Contractor

CO 004		\$ 48,037
	Removal of excessive concrete from existing footings, and additional renovation of lower-level floor restroom due to hidden issues.	
CO 005		\$ 43,472
	Removal and replacement of additional exterior stone panels from east wall to install flashing for moisture protection.	
CO 006		\$ 9,632
	Additional outlets, door changes and finish upgrades for the Market; adding a ladder to the elevator pit; and 1 st floor restroom wall buildout for tile installation.	
CO 008		\$ 42,660
	Change in plans for renovation and improvement of trim for four interior stairwells, four flights each. In other areas, unplanned removal and replacement of drywall due to unforeseen circumstances.	