

Internal Audit Report

March 7, 2024

Investment Policy Compliance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Verify that investment manager and consultant contracts comply with the VEBA Trust Investment Policy and Unrestricted Funds Investment Policy				
Verify investment asset allocations are within policy guidelines and investment assets comply with policy restrictions				
Assess compliance with policy to evaluate the performance and continuity of investment managers and periodically review the investment policy				

Investment Policy Compliance Control Issues and Responses

- **Issue 1:** There was not a formal contract between the University and Fourth Street Performance Partners (FSPP) for investment consulting related to the VEBA Trust.
- **Response:** An investment consulting agreement with FSPP was executed on February 20, 2024, for services related to the VEBA Trust investment portfolio.

Investment Policy Compliance Control Issues and Responses

- **Issues 2-4:** Investment management agreements with Old National Wealth Management (ONWM), Fifth Third Bank, and Johnson Asset Management (JAM) require clarification:
 - ONWM Agreement does not reference USI as owner
 - Fifth Third Bank Agreement contains a provision allowing the purchase of investments prohibited by the Investment Policy
 - The JAM Agreement includes “standard” investment guidelines which differ slightly from the Investment Policy
- **Response:** Amendments to clarify the issues noted for each of the agreements will be executed May 31, 2024.

Investment Policy Compliance Control Issues and Responses

- **Issue 5:** Unintended changes were introduced to the Investment Policy for Unrestricted Funds upon renewal from one year to another.
- **Response:** An updated investment policy is being presented to the Board on March 7, 2024. Going forward management will coordinate with FSPP to conduct a secondary review of investment policy drafts.

Name, Image & Likeness (NIL) Policy Compliance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Evaluate the University's NIL policy for compliance with the NCAA Interim NIL Policy				
Assess the adequacy of NIL training and communication provided to coaches, athletic department staff, and student athletes				
Evaluate the adequacy of communication to athletics boosters regarding NCAA Interim NIL rules				
Review NIL deals for student athletes for compliance with NCAA rules				

Name, Image & Likeness (NIL) Policy Compliance Control Issues and Responses

- **Issue 1:** NIL training and NCAA rules education may not correspond with the timing of NIL deals.
- **Response:** Additional NIL training and communication tools for student athletes will be developed by August 2024, including:
 - The obligation to report NIL deals
 - NCAA rules **prohibiting pay-for-play** and **recruiting inducements**

Name, Image & Likeness (NIL) Policy Compliance Control Issues and Responses

- **Issue 2:** The USI NIL policy is not clear about the level of detail required for NIL activity disclosures and does not contain any specific consequences for an athlete's failure to disclose NIL activities.
- **Response:** The associate director of athletics will modify the University NIL policy by August 2024, to include:
 - Specific disclosure requirements regarding NIL deals
 - Consequences for student athletes who fail to comply with the policy

Federal Student Aid Compliance

Audit Objectives	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Compliance with Institutional Eligibility Requirements				
Compliance with Federal Student Financial Assistance General Eligibility Requirements				
Compliance with Federal PELL Grant Requirements				
Compliance with Federal Campus-Based Program Requirements				
Compliance with Federal Direct Loan and PLUS Loan Requirements				
Compliance with other federal requirements contained in the Compliance Supplement				
Fiscal Operations Report and Application to Participate (FISAP) Completed Accurately and Submitted Timely				
Policies, Procedures and Other Issues				

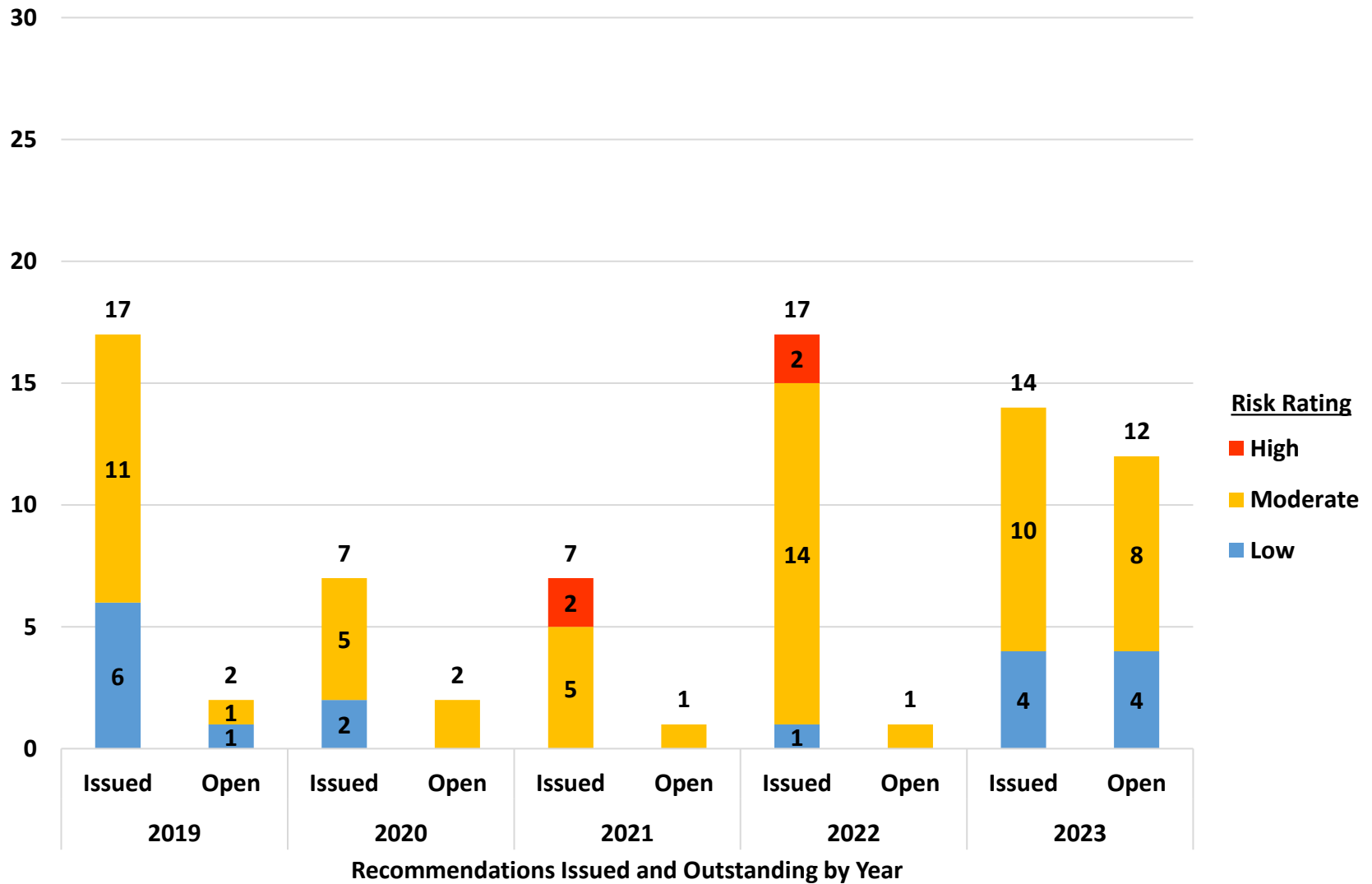
Federal Student Aid Compliance Control Issues and Responses

- **Issue 1:** A product defect in the Banner Student module caused incorrect enrollment status effective dates to be reported to the National Student Loan Data System (NSLDS) during the Spring 2023 semester.
- **Response:** The following corrective actions have been taken:
 - The system defect was corrected by the vendor in June 2023.
 - All student records affected have been corrected.
 - The University has increased the number of records selected for review.
 - Associate Registrar has subscribed to the software vendor's e-community to monitor for notices of system errors.

Audit Recommendation Matrices

- Rating definitions
 - Low – Minor issue; characterized by insignificant financial impact or minimal impact on ability to meet goals and objectives
 - Moderate – Medium-priority internal control or risk management issue; characterized by modest financial losses, reputation damage, or delayed achievement of goals and objectives
 - High – Significant internal control or risk management issue; characterized by high susceptibility to fraud or misappropriation, material financial impact, considerable damage to reputation, or inability to achieve goals and objectives

Audit Recommendation Status Update



2024 Internal Audit and Advisory Services Plan

QUARTER BEGINNING	AUDIT AREA	DESCRIPTION	HOURS
January 2024	Uncollectible Account Analysis	Analyze uncollectible student accounts for common themes and trends	150
	Drug Free Schools and Communities Act	Review institutional policies and procedures for compliance with regulatory requirements	200
	Administrative Appeals	Review institutional policies and procedures related to student appeals and application of policy for consistency	100
	Internal Control Documents for financial statement audit	Documentation of accounting and financial reporting controls for state auditors	125
April 2024	University Risk Management Committee	Facilitation of University Risk Management Committee activities	100
	IT Security Initiatives	Monitor progress on security findings from prior IT security and privacy audits & coordinating follow-up to past external audit reviews	200
	Registrar - Degree Conferral	Review controls over academic degree conferral	220
	Conflict of Interest Disclosures	Review process for educating and obtaining Conflict of Interest disclosures to comply with state and federal requirements	150
	Facility Operations Storeroom	Physical inventory observation	50
July 2024	Housing & Residence Life	Review new residential management software user access and controls over billing and residence contracts	200
	Athletics Grant-in-Aid	Evaluate NCAA compliance	240
	Federal Student Financial Aid	Review administration of federal student aid for compliance with federal requirements governing Title IV student aid programs	250
October 2024	External Audit Support	Support for external auditors performing federal financial aid audit and state aid agreed upon procedures	100
	Changes to Personal Information	Review policies and procedures for name changes, SSN changes, etc. across departments	220
	Authorized Driver Recertification	Review controls over driver recertifications	200

Total Hours	2,505
Hours Available	2,553
Hours available for unscheduled audits	48

