

**AGENDA**  
**FINANCE/AUDIT COMMITTEE**  
**UNIVERSITY OF SOUTHERN INDIANA**  
**BOARD OF TRUSTEES**

September 2, 2021

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

Neil Heppler, Co-President with Fourth Street Performance Partners, and the investment advisor for the VEBA Trust, will present a report on the VEBA Trust Fund.

**2. VEBA TRUST INVESTMENT POLICY STATEMENT REVIEW**

Annual review of the Investment Policy Statement for the VEBA Trust (Attachment A).

Approval of the unchanged Investment Policy Statement for the VEBA Trust is recommended.

**3. UNIVERSITY INVESTMENTS UPDATE**

Annual review of the Investment Policy Statement for the University (Attachment B).

Approval of the Investment Policy Statement for the University is recommended.

**4. APPROVAL OF RECOMMENDATION FOR 2022-2023 HOUSING RATES**

Approval of a recommendation to the Board of Trustees for approval of the following 2022-2023 housing rates is recommended.

<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	\$2,534	\$2,585	7-01-22
One student per bedroom	4,437	4,437	7-01-22
One Bedroom: Two students	3,056	3,056	7-01-22
One student	5,566	5,566	7-01-22
<u>GOVERNORS, NEWMAN, O'BANNON, or RUSTON HALL</u>			
Two Bedroom: Two students per bedroom	\$2,534	\$2,585	7-01-22
One Bedroom Studio: One student	3,056	3,056	7-01-22

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

**SUMMER SESSIONS**

Summer session rates are pro-rated to fall and spring semester rates.

**5. APPROVAL OF RECOMMENDATION FOR 2022-2023 MEAL PLAN RATES**

Students who live in the residence halls (Governors, Newman, O'Bannon, and Ruston) are required to purchase a resident meal plan. Three plans (Red, White, and Blue Eagle) 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.

<b><u>FALL OR SPRING SEMESTER</u></b>	<b><u>CURRENT RATE</u></b>	<b><u>PROPOSED RATE</u></b>	<b><u>EFFECTIVE DATE</u></b>
Red, White, or Blue Eagle Meal Plan	\$2,302	\$2,394	7-01-22

Approval of a recommendation to the Board of Trustees for approval of the proposed meal plan rates for 2022-2023 is recommended.

**6. REVIEW OF COMPLETED AUDITS AND ANNUAL AUDIT PLAN**

A summary of audits and other activities conducted by the Internal Audit Department during 2021 (Attachment C) will be reviewed.

**7. CHANGE ORDERS APPROVED BY VICE PRESIDENT FOR FINANCE AND ADMINISTRATION**

The construction change orders approved by the vice president for Finance and Administration are summarized in Attachment D.

## **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 age 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 "A"
- (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 Europe, Australia, Far East (EAFE) 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 Barclay's 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

# THE 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% BofA Merrill Lynch 1-3 Year Government/Corporate Bond Index and 80% 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>
<b>Intermediate Fixed Income Securities</b> (Duration between 3-5 years)	<b>70%</b>	<b>80%</b>	<b>100%</b>
<b>Liquid/Short Term Fixed Income</b> (Duration between 1-3 Years)	<b>0%</b>	<b>20%</b>	<b>30%</b>

## AUTHORIZED INVESTMENTS AND EXPOSURE RESTRICTIONS

- Obligations of the U.S. Government and Agencies** – All obligations of the U.S. Government or sponsored agencies are authorized for use.
- 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.
- 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.
- 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 \$1,000,000.

- 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% 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% (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 sub-section shall not comprise more than 5% 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 of 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% 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% 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 5% 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 5% 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% 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 3 years and 5 years.
- b) The duration of any short-term fixed income portfolio shall be between 1 year and 3 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: \_\_\_\_\_  
Chair, Finance/Audit Committee  
University of Southern Indiana

\_\_\_\_\_ 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. USIA21-1  
April 23, 2021

## Advisory Services Banner User Access Reports

### Introduction

Our report of the advisory services performed by Internal Audit related to development of user access reports for the Banner system is presented below.

### Background Information

Information technology (IT) security best practices for user administration suggest that individuals responsible for managing system access perform a review of user access at least annually. The purpose of such a review is to detect situations where users' access does not correspond with their roles, either due to changes in responsibilities or termination of employment. While the University has strong systems of internal control for granting newly requested access and for removing access upon termination, there has been less formality around the periodic review of existing user access. Although IT was providing monthly reports to system owners for review of system access, this review had not been formalized, nor was any type of response required regarding the legitimacy of user access. The lack of formal review had resulted in repeat audit findings in conjunction with network security audits over the years.

In an effort to assist management with addressing this issue, Internal Audit performed an advisory engagement to develop and implement a formal review of Banner user access.

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

- Evaluate the user access information provided in existing reports;
- Determine system owner requirements to make review of the reports more efficient and effective; and
- Develop reports and suggest a process for documenting the completion of user access review.

Utilizing the user access information available in Banner, Internal Audit developed Cognos reports that can be set to auto-generate monthly and indicate the access assigned to different user groups (classes), as well as the individuals assigned to those groups. Internal Audit was able to add other data, including full employee name, department, and position, to help improve the ability of system owners in completing their review.

### Conclusion

Internal Audit obtained feedback from each of the Banner system owners on the content and usability of the Cognos reports. System owners generally found the reports to be helpful in analyzing Banner user access and agreed to utilize the reports going forward. Feedback provided by the system owners resulted in some minor modifications to the security reports, including the addition of reports reflecting cross-departmental access, users with access to social security numbers, and creation of a separate report for non-employee Banner users.

Internal Audit recommends that oversight for review and approval of Banner user access be performed by the IT Security function and that access to each Banner module be reviewed and approved at least annually by the system owners.

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

Kendra Groeninger  
Internal Audit Manager

Distribution: Stacy Draper  
Richard Toeniskoetter  
Steve Bridges  
Dr. Ronald Rochon

Report No. USIA21-2  
 May 7, 2021

## Audit Report Higher Education Emergency Relief Funds (HEERF) II Student Award Compliance

### Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Policies and procedures for HEERF II student awards comply with federal law and Department of Education terms and conditions				
Recipients of HEERF II student awards met eligibility criteria				
Award amounts correspond to student need and were paid out or posted to the account as directed by the student				

#### Introduction

Our report of the internal audit of HEERF II student award compliance is presented below. We would like to thank Joanna Riney and Emily Henson who contributed positively to our results.

#### Background Information

The HEERF II was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA), which was signed into law on Dec. 27, 2020. The CRRSAA enabled the Department of Education to allocate approximately \$21 billion to institutions of higher education (IHEs) to serve students and ensure learning continued during the COVID-19 pandemic. For its part, the University of Southern Indiana received approximately \$2.9 million to be used to provide financial aid grants to students and \$7.2 million to defray expenses associated with the coronavirus and carry out student support activities that address needs related to the coronavirus. With the funds designated for financial aid grants to students, the University provided awards to more than 1,700 students ranging in amount from \$1,000 - \$2,000 based on their need and enrollment status.

This report is based on a review of the HEERF II student awards processed by student financial assistance and bursar personnel. The audit approach included discussions with personnel responsible for awarding and processing the awards; reviewing the University's HEERF II award policies and procedures; reviewing the sections of the CRRSAA governing use of the HEERF II funds; reviewing student application data; and reviewing student account information.

Report No. USIA21-2  
May 7, 2021

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

- Evaluate compliance of policies and procedures for HEERF II student awards with federal law and Department of Education award notification terms and conditions;
- Confirm that recipients of HEERF II student awards met eligibility criteria; and
- Verify that award amounts corresponded to student need and were paid out or posted to the account as directed by the student.

#### Conclusion

In general, the results of our audit procedures indicate that the HEERF II student awards were processed in compliance with federal requirements. **Adequate controls and practices were in place for each of the audit objectives evaluated.**

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

Kendra Groeninger  
Internal Audit Manager

Distribution: Mary Harper  
Rashad Smith  
Jeff Sickman  
Steve Bridges  
Dr. Ronald Rochon

Report No. USIA21-3  
July 12, 2021

## Advisory Services Data Accessibility

### Introduction

Our report of the advisory services performed by Internal Audit related to accessibility of recruitment and enrollment data is presented below.

### Background Information

The availability of timely and accurate recruitment and enrollment data has become increasingly important as competition intensifies among colleges and universities for a limited population of traditional college-bound high school graduates. The University has leveraged its internal programming and institutional reporting resources to produce student recruitment and enrollment reports and dashboards for management review. However, the reports were only generated once per week and were not delivered to management in a format that was easily accessible when not on campus.

The University has also implemented several software systems to help track and manage interactions with prospective students. These systems operate independently of each other and data sharing between systems is generally limited. The lack of integration among these disparate systems restricts the ability of University personnel to query the data, consolidate and correlate the data with similar data in other systems, and generate automated reports.

In an effort to assist management with addressing these issues and help facilitate delivery of timely analytics related to recruitment and retention strategies, Internal Audit performed an advisory engagement to review the accessibility of key recruitment and enrollment data.

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

- Understand management's data reporting needs;
- Identify existing data sources and reports;
- Identify additional data elements that could enhance existing reporting; and
- Modify existing reports or develop new reports to address management's needs.

Internal Audit interviewed Provost Khayum and Vice President Bridges, as well as leadership in planning research, and assessment, enrollment management, undergraduate and graduate admissions, and student development to gain an understanding of their reporting needs, information currently available, and additional data elements of interest to them. Based on those discussions, we worked with Information Technology (IT) personnel to capture the data necessary to create a daily enrollment dashboard to complement the existing weekly reports. Internal Audit also observed several vendor demonstrations and discussions regarding student recruitment and financial aid optimization provided by third-party consultants for the University's enrollment management and senior leadership team.

Internal Audit was able to use the daily data tables created by IT to develop a Cognos report that can be set to auto-generate on a daily basis and be delivered directly to recipients' email. In addition, we developed a recruitment and enrollment projection model that includes estimated college-bound high school graduates based on USI's recruiting territories and historical market share which can be updated periodically and utilized by management to help establish, set, and evaluate enrollment goals for future academic periods.

### Conclusion

While daily enrollment reporting and the enrollment projection model should be beneficial tools, management can achieve additional benefits by integrating prospective student data from the various software systems into the operational data store (ODS). When the data is available in ODS, it can be linked with data from other systems to help streamline and automate data reporting by leveraging the Cognos reporting tool. In addition, predictive modeling and aid optimization tools available through enrollment management consultants can help expedite the University's ability to develop alternative student recruitment strategies and evaluate their potential impact on student enrollments.

Management will take or has taken the following actions:

- Consolidating prospect and recruitment data from disparate systems into a centralized location for querying and reporting; and
- Engaging an enrollment management consultant to evaluate the University's strategy and infrastructure for recruitment of prospective students.

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

Kendra Groeninger  
Internal Audit Manager

Distribution: Rashad Smith  
Dr. Katherine Draughon  
Steve Bridges  
Dr. Mohammed Khayum  
Dr. Ronald Rochon

## Advisory Services Report Data Accessibility

### Improvement Opportunities and Responses

#### Consolidating prospect and recruitment data from disparate systems into a centralized location for querying and reporting

**Issue:** Based on discussions with undergraduate admissions, student development, and graduate admissions personnel, the University uses a variety of software systems to track and manage interactions with prospective students. Specifically, undergraduate admissions uses FireWorks CRM, student development uses Visual Zen, and graduate admissions uses Zoho CRM. The data in these disparate systems has not been integrated into the operational data store (ODS).

**Risk:** The lack of integration of data from these systems into the ODS limits the ability of University personnel to query the data, correlate the data with similar data in other systems, and generate automated reports consolidating data from different systems.

**Response:** The University will look to increase data availability by consolidating data into ODS in conjunction with financial aid optimization and other enrollment related initiatives. Management has already begun developing a relationship with a consultant to assist with aid optimization. Management will initiate discussions with enrollment and IT personnel by October 1, 2021, to determine the time and resources required to consolidate data from FireWorks CRM, Visual Zen, and Zoho CRM. Upon determination of the resource requirements, an appropriate target date for completion of the data consolidation will be established. Additionally, effective immediately, for new software implementations IT will incorporate steps to evaluate the need for data to be included in the ODS and, if applicable, how that data will be ingested into the ODS.

#### Engaging an enrollment management consultant to evaluate the University's strategy and infrastructure for recruitment of prospective students

**Issue:** Internal Audit observed several vendor demonstrations and discussions regarding student recruitment and financial aid optimization provided by third-party consultants for the University's enrollment management and senior leadership team. Based on these discussions, the University lacks robust predictive modeling tools for forecasting enrollments and aid optimization tools for evaluating different scholarship strategies.

**Risk:** The lack of strong predictive modeling tools and aid optimization tools makes it difficult to develop alternative student recruitment strategies and evaluate their potential impact on student enrollments.

**Response:** Management has begun the process to engage a consultant to assist with financial aid optimization and other enrollment related initiatives. The engagement will begin with financial aid optimization activities and expand into other elements of recruitment. The University expects the consulting engagement to commence by August 31, 2021.

Report No. USIA21-4  
 July 16, 2021

## Audit Report Capital Project Budgeting And Budget to Actual Analysis

### 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 and completeness of capital project budgets developed in conjunction with state capital appropriations requests and preliminary design				
Evaluate the adequacy of capital project budget to actual analyses prepared throughout the construction cycle				

### Introduction

Our report of the internal audit of capital project budgeting is presented below. We would like to thank Jina Platts, Jeff Sickman, Jim Wolfe, and Steve Bridges who contributed positively to our results.

### Background Information

The University of Southern Indiana routinely engages in capital projects to maintain and enhance the facilities required to provide a high-quality educational experience in a safe and appealing environment. The more significant projects involve major renovations to existing facilities or the construction of new facilities, which typically include requests for support from the state of Indiana in the form of capital appropriations. Given the size and materiality of these projects, it is critical to have an accurate and complete budget of the project costs to ensure the adequacy of funding and to monitor and measure actual costs against the budget.

This report is based on a review of the budget process, including activities at the early stages associated with capital appropriations requests, through the preliminary design, and finally to the post-bid/contract award process and subsequent budget to actual analysis. The audit approach included reviewing the monthly budget to actual analysis prepared by business office personnel for the Screaming Eagles Arena/PAC Renovation Phase I and the PAC Renovation Phase II/Natatorium projects. The audit approach also included discussions with the Vice President for Finance and Administration, the Director of Facilities Operations and Planning, the Assistant Controller, and Controller regarding the budget process, project design changes, expenses incurred, and budget to actual analysis for the projects.

Report No. USIA21-4  
July 16, 2021

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

- Evaluate the adequacy and completeness of capital project budgets developed in conjunction with state capital appropriations requests and preliminary design; and
- Evaluate the adequacy of capital project budget to actual analyses prepared throughout the construction cycle.

#### Conclusion

In general, the results of our audit procedures indicate **opportunity for moderate improvement** with respect to **capital project budget development** and **opportunity for minor improvement** with respect to **budget to actual analysis**.

Management will take or has taken the following actions:

- Ensuring that all equipment and furniture/fixtures associated with capital projects are included in capital appropriation requests and/or budget numbers submitted to the Business Office; and
- Enhancing and formalizing communication regarding capital project budget estimates and identification of project funding sources throughout the project life cycle.

No additional action or response is required.

Bradley V. Will  
Director of Internal Audit

Kendra Groeninger  
Internal Audit Manager

Distribution: Jim Wolfe  
Jeff Sickman  
Steve Bridges  
Dr. Ronald Rochon

Report No. USIA21-4  
July 16, 2021

## **Capital Project Budgeting And Budget to Actual Analysis Audit Report**

### **Control Issues and Responses**

#### **Ensuring that all equipment and furniture/fixtures associated with capital projects are included in capital appropriation requests and/or budget numbers submitted to the Business Office**

**Issue:** Due to perceived financial constraints from the state, past requests for capital appropriations were limited to the costs associated with design and construction of the building. As a result, the cost of furniture, fixtures, and equipment were excluded from both the appropriations request and the figures provided to the Business Office as the total budget associated with the project.

**Risk:** Exclusion of furniture, fixtures, and equipment from the appropriations requests and the budget amounts submitted to business office personnel makes it appear as though these costs were unplanned and unbudgeted expenses and may result in the Business Office having to identify funding sources for these costs as the costs are incurred rather than in advance.

**Response:** Management believes the circumstances that may have contributed to excluding furniture, fixtures, and equipment from capital appropriations requests are no longer present in the current environment. Effective immediately, new capital appropriations requests will include budget estimates for these costs. In addition, Facility Operations and Planning intends to leverage professional architectural and engineering resources in the planning stages to help ensure budgets are as accurate as possible.

#### **Enhancing and formalizing communication regarding capital project budget estimates and identification of project funding sources throughout the project life cycle**

**Issue:** Based on discussions with management and review of the Screaming Eagles Arena/PAC Renovation Phase I and the PAC Renovation Phase II/Aquatics Center projects, it appears that a portion of the differences between original budget estimates and actual construction costs were caused by a combination of the passage of time between the development of the budget and the beginning of construction, as well as changes in the project scope that occurred during the design phase. However, there was not a formal process to ensure these changes and their potential impact on the budget were communicated timely to accounting and budget personnel.

**Risk:** The absence of a formal process for communicating capital project changes to the Budget Office and Business Office impedes the ability of those areas to proactively identify additional funding sources, if necessary, and to accurately measure actual project performance against a budget reflective of the revised project scope.

**Response:** Finance and Administration will form a committee to enhance communication regarding capital project budgets and changes in project scope. The committee will include the Vice President for Finance and Administration and representation from the Budget Office, Business Office, and Facility Operations and Planning. The group will meet periodically throughout the life cycle of capital projects to discuss budget estimates, funding sources, and changes in project scope. The target date for convening the committee is March 31, 2022.

**University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2017**

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
<b>Child Protection Policy (CPP) and Procedures</b>					
<p>1. The following issues were noted during a review of 15 University-sponsored child-related events held during the 2016 calendar year:</p> <ul style="list-style-type: none"> <li>• Eight events did not use a Background Check Tracking Form</li> <li>• Five programs were missing at least one volunteer's Program Participant Form</li> <li>• Seven events were missing at least one volunteer's Authorization for Background and Sex Offender Registry Checks</li> <li>• Seven programs did not conduct Background Sex Offender Registry Checks as required by the CPP and/or Child Protection Committee (CPC) instructions on the Event Planning Form</li> </ul>	Moderate	Implement a third-party background check or modify policy and procedures to simplify the process. If third-party checks are cost-prohibitive, consider a tiered approach for screening individuals that work with children (e.g. performing criminal background checks and sex offender registry checks through Human Resources on all employees participating in programs involving children, while only requiring sex offender registry checks utilizing the Raptor system for non-employee volunteers).	Management will implement a third-party background check by October 31, 2017. The University will utilize a tiered approach for screening individuals that work with children such as performing criminal background checks and sex offender registry checks through Human Resources on all employees participating in programs involving children, while only requiring sex offender registry checks utilizing the Raptor system for non-employee volunteers.	<p>October 31, 2017</p> <p>Revised target for implementation of Raptor screening:            July 1, 2018            January 1, 2019            August 31, 2019</p> <p>Target for implementation of third-party background checks on new employees:            May 31, 2019</p> <p>Revised:            October 1, 2019            May 1, 2020            August 1, 2021            January 1, 2022</p>	<p>Raptor screening completed and ongoing</p> <p>Complete for hourly and administrative new hires</p> <p>In place for full-time faculty new hires January 1, 2021</p> <p>Revised target for adjunct new hires is January 1, 2022</p>



University of Southern Indiana  
Audit Recommendations Matrix  
Calendar Year 2019

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
<b>Employment, Payroll, and Benefits</b>					
1. A review of a sample of personnel files revealed that forms used to track the data entry and review of employment, payroll, and employee benefit data were not consistently initiated by personnel performing the verification of the data entered. This could indicate the data entered from the forms were not reviewed.	Moderate	Develop change/audit reports to identify critical data fields that contain new or modified data when compared to the previous day and implement reviews by someone in the department independent of the data entry to compare to the paper forms to ensure updates are properly authorized and entered accurately.	Human resources will develop change/audit reports generated from Banner to identify critical data fields that contain new or modified data and implement a review process by someone independent of the data entry.  Revised Response: Subsequent to the audit, human resources has implemented two new procedures to validate salary data. Efforts to develop change/audit reports will continue with a target for feasibility and implementation by January 31, 2021.  Update: Creating a change/audit report has been more challenging than expected. However, efforts will continue to create these reports. At this time, we are routing supporting documents to double-check and ensure data entry.	October 31, 2019  Revised: May 1, 2020 January 31, 2021 TBD	Completed and ongoing
3. Plans are in place to implement an online employee benefits enrollment process. Human resources management is considering implementing the online employee election process for fall 2019 and subsequently implementing the data uploads to Banner HR and the insurance providers. Because the upload process is not visible to the general users, there is a risk that its significance gets overlooked and resources get redeployed to other priorities	Low	Ensure that the upload process is implemented soon after the employee election front-end so that employee benefits personnel reap the full benefit of the online enrollment capabilities.	Human resources management is targeting implementation of the employee benefit election upload to Banner HR by June 2020 to ensure that the process is in place prior to the fall 2020 open enrollment period.  Revised Response: The online employee benefit election process is expected to be in place in fall 2020 for 2021 open enrollment. Management is targeting implementation of the upload to Banner for June 2021, prior to the subsequent open enrollment period.	June 30, 2020  Upload to Banner Revised target date: June 30, 2021 November 30, 2021	
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: TBD - personnel have been redeployed for COVID-19 contact tracing and staffing shortages	
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  Phase 2: Spring 2021  Phase 3: Fall 2021  Revised: TBD - personnel have been redeployed for COVID-19 contact tracing and staffing shortages	

University of Southern Indiana  
 Audit Recommendations Matrix  
 Calendar Year 2019

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
<b>Food Services Management Agreement and Profit-Sharing</b>					
<p>3. Meal plan purchases and meal plan adjustments processed through the card office are entered into the Blackboard Transact card system by card office personnel. Except for one upload at the beginning of each term, if the transaction is to be posted to the student account in Banner, card office staff must also enter the purchase or adjustment into Banner.</p>	<p>Moderate</p>	<p>Implement a daily upload from Blackboard Transact to Banner of meal plan activity to be posted to student accounts.</p>	<p>The Business Office will work with IT and the Eagle Access Card Office to implement daily feeds from Blackboard to Banner for the start of the 2020-2021 academic year.</p> <p>Revised Response: Implementation was delayed at the request of the Eagle Card Office due to COVID-19. Revised target is start of 2021-2022 academic year.</p> <p>Revised target date to beginning of Spring 2022 term due to turnover of Eagle Card Office personnel.</p>	<p>July 31, 2020</p> <p>Revised:            January 2021            August 2021            January 2022</p>	

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

<b>AUDIT NAME</b>	<b>RISK RATING</b>	<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>Bonds Payable Post-issuance Compliance</b>					
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	
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	
<b>Public Safety Clery Act Reporting</b>					
2. Vendor provided fields for performing queries and generating reports in the Omnigo system do not include the specific Clery location (i.e. on-campus housing or on-campus other location), making it difficult to review and identify which incidents were reported as occurring in housing or in other on-campus locations.	Moderate	Request that Omnigo add the specific Clery location (i.e. housing or on-campus other) to the fields available for querying and reporting. Generate reports by incident type and location as of the Annual Security and Fire Safety report date and retain the reports to provide an audit trail for internal and external reviewers.	Public Safety has contacted Omnigo and requested they create a report that will separate specific Clery locations for each incident. Additionally, Public Safety will generate reports by incident type/location to validate all statistical reports generated from the Omnigo software. All reports generated for statistical purposes will be saved to provide an appropriate audit trail.	Contact vendor: October 31, 2020  Generate reports by incident type and location: October 1, 2021	
3. Several policy statements or process descriptions required by the Clery Act were not explicitly addressed in the 2019 USI Annual Security and Fire Safety Report (Security Report).	Moderate	Incorporate the missing policy statements or process descriptions into future publications of the Security Report.	The policy statements and process descriptions identified during the audit have been incorporated into the 2020 Annual Security and Fire Safety Report, which was published by December 31, 2020.	December 31, 2020  Revised: October 1, 2021	Seven of 12 items were incorporated into the 2020 report.  The remaining items will be reviewed for potential inclusion in the 2021 report.
<b>Title IX Policy and Procedure Compliance</b>					
1. Several notification items required by Title IX were not explicitly addressed in some of the notices or publications used by the University.	Low	The Title IX Coordinator or Deputy Title IX Coordinator should work with the owners of the notices or publications to ensure that the items required by the regulation are incorporated.	The Title IX Coordinator will work with the owners of the notices and publications to ensure that the items required by the regulation are incorporated.	August 1, 2021	

**University of Southern Indiana  
Audit Recommendations Matrix  
Calendar Year 2021**

<b>AUDIT NAME</b>	<b>RISK RATING</b>	<b>RECOMMENDATION</b>	<b>RESPONSE</b>	<b>TARGET</b>	<b>STATUS</b>
<b>Banner User Access Reports Advisory Services</b>					
1. Internal Audit performed an advisory engagement to assist management with developing and implementing a formal review of Banner user access.	Moderate	Access to each Banner module should be reviewed and approved at least annually by the system owners and oversight for review and approval of Banner user access should be performed by the IT Security function.	The Chief Information Security Officer will oversee the annual review and approval by system owners of Banner user access. The first annual review is targeted for completion by December 1, 2021.	December 1, 2021	
<b>Data Accessibility Advisory Services</b>					
1. The University uses a variety of software systems to track and manage interactions with prospective students. The data in these disparate systems has not been integrated into the operational data store (ODS), which limits the ability of University personnel to query, correlate with similar data in other systems, consolidate, and generate automated reports on the data.	High	Consolidate data from these disparate systems into the ODS to enable linkage of the data across these systems and with Banner. Also, Information Technology should develop processes and procedures to ensure that the implementation of new software going forward includes steps to evaluate the need for the data to be included in the ODS and, if applicable, how that data will be ingested into the ODS.	The University will look to increase data availability by consolidating data into ODS in conjunction with financial aid optimization and other enrollment related initiatives. Management will initiate discussions with enrollment and IT personnel by October 1, 2021, to determine the time and resources required to consolidate data from FireWorks CRM, Visual Zen, and Zoho CRM. Upon determination of the resource requirements, an appropriate target date for completion of the data consolidation will be established. Effective immediately for new software implementations, IT will incorporate steps to evaluate the need for data to be included in the ODS and, if applicable, how that data will be ingested into the ODS.	Discussions with enrollment and IT personnel: October 1, 2021  Evaluate ODS for new software implementations: Effective immediately	In progress and ongoing
2. Based on observations from several vendor demonstrations and discussions, the University lacks robust predictive modeling tools (for forecasting enrollments) and aid optimization tools (for evaluating different scholarship strategies), making it difficult to develop alternative student recruitment strategies and evaluate their potential impact on student enrollments.	High	University management should proceed with its efforts to engage an enrollment management consultant to evaluate the University's current strategy and infrastructure for recruitment of prospective students.	Management has begun the process to engage a consultant to assist with financial aid optimization and other enrollment related initiatives. The engagement will begin with financial aid optimization activities and expand into other elements of recruitment. The University expects the consulting engagement to commence by August 31, 2021.	August 31, 2021	
<b>Capital Project Budgeting And Budget to Actual Analysis</b>					
1. In the past, the cost of furniture, fixtures, and equipment were excluded from both the capital appropriations request and the figures provided to the Business Office as the total budget associated with the project, making it appear as though these costs were unplanned and unbudgeted expenses.	Moderate	Ensure that all equipment and furniture/fixtures associated with capital projects are included in capital appropriation requests and/or budget numbers submitted to the Business Office.	Effective immediately, new capital appropriations requests will include budget estimates for these costs. In addition, Facility Operations and Planning intends to leverage professional architectural and engineering resources in the planning stages to help ensure budgets are as accurate as possible.	Effective immediately	In progress and ongoing
2. The absence of a formal process for communicating capital project changes to the Budget Office and Business Office impedes the ability of those areas to accurately measure actual project performance against a budget reflective of the revised project scope and to proactively identify additional funding sources, if necessary.	Moderate	Enhance and formalize communication regarding capital project budget estimates and identification of project funding sources throughout the project life cycle.	Finance and Administration will form a committee to enhance communication regarding capital project budgets. The group will meet periodically throughout the life cycle of capital projects to discuss budget estimates, funding sources, and changes in project scope. The target date for convening the committee is March 31, 2022.	March 31, 2022	

**University of Southern Indiana  
 Annual Audit & Advisory Services Plan  
 Calendar Year 2021**

<b>QUARTER BEGINNING</b>	<b>AUDIT AREA</b>	<b>DESCRIPTION</b>	<b>HOURS</b>
January 2021	Banner User Access	Facilitate development of Cognos reports for use by management to complete Banner user access reviews	240
	Higher Education Emergency Relief Funds	Monitor regulatory guidance and advise management of compliance issues related to use of funds	100
	Internal Control Documents for financial statement audit	Documentation of accounting and financial reporting controls for state auditors	125
April 2021	Data Accessibility for Analysis and Reporting	Review accessibility of key data to facilitate delivery of timely analytics for management related to recruitment and retention strategies	240
	Strategic Plan Support	Provide support to management related to implementation of the strategic plan	150
	Student Account Adjustments	Review controls over student account adjustments initiated by University personnel or service providers	150
	Facility Operations Storeroom	Physical inventory observation	50
July 2021	Capital Projects	Review recent capital projects and evaluate budgeted costs to actual costs incurred	200
	Campus Store	Review campus store agreement and controls over revenue and commission payments	150
	Federal Student Financial Aid	Review administration of federal student aid for compliance with federal requirements governing Title IV student aid programs	250
	IT Security Initiatives	Monitor progress on security findings from prior IT security and privacy audits & coordinating follow-up to past external audit reviews	220
October 2021	External Audit Support	Support for external auditors performing federal financial aid audit and state aid agreed upon procedures	120
	Athletics Ticketing	Review ticketing processes associated with new ticketing system	225
	Payment and cash handling	Review controls within areas that regularly accept payments and handle cash	220

<b>Total Hours</b>	<b><u>2,440</u></b>
Hours Available	2,500
Hours available for unscheduled audits	60

**Summary of Construction Change Orders  
Authorized by the Vice President for Finance and Administration**

**PHYSICAL PLANT EXPANSION**

**Danco Construction, Inc. - General Contractor**

CO PP002 Golf Cart Storage, tile in restroom, chiller electric circuits. \$ 2,140.13

**PHYSICAL ACTIVITIES CENTER (PAC) RENOVATION PHASE II**

**Empire Contractors, Inc. - General Contractor**

CO P039 No framing, paint concrete, panic devices, delete rubber flooring \$(47,518.00)