

AGENDA

FINANCE/AUDIT COMMITTEE

**UNIVERSITY OF SOUTHERN INDIANA
 BOARD OF TRUSTEES**

September 1, 2022

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

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

4. UNIVERSITY INVESTMENT POLICY STATEMENT REVIEW

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

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

5. APPROVAL OF RECOMMENDATION FOR 2023-2024 HOUSING RATES

Approval of the following 2023-2024 housing rates, **with a two-year rate lock**, is recommended.

		CURRENT RATE	PROPOSED RATE	EFFECTIVE DATE
<u>FALL OR SPRING SEMESTER</u>				
<u>McDONALD or O'DANIEL APARTMENT</u>				
Two Bedroom:	Two students per bedroom	\$2,585	\$2,489	7-01-23
	One student per bedroom	4,437	4,341	7-01-23
One Bedroom:	Two students	3,056	2,960	7-01-23
	One student	5,566	5,470	7-01-23
<u>GOVERNORS, NEWMAN, O'BANNON, or RUSTON HALL</u>				
Two Bedroom: Two students per bedroom		\$2,585	\$2,489	7-01-23
One Bedroom Studio: One student		3,056	2,960	7-01-23

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

SUMMER SESSIONS

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

6. APPROVAL OF 2023-2024 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.

FALL OR SPRING SEMESTER

	<u>CURRENT RATE</u>	<u>PROPOSED RATE</u>	<u>EFFECTIVE DATE</u>
Red, White, or Blue Eagle Meal Plan	\$2,395	\$2,491	7-01-23

Approval of the proposed meal plan rates for 2023-2024 is recommended.

7. REVIEW OF COMPLETED AUDITS AND ANNUAL AUDIT PLAN

A summary of audits and other activities conducted by the Internal Audit Department during 2022 (Attachment C) will be reviewed.

8. REPORT OF CONSTRUCTION CHANGE ORDERS ISSUED BY THE VICE PRESIDENT FOR FINANCE AND ADMINISTRATION

The construction change order issued by the vice president for Finance and Administration and previously approved electronically by the Construction Committee (Attachment D) will be reviewed.

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

UNIVERSITY OF SOUTHERN INDIANA

Proposed 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

- 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 million.

- 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** – Notes and bonds of a corporate business entity, organized under the law of the United States or any State thereof with 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 50 percent of any investment manager’s fixed income portfolio.

7. **Mortgage-Backed Securities** – U.S. Government or agency Mortgage Pass-Through Securities (including TBAs 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 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 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. The maturity of individual fixed income issues shall be restricted to 10 years.

- b) The duration of any short-term fixed income portfolio shall be between one year and three years. The maturity of individual fixed income issues shall be restricted to 10 years unless self-amortizing in which case the average life is to be five years or less.

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. USIA22-1
 March 10, 2022

Audit Report Athletics Ticketing System Controls Review

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Determine the adequacy of written ticketing procedures				
Evaluate the adequacy of user access controls and segregation of duties within the AudienceView ticketing system				
Evaluate the adequacy of controls over ticket sales and cash handling at events using the AudienceView system				

Introduction

Our report of the internal audit of University Athletics ticketing system controls is presented below. We would like to thank Angie Goebel, Jon Mark Hall, and other athletics department personnel who contributed positively to our results.

Background Information

In conjunction with the opening of Screaming Eagles Arena in 2019, the University of Southern Indiana Athletics department began using an electronic ticketing system (AudienceView) for the administration of tickets for home men's and women's basketball games. The implementation of the ticketing system eliminated the use of pre-printed ticket stock for game-day sales, which has significantly improved the efficiency of ticket operations by reducing or eliminating manual processes associated with tracking, managing, and reconciling tickets sold, complimentary tickets used, and unused or unsold tickets.

This report is based on a review of user access to the ticketing system and controls associated with ticket sales and cash handling within the ticket office. The audit approach consisted of reviewing USI Athletics department procedures, interviewing athletics department personnel with responsibility for ticket sales, cash handling, and ticket reconciliation, observing game-day ticket operations for a men's and women's basketball double-header, and reviewing ticket seller reports and reconciliations for the events observed.

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

- Determine the adequacy of written ticketing procedures
- Evaluate the adequacy of user access controls and segregation of duties within the AudienceView ticketing system
- Evaluate the adequacy of controls over ticket sales and cash handling at athletic events using the AudienceView system

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March 10, 2022

Conclusion

In general, the results of our audit procedures indicate adequate controls and practices with respect to controls over ticket sales and cash handling, opportunity for minor improvement with respect to user access controls, and opportunity for moderate improvement with respect to written ticketing procedures.

Management will take or has taken the following actions:

- Documenting event setup, ticket sales, sales reporting, and deposit procedures
- Implementing pre-season testing of ticket barcodes, scanners, and point of sales devices
- Investigating options to create greater segregation of user access within the ticketing system
- Reconciling pre-printed season ticket packages with AudienceView and season ticket revenue in Banner

No additional action or response is required.

Bradley V. Will
Director of Internal Audit

Kendra Groeninger
Internal Audit Manager

Distribution: Angie Goebel
Jon Mark Hall
Jeff Sickman
Steve Bridges
Dr. Ronald Rochon

Report No. USIA22-1
March 10, 2022

Athletics Ticketing System Controls Audit Report

Control Issues and Responses

Documenting event setup, ticket sales, sales reporting, and deposit procedures

Issue: Based on discussions with the senior administrative associate for athletics, detailed procedures have not been documented for setting up events in the ticketing system, processing cash and payment card sales, and for preparing the ticket sales reporting and deposit procedures.

Risk: The lack of detailed documented procedures for utilizing the ticketing system increases the risk of processing inefficiencies and errors in the event that the senior administrative associate is unavailable.

Response: The senior administrative associate for athletics will prepare a manual by July 1, 2022, with instructions on how to utilize the ticketing system, how to report ticket sales, and deposit procedures. The manual will include procedures for performing the following activities in AudienceView: adding users, creating events, creating packages, selling game day tickets, managing comp lists, and reconciling ticket sales for both point-of-sale transactions and web purchases.

Implementing pre-season testing of ticket barcodes, scanners, and point of sales devices

Issue: Based on discussions with the senior administrative associate for athletics, there were several issues associated with the ticketing system that Athletics personnel had to overcome during the first few weeks of basketball season. The issues included the inability to accept payment cards for point-of-sale ticket sales, malfunctioning ticket scanners, and an issue with game information in barcodes on season tickets not matching the game information in the ticketing system.

Risk: Technical issues with the ticketing system create additional game-day stress for Athletics department personnel responsible for ticket sales and provides an unpleasant customer experience for fans.

Response: The issues with the ticketing equipment should be eliminated now that Athletics has obtained updated equipment from AudienceView. However, the senior administrative associate for athletics will incorporate the following pre-season testing steps into the ticketing procedures manual that will be created by July 1, 2022: testing the functionality of ticket scanning equipment, testing to make sure the barcode information on season tickets corresponds to the correct event, and testing the point-of-sale card swipe devices to ensure credit and debit card payments can be accepted.

Investigating options to create greater segregation of user access within the ticketing system

Issue: During review of the user access profiles within the ticketing system, Internal Audit noted two users whose profiles allow access to perform any function within the system, including administration of new user access. One of these users is the senior administrative associate for athletics, who is responsible for overseeing the majority of the ticket sales transactions. The other user is the interim associate director of special events, whose system access is required for commencement and other events unrelated to athletics.

Risk: Access to the creation and administration of user accounts by an individual with transactional responsibilities creates a potential conflict of interest and does not conform to information security best practices. In addition, access to athletic event ticketing system functions by personnel whose job responsibilities do not require it violates the security principle of least privilege, increasing the risk of unauthorized or erroneous transactions.

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Response: In order to improve the segregation of user access within the ticketing system, Athletics personnel will remove the ability to add and delete users from the system profile of the senior administrative associate of athletics and from the profile of the interim director of special events. The senior associate athletic director, who is not involved in tickets sales, will be responsible for creating new users and removing users. This change should also remove the ability for athletics and special events to access, sell tickets for, or run reports for the other department's events. The target date for implementing this change is May 31, 2022.

Reconciling pre-printed season ticket packages with AudienceView and season ticket revenue in Banner

Issue: Business office procedures related to the accounting and reconciling of season tickets include counting the printed ticket packages and agreeing the count to information in the AudienceView ticketing system prior to delivery to season ticket holders. However, the count to system verification is not formally documented by the staff accountant and the associated season-ticket revenue is not reconciled to Banner until the conclusion of the basketball season.

Risk: The lack of documentation supporting the reconciliation of printed season ticket packages to the ticketing system makes it difficult to demonstrate the completion of the activity. Also, deferring the reconciliation of season ticket revenue to the season tickets sold until after the season may make it more difficult to identify and resolve potential discrepancies.

Response: Effective for the 2022-2023 basketball season, the staff accountant will document the verification of the pre-printed season ticket count by saving the email containing ticketing system counts from Athletics to a folder on the Business Office shared network drive. The staff accountant will document the number counted with an email to Athletics to verify or contest the number printed compared to the number ordered. This email will also be saved to the shared network drive.

Regarding the reconciliation of season-ticket revenue, the staff accountant will reconcile sales revenue in Banner to sales reports from AudienceView three times during the year: as of September 30 (following the renewal deadline); as of December 31 (following the completion of most sales activity); and as of March 31 (following the conclusion of the season).

Report No. USIA22-2
 May 17, 2022

Audit Report Payment Card Industry (PCI) Compliance Assessment

Results at a Glance

Audit Objectives:	RISK MITIGATION			
	Adequate Controls & Practices	Opportunity for Minor Improvement	Opportunity for Moderate Improvement	Opportunity for Significant Improvement
Determine the adequacy of written procedures for acceptance of credit and debit cards				
Assess the knowledge of personnel regarding the secure processing, storage, and disposal of cardholder data				
Evaluate compliance with PCI Self-Assessment criteria				

Introduction

Our report of the PCI compliance assessment is presented below. We would like to thank Emily Henson, Cindy Miller, Stacy Draper, and other University personnel with payment processing responsibilities who contributed positively to our results.

Background Information

In the scope of its operations, the University accepts credit and debit card payments across more than 20 different departments or functional areas. Card payments may originate as in-person, card-present transactions, mail or telephone order, and e-commerce transactions. As a result, the University is required to comply with PCI Data Security Standards related to each of these origination methods. The compliance requirements applicable to the University are encompassed in two self-assessment questionnaires published by the PCI Security Standards Council.

Over the last several years, the University has worked toward ensuring the security of card transactions by partnering with PCI compliant card processing vendors and implementing point-to-point encrypted card processing solutions at most point-of-sale locations. However, the University had not completed the applicable self-assessment questionnaires that are required to formally declare compliance to interested third parties such as cyber-insurance providers. To assist management and provide support for the 2022-2023 cyber-insurance renewal application, Internal Audit conducted a compliance gap assessment comparing the University's current state of compliance with the requirements outlined in the applicable PCI self-assessment questionnaires.

This report is based on a review of the different departments and locations where card payments are accepted (merchants), how those payments are processed, and identification of the PCI Self-Assessment questionnaires applicable to those processing methods. The assessment consisted of reviewing card payment system data to identify University merchants and personnel responsible for accepting card payments,

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May 17, 2022

interviewing bursar office personnel responsible for setting up merchants and granting system access to users, surveying department personnel to determine the processing methods used for card payments, and interviewing department personnel with responsibility for payment processing to assess the existence of policies and procedures that comply with requirements in the applicable self-assessment questionnaires.

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

- Determine the adequacy of written procedures for acceptance of credit and debit cards
- Assess the knowledge of personnel regarding the secure processing, storage, and disposal of cardholder data
- Evaluate compliance with PCI Self-Assessment criteria

Conclusion

In general, the results of our assessment indicate opportunities for moderate improvement with respect to written procedures for acceptance of card payments and compliance with the PCI Self-Assessment criteria. We noted opportunity for minor improvement with respect to the knowledge of personnel regarding the secure processing, storage, and disposal of cardholder data.

Management will take or has taken the following actions:

- Documenting and disseminating an institutional policy regarding information security requirements specific to handling, storage, retention, and destruction of credit and debit card information
- Developing and distributing payment acceptance procedures and training for department personnel to ensure PCI compliance
- Reviewing the PCI compliance status of card processing vendors annually
- Completing the PCI Self -Assessment Questionnaires annually

No additional action or response is required.

Bradley V. Will
Director of Internal Audit

Kendra Groeninger
Internal Audit Manager

Distribution: Stacy Draper
Emily Henson
Jeff Sickman
Steve Bridges
Dr. Ronald Rochon

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May 17, 2022

**PCI
Compliance Assessment
Audit Report**

Control Issues and Responses

Documenting and disseminating an institutional policy regarding information security requirements specific to handling, storage, retention, and destruction of credit and debit card information

Issue: Based on discussions with personnel in various departments with responsibility for payment processing, the departments did not have a formal written policy regarding handling debit and credit card information.

Risk: The lack of a formal written policy describing the requirements and expectations for properly handling debit and credit card information increases the risk that customer card information may be lost or improperly disclosed.

Response: The Chief Information Security Officer (CISO) will draft an institutional PCI compliance policy for distribution and dissemination to all departments throughout the University with responsibility for handling credit and debit card information. The institutional policy will be reviewed by the Business Office to ensure it complements payment acceptance procedures developed by the Bursar. The policy will be finalized and distributed by September 30, 2022.

Developing and distributing payment acceptance procedures and training for department personnel to ensure PCI compliance

Issue: Based on discussions with bursar office personnel and departments with responsibility for payment processing, the University does not have formal documented payment acceptance procedures and training for personnel processing payments.

Risk: The lack of formal payment acceptance procedures and training increases the risk that customer card information may be compromised.

Response: The Bursar will develop payment acceptance procedures for dissemination to University personnel responsible for handling payments and work with the CISO to coordinate and provide training on the PCI security policy and payment acceptance procedures by September 30, 2022.

Reviewing the PCI compliance status of card processing vendors annually

Issue: The University utilizes card payment processing solutions provided by third parties to process debit and credit card payments securely. While the PCI compliance status of those vendors was reviewed at inception of the vendor relationship, there is currently not a formal annual review of these vendors' compliance status.

Risk: The University's card processing activities cease to be PCI compliant due to a lapse or expiration in compliance of one or more third party processing solutions.

Response: The CISO will work with the Bursar to coordinate obtaining the PCI compliance status of card processing vendors on an annual basis. The first review of vendor PCI compliance will be completed by September 30, 2022.

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May 17, 2022

Completing the PCI Self-Assessment Questionnaires annually

Issue: Based on the annualized volume of debit and credit card transactions processed by the University, PCI Data Security Standards require the University to complete appropriate self-assessment questionnaires on an annual basis. Over the years, the University has relied on its card processing vendors and its financial institution partners to make any necessary compliance assertions to the card associations on its behalf.

Risk: The absence of a completed self-assessment and attestation of compliance by management increases the risk that the University has not met all the applicable PCI compliance requirements and hinders its ability to formally declare compliance to interested third parties such as cyber-insurance providers.

Response: The CISO will work with the University Controller and Bursar to address the items noted by Internal Audit during the compliance assessment with a target to complete the required self-assessments and attestation of compliance by November 1, 2022.

Report No. USIA22-3
 June 30, 2022

Audit Report Federal Enrollment Reporting Compliance Assessment

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 enrollment reporting process based on guidance from the National Student Clearinghouse (NSC)				
Evaluate the accuracy of student enrollment information submitted to NSC and the National Student Loan Data System (NSLDS)				

Introduction

Our report of federal enrollment reporting compliance is presented below. We would like to thank Angel Nelson and other University personnel for their assistance with the assessment.

Background Information

Institutions of higher education that participate in federal Title IV aid programs are required to report enrollment information for student aid recipients to the National Student Loan Data System (NSLDS). NSLDS is the Department of Education's central database for federal student aid disbursed under Title IV. NSLDS monitors the programs of attendance and the enrollment status of Title IV aid recipients to ensure that loan interest subsidies, loan repayment dates, and in-school deferments are accurately applied to these students.

In order to fulfill its enrollment reporting compliance requirements, the University of Southern Indiana has partnered with the National Student Clearinghouse (NSC) to help facilitate the completion of enrollment reporting and exchange of data with NSLDS. NSC is a non-profit organization that was founded in 1993 by the higher education community to help relieve the administrative burdens and costs associated with federal student data reporting requirements. With over 3,600 colleges and universities utilizing NSC, it has become a trusted partner in higher education for helping institutions fulfill their reporting obligations.

The timeliness and accuracy of enrollment reporting to NSLDS is reviewed annually as part of the audit of federal student aid compliance. While the audits have not resulted in reportable findings, there have been minor issues noted in the testing each year. In an effort to assist management with addressing these issues, Internal Audit performed a compliance assessment to help facilitate a more comprehensive understanding of the enrollment reporting process and target specific enrollment scenarios that have created compliance findings in the past.

This report is based on a review of online training information available from NSC to obtain a comprehensive understanding of NSC enrollment reporting guidance and the review of enrollment reporting for the fall 2021

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June 30, 2022

and spring 2022 academic terms. The assessment included the completion of over 30 different online training modules offered by NSC via its Clearinghouse Academy, interviews with the Associate Registrar, and the review of a sample of students to validate the accuracy of enrollment data reported to NSC and NSLDS.

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

- Evaluate the adequacy of the enrollment reporting process based on guidance from NSC
- Evaluate accuracy of student enrollment information submitted to NSC and NSLDS

Conclusion

In general, the results of our assessment indicate opportunity for moderate improvement with respect to implementing enrollment reporting processes based on NSC guidance and opportunity for minor improvement with respect to the timeliness and accuracy of reporting enrollment data.

Management will take or has taken the following actions:

- Investigating the potential benefits of submitting a graduates only file to NSC at the conclusion of each academic term
- Reviewing the Reject Detail (All Records) report for social security number (SSN) and student ID (SID) errors
- Ensuring students who were accepted but delayed enrollment are reported with the program begin date corresponding to the enrollment date
- Determining when the University should utilize the privacy block setting on specific student records reported to NSC
- Determining how to review and address data discrepancies reported on the SCHE10 report
- Implementing a monthly review of the University's NSLDS Statistics Score

No additional action or response is required.

Bradley V. Will
Director of Internal Audit

Kendra Groeninger
Internal Audit Manager

Distribution: Angel Nelson
Sandy Frank
Dr. Shelly Blunt
Dr. Mohammed Khayum
Steve Bridges
Dr. Ronald Rochon

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**PCI
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Control Issues and Responses

Investigating the potential benefits of submitting a graduates only file to NSC at the conclusion of each academic term

Issue: The University currently reports students with a “graduated” status to NSC through a Degree Verify file. Although NSC attempts to pass the information from the Degree Verify database to the enrollment reporting database, there are situations that prevent the graduated status from being applied to enrollment reporting for NSLDS. While these records appear on a report and can be subsequently corrected, NSC recommends schools submit a graduates-only file in addition to a Degree Verify file.

Risk: Failure to properly report a student’s graduated status can negatively impact the student’s interest subsidy, loan repayment dates, and in-school deferment status.

Response: The Associate Registrar will investigate the potential benefits of submitting a graduates-only file to NSC after each academic term. If the graduates only file is more efficient to produce than working the “G not applied” records from the Degree Verify file, then the Associate Registrar will work with NSC to establish a graduates-only file. The Associate Registrar will complete the review of the graduates only file by October 1, 2022.

Reviewing the Reject Detail (All Records) report for social security number (SSN) and student ID (SID) errors

Issue: After each enrollment file is submitted to NSC, a reject report will be generated if there are student records containing discrepancies or errors. The Associate Registrar reviews the Reject Detail (School Review) report, which contains all errors that are required to be corrected. However, NSC recommends that institutions also review the Reject Detail (All Records) report for the following SSN or SID errors: Error 30 - blank or invalid SSN and/or college SID; Error 211 - incoming without SSN, college SID previously used; and Error 212 - previous record contained a valid SSN.

Risk: Failure to review and correct these SSN and SID errors may result in the student’s loss of interest subsidy and in-school deferment status, as well as triggering the start of loan repayment.

Response: The Associate Registrar will implement a review of the Reject Detail (All Records) report for Errors 30, 211, and 212 by October 1, 2022.

Ensuring students who were accepted but delayed enrollment are reported with the program begin date corresponding to the enrollment date

Issue: During our review of enrollment data reported to NSLDS for a sample of students, Internal Audit noted students whose program begin date pre-dated the students’ enrollment. Based on discussions with the Associate Registrar and review of the student records, it appears these students were accepted to the University during one academic term but delayed enrolling until a subsequent term.

Risk: Although the discrepancy in program begin date did not impact the students’ Title IV status, the discrepancies could raise questions about the accuracy of other data provided to NSLDS by the University.

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Response: The Associate Registrar will work on developing an exception report by October 1, 2022, to show students who were accepted but not enrolled. The report will be used at the start of each academic term to update the students' records and make the program inactive.

Determining when the University should utilize the privacy block setting on specific student records reported to NSC

Issue: Based on information in NSC's Clearinghouse Academy training, institutions can include a privacy block setting on student records to indicate that the student has elected to block a specific record in their enrollment and/or degree history. This setting allows institutions to instruct NSC not to use personally identifiable information in enrollment and/or degree records for research purposes or verifications where the student has not consented to those data uses. The privacy block was designed to enable compliance with regional, state, or international privacy regulations. It is different from the directory block indicator that was designed for FERPA compliance.

Risk: Failure to utilize the privacy block setting when appropriate could lead to violations of privacy regulations such as the General Data Protection Regulation (GDPR) and California Consumer Privacy Act.

Response: The Associate Registrar will inquire with NSC support personnel by October 1, 2022, regarding the appropriate use of the privacy block setting for student enrollment records.

Determining how to review and address data discrepancies reported on the SCHE10 report

Issue: The NSC Clearinghouse Academy training suggests institutions should request and review the SCHE10 report from NSLDS. The report compares data reported to the Common Origination and Disbursement system to data in NSLDS.

Risk: Unresolved discrepancies in data between systems could negatively impact the University's NSLDS statistics score and compliance status.

Response: The Associate Registrar will inquire with NSC support personnel by October 1, 2022, regarding how to work the SCHE10 report.

Implementing a monthly review of the University's NSLDS Statistics Score

Issue: The NSC Clearinghouse Academy training indicates that institutions are required to maintain an NSLDS Statistics Score that is greater than or equal to 90% for students certified with program-level data. The score is cumulative based on a 135-day evaluation period. A new score is calculated the third Wednesday of each month. Although the University is meeting or exceeding the required score, there is currently no one responsible for monitoring the score.

Risk: Lack of monitoring could result in undetected declines in the NSLDS Statistics Score that could ultimately lead to non-compliance.

Response: Student financial assistance personnel will implement a monthly review of the NSLDS statistics score by August 31, 2022. The review will be evidenced by saving a monthly screen shot of the score.

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

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
Child Protection Policy (CPP) and Procedures					
<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"> • Eight events did not use a Background Check Tracking Form • Five programs were missing at least one volunteer's Program Participant Form • Seven events were missing at least one volunteer's Authorization for Background and Sex Offender Registry Checks • 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 	Moderate	<p>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).</p>	<p>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>	<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 August 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 August 1, 2022</p> <p>Completed and ongoing</p>

University of Southern Indiana
 Audit Recommendations Matrix
 Calendar Year 2018

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
Undergraduate Admissions (UA) 2. The current admission decision process requires the associate director to perform a series of data sorts multiple times a day and requires manual entry of the admission decision into Banner.	Low	Work with information technology personnel to automate the data sort process to eliminate manual sorting. Consider programmatically creating separate reports of applicants that meet admission criteria, applicants that are clearly denials, and applicants that require manual review. Consider automating the entry of the admission decision for the obvious approvals and denials.	UA plans to have the automated admission decision process and reports fully in place by spring semester of 2019 if the project queue in Information Technology (IT) allows. Revised Response: UA determined it was not feasible to utilize Banner functionality to automate admission decisions. UA will meet with IT to determine feasibility of custom programming and priority in the work queue. UA will reconvene with IT by September 30, 2021, to discuss automation options related to applicants who provide both GPA and test scores for admission decisions. UA met with IT in January 2022 to discuss automation options based on GPA and transcript type. Targeted rollout is March 31, 2022. Revised Response: Initial automation to be based on GPA and SAT or ACT test scores.	January 2, 2019 Feasibility meeting: September 30, 2019 Revised: March 31, 2020 November 30, 2020 September 30, 2021 March 31, 2022 Revised: September 30, 2022	Initial meeting held in November 2020 Follow-up meeting held in February 2021

University of Southern Indiana
 Audit Recommendations Matrix
 Calendar Year 2019

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
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	
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 Phase 3: Fall 2021 Revised: Summer 2024	
Food Services Management Agreement and Profit-Sharing					
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.	Moderate	Implement a daily upload from Blackboard Transact to Banner of meal plan activity to be posted to student accounts.	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. 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. Revised target date to beginning of Spring 2022 term due to turnover of Eagle Card Office personnel. Daily feed is undergoing testing and expected to be in production by October 2022.	July 31, 2020 Revised: January 2021 August 2021 January 2022 April 30, 2022 October 31, 2022	In progress

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	
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	
Public Safety Clery Act Reporting					
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 Revised: October 1, 2022	
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 October 1, 2022	Ten of twelve items have been incorporated into the annual report. The remaining items will be included in the 2022 report.

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

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
Data Accessibility Advisory Services 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 Revised Target: March 31, 2022 Evaluate ODS for new software implementations: Effective immediately	Completed In progress and ongoing
Capital Project Budgeting And Budget to Actual Analysis 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	Completed
Campus Store Management Agreement and Sales Commissions 1. Course materials sales information for February 2021 through May 2021 provided by Barnes & Noble included a category called "miscellaneous adjustments" with no additional details. In addition, none of the gross sales reports for 2020-2021 provided a breakout of website sales as required by Exhibit G of the management agreement.	Moderate	University management should move forward with its plans to request support for the "miscellaneous adjustments" and a breakout of website sales.	University management has requested more detailed sales information. In response, Barnes & Noble has granted Jeff Sickman, USI Controller and Assistant Treasurer, access to the Barnes & Noble reporting system (Birst). Jeff intends to obtain Birst access for Melissa Hensley, USI Staff Accountant, and the two of them expect to complete training on how to use the system by February 28, 2022.	February 28, 2022	Completed
Student Account Adjustments 1. The current process for processing adjustments relies on email notifications, which can make it challenging to ensure that all adjustments are properly authorized, appropriate supporting documentation is obtained, and the adjustments are properly recorded.	Moderate	Consider the development of a Qualtrics form to streamline and standardize adjustment requests.	The Controller and Bursar will develop a matrix detailing the University positions that may authorize different types of adjustments and the supporting documentation required. The Bursar will develop a Qualtrics form for the initiation of adjustment requests.	Matrix of authorizers: March 31, 2022 Revised: December 31, 2022 Qualtrics form: July 31, 2022 Revised: TBD - Qualtrics form on hold	

University of Southern Indiana
Audit Recommendations Matrix
Calendar Year 2022

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
Athletics Ticketing System Controls					
1. Detailed procedures have not been documented for setting up events in the ticketing system, processing cash and payment card sales, and for preparing the ticket sales reporting and deposit procedures.	High	Athletics personnel should document how to set up events in the ticketing system, process ticket sales (including season tickets and point of sale ticket sales), prepare ticket sales reports, and prepare deposit information.	The senior administrative associate for athletics will prepare a manual by July 1, 2022, with instructions on how to utilize the ticketing system, how to report ticket sales, and deposit procedures.	July 1, 2022	Completed
2. Athletics personnel had to overcome several issues with the ticketing system during the first few weeks of basketball season, including: the inability to accept payment cards for point-of-sale ticket sales, malfunctioning ticket scanners, and an issue with game information in barcodes on season tickets not matching the game information in the ticketing system.	High	Implement pre-season testing of season ticket barcodes, ticket scanners, and point of sale devices to ensure they are functioning properly.	The senior administrative associate for athletics will incorporate testing steps into the ticketing procedures manual to include pre-season testing of the functionality of ticket scanning equipment, verifying barcode information on season tickets, and testing the point-of-sale card swipe devices.	July 1, 2022 Revised: August 31, 2022	
3. Two ticketing system user profiles allow access to perform any function within the system, including administration of new user access. One of these users is the senior administrative associate for athletics. The other user is the interim associate director of special events.	Moderate	Investigate options to increase the segregation of user access within the ticketing system.	Athletics personnel will remove the ability to add and delete users from the system profile of the senior administrative associate of athletics and from the profile of the interim director of special events. The senior associate athletic director, who is not involved in tickets sales, will be responsible for creating new users and removing users.	May 31, 2022	Completed
4. The verification of printed season tickets to the count in the AudienceView system is not formally documented by the staff accountant and the associated season-ticket revenue is not reconciled to Banner until the conclusion of the basketball season.	Moderate	Formally document the completion of the reconciliation of printed season ticket packets to the ticketing system and reconcile to season ticket revenue prior to distribution of the tickets.	Effective for the 2022-2023 basketball season, the staff accountant will document the verification of the pre-printed season ticket count and will also reconcile sales revenue in Banner to sales reports from AudienceView as of September 30 (following the renewal deadline); as of December 31 (following the completion of most sales activity); and as of March 31 (following the conclusion of the season).	Verification of season tickets: September 30, 2022 Reconciliations: September 30, 2022 December 31, 2022 March 31, 2023	
Payment Card Industry (PCI) Compliance Assessment					
1. Departments responsible for payment processing did not have a formal written policy regarding handling debit and credit card information.	Moderate	Draft and disseminate an institutional security policy that addresses proper handling of credit and debit card information.	The Chief Information Security Officer (CISO) will draft an institutional PCI compliance policy for distribution and dissemination to all departments with responsibility for handling credit and debit card information. The policy will be reviewed by the Business Office to ensure it complements payment acceptance procedures developed by the Bursar.	September 30, 2022	
2. The University does not have formal documented payment acceptance procedures and training for personnel processing payments.	Moderate	Develop payment acceptance procedures and training for University personnel responsible for handling payments.	The Bursar will develop payment acceptance procedures for dissemination to University personnel responsible for handling payments and work with the CISO to coordinate and provide training on the PCI security policy and payment acceptance procedures.	September 30, 2022	
3. There is currently not a formal annual review of card payment processing vendors' PCI compliance status.	Moderate	Implement an annual review of the University's card processing vendors' PCI compliance status.	The CISO will work with the Bursar to coordinate obtaining the PCI compliance status of card processing vendors on an annual basis. The first review of vendor PCI compliance will be completed by September 30, 2022.	September 30, 2022	
4. Over the years, the University has relied on its card processing vendors and its financial institution partners to make any necessary compliance assertions to the card associations on its behalf.	Moderate	Complete appropriate self-assessment questionnaires on an annual basis as required by PCI Data Security Standards.	The CISO will work with the University Controller and Bursar to address the items noted by Internal Audit during the compliance assessment with a target to complete the required self-assessments and attestation of compliance by November 1, 2022.	November 1, 2022	

University of Southern Indiana
 Audit Recommendations Matrix
 Calendar Year 2022

AUDIT NAME	RISK RATING	RECOMMENDATION	RESPONSE	TARGET	STATUS
OBSERVATION					
Federal Enrollment Reporting Compliance Assessment					
1. The University currently reports students with a "graduated" status to the National Student Clearinghouse (NSC) through a Degree Verify file. NSC recommends schools submit a graduates-only file in addition to a Degree Verify file.	Moderate	Consider submitting a graduates-only file to NSC in addition to the Degree Verify file.	The Associate Registrar will investigate the potential benefits of submitting a graduates-only file to NSC after each academic term. If the graduates only file is more efficient to produce than working the "G not applied" records from the Degree Verify file, then the Associate Registrar will work with NSC to establish a graduates-only file. The Associate Registrar will complete the review of the graduates-only file by October 1, 2022.	October 1, 2022	
2. The Associate Registrar reviews the Reject Detail (School Review) report, which contains all errors that are required to be corrected. However, NSC recommends that institutions also review the Reject Detail (All Records) report for the following social security number (SSN) or student identification (SID) errors: Error 30 - blank or invalid SSN and/or college SID; Error 211 - incoming without SSN, college SID previously used; and Error 212 - previous record contained a valid SSN.	Moderate	Implement a review of the Reject Detail (All Records) report for SSN or SID errors 30, 211, and 212.	The Associate Registrar will implement a review of the Reject Detail (All Records) report for Errors 30, 211, and 212 by October 1, 2022.	October 1, 2022	
3. During our review of enrollment data reported to the National Student Loan Data System (NSLDS) for a sample of students, Internal Audit noted students whose program begin date pre-dated the students' enrollment.	Moderate	Develop a report to identify students who were accepted but not enrolled in order to ensure their program begin date corresponds to the student's enrollment.	The Associate Registrar will work on developing an exception report by October 1, 2022, to show students who were accepted but not enrolled. The report will be used at the start of each academic term to update the students' records and make the program inactive.	October 1, 2022	
4. It appears that the University is currently not utilizing the privacy block setting when reporting to NSC.	Moderate	Determine when the University should utilize the privacy block setting on specific student records reported to NSC.	The Associate Registrar will inquire with NSC support personnel by October 1, 2022, regarding the appropriate use of the privacy block setting for student enrollment records.	October 1, 2022	
5. The NSC Clearinghouse Academy training suggests institutions should request and review the SCHE10 report from NSLDS. The report compares data reported to the Common Origination and Disbursement system to data in NSLDS.	Moderate	Inquire with NSC to determine how to review the SCHE10 report.	The Associate Registrar will inquire with NSC support personnel by October 1, 2022, regarding how to work the SCHE10 report.	October 1, 2022	
6. There is currently no one at the University who has been assigned the responsibility to monitor the University's NSLDS Statistics Score.	Moderate	Implement a monthly review of the NSLDS Statistics Score.	Student financial assistance personnel will implement a monthly review of the NSLDS statistics score by August 31, 2022.	August 31, 2022	Completed and ongoing

**University of Southern Indiana
 Annual Audit & Advisory Services Plan
 Calendar Year 2022**

QUARTER BEGINNING	AUDIT AREA	DESCRIPTION	HOURS
January 2022	Payment Card Industry (PCI) Compliance	Evaluate compliance with data security standard using self-assessment questionnaires	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 2022	Enrollment Reporting	Review federal enrollment reporting requirements and processes and procedures to ensure compliance	220
	University Risk Management Committee	Facilitation of University Risk Management Committee activities	150
	Investments	Review investment management agreements and compliance with policy	200
	Facility Operations Storeroom	Physical inventory observation	50
July 2022	Institutional Scholarship and Fee Waivers Risk Assessment	Review risks and controls associated with institutional scholarships and fee waivers	220
	Athletics Eligibility	Review of student athlete eligibility	200
	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	200
October 2022	External Audit Support	Support for external auditors performing federal financial aid audit and state aid agreed upon procedures	120
	Housing & Residence Life	Review new residential management software user access and controls over billing and residence contracts	200
	Enrollment Deposits	Review controls over the assessment, collection, and accounting of enrollment deposits	220

Total Hours	<u>2,495</u>
Hours Available	2,527
Hours available for unscheduled audits	32

Summary of Construction Change Orders Recommended for Authorization

WELLNESS CENTER

Empire Contractors, Inc. - General Contractor

CO 001	Increase in contractors cost due to extremely high inflation from time of original Bid Date until accepting the bid, and Deduction for Voluntary Alternates	\$ 1,185,471
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