UNIVERSITY OF SOUTH FLORIDA
Treasurer’s Office

Report on Annual Certifications
For Direct Support Organizations (DSOs)
And Entities Under the Control and Direction of USF
November 10, 2004 (Revised 11/19/04)

The University of South Florida Finance Committee recently established a governance, compliance and oversight plan for Direct Support Organizations (DSOs) and Entities Under the Control and Direction of the University. This action was based on the best practices within a National Association of College and University Business Officer’s (NACUBO) Advisory Report on the Sarbanes-Oxley Act of 2002. This plan involves an annual certification by each entity, USF Finance Committee review and assessment of these certifications, and the Committee’s preparation of an annual summary report to the Board of Trustees.

Following is the DSO Annual Certification Report to the Board of Trustees for the 2003-04 Fiscal Year, which has been reviewed by the Finance Committee. The office of University Audit and Compliance will review this report and the annual certifications, and provide an assessment to the Board of Trustees through the USF Finance Committee. This report is based on review of the following information:

- The DSO Annual Certifications,
- The DSO independent audit reports of their financial statements,
- The DSO independent audit management letters and
- The DSO independent audit reports on internal control over financial reporting and on compliance and other matters.

Sun Dome, Inc.

Governance Structures
Sun Dome, Inc. (Organization) is a not-for-profit operation of a multi-purpose facility (Sun Dome) on behalf of the University of South Florida to provide the students, faculty and staff of the University, as well as the general public, an array of cultural, athletic and other educational events and activities, including a variety of entertainment events. The Organization is managed by Mike LaPan, its Executive Director, and reports to an eleven member Board of Directors. Michele Boyce serves as the Chief Financial Officer.

The Organization operates the University’s golf course facilities, soccer stadium and practice fields, baseball stadium, varsity tennis facility, varsity softball field and band field. The Organization provides administrative services in support of USF Technology Services, Inc. and WUSF Radio and TV.
Financial Statements
The Organization received an independent audit of its consolidated financial statement by ValienteHernandez, P.A. Certified Public Accountants for the fiscal year ending June 30, 2004. In their opinion, “the consolidated financial statements present fairly, in all material respects, the financial position of Sun Dome, Inc. and subsidiary as of June 30, 2004.”

Internal Control and Compliance Certifications
The Management Letter from ValienteHernandez commented that “we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency.” Recommendations for improvement were made in the areas of Ticket Office Cash and Year-End Adjustments.

Structures in Place to Assure Independent Internal and External Audit Activities
The Sun Dome, Inc. Board of Directors established an Audit Committee at its annual meeting on November 4, 2004. In the coming year, this committee will work with management to develop an agreement (with another USF entity) in order to establish a process for the performance of internal audit controls.

USF Alumni Association, Inc.

Governance Structures
The USF Alumni Association, Inc. is a not-for-profit organization with 501(c)(3) status and has a mission to foster mutually beneficial, lifelong relationships between the University and its alumni, to inspire loyalty and pride among current and future alumni and to advocate for excellence in teaching, research and public service. A thirty-seven member Board of Directors provides leadership and guidance to the Association. The work of the Board is done through its nine committees. Lisa Lewis serves as the President if the Association and Marcie Salamone serves as the Chief Financial Officer.

Financial Statements
Financial Statements for the 2003-04 Fiscal Year were audited by Ernst & Young, LLP. In their opinion, the financial statements, in all material respects, present fairly the financial position of the University of South Florida Alumni Association, Inc., and the combined changes in its net assets, cash flows and functional expenses ended in conformity with generally accepted accounting principles.

Internal Control and Compliance Certifications
Ernst & Young, LLP issued a Report on Internal Control over Financial Reporting and on Compliance and Other Matters. The report noted no matters involving the internal control over financial reporting and its operation considered to be material weaknesses. Results of tests on compliance with certain provisions of laws, regulations, contracts and grant agreements disclosed no instances of noncompliance.
Structures in Place to Assure Independent Internal and External Audit Activities
The Alumni Association, Inc. has an Audit Committee, utilizes services of the Foundation Internal Auditor, and adheres to the Foundation’s Code of Ethics.

USF Charter School

Governance Structures
The University of South Florida Charter School is a not-for-profit corporation and operates as a Component Unit of the School District of Hillsborough County. Lisa Maltezos, serves as the Principal and CEO and Dr. David Shern, Dean of the USF Louis de la Parte Florida Mental Health Institute, serves as the Chief Financial Officer.

The Charter School is governed by an eleven member Board of Directors. The Board of Directors has a Finance Committee to oversee the annual operating budget of the Charter School, an Audit Committee to oversee the financial processes of the Charter School and a University of South Florida Team chosen from a variety of disciplines to provide expertise and support to the Charter School in school curriculum and important initiatives.

Financial Statements
The Charter School’s financial statements are included in the combined financial statements of the School District of Hillsborough County.

A Report to the Board of Directors from the Baylis & Company Public Accounting firm on the Charter School’s operation for the 2003-04 Fiscal year included the following:

- There were no significant audit adjustments made to the financial statements of the Charter School for the year ended June 20, 2004.
- Review and evaluation of the internal control over financial reporting disclosed no condition that they believed to be a material weakness.
- They did not note any incidence of fraud during the course of their audit, and they did not note any fraud risk factors, which would have continuing control implications.
- They did not note any illegal acts during the course of their audit.
- No exceptions were noted on prior year audit recommendations.
- Recommendations for improvement were made in the areas of:
  - Payroll—care should be taken to ensure that pay rate authorizations be completed and filed in each employee’s personnel file and
  - Cash Disbursements—the Charter School should consider adding additional authorized check signers to allow greater flexibility in locating an available check signer. Care should be taken to document all the requested data for the payment approval for invoices.
Internal Control and Compliance Certifications

The Management Letter section of the Report to the Board of Directors from the Baylis & Company, PA noted that the size of the Charter School’s accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation suggests that the Board continue to remain involved in the financial affairs of the Charter School to provide oversight and independent review functions. The Charter School will implement the recommended changes to the system of internal controls in a timely manner.

The audit review by Baylis & Company, PA stated that their review and evaluation of the internal control over financial reporting disclosed no condition that they believe to be a material weakness. The report further stated that they did not note any incidence of fraud during the course of their audit and did not note any fraud risk factors, which would have continuing control implications and that they did not note any illegal acts during the course of their audit.

The Auditor’s Report on Compliance and Internal Control stated that the results of their tests disclosed no instances of noncompliance that are required to be reported.

Structures in Place to Assure Independent Internal and External Audit Activities

The Charter School has relied upon the USF’s Office of Audit and Compliance for its internal audit functions separate from that of the University. It is the Charter School’s understanding that USF is currently evaluating strategies for providing internal audit functions at several of its DSOs. Acquisition of internal audit services from the Foundation, external parties or USF Audit and Compliance will be reviewed during the 2004-05 fiscal year, in an effort to make a decision on an internal audit program by the end of the 2004-05 Fiscal Year. A financial Code of Ethics will be adopted during the 2004-05 Fiscal Year.

USF Foundation, Inc.

Governance Structures

The USF Foundation is a 501(c)(3) private, not-for-profit corporation that functions as the legal conduit for the acceptance, investment and distribution of all private gifts made to USF. The Foundation is guided by a Board of Trustees, which directs the receipt and administration of private funds, properties and services contributed to USF. The Board is assisted by an Investment Committee, a Finance and Administration Committee and an Audit Committee. All members of the Board sign conflict of interest statements. Michael Rierson, USF Vice President for Advancement, serves as the Foundations CEO and John Scott serves as the Chief Financial Officer.

Financial Statements

An audit report by Ernst & Young, LLP on the Foundation indicated that in their opinion, the combined financial statements of the Foundation present fairly, in all material respects, the combined financial position of the USF Foundation, Inc. at June 30, 2004, and the combined changes in its net assets, cash flows and functional expenses ended in conformity with generally accepted accounting principles.
Internal Control and Compliance Certifications
A Report on Internal Control Over Financial Report and on Compliance and Other Matters issued by Ernst & Young, LLP noted no matters involving the internal control over financial reporting and its operation were considered to be material weaknesses for the 2003-04 Fiscal Year.

Structures in Place to Assure Independent Internal and External Audit Activities
The Foundation signs an annual contract with an independent internal auditor, who reports directly to the Chair of the Audit Committee.

USF Research Foundation, Inc.

Governance Structures
The USF Research Foundation operates as a not-for-profit organization, providing a means by which discoveries, inventions, processes and work products of the USF faculty, staff and students can be transferred from the University laboratory to benefit the public. The Research Foundation is responsible for receiving and administering all royalties related to intellectual property, acts as a fiduciary entity on behalf of the licensee and university programs and acts as the fiduciary entity for private contracts and grants. The Research Foundation is governed by an eleven member Board of Directors. Rod Casto serves as the Executive Director and Allison Madden serves as the Chief Financial Officer. The Board of Directors addressed the establishment of an Audit Committee at its annual meeting held October 26, 2004. It is the intention of the Research Foundation to adopt USF’s Financial Code of Ethics model once it becomes available.

Financial Statements
The Richard L. Brown & Company, P.A. issued an audit report indicating that in their opinion, the financial statements present fairly, in all material respects, the financial position of the University of South Florida Research Foundation, Inc. as of June 30, 2004 and the changes in its net assets and its cash flows ended in conformity with generally accepted accounting principles.

Internal Control and Compliance Certifications
The Richard L. Brown & Company, P.A. issued a Report on Compliance and on Internal Control over Financial Reporting for the Research Foundation for the 2003-04 Fiscal Year. The results of their tests disclosed no instances of noncompliance that are required to be reported.

Structures in Place to Assure Independent Internal and External Audit Activities
The Research Foundation has not addressed this item at this time in anticipation of the hiring of an internal auditor to be shared among the DSOs as proposed by the USF Finance Committee.
USF Medical Services Support Corporation

Governance Structures
The USF Medical Services Support Corporation (USF MSSC) operates as a Florida not-for-profit corporation and as a tax-exempt organization under Section 501(c)(3) of the IRS Code. Its primary function is to provide non-physician personnel and services in support of the operation of facilities utilized by the University for its approved programs of education, research and clinical service. USF MSSC functions as the fiscal agent for the administration of the USF Health Sciences Center Continuing Professional Education program funds. USF MSSC is governed by a thirty-three member Board of Directors, which is supported by an Executive Committee and a Finance/Audit Committee. Brian Smith serves as the Executive Director and Tim Russell serves as the Chief Financial Officer.

Financial Statements
An audit report issued by Ernst & Young, LLP indicated that in their opinion, the financial statements present fairly, in all material respects, the financial position of the USF MSSC as of June 30, 2004, and the results of its operations and cash flows ended in conformity with generally accepted accounting principles. The report indicated that they were not aware of any fraud or illegal acts.

Internal Control and Compliance Certifications
Ernst & Young, LLP issued a Report on Internal Control Over Financial Reporting and on Compliance and Other Matters. The results of their tests disclosed no instances of noncompliance on provisions of laws, regulations, contracts and grant agreements required to be reported. The Ernst & Young Financial Audit Report stated that effective January 1, 2005, MSSC/UMSA will add a second internal auditor as approved in the fiscal year 2004-05 budget process.

Structures in Place to Assure Independent Internal and External Audit Activities
An Office of Internal Audit (OIA) is shared with the University Medical Service Association, Inc. (UMSA) to provide independent and objective appraisal activity established within the organization to examine and evaluate operations. The OIA reports to the UMSA/MSSC Chairman of the Board of Directors with delegated responsibility to the Board of Directors’ Finance Committee.

University Medical Service Association, Inc.

Governance Structures
The University Medical Service Association (UMSA) operates as a Florida not-for-profit corporation and as a tax-exempt organization under Section 501(c)(3) of the IRS Code. It functions as the Faculty Practice Plan organization of the USF College of Medicine, with responsibility for the collection, administration, and distribution of funds derived from the provision of health care services by the College faculty as an integral part of their academic activities and employment as faculty. UMSA is governed by a thirty-three member Board of Directors, which is supported by an Executive Committee and a Finance/Audit Committee.
Brian Smith serves as the Executive Director and Tim Russell serves as the Chief Financial Officer.

Financial Statements
An audit report issued by Ernst & Young, LLP indicated that in their opinion, the financial statements present fairly, in all material respects, the financial position of UMSA as of June 30, 2004, and the results of its operations and cash flows ended in conformity with generally accepted accounting principles. The report indicated that they were not aware of any fraud or illegal acts. The Business Insights section of the report included the following recommendations:

- That management ensure employees are appropriately trained in the applicable procedures and policies for processing invoices, and that management continue to perform a thorough search for liabilities paid subsequent to month end to ensure all expenses are identified that should be reflected in the prior period. The management response indicated that appropriate corrective action would be taken.
- That UMSA and MSSC work with their trustee for investments to ensure all risk exposure is being appropriately addressed given exceptions noted in the SAS 70. The management response indicated that they will work with its investment company (Trusco Capital Management) to ensure that the exposure facing MSSC is appropriately addressed and communicated to management.

Internal Control and Compliance Certifications
A report issued by Ernst & Young, LLP on Internal Control Over Financial Reporting and on Compliance and Other Matters identified existence of an unreconciled difference that resulted in a recommendation that thorough review of bank reconciliations and resolution of reconciling items be performed timely and consistently. The report further indicated that they do not believe the reportable condition described is a material weakness. The results of their tests disclosed no instances of noncompliance on provisions of laws, regulations, contracts and grant agreements required to be reported. The Ernst & Young Financial Audit Report stated that effective January 1, 2005, UMSA/MSSC will add a second internal auditor as approved in the fiscal year 2004-05 budget process

Structures in Place to Assure Independent Internal and External Audit Activities
An Office of Internal Audit (OIA) is shared with the USF Medical Services Support Corporation (USF MSSC) to provide independent and objective appraisal activity established within the organization to examine and evaluate operations. The OIA reports to the UMSA/MSSC Chairman of the Board of Directors with delegated responsibility to the Board of Directors’ Finance Committee.