UF UNIVERSITY *of* FLORIDA

Office of Audit & Compliance Review

Operational, Financial, Compliance Audits
Management Advisory Services
Special Reviews

2011-12 ANNUAL REPORT

UF | Audit & Compliance Review
UNIVERSITY of FLORIDA

Contents

Message from the Chief Audit Executive
Brian Mikell, CPA

The mission of the Office of Audit and Compliance Review (OACR) is to provide independent, objective assurance and consulting services, using a risk-based approach, to add value and improve the operations of the University of Florida and its affiliated organizations. OACR serves as a central point for the coordination of and oversight for activities that promote accountability, integrity, and efficiency for the University of Florida. The scope of our work includes determining whether the university's network of risk management control and governance processes, as designed and represented by management, are adequate and function in an effective and efficient manner.

During fiscal year 2011-2012, OACR engaged in several complex projects and experienced some staff turnover resulting in two new hires. Regardless of the challenges before us, the OACR continues to pursue our goal of providing effective service to the university community, including internal audit support for the major direct support organizations, the UF Foundation and the University Athletic Association. To ensure that the OACR follows professional standards in its internal audit activity, an external quality assessment (peer review) was conducted pursuant to the Institute of Internal Auditors (IIA) Professional Standards. While the results of this review confirmed that the OACR conforms to the standards, the review team recommended that OACR eliminate the word "Compliance" from its name to prevent potential misconceptions that OACR has responsibility over university compliance. Pursuant to this recommendation, the OACR became the Office of Internal Audit effective October 1, 2012. This annual report will continue to refer to the OACR, which was our name throughout the period covered by this annual report.

As we move into fiscal year 2012-2013, regardless of our office name, our expectations are to continue providing proactive assistance in strengthening internal controls in the university's decentralized environment as well as conducting audits to promote good business practices.

I consider it an honor that I am allowed to serve my alma mater as its Chief Audit Executive and I remain committed to our mission of always adding value through provision of audit, advisory and investigative services. We are here to serve and I encourage all employees and units of the University of Florida to contact the Office of Internal Audit whenever we can be of assistance. I am proud to present this 2011-2012 Annual Report which summarizes our activities for the year and provides useful data for benchmarking the effectiveness of our operations.

Brian D. Mikell

Operations

Goals and Objectives

Always a key operational objective for the OACR is the completion of our current year's audit work plan. Our work plan includes university audits as well as audits of the university's direct support and affiliated organizations.

The OACR continued various ongoing initiatives from prior periods, including the management of the compliance hotline and co-facilitation, along with the University Controller's Office, of the *Internal Controls at UF* training class. This class was part of a fiscal management certification program and was provided to 121 employees, through live and on-line sessions, during the fiscal year. OACR staff members also participated, in an advisory capacity, on various committees that served to facilitate and improve university governance. The OACR continued to be responsive to requests for assistance and addressed the needs of campus through advisory and consulting engagements as well as through investigative reviews.

The OACR strives to conduct all activities in a professional manner and follows the Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing. Pursuant to these standards, we must have an external quality assessment (peer review) of our internal audit activity at least every five years. We engaged the firm McGladrey to coordinate this review conducted by a team of independent reviewers from three peer institutions (Auburn University, Duke University and Florida State University). The Quality Assessment Report, dated May 9, 2012, concluded that the UF Office of Audit & Compliance Review generally conforms to the *IIA's International Standards for the Professional Practice of Internal Auditing* and Code of Ethics.

Organization

The Chief Audit Executive (CAE) is appointed by and operates under the general oversight of the University President. The CAE reports functionally to the Board of Trustees through its audit committee and administratively to the president through the Senior Vice President and Chief Operating Officer. This reporting relationship promotes independence and assures adequate consideration of audit findings and planned actions. OACR staff reports to the CAE as shown below in the organization chart as of June 30, 2012.
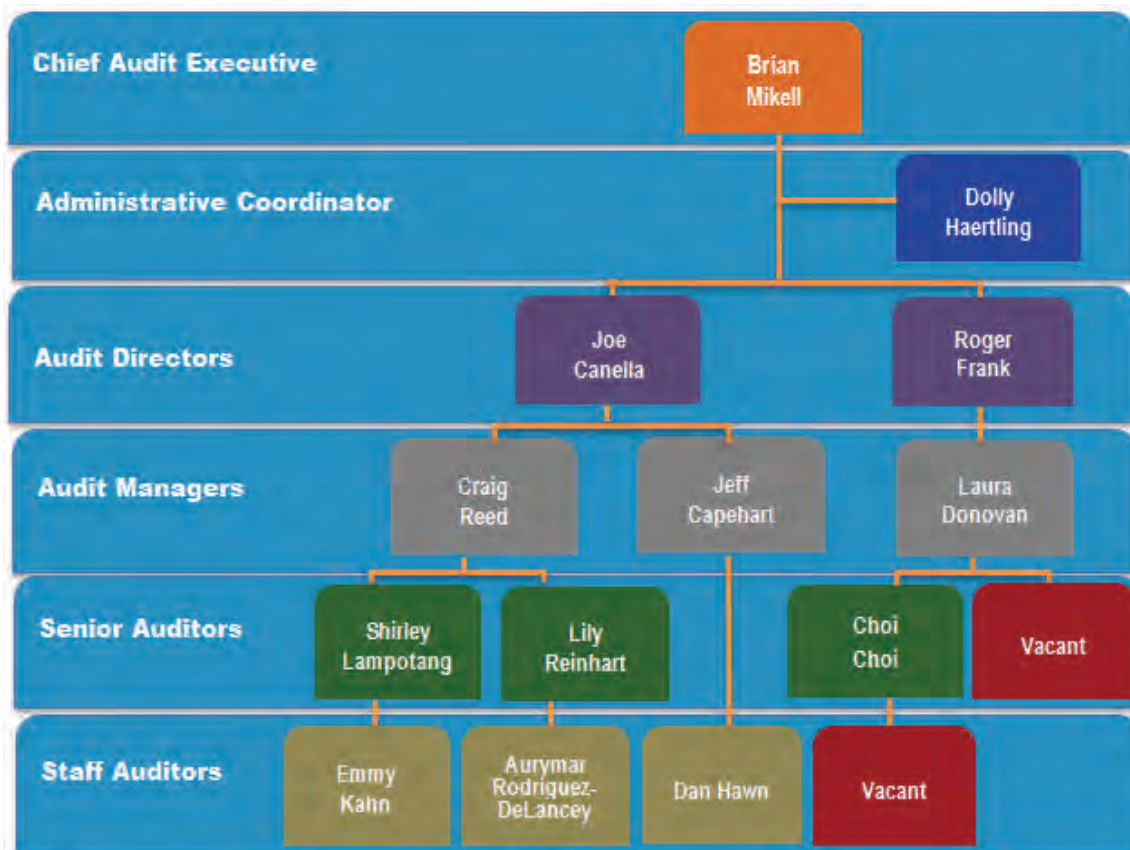
Staffing and Other Resources

The OACR staff was more stable during the 2011-2012 fiscal year than the prior fiscal year, but still experienced some changes. In July, we hired a Staff IT Auditor to replace a Senior IT Auditor lost in the previous year. We lost an experienced Audit Manager in October, and hired an Audit Manager in February. The job description for this Audit Manager position was adjusted to include more emphasis on investigations in response to the general increase in investigative activity over the last few years. As the fiscal year came to a close, the OACR had one vacant senior auditor position and one vacant position at staff auditor, with no plans to fill the vacant positions in our current budget climate.

The OACR is housed just off-campus in the Human Resource Services building at 903 West University Avenue. The OACR remained committed to ensuring that our staff was equipped with the appropriate tools and adequately trained to efficiently perform their required duties. Staff training was a top priority and we were constantly seeking appropriate training for our environment as a major public research university. The OACR continued looking for ways to more efficiently and economically perform our duties, including our continued commitment to an electronic environment for reporting and document storage.

University management continued to recognize the OACR as a "credible, professional organization committed to providing value added services" (OACR External Quality Assessment Report, May 2012). Considering the multi-year budget reductions that all of campus has endured, management demonstrated its commitment and support to the internal audit function by funding the OACR in a fair and just manner. The OACR is currently using reserve funds to ensure we maintain the high level of service to which campus has become accustomed. We remain hopeful for better budget situations for all of campus in the future, but remain committed to providing internal audit services with a high level of professionalism regardless of the budget.

Front row: Lily Reinhart, Shirley Lampotang, Choi Choi, Dan Hawn, Craig Reed. Middle Row: Aurymar Rodriguez-DeLancey, Emmy Kahn, Laura Donovan, Roger Frank. Back row: Jeff Capehart, Brian Mikell, Dolly Haertling. Not pictured: Joe Cannella.
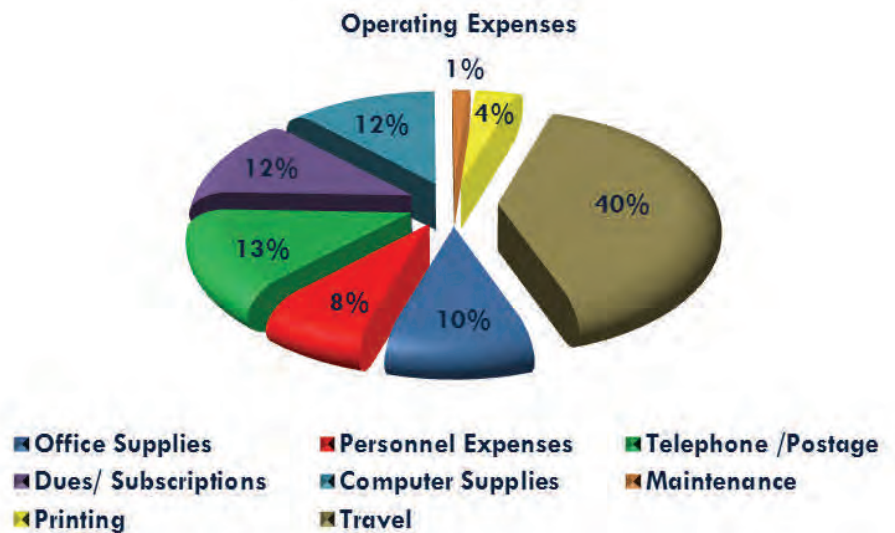
Staff Training

Sponsored by	Hours	Employees Attending
Institute of Internal Auditors-North Central Florida Chapter	282	13
Association of Colleges and University Auditors	207	9
The Institute of Internal Auditors	44	12
University of Florida	41	12
MIS Training Institute	36	2
Information Systems Audit and Control Association	18	1
Miscellaneous	13	6
Florida Institute of Certified Public Accountant	12	3
Deloitte and Touche	8	1
Purvis Gray & Company	8	1

The IIA's International Standards for the Professional Practice of Internal Auditing, Section 1230, states that "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development." The OACR places a premium on quality continuing professional education through participation in our local IIA chapter seminars, promoting attendance to professional conferences and taking advantage of relevant training opportunities through the IIA, university and other entities. This table provides a list of staff participation in formal training programs during the 2011-2012 fiscal year.

Expenditure Analysis

The OACR expenditures by category are illustrated in the accompanying table. Our primary budgetary commitment remains professional staff salaries, which represented over 95% of total expenditures. The slight decrease in salary expenditures was attributable to position vacancy for approximately three months. Fixed Asset expenditures decreased because no major equipment purchases, like new computers, were made during the fiscal year. Travel related to training had been reported as training in prior years. For this fiscal year, we appropriately reported travel related to training as travel, resulting in an increase to operating expenses and a decrease to training. With this change, travel represented 40% of our operating expenses. Approximately 55% of OACR operating expenses were evenly distributed between office and computer supplies, telephone/postage, professional dues/subscriptions and personnel-related expenses.

Operating Expenses

1% 4% 40% 12% 12% 13% 8% 10%

- Office Supplies
- Personnel Expenses
- Telephone /Postage
- Dues/ Subscriptions
- Computer Supplies
- Maintenance
- Printing
- Travel

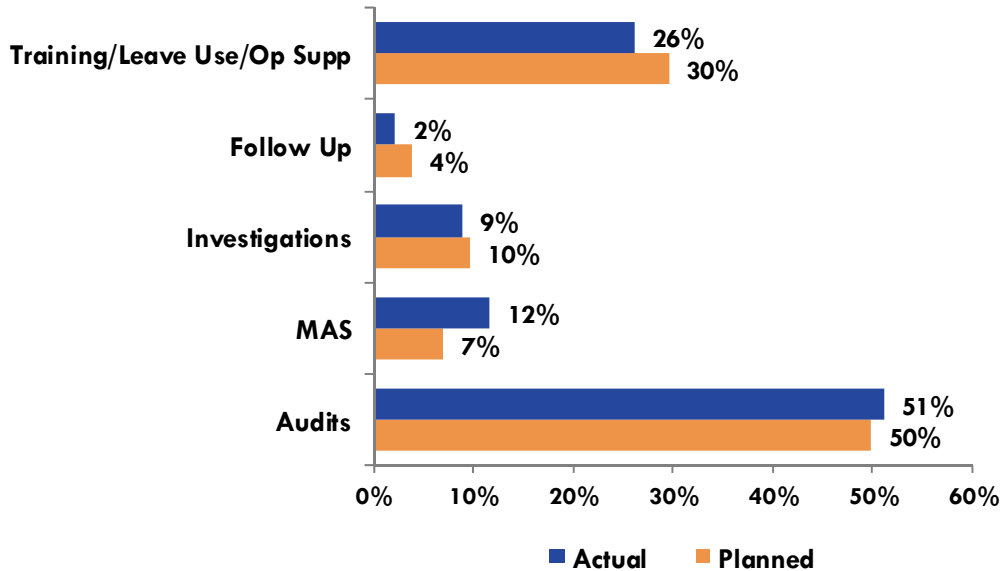| Expenditure Category	2010-2011	2011-2012
Salaries	$1,227,360	$1,219,958
Other Personnel Services (OPS)	2,129	1,310
Consultants	12,500	8,528
Fixed Assets	9,708	774
Operating Expenses	14,690	23,058
Training	23,496	13,547
Compliance Hotline	9,500	9,500
Total Expenditures	**$1,299,383**	**$1,276,675**

Time Analysis

The table below provides a comparison between time available as planned and actual time available for projects. We anticipated two position vacancies during the fiscal year, but actual hours lost to vacancies were 657 hours more due to unanticipated staff turnover during the year. However, actual hours used for training, leave and administration were 811 hours less than planned, more than making up for the unplanned vacancies. When combined with the 544 hours of overtime generated by OACR staff, the final result was available hours for the period exceeding planned hours by approximately 4.5%.

Planned/Actual Hours

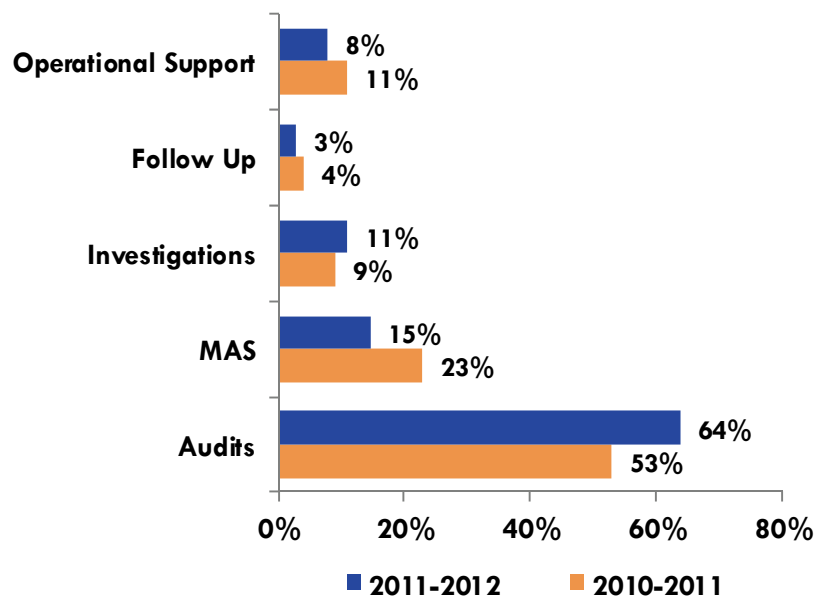|	Planned		Actual		Difference
Time Available (13 x 2040)		26,520		26,520	
Less: Adjustment for Position Vacancies	(4,080)		(4,737)		(657)
Training/ Leave Use/ Operational Support	(6,634)		(5,823)		811
Total		(10,714)		(10,560)	
Excess hours worked				544	544
Time Available for Projects		**15,806**		**16,504**	**698**

Time Allocation — Planned vs. Actual

This chart compares, by indirect and direct categories, the allocation of total planned available time with actual effort expended. While actual time by category did not vary significantly from the plan, actual hours charged to management advisory services were more than planned, offset by less actual hours being charged to administration and leave.

Training/Leave Use/Op Supp — Actual 26%, Planned 30%
Follow Up — Actual 2%, Planned 4%
Investigations — Actual 9%, Planned 10%
MAS — Actual 12%, Planned 7%
Audits — Actual 51%, Planned 50%

Legend: Actual, Planned

Time Comparison — Prior vs. Current Year

This chart compares, for direct project categories and operational support, the actual time used during the prior year with the actual time used during the current year. In 2011-2012, the allocation of time spent on follow up remained minor and relatively constant. We saw a significant increase in staff time used for audits and a moderate increase in investigative time. There was a corresponding decrease in time used for management advisory services and operational support. This shift in time is partially explained by the lack of a major planned management advisory service project, and an increase in the volume of allegations received and the complexity of several large investigations performed.

Operational Support — 2011-2012 8%, 2010-2011 11%
Follow Up — 2011-2012 3%, 2010-2011 4%
Investigations — 2011-2012 11%, 2010-2011 9%
MAS — 2011-2012 15%, 2010-2011 23%
Audits — 2011-2012 64%, 2010-2011 53%

Legend: 2011-2012, 2010-2011

Office Direct Time

Direct time percentages are variably established as a productivity goal for each professional position and at 72% for the office as a whole. Direct time is generally defined as time spent on projects and excludes time charged to administration, service support, leave and training. This chart compares direct time percentages, by quarter and in total, for the last two fiscal years. With a strong 3rd and 4th quarter, OACR was able to finish the year at 74% direct time, exceeding our office goal. We exceeded our direct time percentage from the prior year in three of the fiscal year's four quarters, attributable to increased overall staff experience and focus on the assigned projects. OACR continues to stress efficient and effective use of our time resources to maximize our value to the university.
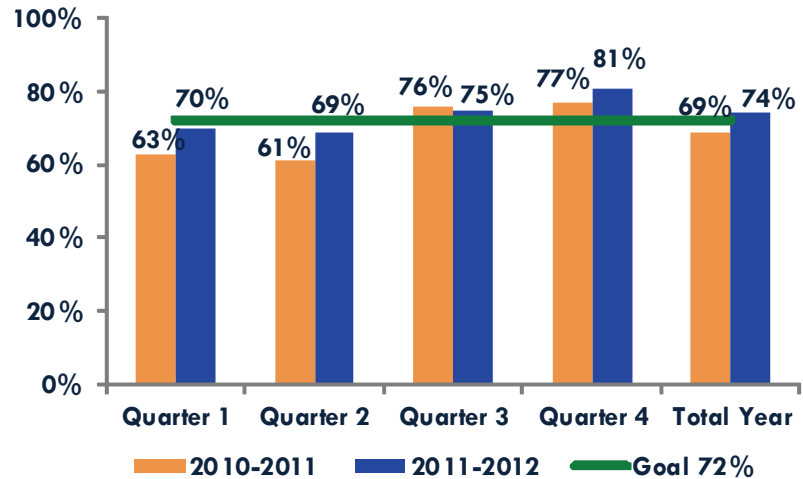

Audits and Other Planned Reviews

Trend Analysis

The table reflects a three-year analysis of projects planned and completed. Internal audits and management advisory services (MAS) were planned based on an institutional risk assessment which included input from university management. Planned projects shown in the table include audits and advisory reviews that should result in a report, and the original planned projects are derived from OACR's three-year work plan. Each year's work plan is formally revised and approved by the Board of Trustees Committee on Audit and Operations Review midway through the year. As risks and resources change, projects may be added, deleted or deferred to future periods. Not all completed projects were planned.

Over the last three years, a total of 67 projects were planned and 67 were completed. During fiscal year 2011-2012, 64% (11,377 hours) of available time was used on audit projects and 15% (2,602 hours) was used on MAS projects. An additional 11% (1,974 hours) was used for investigative projects and is not reflected in the reported projects.
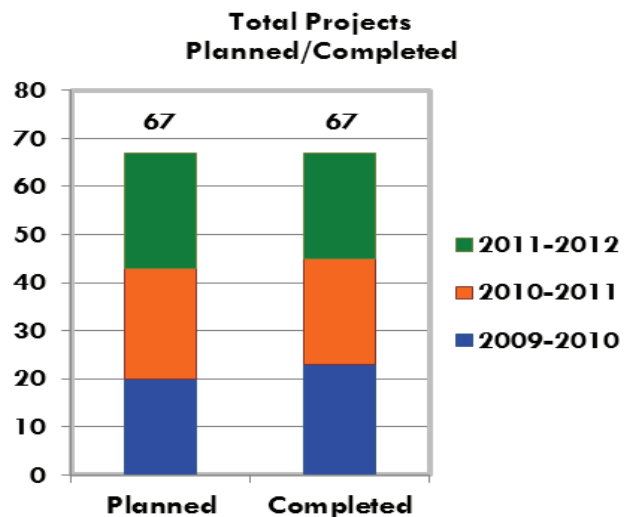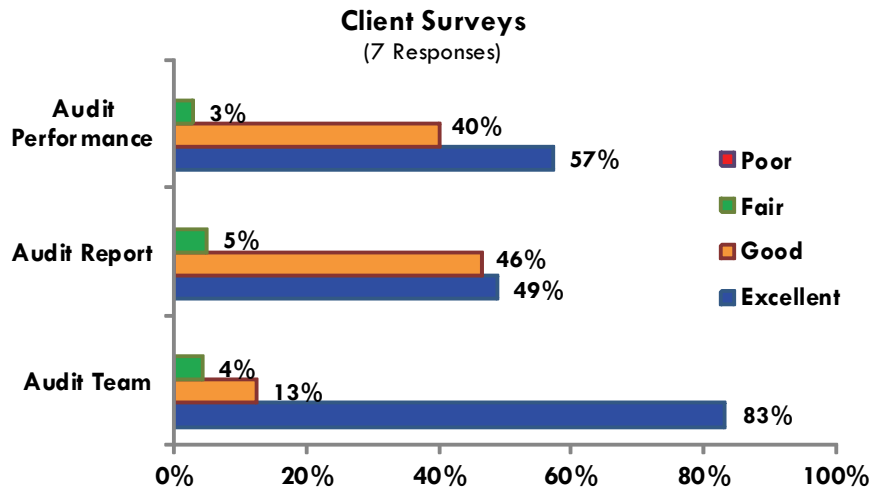

Trend Analysis of Projects Planned/Completed

	Planned		Completed		
	Original	Revised	Current	Carry Over	Total
2009-2010	23	20	15	8	23
2010-2011	21	23	13	9	22
2011-2012	21	24	9	13	22
Totals	65	67	37	30	67

Client Surveys

In an effort to ensure continued high quality of OACR services, input from clients is requested at the conclusion of each audit engagement. Feedback is obtained via client surveys on the overall performance of the audit engagement, the quality and usefulness of the audit report, and the conduct of the audit team. Results of client surveys received for current year audit projects indicated, for the most part, that OACR services were well received. Overall, 96% of survey responses to individual questions in all three categories indicated ratings of either good or excellent.

Client Surveys
(7 Responses)

Category	Fair	Good	Excellent
Audit Performance	3%	40%	57%
Audit Report	5%	46%	49%
Audit Team	4%	13%	83%

Legend:
- Poor
- Fair
- Good
- Excellent

Audit Report Summaries

This summary of audit reports issued profiles audit engagements completed during this fiscal year. The subjects of our reports illustrate a commitment to balanced, proactive and risk-based coverage. Audits performed included system-wide fiscal, research support and administrative processes, student affairs and departments within the Institute of Food and Agricultural Sciences (IFAS). We continued to provide audit services to the university's largest direct support organizations, the University of Florida Foundation (UFF) and the University Athletic Association (UAA), by performing audits and working directly with their audit committees.

Student Government

The Student Government (SG) was established in 1909 to provide a form of government for the supervision of student activities and be a forum for student views and rights. The SG is composed of Executive, Legislative, and Judicial Branches, and was funded primarily by the activity and service fees that each student pay for on a per-credit-hour basis, and by any outside revenue earned by its over 300 funded student organizations. The following table reflects expenditures recorded for SG Administration & Operations, including all student organizations and college councils, for the past three fiscal years.

Fiscal Year	Total Expenditures
2008-09	$5,019,996
2009-10	$4,419,376
2010-11	$4,672,824

This audit was conducted as of June 30, 2011 with the objective to evaluate the controls in place for managing SG operations. This audit specifically focused on the accuracy and completeness of accounting records; budgeting, authorizing, and monitoring expenditures; fiscal training and guidance; and student organization registration.

UFF Restricted Gifts

The UFF was established to support and enhance the university by encouraging private donations. The foundation's policy is to honor the donor's stated purposed for the use of the specified gift. Restricted gift funds were established within the UFF and administrated by speci-fied university units. This audit was conducted for the calendar year 2010 with the objectives to evaluate controls designed to ensure that restricted funds were used in accordance with donor intent.

During the calendar year 2010, the UFF transferred to the university endowed restricted funds totaling approximately $30 million to be used for scholarships, professorships, eminent scholar chairs, fellowships, and research. During the same period, the university disbursed ap-proximately $27.3 million from endowed restricted funds for salaries and benefits, scholarships, fellowships, travel, materials and supplies, and contractual services.
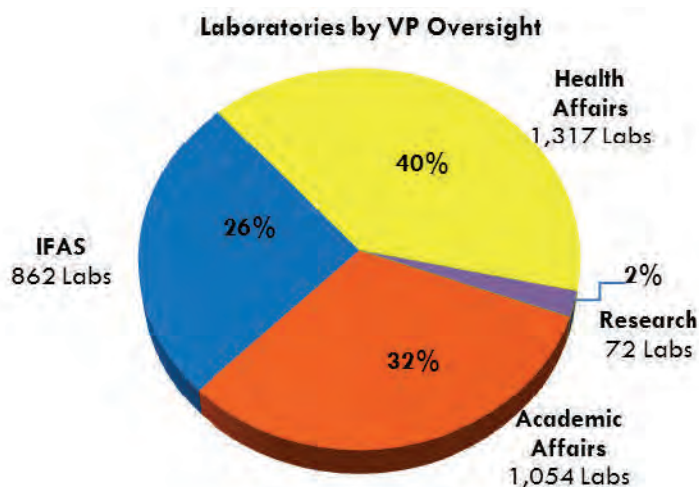
Minor Construction

Minor construction projects included construction of new facilities or addition of square footage to existing facilities, remodeling and renova-tions projects below $2 million. These projects were managed by Facilities Planning and Construction (FP&C), the Physical Plant Division (PPD), the Institute of Food and Agricultural Sciences (IFAS), and the Department of Housing. The chart summarizes approved minor construc-tion projects by unit as of June 2011:

Unit	Number of Minor Construction Contracts	Minor Construction Project Budgets (in millions)
FP&C	74	$22.8
Housing	42	$26.5
IFAS	60	$10.3
Physical Plant	484	$53.4
Total	660	$113

This audit was conducted as of June 30, 2011 with the objective to evaluate the adequacy and effectiveness of key controls for minor con-struction projects managed by Facilities Planning and Construction and the Physical Plant Division. This audit specifically assessed key con-trols over pre-construction evaluation, construction oversight, post-construction reporting, reconciliations and compliance.

Lab Safety and Security

Established in 1974, the mission of the Division of Environmental Health & Safety (EH&S) is to promote a safe and healthy campus environ-ment by providing and coordinating programs and services that minimize safety, health, environmental and regulatory risks. To accomplish its mission, one of the integral programs within EH&S is to provide research support in areas related to laboratory safety, biological safety, radiation control, and hazardous waste management. As of September 2011, there were approximately 3,300 research laboratory spaces within 255 on and off-campus facilities. The following chart lists laboratories by vice presidential oversight.

Laboratories by VP Oversight

- Health Affairs 1,317 Labs — 40%
- IFAS 862 Labs — 26%
- Academic Affairs 1,054 Labs — 32%
- Research 72 Labs — 2%

This audit was conducted as of August 30, 2011 with the objective to evaluate the adequacy and effectiveness of controls and procedures in place over laboratory safety and security. This audit specifically focused on identification and monitoring laboratories; incident reporting and resolution; training; and health assessments for employees.

UFF Departmental Collections

The UFF is a non-profit organization established to raise and manage private donations for the benefit of the university. Development officers are hired by the UFF and assigned to campus units to have a major role in identifying and soliciting gifts. All gifts must be deposited with the UFF, and are recorded to funds that are associated with a unit and have a designated fund administrator who is ultimately accountable for the fund.

For the period July 1, 2010 through September 30, 2011, the UFF recorded 154,144 gifts totaling approximately $182 million. Included in these totals were gifts initially received at the UFF and at approximately 220 campus units. This audit was conducted as of June 30, 2011 with the objective to assess the adequacy and effectiveness of controls in place to receive collections within campus units. This audit specifically focused on collecting, safeguarding and processing gifts; recording and reconciling gifts; segregation of duties; and timeliness of deposits.

Counseling and Wellness Center

In July 2009, the university reorganized its mental health services for students by combining the Counseling Center, a unit within Student Affairs, with the Student Mental Health Center, a unit within the Student Health Care Center. In May 2010, a new facility was opened and operated as the Counseling and Wellness Center (CWC) organized within the Division of Student Affairs. The mission of the CWC was to facilitate the total development of students by reducing psychological problems and distress, and by enhancing mental health, well-being, quality of life, and optimal functioning through delivery of high quality, culturally sensitive services to students and the larger campus community.

Students are eligible for counseling services if registered for classes. Individual sessions are free of specific charge to students with the major component of CWC funding being the student health fee paid by matriculating students. The CWC's total budget for the 2010-2011 fiscal year was approximately $4.4 million. The CWC had approximately 64 employees, consisting of 23 psychologists, 8 mental health counselors, 19 trainees and 14 support staff.

This audit was conducted as of March 31, 2011 with the objective to evaluate key controls over the administrative processes of the center. Specifically, we focused on the control environment after the reorganization, key operational controls, and compliance with university and federal guidelines.

UFF Disbursements

The UFF is a non-profit organization whose mission is to promote, receive and administer private support for the University of Florida. The UFF Disbursements area is responsible for processing and monitoring foundation accounts payable and employee expense reimbursements, which are processed through the University of Florida's accounting system (*myUFL*). Disbursements activity for foundation operations during calendar year 2010 were as follows:

Description	Amount	Volume of Transactions
Accounts Payable	$11,844,758	7,274
Expense Reimbursements	$777,470	4,217
Total	$12,622,228	11,491

This audit was conducted as of December 31, 2010 with the objective to evaluate internal controls in place for processing and monitoring accounts payable and employee expense reimbursements, related to foundation operations, to ensure compliance with university and foundation policies and restrictions. The scope of this audit excluded foundation disbursements for payroll expenses, transfers to the university, and disbursements related to University of Florida Investment Corporation operations.

UAA Information Technology General Controls

The UAA is a Direct Support Organization of the University of Florida and is responsible for the intercollegiate athletic programs at the university. The UAA IT Department was comprised of 14 full-time staff members organized into functional areas for networking, scoreboard, telecommunications, desktop, help desk/training, and programming.

This audit was conducted as of July 31, 2011 with the objective to evaluate the adequacy of key controls over the UAA information technology infrastructure. Specifically, we reviewed controls related to logical and physical access, IT operations, systems development and change management and IT governance.

Purchasing Card Program

University Purchasing and Disbursement Services is responsible for the administration of the PCard program, which provides an effective and convenient way to purchase commodities. University policy requires all faculty or staff to be authorized by their dean, director, or department chair and to complete web-based training prior to issuance of a PCard. As of December 31, 2010, there were approximately 5,000 active University of Florida PCards for 353 business units. For the five-year period January 1, 2006 through December 31, 2010, approved PCard transactions totaled over $391 million. The chart shows amounts per year:

Approved PCard Transactions
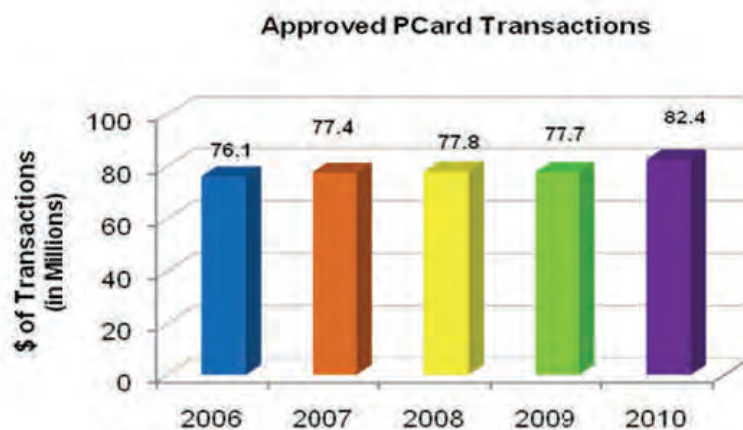
PCard purchases do not require traditional controls such as purchase requisitions, purchase orders, and receiving reports and delegate purchasing authority to each PCard holder. Therefore, for the achievement of accountability objectives, established control procedures must be followed both at the unit level and at PCard administration. This audit was conducted as of December 31, 2010 with the objective to evaluate the effectiveness of controls in place within unit level and central PCard administration to determine whether PCard usage was appropriate, properly authorized and monitored.

Cost Transfers to Sponsored Awards

A cost transfer is an after-the-fact reallocation of costs, either salary or non-salary, to different cost centers. If cost transfers directly involve sponsored awards, the university must ensure these costs are in compliance with federal rules and regulations which state that expenses can only be transferred if they are reasonable, allocable, consistently treated and allowable for the awards.

Sponsored research at the University of Florida has rapidly grown in the past 10 years. To strengthen financial recordkeeping on federally funded research, the university implemented systematic and procedural changes to the cost transfer process in July 2010. These new procedures required that cost transfers to sponsored awards funds be accompanied by a cost transfer form that must be reviewed and approved by Contracts and Grants. For the 2011 calendar year, the university had approved and processed approximately 21,000 cost transfers, totaling $37.5 million ($7.5 million for non-salary and $30 million for salary cost transfers).

This audit was conducted as of December 31, 2011 with the objective to evaluate the adequacy and effectiveness of controls in place to ensure compliance with applicable laws, rules and regulations by focusing on the system design and review processes.
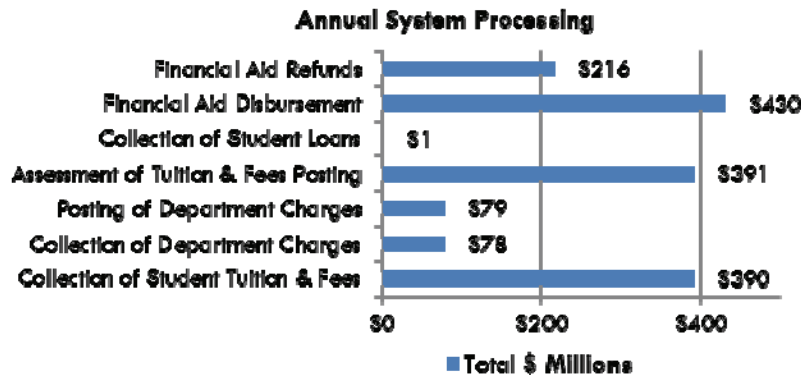
IFAS Department of Microbiology and Cell Science (DMCS)

The DMCS is an academic department of the College of Agricultural and Life Sciences within IFAS. The faculty's research programs span areas of broad interest in the cellular and molecular aspects of bacterial, plant and animal life functions. The DMCS teaching and research programs are sponsored by state and federal agencies, as well as private industry. The DMCS had 21 teaching and research laboratories, approximately 140 employees, and $12 million in annual expenditures for the 2011 fiscal year.

The audit was conducted as of December 31, 2011 with the objective to evaluate the control environment and key controls over the administrative processes of DMCS including, payroll and personnel, fiscal monitoring, collections, disbursements, grants management and compliance with rules and regulations.

myUFL Student Financial System

The *myUFL* Student Financial System (SFS) was implemented in 2008 as part of a significant university upgrade and transition from various legacy systems. The SFS is used to assess tuition, fees, and other charges. These charges are recorded by the University Bursar and approximately 40 other departments on campus, such as the libraries or the Division of Housing. The SFS is also used to receive and process payments, disburse financial aid, and process refunds. The SFS contained approximately 120,000 individual debt records for students and employees, and had an annual processing volume in excess of $1.5 billion as reflected in the chart.

Annual System Processing

	Total $ Millions
Financial Aid Refunds	$216
Financial Aid Disbursement	$430
Collection of Student Loans	$1
Assessment of Tuition & Fees Posting	$391
Posting of Department Charges	$79
Collection of Department Charges	$78
Collection of Student Tuition & Fees	$390

■ Total $ Millions

This audit was conducted as of January 31, 2012 with the objective to determine if the SFS, and critical business processes supported by the system, were operating effectively. This audit specifically focused on controls in place relative to security, availability and processing integrity.

Record Retention

Florida Statutes specify that it is the duty of each agency to comply with state law by designating a records management liaison officer to establish and maintain an active and continuing program for the efficient management of records. Retention policies must address all issues pertaining to government compliance guidelines as well as potential litigation. The university's Office of Record Management was responsible for developing and implementing records management services throughout the university community, which included policies and procedures for efficient systems of records creation, maintenance, and disposition.

This audit was conducted as of February 28, 2011 with the objective to evaluate the adequacy and effectiveness of the key controls relating to the retention of records, as well as to identify improvement opportunities.
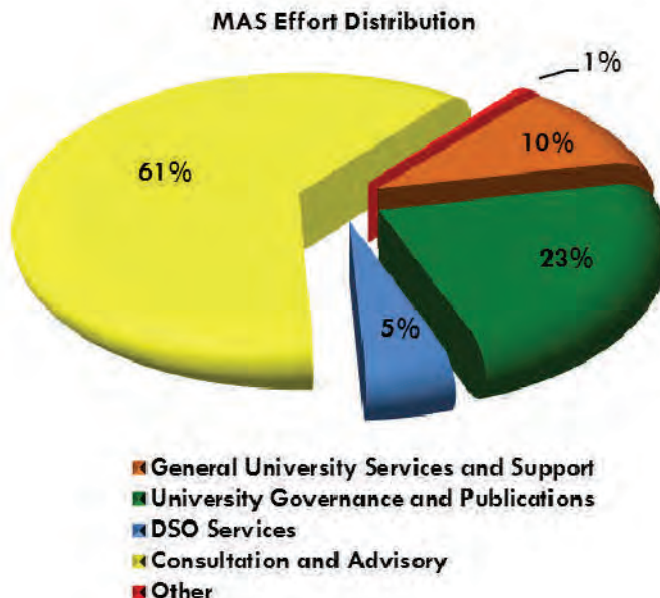
Management Advisory Services

The IIA's International Standards for the Professional Practice of Internal Auditing defines "consulting services" as

> *Advisory and related client service activities…… intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.   Examples include counsel, advice, facilitation, and training.*

The OACR is committed to providing proactive, preventive advice on internal controls, operations and compliance through management advisory (consulting) services (MAS). Such engagements may be performed as part of our risk-based work plan, or as a result of a request from various levels of management throughout the university. The OACR actively provides advisory reviews, consulting assistance, training and training tools, and post-audit assistance with the goal to help management with decision making and operational improvements. MAS engagement results and recommendations are communicated to management and stakeholders in the most appropriate manner – which may be orally, with an informal letter, or with a formal report.

During fiscal year 2011-2012, a total of 2,602 hours were spent on advisory services, which represented 15% of available hours. A significant portion of MAS effort (61%) was expended on consultation and advisory reviews. The following chart illustrates the distribution of effort performed on the various types of MAS services.

Management Advisory Services (cont.)

MAS Effort Distribution

- General University Services and Support
- University Governance and Publications
- DSO Services
- Consultation and Advisory
- Other

Following are summaries of MAS projects completed or significantly completed and significant service/support efforts performed during the year:

Plant Pathology Bacteria Laboratory

We performed an advisory review of the IFAS Plant Pathology Lab at the request of IFAS management. Due to concerns related to lab operations, we were asked to review the lab's controls and procedures related to billing and collections, fiscal monitoring, and lab safety and security.

Clinical Trials Research Billing Compliance

We performed an advisory review of the University of Florida Clinical Trials Billing Compliance Program (Compliance Program). The primary objective was to evaluate the Compliance Program and to identify opportunities to strengthen existing practices. Our scope included research studies contracted through the university that included clinical services provided by the University of Florida Physicians.

IFAS Analytical Services Laboratories

We performed an advisory review of the IFAS Analytical Services Laboratories based upon recommendations made during our previous audit of the Soil Water Science Department.   The primary objective of this review was to evaluate the operational controls over completeness, accuracy and accountability of lab revenues.

President's Reimbursable Expenses

The objective of this annual review is to evaluate the effectiveness of processing controls over the president's expenses and evaluate their propriety and compliance with established policies and procedures.

College of Design, Construction and Planning Foundation Funds

On July 1, 2011, the Rinker School of Building Construction, housed in the College of Design, Construction and Planning (DCP), had a change of director. In preparation for this transition, both the dean of the DCP and the University of Florida Foundation requested and we performed an advisory review of select University of Florida Foundation funds assigned to the school. The objective of the review was to determine whether disbursements were in accordance with fund restrictions and foundation and university directives and procedures.

MBA Survey Data

At the request of the administration of the Hough Graduate School of Business, we performed an advisory review of the Graduate Business Career Services Office's analysis of the data obtained from surveys of MBA graduates. This information is submitted to U.S. News and World Report to rank the performance of the University of Florida's MBA program. The objective of the review was to evaluate whether the employment status classifications of recent MBA graduates were in compliance with the standards set by the MBA Career Services Council.

Compliance with Board of Governors' Regulations

We performed an advisory review of the University of Florida Board of Trustees' compliance with the Board of Governors' Regulations as of December 31, 2010. The objective of our review was to determine whether procedures were in place to ensure compliance with applicable Florida Board of Governors' regulations.

Retro-Commissioning Program

At the request of the Physical Plant Division, we performed an advisory review of the Retro-commissioning Program (RCP) as of January 31, 2011. The RCP consisted of various projects intended to improve the overall energy efficiency of select campus buildings. The engagement was designed to review and evaluate the adequacy of the fiscal monitoring and management oversight of the program.

Annual Report of the Bob Graham Center

At the request of both the University of Florida Foundation and the College of Liberal Arts and Sciences, we performed an advisory review of the University of Florida Bob Graham Center for Public Service (Graham Center). The purpose of the Graham Center was to develop the next generation of leaders and to promote responsible citizenship.

Our objectives were to review the accuracy of the Graham Center's annual report to the Knight Foundation for the 2011 calendar year, and to determine if the University of Florida met its funding pledges to the Graham Center for the fiscal years 2010, 2011, and 2012.

Internal Control Training

PRO 303 *Internal Controls at UF* is a course designed to help university administrative staff understand internal control concepts and learn how to apply them to their everyday business processes. Through the Human Resources Training and Organizational Development office, the OACR has continued to offer, in conjunction with the University Controller's office, live sessions of this internal control training course. The online version of this training course, developed and implemented during 2010 to provide more accessibility and flexibility for campus administrative staff, proved to be more popular during the year. Feedback on the training program continues to be positive and the course will continue to be offered in fiscal year 2013.

General Consulting Services

During 2012, the OACR provided MAS consulting services in response to requests from university related persons and entities including, among others, the Office of the General Counsel, the Office of the Chief Financial Officer, the Physical Plant Division, the Institute of Food and Agricultural Sciences, the College of Engineering, the College of Liberal Arts and Sciences, the Vice President for Research, and the University of Florida Foundation.

Newsletter

Quarterly newsletters were distributed campus-wide with regular features that include highlights from projects and discussions on university issues. Electronic copies are maintained at http://oia.ufl.edu.

Other MAS Projects

The OACR also participated in projects and initiatives that do not result in a released report. Examples of such projects during fiscal year 2012 include:

- myUFL Upgrades
- IT Advisory Services
- Research Compliance
- Data Security
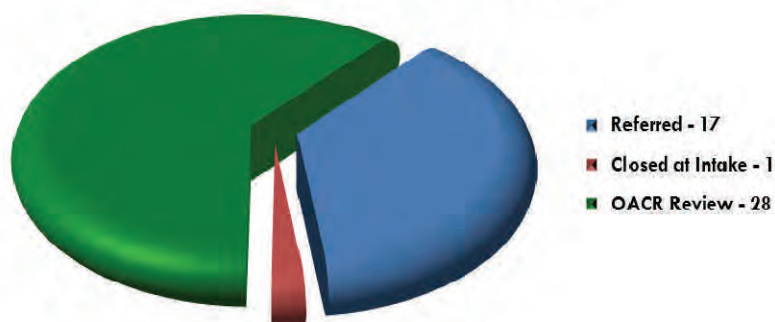- University and DSO Governance

Investigations

The OACR receives complaints and allegations of fiscal improprieties from a variety of internal and external sources, including direct correspondence and referrals from other university offices and state agencies. The OACR also is responsible for the oversight of the university's compliance hotline (hotline). The OACR has contracted with an independent third party, The Network, to manage the compliance hotline. The Network is a technology-based company that aids its clients in the collection of confidential and sensitive information. The hotline is a key component of the compliance process for the university and provides a mechanism for the reporting of issues, complaints and allegations, and other university-related concerns by either telephone or internet web page.

The OACR is committed to assisting the University in sustaining an operating environment with the core attributes of honesty and integrity. We strive to maintain the utmost objectivity and independence in all reviews by strictly following professional standards. In 2012, the OACR received a total of 46 complaints and allegations via the following methods shown at right.

Complaints and Allegations Received

- UF Compliance Hotline - 19
- E-Mail - 13
- Telephone / Fax - 6
- Referral / Letter / Other - 8
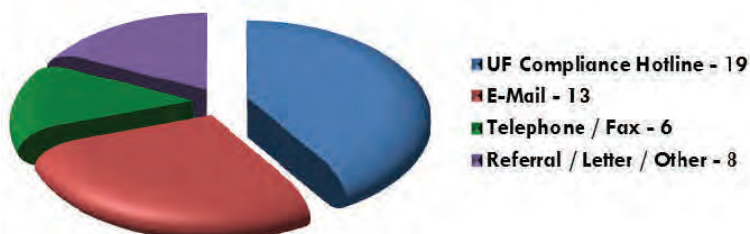
Disposition of Complaints / Allegations

- Referred - 17
- Closed at Intake - 1
- OACR Review - 28

When complaints and allegations are received by the OACR, they are assessed to determine the most appropriate method for response. In some instances, the initial assessment indicates that the allegations are of a nature and that other university departments would be more appropriate to perform a review of the reported concerns. In cases where the concern relates to internal control issues or fiscal improprieties, the OACR will initiate its review process.

The review process begins with a preliminary review of the facts and information contained in the allegation and, if there is any indication of merit to any part of the allegations or complaints, a project number is assigned and a full scale investigative review is initiated. Of the 46 complaints received in fiscal year 2012, the initial assessments, preliminary reviews, and full scale reviews resulted in the following classifications or breakdown of review activities, shown at left.

For fiscal year 2012, the total number of hours related to investigative efforts increased by 34% over the prior year's hours due to both an increase in the volume of concerns and allegations received and the complexity of several large investigations performed. A total of 1974 hours, or 11% of available hours, were committed to investigative efforts. Not all investigative reviews conducted by OACR result in findings that require communication to management. When appropriate, results are communicated to management and may include recommendations for improvements of internal controls that will be monitored for implementation. The significant issues alleged and addressed with OACR's investigative reviews are listed in the table at right.

| Activity/Controls Identified in Allegation	Number of Occurrences
Purchasing Card Misuse	4
Fiscal/Grant Fund Misconduct	6
Inappropriate Outside Activities/Conflict of Interest	2
Theft of Assets/Funds	4
Nepotism	3

Follow-up

Section 2500, *International Standards for the Professional Practice of Internal Auditing,* promulgated by the Institute of Internal Auditors, requires that the internal auditor must establish and maintain a system to monitor the disposition of results communicated to management and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

OACR audit reports include the auditor's comments and planned actions developed and agreed to by the audit team and management and the estimated time for their implementation. Reports issued by the external auditors, including the Office of the Auditor General, contain recommendations for which university management may also provide a corrective implementation plan. The OACR tracked these outstanding recommendations and conducted quarterly follow-up procedures throughout the year on action plans from internal audit reports and comments from external and other audit reports. Results of these follow-up procedures were communicated to university management and the Board of Trustees Audit and Operations Review Committee. For the 2011-2012 fiscal year, the OACR staff expended 488 hours, or 3% of available hours, for follow-up activities.

As reflected by the following summarized information, management generally reacted in an effective manner to implement audit recommendations and planned actions. The caption "in process" included action plans that were not fully implemented as of the 2011-2012 fiscal year-end. The caption "not to be implemented" generally indicated that actions were not fully implemented after our follow-up review procedures were completed, or that changing conditions rendered the plan obsolete.

Oversight by	Followed Up	Implemented	In process	Not to be Implemented	Percent Implemented	Percent Implemented Prior Year
1 - Academic Affairs	4	4	0	0	100%	100%
2 - CFO	11	5	1	5	45%	58%
3 - CIO	2	1	1	0	50%	N/A
4 - Human Resource	5	5	0	0	100%	0%
5 - IFAS	5	4	0	1	80%	89%
6 - Research	3	1	2	0	33%	100%
7 - Student Affairs	8	6	2	0	75%	100%
8 - UAA	8	4	3	1	50%	91%
9 - UFF	30	29	1	0	97%	100%
Totals	**76**	**59**	**10**	**7**	**78%**	**83%**

Planned Action Implementation Percentage
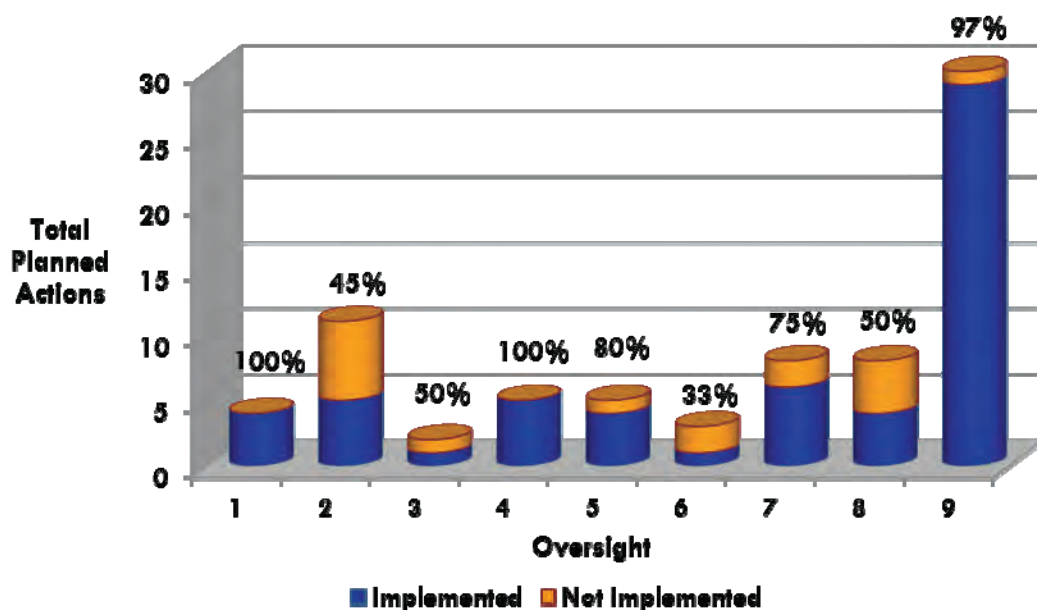
Other Activities

Professional Activities

OACR staff participated in various national initiatives, training and organizations including:

- **Association of College and University Auditors (ACUA):** Institutional Membership

- **Institute of Internal Auditors – National Chapter (IIA):** Member

- **American Institute of Certified Public Accountants (AICPA):** Member

- **Association of Certified Fraud Examiners (ACFE):** Member

- **Institute of Chartered Accountants in England and Wales (ICAEW):** Member

- **Florida Institute of Certified Public Accountants (FICPA):** Member

- **Information Systems Audit and Control Association (ISACA):** Member

- **Institute of Internal Auditors - North Central Florida Chapter (NCFIIA):** Vice President, Treasurer, Board Members (2), Membership Chair, Newsletter Editor, Web Master, Historiographer, Presenter

- **Association of Healthcare Internal Auditors (AHIA):** Member, Technology Committee

- **State University Audit Council (SUAC):** Member

University Service

During 2011-2012, OACR staff participated in various university-wide initiatives and assignments including:

- **Audit Coordination (External)**

- **Board of Trustees Audit and Operations Review Committee:** Liaison

- **Direct Support Organization Audit Committee Coordination (UAA, UFF & Gator Boosters)**

- **myUFL HR/Payroll Upgrade Steering Committee:** Member

- **Information Security and Compliance Committee:** Member

- **Auxiliary Enterprise Review Committee:** Member

- **Contracts and Grants Policy Subcommittee:** Member

- **Division of Sponsored Research – Research Administration Training Series:** Presenter

- **PRO3 Series – Internal Controls at UF:** Presenter

- **Building Emergency Coordinator**

- **Sick Leave Pool Committee:** Member

Reports Issued   2011-2012

Title	Period	Issue Date	Report #	Project
Plant Pathology Bacteria ID Lab	As of 5/31/11	8/17/11	72-11-16	MAS
Clinical Trials Research Billing Compliance	As of 6/30/10	9/1/11	72-10-11	MAS
IFAS Analytical Services Laboratories	As of 5/31/11	9/1/11	72-11-14	MAS
Counseling and Wellness Center	As of 3/31/11	9/12/11	UF-11-582-02	Internal Audit
President's Reimbursable Expenses	7/1/10 - 6/30/11	10/17/11	72-11-03	MAS
DCP Foundation Funds Review	7/1/10-6/30/11	10/19/11	72-12-05	MAS
UF Foundation Disbursements	As of 12/31/10	10/27/11	UF-11-595-15	Internal Audit
MBA Survey Data Review	As of 9/30/11	11/17/11	72-12-06	MAS
Purchasing Card Program	As of 12/31/10	11/22/11	UF-11-589-09	Internal Audit
Compliance with BOG Regulations	As of 12/31/10	12/5/11	72-11-11	MAS
Retro-Commissioning Program	As of 1/31/11	12/5/11	72-11-15	MAS
UAA Information Technology General Controls	As of 7/31/11	12/20/11	UF-11-592-12	Internal Audit
Student Government	As of 6/30/11	2/10/12	UF-12-596-01	Internal Audit
UF Foundation Restricted Gifts	1/1/10 -12/31/10	3/14/12	UF-11-593-13	Internal Audit
Minor Construction	As of 6/30/11	5/10/12	UF-11-586-06	Internal Audit
Laboratory Safety and Security	As of 8/30/11	5/11/12	UF-12-598-03	Internal Audit
UF Foundation Departmental Collections	As of 6/30/11	5/18/12	UF-12-608-13	Internal Audit
Annual Report of the Bob Graham Center for Public Service	As of 2/29/12	5/30/12	71-12-05	MAS
IFAS Microbiology and Cell Science 🏳	As of 12/31/11	7/20/12	UF-12-603-08	Internal Audit
Record Retention 🏳	As of 2/28/11	7/31/12	UF-11-590-10	Internal Audit
Cost Transfers to Sponsored Awards 🏳	As of 12/31/11	8/13/12	UF-12-600-05	Internal Audit
myUFL Student Financial System 🏳	As of 1/31/12	8/16/12	UF-12-606-11	Internal Audit

🏳 Substantially completed as of June 30, 2012

Auditors at work and play...

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