



2012-13 Annual Report

Office of Internal Audit

Operational, Financial, Compliance Audits | Management Advisory Services | Special Reviews



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Chief Audit Executive's Message

The mission of the Office of Internal Audit (OIA) 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. The OIA 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 2012-2013, the OIA experienced no staff turnover, which had a positive influence on 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. The OIA sought to use available resources efficiently and effectively while engaged in numerous significant projects pursuant to our risk-based audit plan; sought quality professional training for our staff to enhance our expertise relative to audit trends and techniques in the higher education environment; and managed the university's anonymous complaint hotline, either addressing or referring all allegations received via the hotline or other avenues. The OIA staff also remained actively involved in the university community and professional organizations.

Near the end of the fiscal year, the OIA conducted an extensive audit risk assessment resulting in an audit work plan covering the next three fiscal years. Presented to and approved by the Board of Trustees Audit and Operations Committee at their June 2013 meeting, this work plan will guide the OIA during the upcoming years as we seek to continue providing proactive assistance in strengthening internal controls in the university's decentralized environment, as well as conducting risk-based audits to promote good business practices.

Serving my alma mater as its Chief Audit Executive is truly an honor. 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 2012-2013 Annual Report which summarizes our activities for the year and provides useful data for benchmarking the effectiveness of our operations.



Brian D. Mikell, CPA

Operations

Goals and Objectives

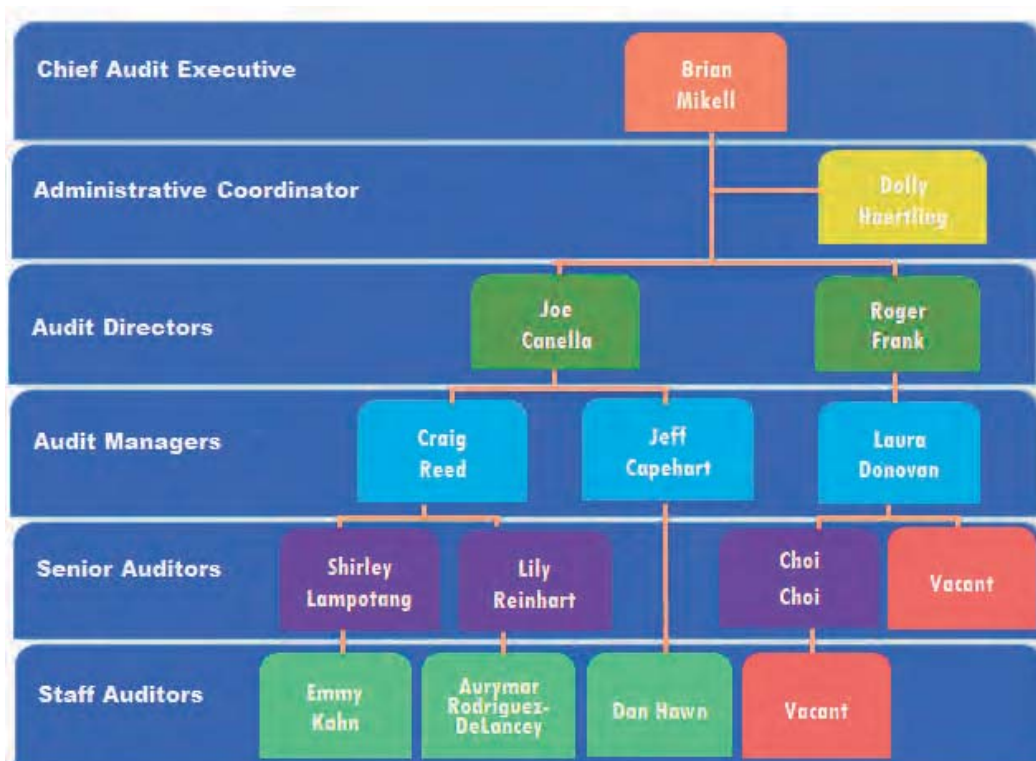
Always a key operational objective for the OIA is the completion of our fiscal year audit work plan. Our work plan includes audits and advisory services related to units and processes of the university as well as the university's direct support and affiliated organizations.

The OIA continued various ongoing initiatives from prior periods, including the management of the compliance hotline. Staff from the OIA continued to be active in training initiatives for campus includ-

ing internal controls awareness, research compliance, and fraud awareness. The OIA's staff members also participated, in an advisory capacity, on various committees that served to facilitate and improve university governance. The OIA continued to be responsive to requests for assistance and addressed the needs of campus through requested advisory and consulting engagements as well as through investigative reviews.

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. OIA staff report to the CAE as shown below in the Organization Chart as of June 30, 2013.



Staffing and Other Resources

The OIA staffing was stable during the 2012-2013 fiscal year, as the OIA experienced no staff turnover. As the fiscal year came to a close, the OIA had one vacant senior auditor position and one vacant position at staff auditor, with no plans to fill these vacant positions in our current budget climate.

The OIA is housed just off-campus in the Human Resource Services building at 903 West University Avenue. The OIA 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 OIA 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.

The OIA continued to strive for university management recognition as a “credible, professional organization committed to providing value added services” (OACR (OIA) External Quality Assessment Report, May 2012). While the OIA has participated in the multi-year budget reductions that all of campus has endured, including a significant cut for the 2012-2013 fiscal year, management demonstrated its commitment and support to the internal audit function by funding the OIA in as fair and just manner as possible. The OIA continued 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.



Left: Jeff Capehart, Aurymar Rodriguez-DeLancey, Craig Reed, Dolly Haertling

Right: Lily Reinhart, Joe Cannella, Roger Frank

Center: Emmy Kahn, Shirley Lampotang, Brian Mikell, Choi Choi, Laura Donovan, Dan Hawn

Staff Training

The Institute of Internal Auditors (IIA) 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 OIA places a premium on quality continuing professional education through participation in our local IIA chapter seminars, promoting attendance to conferences sponsored by professional organizations such as the Association of Colleges and University Auditors, and taking advantage of relevant training opportunities through the IIA, university and other entities. The table provides a list of staff participation in formal training programs during the 2012-2013 fiscal year.

| Sponsored by | Hours | Employees Participating |
|--|-------|-------------------------|
| Institute of Internal Auditors - North Central Florida Chapter | 278 | 12 |
| Association of Colleges and University Auditors | 232 | 10 |
| The Institute of Internal Auditors | 68 | 10 |
| MIS Training Institute | 36 | 2 |
| Miscellaneous | 10 | 4 |
| Purvis Gray & Company | 8 | 2 |
| Information Systems Audit and Control Association | 5 | 1 |
| McGladery | 5 | 5 |

Expenditure Analysis

The OIA expenditures by category are illustrated in the accompanying table. Our primary budgetary commitment remains professional staff salaries, which represented over 93 percent of total expenditures. The large increase in expenditures for consultants related to our external quality assessment (peer) review, required once every five years by professional internal audit standards. Fixed asset expenditures increased due to equipment purchases, like new computers, made during the fiscal year while none were purchased in the prior year. Moderate annual increases in training and operating expenses are to be expected.

The OIA operating expenses are presented in the pie chart. Almost half (48 percent) were related to travel. The majority of the OIA travel is related to training conferences, which demonstrates our commitment to quality professional education for our staff. The remaining 52 percent of OIA operating expenses were distributed between office and computer maintenance and supplies, professional dues/subscriptions, telephone/postage, professional printing and personnel-related expenses.



| Expenditure Category | 2011-2012 | 2012-2013 |
|-------------------------------|--------------------|--------------------|
| Salaries | \$1,219,958 | 1,259,528 |
| Other Personal Services (OPS) | 1,310 | 0 |
| Consultants | 8,528 | 34,817 |
| Fixed Assets | 774 | 4,623 |
| Operating Expenses | 23,058 | 27,060 |
| Training | 13,547 | 15,608 |
| Compliance Hotline | 9,500 | 9,500 |
| Total Expenditures | \$1,276,675 | \$1,351,136 |

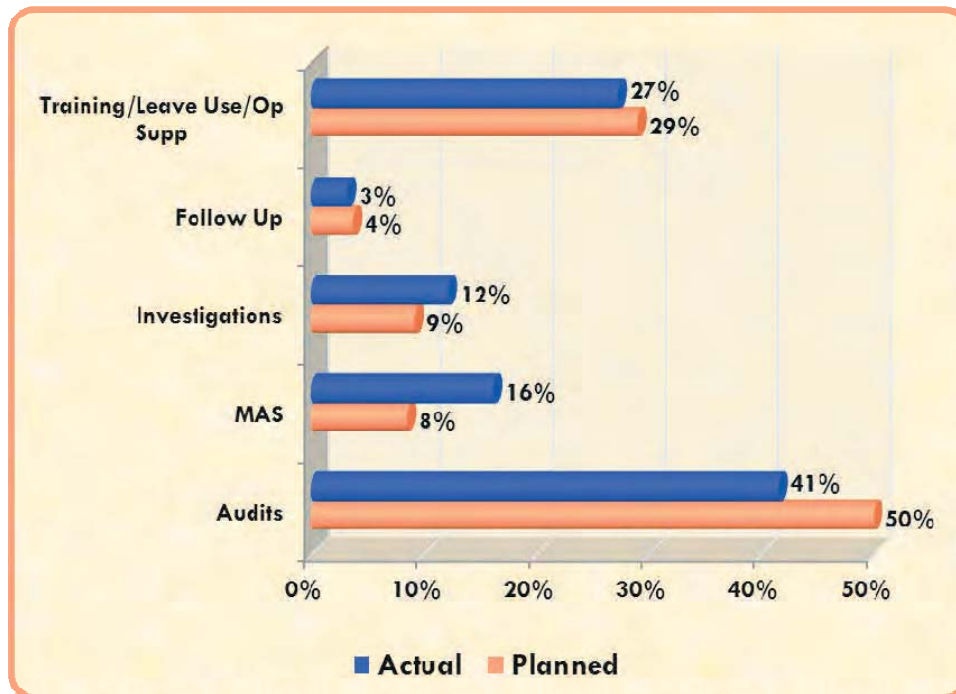
Time Analysis

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. Due to stability of our staff (no turnover), actual hours lost to vacancies during the year were the same as planned. Actual hours used for training, leave and administrative support were 247 hours less than planned. When combined with the 505 hours of overtime generated by the OIA staff, the final result was actual hours available for the period exceeding planned hours by approximately 4.7 percent.

| | Planned/Actual Hours | | | |
|---|----------------------|---------------|------------|--|
| | Planned | Actual | Difference | |
| Time Available (13 x 2040) | 26,520 | 26,520 | | |
| Less: Adjustment for Position Vacancies | (4,080) | (4,080) | | |
| Training/Leave Use/Operational Support | (6,484) | (6,237) | | |
| Total | (10,564) | (10,317) | 247 | |
| Excess hours worked | | 505 | 505 | |
| Time Available for Projects | 15,956 | 16,708 | 752 | |

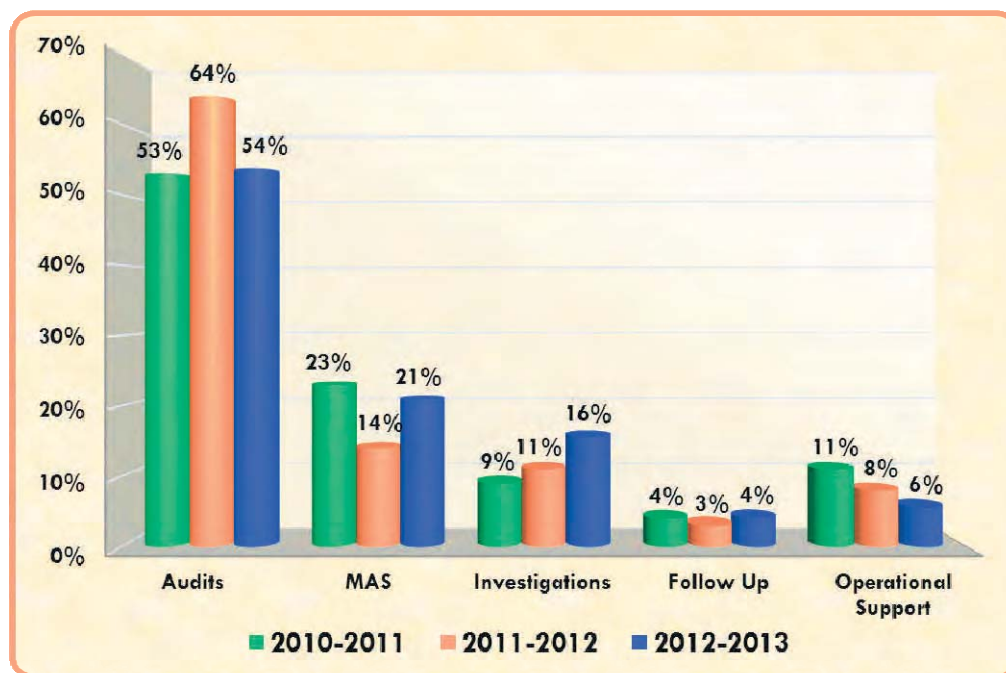
Time Allocation — Planned vs. Actual

This chart compares, by major direct and indirect categories, the allocation of total planned available time with actual effort expended. While actual indirect time was slightly less than planned, actual direct hours charged to management advisory services and investigations exceeded amounts planned, resulting in less actual direct hours being available for audits.



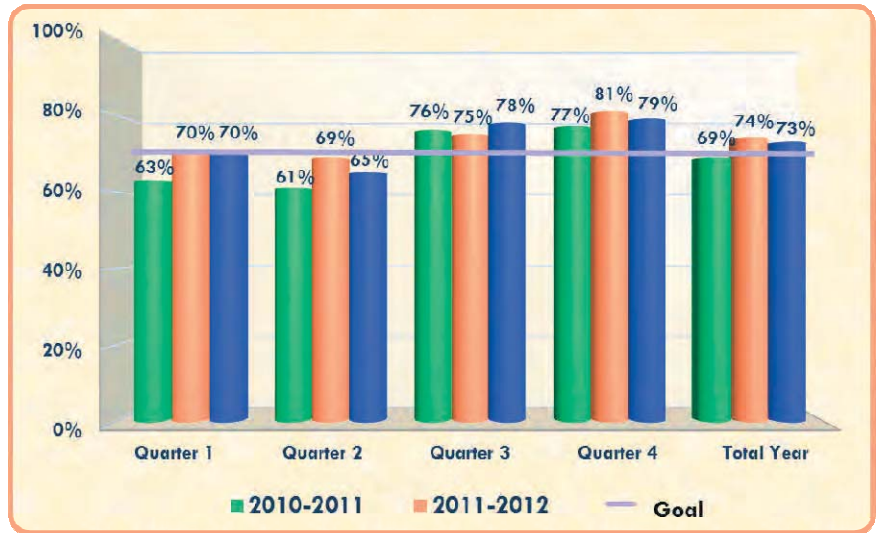
Time Comparison — Current vs. Prior Years

This chart presents a comparison, for major direct project categories and operational support, of the percentages of actual time used during the current year and the prior two years. Over the three years presented, we have experienced steady increases in staff time used for investigations due to a continued increase in the volume and complexity of allegations received. We have also seen a steady decrease in operational time, providing more available hours for staff to devote to direct time projects. Increases and decreases in direct time spent on audits and management advisory services have tended to offset one another from year-to-year. Time spent on follow up has remained relatively constant and minor during each year.



Office Direct Time

Direct time percentages are variably established as a productivity goal for each professional position and at 72 percent 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 three fiscal years. The general staff trend has been stronger direct time percentages during the 3rd and 4th quarters of the fiscal year, aided by fewer holidays during these periods. With another strong 3rd and 4th quarter in the 2012-2013 fiscal year, the OIA was able to finish the year at 73 percent direct time, exceeding our office goal. The OIA has now exceeded our direct time goal for the past two years, attributable to increased overall staff experience and focus on the assigned projects. The OIA 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 on the right 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 OIA's 2010-2013 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.

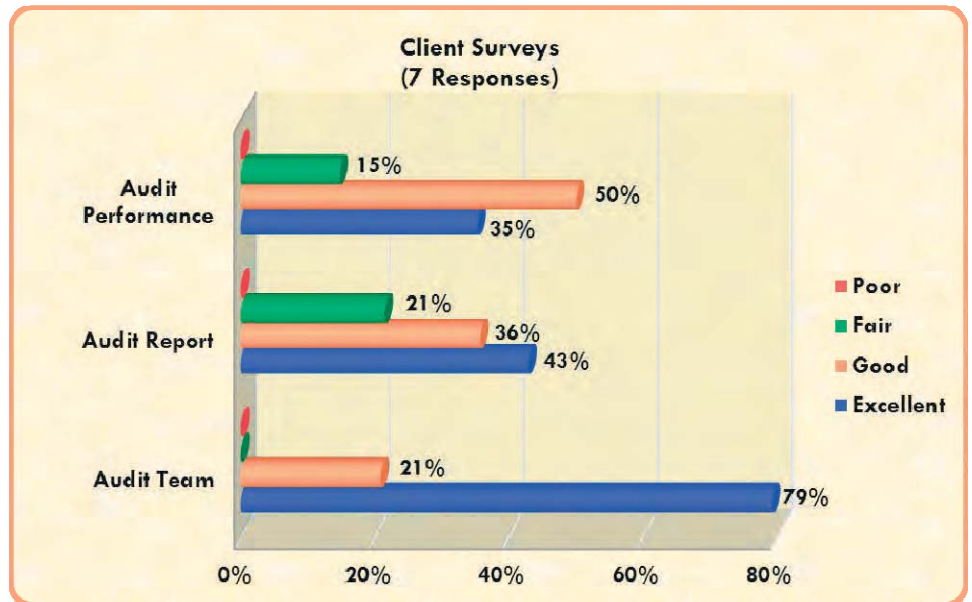
Over the last three years, a total of 68 projects were planned and 63 were completed. During fiscal year 2012-2013, 54 percent (9,514 hours) of available time was used on audit projects and 21 percent (3,701 hours) was used on MAS projects. An additional 16 percent (2,774 hours) was used for investigative projects and is not reflected in the reported projects.



| Trend Analysis of Projects Planned/Completed | | | | | |
|--|-----------|-----------|-----------|------------|-----------|
| | Planned | | Completed | | |
| | Original | Revised | Current | Carry Over | Total |
| 2010-2011 | 21 | 23 | 13 | 9 | 22 |
| 2011-2012 | 21 | 24 | 9 | 13 | 22 |
| 2012-2013 | 22 | 21 | 8 | 11 | 19 |
| Totals | 64 | 68 | 30 | 33 | 63 |

Client Surveys

In an effort to ensure continued high quality of the OIA 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 the OIA services were well received. Overall, 89 percent of survey responses to individual questions in all three categories indicated ratings of either good or excellent.



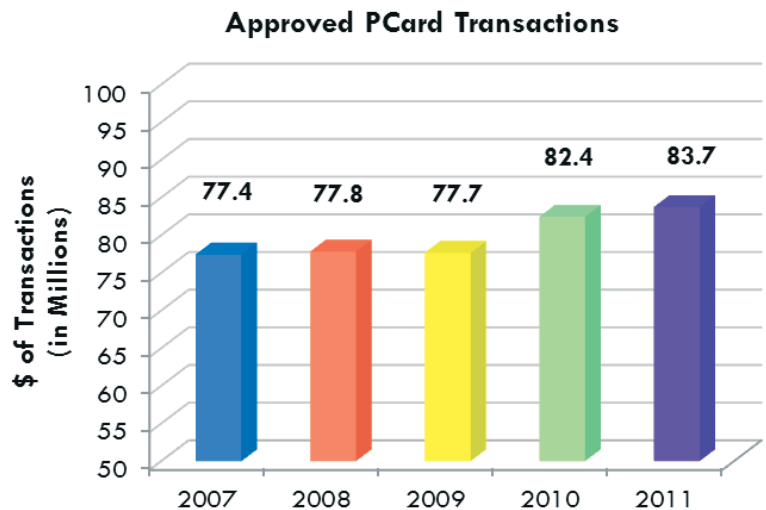
Audit Report Summaries

This summary of audit reports issued profiles audit engagements completed during this fiscal year. The subjects of our reports illustrated a commitment to a balanced, proactive and risk-based work plan. Audits performed included system-wide fiscal processes, departmental internal control assessments, student affairs and units and programs 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.

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, 2011, there were approximately 5,000 active University of Florida PCards in 366 business units. For the period January 1, 2007 through December 31, 2011, the university had processed and approved PCard transactions exceeding \$399 million, an average of approximately \$80 million per year. The chart represents the volume of transactions per calendar year.

Purchases made via PCard do not involve and do not benefit from the traditional control mechanisms afforded by purchase requisitions, purchase orders, or receiving reports. Therefore, for the achievement of accountability objectives, prescribed control procedures must be followed both at the unit level and at central PCard administration. This audit was conducted as of December 31, 2011 with the objective to evaluate the effectiveness of controls in place to determine whether PCard transactions were appropriate, properly authorized and correctly recorded.



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 purpose for the use of the specified gift. Restricted gift funds were established within the foundation and administered by specific university units. This audit was conducted for the calendar year 2011 with the objectives to evaluate controls designed to ensure that restricted funds were used in accordance with donor intent, that donor intent was adequately communicated to university units, and that transfers to the university were authorized and appropriately processed.

During the calendar year 2011, the foundation transferred to the university endowed restricted funds totaling approximately \$32.4 million to be used for scholarships, professorships, eminent scholar chairs, fellowships, and research. During the same period, the university disbursed approximately \$28.2 million from endowed restricted funds for salaries and benefits, scholarships, fellowships, travel, materials and supplies, and contractual services.

UFF Annuities, Trusts and Stock Gifts

The UFF is a non-profit organization whose mission is to promote, receive and administer private support for the University of Florida. Pursuant to this mission, the foundation receives and administers gifts in the form of charitable gift annuities, charitable remainder trusts and stocks gifts.

The audit was conducted as of December 31, 2011 with the objective to identify and evaluate the foundation control procedures in regard to the establishment and accounting for annuities, trusts and stock gifts.

IFAS Tropical Research & Education Center

The IFAS Tropical Research and Education Center (Center) is located in Homestead, Florida and is one of 13 IFAS research and education centers. The Center's mission is to develop and disseminate science-based information about tropical horticulture and natural resource sciences. The Center also addresses water and environmental issues that impact crop production and drinking water, and provides extension activities relating to agricultural economics, crop management, natural resources, plant diseases and plant pests.

At June 30, 2012, Center personnel consisted of 16 faculty members and approximately 79 support staff. Total Center expenditures for the fiscal year 2010-2011 were approximately \$5.8 million. This audit was conducted as of June 30, 2012 with the objective to evaluate key controls over the administrative processes of the Center by focusing on the control environment, major administrative cycles, asset management and lab safety.

Asset Management

This audit was conducted by McGladrey LLP, one of the six largest accounting firms utilizing specialized expertise in information technology and asset management.

The primary purpose of this audit was to assess the key controls in the design and effectiveness of data and reports maintained to support asset management. The audit focused on determining whether proper controls exist and whether existing controls are appropriate for mitigating inherent risks. Activities reviewed included; Capturing and Accounting for asset management activities, Database Management Data and IT Operations Management, Application Data Management, and User Account Management.

University of Florida Internal Controls

Internal controls promote the achievement of efficient and effective operations, accuracy of reporting and compliance with laws and regulations. The University of Florida's fiscal and administrative structure is based on a decentralized model. Within this structure, the deans, directors, and department heads are responsible for establishing a network of processes that would provide reasonable assurance that unit internal controls promote the achievement of plans, programs, goals and objectives.

To assist the units with the evaluation and understanding of their internal controls, the OIA disseminated an internal control self-assessment (CSA) survey to 270 university units in March 2011. This CSA survey was designed as a series of questions and related guidance to assist unit management with an easily accessible tool to identify, communicate, and evaluate their unit-based internal controls. The survey questions were organized in the categories of *Control Environment; Budgeting, Accounting and Financial Reporting; Collection, Deposits and Cash Funds; Asset Management; Payroll; Human Resource Management; Purchasing and Disbursements; Research Management and Support; and Information Technology.*

The OIA conducted an audit of internal controls through validation of the CSA survey for a sample of 40 units. The validation process involved site visits to the units to conduct interviews with key personnel, walkthroughs of processes, and review of selective documentation. The primary objective of this audit was to develop an understanding and assessment of university internal control procedures at the unit level. We evaluated the five interrelated components of internal control – control environment; risk assessment; control activities; information and communication; and monitoring.

UAA Aviation

As a service to the programs of the UAA and the university, the UAA has acquired aircraft to transport university or UAA officials, coaches, student-athletes, staff and guests for official business. The UAA Aviation department is charged with managing the aircraft with a mission to provide safe, flexible, reliable, and efficient air transportation through competent, well-trained personnel and airworthy aircraft.

During the 2012 fiscal year, UAA Aviation supported 144 trips, consisting of 373 flights totaling 123,322 statutory miles. The direct and indirect expenses were approximately \$1.44 million, of which \$597,755 was reimbursed by other UAA or university departments.

We conducted an audit of the UAA Aviation operations as of September 30, 2012. The primary objective of this audit was to evaluate the effectiveness of controls and procedures in place to ensure compliance with applicable rules, policies, and regulations. Specific control focus areas included aircraft approval and use policies; pre, post, and in-flight safety operations; and aircraft maintenance.

UAA Sports Camps

UAA encourages head and assistant coaches to schedule camps provided these are operated in a manner consistent with the philosophy and goals of the UAA, the university, and in compliance with NCAA regulations. Camps are established and conducted as separate units within the UAA. The UAA provides administrative oversight in the areas of compliance, risk management, human resources and accounting. The UAA has established policies governing the operation of camps based on the philosophy of institutionally controlled administration while allowing, as appropriate, maximum management freedom to coaches. Coaches and camp directors are entitled to the net profit of camps. Insurance and administrative fees are charged to each camp to cover insurance premiums and the costs of administrative services.

During the summer of 2012, the UAA operated 13 camps and clinics which employed approximately 308 employees. Total revenues and expenditures reported as of October 22, 2012 were \$1,542,798 and \$1,067,188, respectively. We conducted an audit of the UAA sports camps as of August 31, 2012. The objectives of this audit were to evaluate the adequacy and effectiveness of existing administrative controls relative to revenues and collections; purchases and disbursements, and compliance with NCAA bylaws and UAA rules.

Student Conduct Process

The university established and requires students to adhere to a Student Honor Code, a Student Conduct Code and a student conduct system that promote individual and social responsibility. The office of Student Conduct and Conflict Resolution (SCCR) is responsible for working with students to resolve disciplinary matters derived from violations of the Student Conduct and Honor Codes. The SCCR is an integral part of the Dean of Students Office within the Division of Student Affairs. Through the disciplinary process, the SCCR aims to help students to understand the impact their behavior has on the global community, and to assist them with making future decisions that lead to personal and professional success.

The SCCR employed three full-time staff members who were in-charge of the adjudication of alleged violations and administration of the student conduct process. For the 2012 fiscal year, the university recorded approximately 2,300 alleged violations and found students responsible for 1,750 of the conduct violations. The types and percentages of alleged violations were broken down as follows:



The audit was performed with the primary objective to evaluate key controls over the administration of the student conduct process as of June 30, 2012. Specific control focus areas included the appointment and training of committee members; compliance with applicable laws, rules and regulations; and the security of student conduct records.

Responsibility Center Management Budget Process

The university used an incremental budget allocation model for many years and lacked a rationale for how resources were distributed. At the request of the President and Provost, a university Budget Review Committee identified a new budget model to promote new revenue sources, make traditional cross-subsidies visible and rational, and provide additional insights for cost savings. The new model was the Responsibility Center Management (RCM) budget process and the university transitioned to the new model effective July 1, 2010.

RCM is a decentralized approach to budget allocation that assigns greater control over resource decisions to academic unit leaders; namely, deans. Under this budget approach, revenue-generating areas are referred to as "responsibility centers," with all or most of the institution's revenues and support costs assigned to them. The underlying premise of the RCM is that the model entrusts academic leaders with more control of financial resources, leading to more informed decision-making and better results or outcomes for the university as a whole.

The university Budget Office, which operates within the Office of the Vice President and Chief Financial Officer, was charged with implementing RCM. The OIA conducted an audit of the administration of the RCM budget process as of September 30, 2012. The primary objective of this audit was to determine the existence of key controls over the RCM budget process and determine whether they were reasonable and applied consistently.

Financial Aid

The Office of Student Financial Affairs (SFA) is the financial aid office at the university and administers federal, state and university aid programs and a limited number of privately-funded scholarships. The SFA draws on these programs when making up students' aid packages.

A summary of aid awarded and disbursed for the 2011-2012 academic year are shown below:

| Breakdown By Source of Funds | Amount in Dollars | Percentage |
|------------------------------|-------------------|------------|
| Federal | \$307,787,681 | 56% |
| State | \$129,896,731 | 24% |
| Institutional | \$82,384,670 | 15% |
| Private | \$26,998,158 | 5% |

We conducted an audit of the University of Florida Financial Aid and Loans as of July 31, 2012. Financial aid disbursed from federal sources is audited annually, by the State of Florida's Office of the Auditor General, as part of the university's federal awards audit conducted in accordance with OMB Circular A-133. Accordingly, the objective of our audit was to evaluate key controls over non-federal aid and loans. Our review focused on controls related to financial and aid management processes; the integrity, security and confidentiality of data; and compliance with applicable policies, procedures, and funding source requirements.

IFAS 4-H Youth Development Program

The 4-H Youth Development Program (4-H Program) is the nation's largest youth development organization. The United States Department of Agriculture provides national leadership for the 4-H Program in partnership with land-grant universities in each state. The 4-H Program is available in all 67 Florida counties for youth ages 5 to 18.

The Dean of IFAS Extension oversees the 4-H Program through the state and county extension offices. The IFAS 4-H State Headquarters (Headquarters), located on campus, included a Program Leader who reported directly to the Dean of Extension. Headquarters was responsible for the development of private/public resources, residential camp management, state 4-H Program events, programmatic leadership and development, and publications and teaching aids. For the fiscal year ending June 30, 2012, Headquarters reflected \$1,391,000 in expenditures related to the 4-H Program.

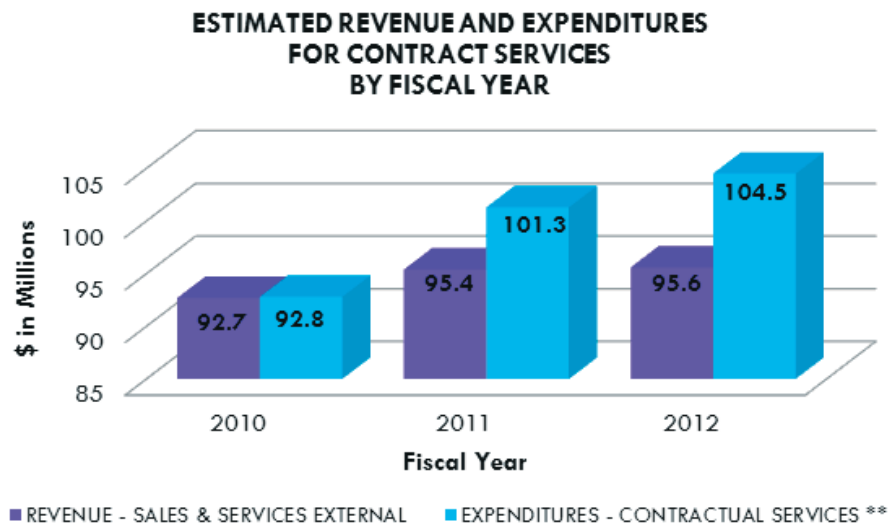
The Florida 4-H Club Foundation, Inc. (Foundation), founded in 1963, is a Direct Support Organization to the university, with the sole purpose of supporting the statewide UF/IFAS Extension 4-H Youth Development Program. The Foundation's mission is to build upon county 4-H Programs by developing and managing financial resources supporting educational and public awareness activities for Florida 4-H youth. Based on the Foundation's March 31, 2012 audited financial statements, the Foundation reported \$2,078,000 in operating revenues and \$1,994,000 in operating expenses.

The OIA conducted an audit of the 4-H Program administrative processes as of December 31, 2012 by focusing on the control environment, fiscal monitoring and processes, and compliance with applicable laws and regulations.

University Consulting and Contracting

The university may engage in the provision of services to an outside entity or may request and pay for services provided by an outside entity. Either process may require some form of contract documenting the agreement terms between the parties. University Regulations charge University of Florida Purchasing Services (UFP) with the duty to plan and coordinate purchases in volume, and negotiate and execute agreements and contracts for commodities and contractual services under which the university may make purchases. Whether through bilateral agreement or purchase order, individual units generally initiate and manage their own revenue and expenditure agreements for consulting and contractual services. Only the university President, and personnel to whom he has specifically delegated contracting authority, may sign agreements and financially obligate the university.

The following chart reflects amounts for estimated revenue contracts recorded as external sales and services as well as expenditures recorded as contractual services over the last three fiscal years:



** Does not include sub-contracts C&G, construction contractors, bank charges and participant support accounts

The OIA conducted an audit of the University Consulting and Contracting process as of September 30, 2012. The objective of this audit was to evaluate the effectiveness of relative controls in place at the unit level, and at the core office through monitoring, guidance, and training processes.

UAA Monitoring Activities

The UAA is a direct support organization responsible for the intercollegiate athletic programs at the university. The UAA mission statement embodies its commitment to the student athletes, coaches, staff, and fans:

"The UAA is dedicated to the intellectual, physical and personal development of student-athletes...Demonstrating leadership in all decisions affecting college athletics, the University Athletic Association will act in an ethical and honest manner, will promote an environment fostering the professional and personal achievement of coaches, administrators and staff, [and] will attain excellence in athletic performance, sportsmanship, financial strength, and superior fan satisfaction."

Monitoring activities enable management to ascertain whether the key controls designed to address significant identified risks to its mission are operating as intended. Effective monitoring helps to identify key controls that are failing and gives management assurance that its risks are being effectively addressed.

This audit was conducted as of November 30, 2012 with the objective to evaluate how effectively management monitors key controls designed to address significant identified risks to the UAA.

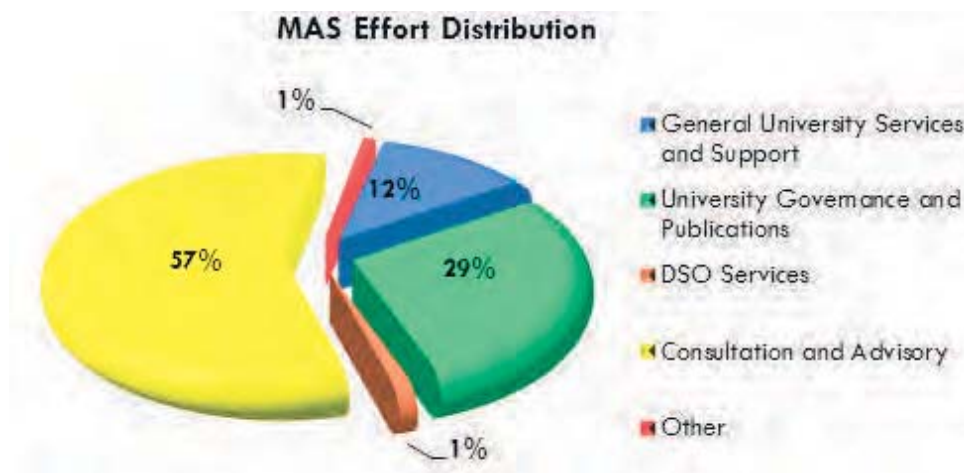
Management Advisory Services

The Institute of Internal Auditors International Standards 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 OIA is committed to providing proactive, preventive counsel on internal controls, operations and compliance through management advisory 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 OIA actively provides advisory reviews, consulting assistance, training and training tools, and post-audit assistance with the goal to aid management in decision making and operational improvements. MAS engagement results and recommendations may be communicated to management and stakeholders verbally, with an informal letter, or with a formal report, as is deemed appropriate.

The following chart illustrates the distribution of effort performed on the various types of MAS services:



During fiscal year 2012-2013, a total of 3,701 hours were spent on advisory services, which represented 16 percent of available hours. A significant portion of MAS effort (57 percent) was expended on consultation and advisory reviews. Following are summaries of MAS projects completed or significantly completed and significant service/ support efforts performed during the year:

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.

Advisory Review of MBA Survey Data

At the request of the administration of the Hough Graduate School of Business, the OIA 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.

Health Science Center Executive Travel and Entertainment Expenses

At the request of the Office of the Senior Vice President for Health Affairs, the OIA reviewed the executive travel and entertainment expenses for the Health Science Center colleges. Specifically, we reviewed travel and reimbursable expenses of the deans and other significant travelers such as associate deans, development officers, and faculty of the colleges. The Senior VP and Associate VP for Health Affairs (HA) were also included in our review. This review primarily focused on whether travel and entertainment expenses, for the period of July 1, 2010 through June 30, 2012, were made in accordance with university directives and procedures including, proper documentation supporting the official business purpose (benefit to the university) and that they were paid from an appropriate source of funds.

Review of InCommon Gap Analysis

InCommon, operated by Internet2, is a consortium of research and higher education organizations that operate an identity management federation and a related assurance program. InCommon assurance programs are known as Profiles. InCommon's Profiles are compatible with the U.S. Government's Federal Identity, Credential, and Access Management (FICAM) Trust Framework Provider Adoption Process for Levels of Assurance 1 and 2. Implementation of FICAM-approved profiles enables organizations to participate in federated identity management with U.S. Government entities.

The objective of this review was to evaluate the university's conformance with the established InCommon Identity Assurance Profiles, as of November 30, 2012. Our review focused on the policies, procedures, and controls in place at the university, as asserted by management, for conformance to the specific criteria defined in the InCommon Identity Assurance Profiles Bronze and Silver, version 1.2.

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. The OIA has continued to support, in conjunction with the University Controller's office, the offering of this internal control training course. In 2012, the Human Resources Training and Organizational Development office, with the assistance of the OIA and the University Controller's office, developed an online version of this training course to provide more accessibility and flexibility for campus administrative staff. Since June of 2012 this course has primarily been offered as an online course. The online course will continue to be offered in 2014.

General Consulting Services

During 2013, the OIA 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, Environmental Health and Safety, Facilities Planning and Construction, and the Institute of Food and Agricultural Sciences.

Newsletter

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

Other MAS Projects

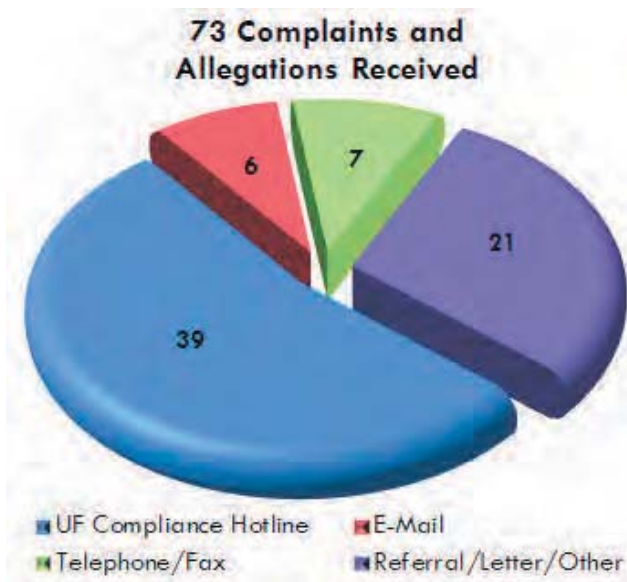
The OIA also participates in projects and initiatives that do not result in a released report. Examples of such projects during 2013 include:

- Role Security
- IT Advisory Services
- Research Compliance
- Data Security
- Auxiliary Services
- MyUFL Upgrades and Enhancements

Investigations

The OIA receives complaints and allegations of all varieties and topics and not just those related to fiscal improprieties. The concerns and allegations received come from a variety of internal and external sources, including direct correspondence and referrals from other university offices and state agencies. The OIA continues to be responsible for the oversight of the university’s compliance hotline (hotline). The OIA 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 OIA 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 fiscal year 2013, the OIA received a total of 73 complaints and allegations, which reflected a 58% increase over 2012, when 46 complaints/allegations were recorded. The 73 complaints/allegations were received by the OIA via the following delivery methods:



Upon receipt of complaints and allegations, the OIA assessed the most appropriate department or unit to perform a review, should one be warranted. While the OIA specifically reviews all cases involving alleged fiscal improprieties, we work closely with departments such as Human Resource Services, the Office of the Provost, the Division of Sponsored Research, the Privacy Office, and others in the review of concerns that are more closely related to those groups’ specialties and fields of expertise. When our initial assessment indicates that the allegations are not of a fiscal nature, the allegation will be referred to one of these other university departments as appropriate.

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 allegation or complaint, a project number is assigned and a full scale investigative review is initiated. Of the 73 allegations received in fiscal year 2013, our initial assessments resulted in the following dispositions for review:



For fiscal year 2013, the total number of hours related to investigative efforts increased by 40 percent over the prior year’s hours due to both an increase in the volume of concerns and allegations received and the complexity of several of the investigations. A total of 2,774 hours, or 16 percent of total hours available for projects, were committed to investigative efforts. Not all investigative reviews conducted by OIA 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 alleged issues addressed with OIA’s investigative reviews are listed in the table below:

| Activity/Controls Identified | Number of Occurrences |
|---|-----------------------|
| Theft or Personal Misuse of Assets/Funds | 7 |
| Purchasing Card Misuse | 6 |
| Alleged Fiscal/Grant Fund Misconduct | 4 |
| Inappropriate Outside Activities/Conflict of Interest | 3 |
| Nepotism | 3 |

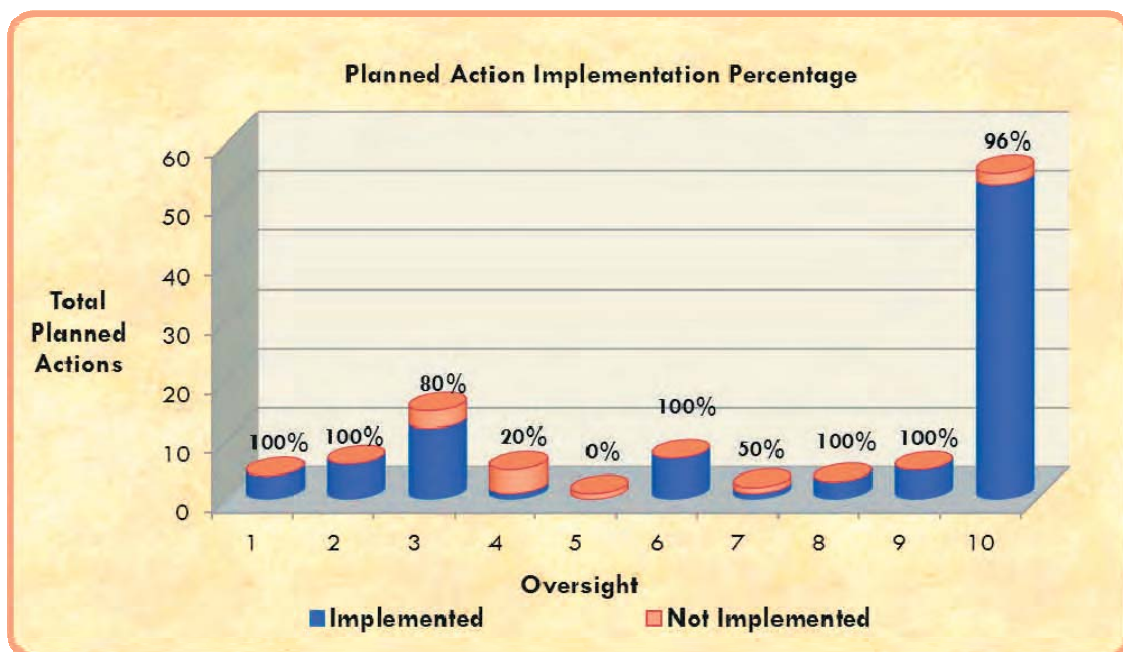
Follow-up

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. The IIA Standards further require the establishment of a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

Audit reports issued by the OIA include the auditor's comments on noted issues and opportunities for improvement. Also included are planned actions developed and agreed to by the audit team and management to address the noted issues, 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 OIA has developed a follow-up process to track these outstanding action plans and recommendations. Follow-up procedures were conducted quarterly and the results were communicated to university management and the Board of Trustees Audit and Operations Review Committee. During the 2012-2013 fiscal year, the OIA staff expended 720 hours, or 4 percent of available hours, on 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 2012-2013 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 - Business Affairs | 6 | 6 | 0 | 0 | 100% | N/A |
| 3 - CFO | 15 | 12 | 3 | 0 | 80% | 45% |
| 4 - CIO | 5 | 1 | 4 | 0 | 20% | 50% |
| 5 - Human Resources | 1 | 0 | 0 | 1 | 0% | 100% |
| 6 - IFAS | 7 | 7 | 0 | 0 | 100% | 80% |
| 7 - Research | 2 | 1 | 1 | 0 | 50% | 33% |
| 8 - Student Affairs | 3 | 3 | 0 | 0 | 100% | 75% |
| 9 - UAA | 5 | 5 | 0 | 0 | 100% | 50% |
| 10 - UFF | 55 | 53 | 2 | 0 | 96% | 97% |
| Total | 103 | 92 | 10 | 1 | 89% | 78% |



Other Activities

PROFESSIONAL ACTIVITIES

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

- **Association of College and University Auditors (ACUA):** Institutional Membership, Best Practices Committee Co-Chair, Annual Conference Presenter
- **Institute of Internal Auditors – National Chapter (IIA):** Member, Volunteer
- **American Institute of Certified Public Accountants (AICPA):** Member
- **Institute of Chartered Accountants in England and Wales (ICAEW):** Member
- **Information Systems Audit and Control Association (ISACA):** Member
- **Institute of Internal Auditors - North Central Florida Chapter (NCFIIA):** Treasurer, Board Member, Membership Chair, Newsletter Editor, Web Master, Historiographer, Programs Committee Members (3)
- **State University Audit Council (SUAC):** Member and Chair

UNIVERSITY SERVICE



OIA 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 and Technical Subcommittee:** Member
- **Payment Card Committee:** Member
- **InCommon Federation Assurance Subcommittee for Active Directory:** Participant
- **Auxiliary Enterprise Review Committee:** Member
- **Sponsored Research Training - The Auditor's Perspective:** Presenter
- **PRO3 Series - Internal Controls at UF:** Presenter
- **Financial Services User Group Presentation - Internal Control Assessment Audit:** Presenter
- **Building Emergency Coordinator**
- **Sick Leave Pool Committee:** Member



Reports Issued

2012-2013

| Title | Period | Issue Date | Report # | Project |
|---|-------------------|------------|--------------|----------------|
| Purchasing Card Program | As of 12/31/11 | 8/27/12 | UF-12-605-10 | Internal Audit |
| UF Foundation Restricted Gifts | 1/1/11 – 12/31/11 | 10/16/12 | UF-12-610-15 | Internal Audit |
| UF Foundation Annuities, Trusts and Stock Gifts | As of 12/31/11 | 10/31/12 | UF-12-609-14 | Internal Audit |
| IFAS Tropical Research and Education Center | As of 6/30/12 | 11/5/12 | UF-12-603-08 | Internal Audit |
| Asset Management  | June 30, 2012 | 11/6/12 | UF-09-550-12 | Internal Audit |
| University of Florida Internal Controls | As of 3/3/11 | 11/21/12 | UF-12-597-02 | Internal Audit |
| President's Reimbursable Expenses | 7/1/11 – 6/30/12 | 11/30/12 | 72-12-04 | MAS |
| MBA Survey Data Review | As of 9/30/12 | 1/28/13 | 72-13-06 | MAS |
| Health Science Center Executive Travel and Entertainment Expenses | 7/1/10 – 6/30/12 | 2/1/13 | 72-12-02 | MAS |
| UAA Aviation | As of 9/30/12 | 2/13/13 | UF-13-627-14 | Internal Audit |
| UAA Sports Camps | As of 8/31/12 | 2/13/13 | UF-12-611-16 | Internal Audit |
| Student Conduct Process | As of 6/30/12 | 3/18/13 | UF-13-618-05 | Internal Audit |
| Responsibility Center Management Budget Process | As of 9/30/12 | 5/13/13 | UF-12-599-04 | Internal Audit |
| InCommon Gap Analysis | As of 11/30/12 | 5/29/13 | 72-13-07 | MAS |
| Financial Aid and Loans | As of 7/31/12 | 5/30/13 | UF-13-620-07 | Internal Audit |
| IFAS 4-H Youth Development Program | As of 12/31/12 | 5/30/13 | UF-13-614-01 | Internal Audit |
| University Consulting and Contracting | As of 9/30/12 | 6/28/13 | UF-13-616-03 | Internal Audit |
| Export Control Compliance Program  | As of 12/31/12 | 8/7/13 | 72-13-03 | MAS |
| UAA Monitoring Activities  | As of 11/30/12 | 8/12/13 | UF-12-612-17 | Internal Audit |

 - Substantially completed as of June 30, 2013

 - Conducted by external firm (McGladrey)



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