



**OFFICE OF INTERNAL AUDIT
ANNUAL REPORT 2013 - 2014**

Operational, Financial, Compliance Audits
Management Advisory Services
Special Reviews

MESSAGE FROM THE CHIEF AUDIT EXECUTIVE



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 2013-2014, the OIA engaged in several complex audit, advisory and investigative projects. We also experienced the loss of two staff members and, due to insufficient resources, were only able to fill one of the positions. These resource limitations made it challenging to achieve 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 to complete as much of our risk-based audit work plan as possible; sought quality professional training for our staff to enhance our expertise relative to audit trends and techniques in the higher education environment; and continued to manage the university's anonymous ethics and compliance 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.

As the OIA moves into the new fiscal year with one less staff member, we anticipate that we may need to postpone some planned projects due to our current resource deficit. The OIA, however, remains committed to the goal of providing audit, advisory and investigative services that add value to our university. Edmund Burke is credited with saying "The only thing necessary for the triumph of evil is for good men to do nothing." I encourage all employees and units of the University of Florida to join the OIA in striving to make our university as good as it can be. The Office of Internal Audit exists only to serve the university, so please contact us whenever we can be of assistance.

I am truly honored to serve the University of Florida, my alma mater, as its Chief Audit Executive, and I am proud to present this 2013-2014 Annual Report which summarizes our activities for the year and provides useful data for benchmarking the effectiveness of our operations.

BRIAN D. MIKELL, CPA
 Chief Audit Executive, Office of Internal Audit
 University of Florida

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OPERATIONS

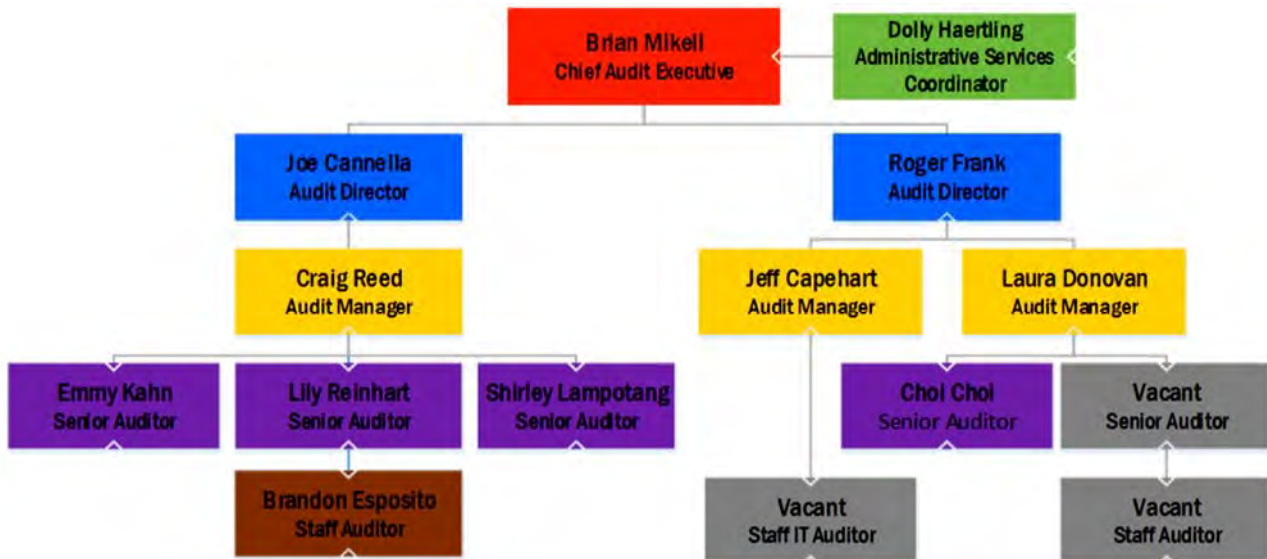
Goals and Objectives

The OIA's key operational objective continues to be completion of our fiscal year audit work plan. Our risk-based 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. Achievement of this goal during fiscal year 2014 and in future years will be challenging as discussed further in the Staffing and Other Resources section of this report.

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 including 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. Considering available resources, 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. The OIA staff report to the CAE as shown below in the Organization Chart as of June 30, 2014.



Staffing and Other Resources

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 experienced staff turnover during the 2013-2014 fiscal year. We lost a staff auditor in October 2013, replacing the position in May 2014. We also lost our staff IT auditor in January 2014. Due to insufficient funding, this position remained open at June 30 and will not be filled until budget shortfalls are addressed. Our current three-year work plan was designed based on 12 professional audit positions, so the staff IT position vacancy will result in planned projects being deferred as we lack the necessary resources to complete our work plan. In addition, the OIA continues to carry one vacant senior auditor position and one vacant staff auditor position (these positions were not considered in the current work plan), with no plans to fill these vacancies in our current budget climate.

Staffing and Other Resources (Cont'd)

The OIA has continued to serve the university as a “credible, professional organization committed to providing value added services” (OACR (OIA) External Quality Assessment Report, May 2012). The OIA has participated in the multi-year budget reductions that all of campus had to endure, using reserve funds to ensure we maintained the high level of service to which campus has become accustomed. As we come to the end of fiscal year 2014, our reserves have been mostly depleted and, unless funding is increased for the 2014-2015 fiscal year, staffing will be affected. While we remain hopeful for better budget situations for all of campus in the future, to the extent that resources will allow, the OIA remains committed to providing internal audit services with a high level of professionalism.



Front row (L to R): Brandon Esposito, Craig Reed, Jeff Capehart, Roger Frank, Joe Cannella, Brian Mikell
Back row (L to R): Choi Choi, Laura Ling, Emmy Kahn, Dolly Haertling, Lily Reinhart, Shirley Lampotang

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 following table provides a list of staff participation in formal training programs during the 2013-2014 fiscal year.

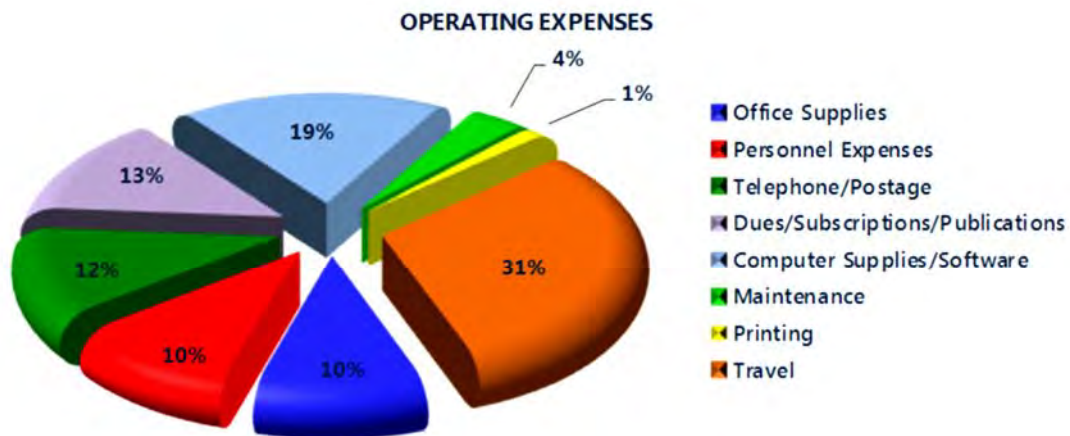
Sponsored By	Hours	Employees Participating
Institute of Internal Auditors-North Central Florida Chapter	254	13
Association of Colleges and University Auditors	115	7
University of Florida	40	12
The Institute of Internal Auditors	30	6
Information Systems Audit and Control Association	17	2
Miscellaneous	13	5
McGladery	8	6
Grant Thornton	5	1

Expenditure Analysis

The OIA expenditures by category are illustrated in the accompanying table. Our primary budgetary commitment remains professional staff salaries, which represented over 96 percent of total expenditures. The large decrease in expenditures for consultants related to our external quality assessment (peer) review, required once every five years by professional internal audit standards. The OIA incurred no expenditures for consulting during the 2013-2014 fiscal year. Fixed asset expenditures resulting from equipment purchases, like new computers, remained fairly constant. While normal expectations call for moderate annual increases in training and operating expenses, the OIA saw a decrease in the number of training events from the prior year resulting in the expenditure decreases in training and operating expenses (less training-related travel).

Additional detail of OIA operating expenses is presented in the pie chart. Over 30 percent was related to travel, the majority of which is related to training conferences, which demonstrates our commitment to quality professional education for our staff. The remaining OIA operating expenses were distributed between office supplies, professional dues/subscriptions/publications, telephone/postage, personnel-related expenses, computer supplies, and miscellaneous maintenance and professional printing.

Expenditure Category	2012-2013	2013-2014
Salaries	\$1,259,528	\$1,273,385
Consultants	34,817	0
Fixed Assets	4,623	5,279
Operating Expenses	27,060	20,772
Training	15,608	8,896
Compliance Hotline	9,500	9,500
Total Expenditures	\$1,351,136	\$1,317,832



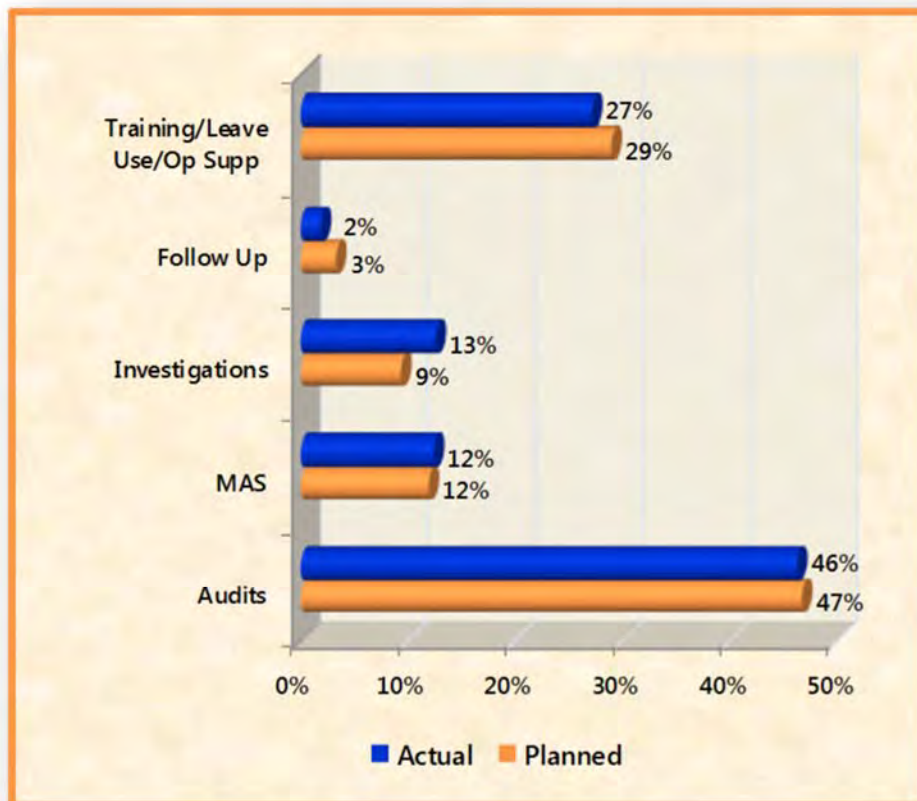
Time Analysis

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. We incurred additional staff turnover which, combined with budget concerns, led to an additional 2,008 actual hours (11.8 months) lost to vacancies during the year. Actual hours used for training, leave and administrative support were 816 hours less than planned. When combined with the 520 hours of overtime generated by OIA staff, the final result was actual hours available for the period falling short of planned hours by approximately 4.2 percent.

	Planned		Actual		Difference
Time Available (13 x 2,040)	26,520		26,520		
Less: Adjustment for Position Vacancies	(4,080)		(6,088)		(2,008)
Training/Leave Use/Operational Support	(6,484)		(5,668)		816
Total	(10,564)		(11,756)		
Excess Hours Worked				520	520
Time Available for Projects	15,956		15,284		(672)

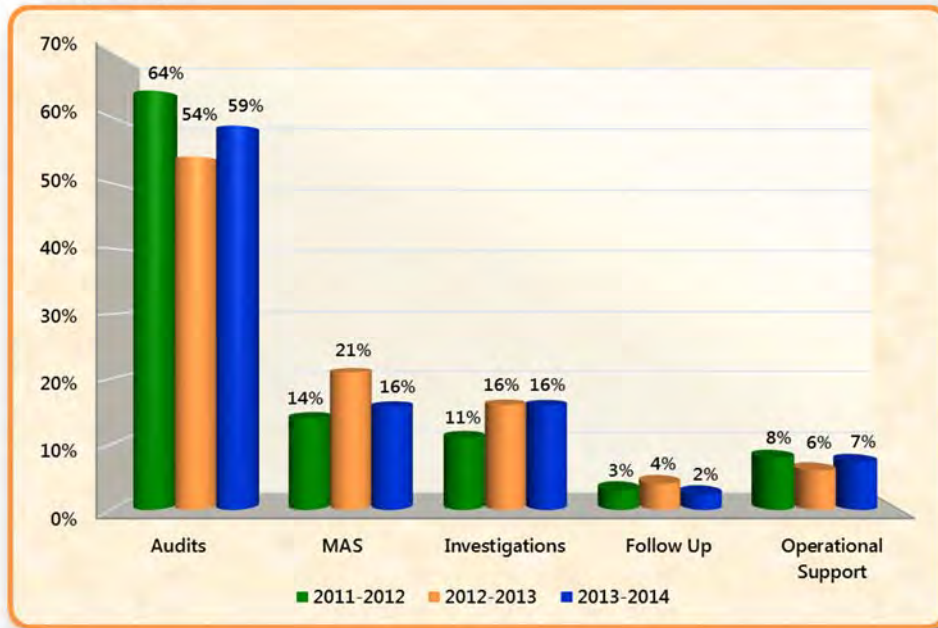
Time Allocation – Planned vs. Actual

This chart compares, by major direct and indirect categories, the allocation of total planned available time with actual effort expended. All in all, actual time used was very close to planned allocations for the fiscal year. Actual time spent on investigations was more than planned, and was available due to slightly less than planned actual direct hours charged to audits, follow-up and indirect categories.



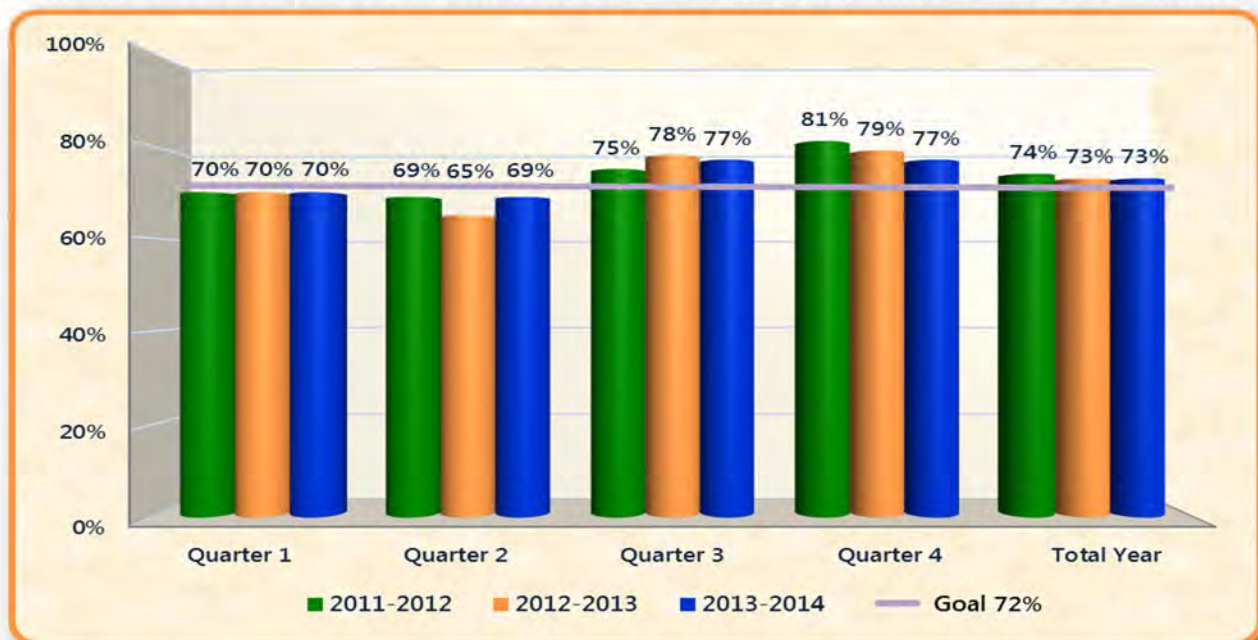
Time Comparison – Current vs. Prior Years

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. From FY12 to FY13, we experienced an increase in staff time used for investigations due to an increase in the volume and complexity of allegations received. Investigative time used was consistent from FY13 to FY14. 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 and operational support 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 third and fourth quarters of the fiscal year, aided by fewer holidays during these periods. With another strong third and fourth quarter in the 2013-2014 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 three years, attributable to increased overall staff experience and focus on the assigned projects. With the turnover experienced and new staff for the upcoming year, maintaining our office goal will be a challenge. The OIA will continue 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 below reflects a three-year analysis of projects planned and completed. Internal audits and management advisory services (MAS) were planned based on institutional risk assessments 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 and 2013-2016 three-year work plans. 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 65 projects were planned and 59 projects were completed. During fiscal year 2013-2014, 59 percent (9,658 hours) of available time was used on audit projects and 16 percent (2,588 hours) of available time was used on MAS projects. An additional 16 percent (2,623 hours) of available time was used for investigative projects and is not reflected in the reported projects.

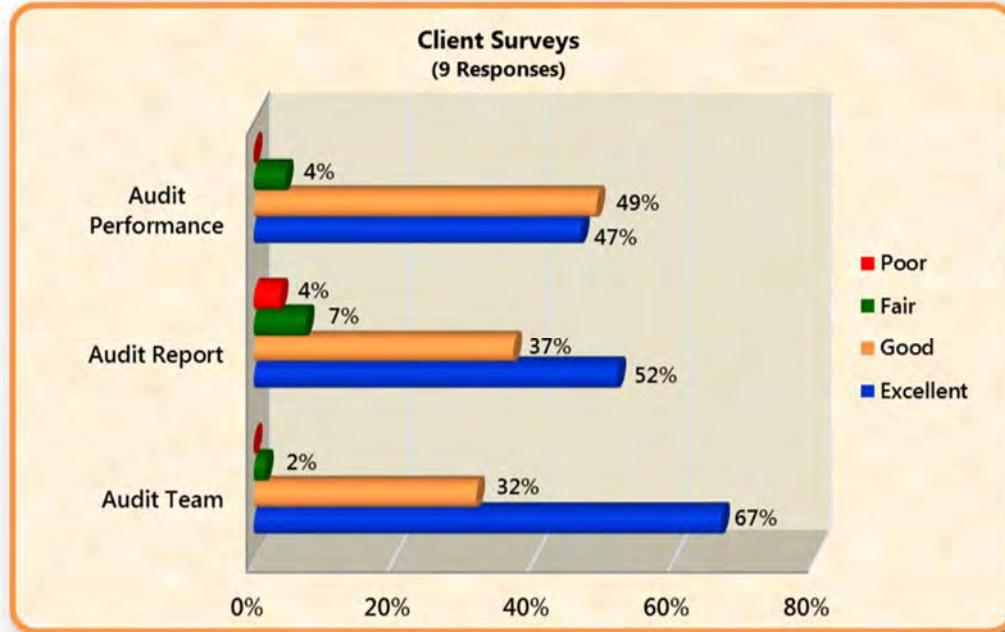
TREND ANALYSIS OF PROJECTS PLANNED/COMPLETED

	Planned		Completed		
	Original	Revised	Current	Carry Over	Total
2011-2012	21	24	9	13	22
2012-2013	22	21	8	11	19
2013-2014	22	20	8	10	18
TOTALS	65	65	25	34	59



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 (9) for current year audit projects indicated, for the most part, that the OIA services were well received. Overall, 94 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 illustrate a commitment to balanced, proactive and risk-based coverage. Audits performed included system-wide fiscal, research support and administrative processes, and information technology. 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.

University of Florida Investment Corporation

The University of Florida Investment Corporation (UFICO) is a direct support organization created by the Board of Trustees of the University of Florida, in June 2004, to oversee the investments of the University of Florida and its affiliated organizations. As of March 31, 2013, UFICO managed an investment portfolio of \$2.2 billion that included funds from the University of Florida, the University of Florida Foundation, the University of Florida Research Foundation, the University Athletic Association, Shands Teaching Hospital and Clinics, and other university affiliated organizations.

We conducted an audit of UFICO as of April 30, 2013. The objective of this audit was to evaluate UFICO's key control procedures designed to enhance compliance with investment management agreements with the university and its affiliated organizations; the effectiveness of due diligence procedures for selecting and monitoring investment managers; compliance with administrative policies relative to disbursements and outgoing wire transfers.

UAA Ticket Office

The mission of the UAA Ticket Office is to provide equal, honest and quality service to athletic ticket subscribers, Gator Boosters and other customers. Managed by an assistant athletic director, the Ticket Office was staffed by 10 full-time and 35 part-time employees. The UAA implemented a business management software system from Ticketmaster to sell tickets, store customer information, account for revenues and generate operational reports. For the 2011-2012 fiscal year, UAA had generated a totaled \$23.7 million in operating game revenues.

UAA Ticket Office (Cont'd)

The OIA conducted an audit of the Ticket Office as of April 30, 2013. The objective of this audit was to evaluate the adequacy and effectiveness of key controls over Ticket Office administrative processes with a focus on sales revenues, ticket security, Ticketmaster contract compliance, and compliance with SEC and NCAA rules regarding complimentary tickets.

University of Florida Alumni Association

The University of Florida Alumni Association (alumni association) was organized and chartered in 1906. The mission of the alumni association is to support exclusively the University of Florida's mission of teaching, research, and service by fostering and enhancing the relationship between the university and its alumni, students, and friends.

Established as a non-profit organization, the alumni association is managed by an executive director and governed by a board of directors that is composed of volunteers. For the 2012-2013 fiscal year, the alumni association board was composed of 10 officers, 9 regional vice presidents, 28 at-large directors, and 33 past-presidents.

The alumni association is organized as part of the Office of Development and Alumni Affairs, and its operations are primarily funded by the University of Florida Foundation (foundation). For the fiscal year ended on June 30, 2012, the alumni association incurred approximately \$5.9 million in expenditures, of which \$3.6 million was supported by the foundation.

The OIA conducted an audit the University of Florida Alumni Association as of March 31, 2013. The objective of this audit was to evaluate the adequacy and effectiveness of operational controls in place by focusing on the control environment, administration and management of alumni association memberships, and procedures followed when conducting special events.

UAA On-Campus Recruiting Compliance

The UAA is responsible for the intercollegiate athletic programs at the University of Florida. The university President, the Director of Athletics, and the UAA Compliance Office share the responsibility for overseeing compliance for the UAA. The Senior Associate Athletics Director of Compliance & Sports Administration bears the operational responsibility for the UAA's adherence to all National Collegiate Athletic Association (NCAA) rules and regulations, and has indirect reporting access to the university's Office of the General Counsel.

On-campus recruiting is primarily limited to official visits, which are funded in whole or in part by the UAA; and unofficial visits, which are made at the prospective student-athlete's own expense. Restrictions governing on-campus recruiting are detailed in Article 13 of the NCAA's Division I Manual. For the 2012-2013 recruiting season, running from August 1, 2012 through July 31, 2013, the UAA had a total of 188 official visits and 1,619 unofficial visits.

The OIA conducted an audit of the UAA on-campus recruiting compliance as of July 31, 2013. The primary objective of this audit was to determine whether the UAA has adequate controls in place to provide reasonable assurance of compliance with NCAA regulations governing on-campus recruiting activities related to official and unofficial visits.

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. Foundation endowed funds were categorized by restricted purpose as scholarships, professorships, research, eminent scholar chair, fellowships and other. The restricted gift funds were established within the foundation and administered by specific university units.

During the calendar year 2012, foundation endowed fund transfers to the university totaled approximately \$37.2 million. Total disbursements by university units from endowed restricted funds during 2012 were approximately \$34.7 million for salaries and benefits, scholarships, fellowships, travel, materials and supplies, and contractual services.

The OIA conducted an audit of the foundation restricted gift funds for the period January 1, 2012 through December 31, 2012. The objectives were to evaluate controls designed to ensure that university units used restricted funds

UFF Restricted Gifts (Cont'd)

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.

UFF IT General Controls and Disaster Recovery

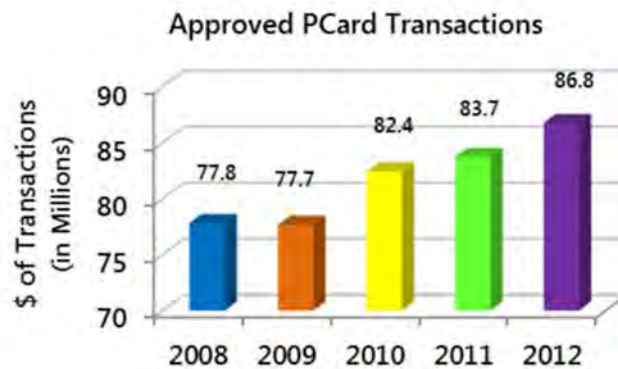
The UFF is a direct support organization of the University of Florida created under Section 1004.28, Florida Statutes. The foundation is a non-profit 501(c)(3) organization with a mission to promote, receive and administer private support for the University of Florida.

The OIA conducted an audit of the foundation's Information Technology General Controls and Disaster Recovery as of July 1, 2013. The objective of this audit was to evaluate the adequacy of internal controls over the foundation's information technology infrastructure and disaster recovery capabilities.

Purchasing Card Program

University Purchasing and Disbursement Services is responsible for the administration of the Purchasing Card (PCard) program, which provides an effective and convenient way to purchase commodities. To obtain a PCard, university policy requires all faculty or staff to be authorized by their dean, director, or department chair and to complete web-based training. Training every two years is recommended for all cardholders and approvers. 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.

As of December 31, 2012, there were approximately 5,000 active University of Florida PCards in 368 business units. For the period January 1, 2008 through December 31, 2012, the university had processed and approved PCard transactions exceeding \$408 million, an average of approximately \$81.5 million per year. The chart below represents the volume of transactions per calendar year:



The OIA conducted an audit of the university's PCard Program as of December 31, 2012. The objective of this audit was to evaluate the effectiveness of controls in place to determine whether PCard transactions were appropriate, properly authorized and adequately documented.

Identity and Access Management

Identity and access management (IAM) is the process of managing who has access to what information. This process involves the creation of unique identities for individuals and systems, and linking user accounts to these identities. The IAM processes create, capture, store, and manage the user identities and the associated access permissions to an organization's information, and affect many different groups of users. Users could include not only employees, but also vendors, customers, and volunteer personnel.

The university established the "GatorLink ID" in 1997 as the common electronic credential for all users in the university environment. The GatorLink Account Management (GLAM) system and the UF Identity Registry were developed to store and manage university identity information. While the UF Identity Registry maintained identity information on nearly two million individuals, there were about 350,000 active GatorLink accounts.

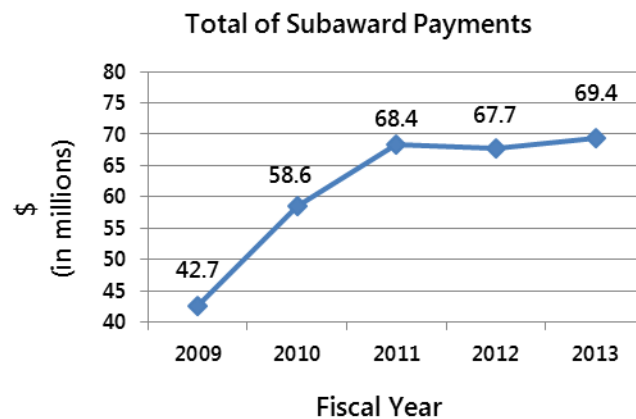
Identity and Access Management (Cont'd)

The OIA conducted an audit of Identity and Access Management as of March 31, 2013. The objective of this audit was to determine whether the IAM systems in place at the university were reliable and secure for the provisioning and monitoring of identity and access.

Subrecipient Monitoring

Subawards are issued to external entities, known as subrecipients, to acquire scientific or programmatic support under an award made to the university. The subrecipients are responsible for managing the technical and administrative aspects of their part of the project. The university process of providing oversight for the duration of the subaward is referred to as subrecipient monitoring.

The administration of subawards is a joint effort between the Principal Investigators and their departmental administrators, the Division of Sponsored Programs, and Contracts and Grants Accounting Services. As of September 9, 2013, the university had 593 active subawards, 460 of which were under federal awards. For the fiscal years ending June 30, 2009 through June 30, 2013, the university made approximately \$307 million dollars of subaward payments. The following graph illustrates the annual subaward payments.



The OIA conducted an audit of subrecipient monitoring as of September 30, 2013. The objective of this audit was to evaluate the adequacy and effectiveness of controls in place to monitor subawards of federal awards accepted by the university by focusing on award acceptance and administration; accuracy and timeliness of payments; and compliance with federal rules and regulations.

University Payroll

University Payroll and Tax Services (Payroll Services) is a unit of the University Controller's Office responsible for processing the University of Florida's payroll. The payroll process creates pay checks and electronic funds transfers (direct deposits) for employees. It also creates payments of employee benefits and payroll deductions for payroll vendors. The university processes payroll on a bi-weekly schedule. For the 2012-2013 fiscal year, total payroll expenditures were approximately \$1.6 billion.

The OIA conducted an audit of university payroll as of June 30, 2013. The objective of this audit was to evaluate the effectiveness of key controls to ensure that payroll was accurate, timely, and appropriately posted to accounting records.

Attractive and Sensitive Property

In 2011 the Florida Board of Governors revised Regulation 9.002, *Recording and Marking of Property*, increasing the capitalization threshold for tangible property from \$1,000 to \$5,000. The primary reasons for the change were to reduce the administrative costs of recording and managing items of equipment, and to enhance overall stewardship and control of the university's assets by focusing more attention and effort to safeguarding the higher-valued items.

Effective July 1, 2011, pursuant to the revised Board of Governors regulation, the university revised its capitalization

Attractive and Sensitive Property (Cont'd)

policy to increase its threshold from \$1,000 to \$5,000. This change in accounting principle resulted in the write-off on the university's financial statements of approximately \$191 million in assets and \$130 million in related accumulated depreciation at June 30, 2012. The change also shifted the responsibility for managing attractive and sensitive property (ASP) under \$5,000 from the core Asset Management office to the unit level. The university's revised directives and procedures define ASP as tangible personal property that costs less than \$5,000 and can be characterized as "walk away" items that are prone to theft because they are either not secure, are easily portable, contained new technology and/or were adaptable for personal use.

The OIA conducted an audit of Attractive and Sensitive Property as of October 31, 2013. The objective of this audit was to evaluate controls in place to safeguard ASP by focusing on university policy and guidance, tools provided for units to manage ASP, and controls in place at the unit level.

UAA Business Continuity and Data Maintenance

Business continuity is the ability of an organization to respond to incidents and business disruptions in order to continue business operations at an acceptable predefined level. Business continuity planning identifies an organization's exposure to internal and external threats and develops a roadmap to continued operations under adverse conditions. Data maintenance is an integral part of each business operation and includes backup of data, applications, networks and manual records used in the event of a failure of standard processes.

We conducted the audit of the UAA's Business Continuity and Data Maintenance as of October 31, 2013 focusing on the signification functions for information technology, ticketing operations, payroll and compliance. The objective of this audit was to evaluate the effectiveness of controls and procedures in place to promote continuity of operations and maintenance of data.

Material and Supply Fees and Equipment Use Fees

Effective July 2002, Florida Statutes authorized universities to establish Material and Supply (M&S) Fees to offset the cost of materials or supplies that are consumed in the course of the student's instructional activities, excluding the cost of equipment replacement, repairs and maintenance. The Equipment Use (EU) Fee was established in 2008, also authorized by Florida Statutes, allowing universities to assess students a fee for their use of equipment. University guidelines further specified that such equipment must be directly used by undergraduate students for instructional purposes.

The Office of the Provost develops and communicates guidelines for fee establishment on their website. The University Budget Office was responsible for review and approval of new fees and updates to existing fees, and for monitoring M&S Fee balances. As of December 31, 2013, there were 1,632 active M&S fees assessed by 96 units and 901 active EU Fees assessed by 65 units. The available cash balances for M&S and EU Fees, as of December 31, 2013, were approximately \$479,638 and \$3,037,342, respectively.

The OIA conducted an audit of the M&S Fees and the EU Fees as of December 31, 2013. The objective of this audit was to determine if the Fees were established, managed and disbursed in compliance with university policies.

UAA Sport Injury Monitoring System

The UAA has developed a Sports Health Program to respond to the medical needs of the student-athletes during the course of their intercollegiate endeavors. The Sports Health Program was comprised of support staff including team physicians, athletic trainers, and dieticians.

The Sports Injury Monitoring System (SIMS) is a purchased database application utilized for injury management and documentation. The SIMS is used to streamline the medical care of the nearly 500 student-athletes by electronically maintaining the student-athletes' information so that it could easily be accessed by athletic trainers, dieticians, and physicians at any of the various athletic training facilities.

The OIA conducted an audit of the UAA SIMS as of December 31, 2013. The objective of this audit was to evaluate the effectiveness of controls and procedures in place for the SIMS by focusing on the security of protected health information and information technology general controls.

Mobile Computing and Storage Devices

The university has embraced an environment that supports a “bring-your-own-device” (BYOD) strategy. This environment is supposed to offer improvements and efficiencies for users such as access to their work e-mail or other applications from their personal phone, laptop, tablet, or other mobile devices to learn, teach, conduct research and manage the university’s business needs. However, the ease of access and mobility introduces additional risks that more university data could be exposed should a device be lost or accessed by an unauthorized party.

To address these risks, the university developed a policy in 2011 for mobile computing and storage devices. This policy applies to all mobile computing and storage devices used by the university constituency in the performance of their duties, and to all university restricted data when accessed through, or stored on, mobile computing and storage devices, regardless of the device’s ownership. Since this policy was designed specifically to address the risk of exposure of restricted data, an encryption requirement was incorporated. The university’s restricted data may not be released for storage on, or accessed through, devices that do not meet these requirements.

The OIA conducted an audit of Mobile Computing and Storage Devices as of September 30, 2013. The objective of this audit was to identify and evaluate controls, over mobile computing and storage devices at the unit level, designed to promote compliance with university policies and procedures.

MANAGEMENT ADVISORY SERVICES

The Institute of Internal Auditors International Standards defines “consulting services” as

Advisory and related client service activities, the nature and scope of which are agreed with the client, are 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 orally, with an informal letter, or with a formal report, as the CAE deems appropriate.

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



Management Advisory Services (Cont'd)

During fiscal year 2013-2014, a total of 2,588 hours were spent on advisory services, which represented 12 percent of available hours. A significant portion of MAS effort (73%) 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:

Major Construction

The primary objective of this review was to verify that controls over major construction, including but not limited to opportunities for improvement identified by RSM McGladrey, Inc. in March 2008, were in place and operating effectively.

President's Reimbursable Expenses

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

Extension Services Risk Assessment and Monitoring

The objective of the this review was to assist IFAS in the creation and execution of a strategy for developing both a risk assessment process specific to the 4-H Program, as a whole, and a monitoring plan for key program and administrative risks of the 4-H Program at the county level.

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 Resource Services 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 been offered as an online course. The online course will continue to be offered in 2015.

General Consulting Services

During 2014, 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, the CIO of Information Technology office, the Office of Research, Facilities Planning and Construction, and the Institute of Food and Agricultural Sciences.

Other MAS Projects

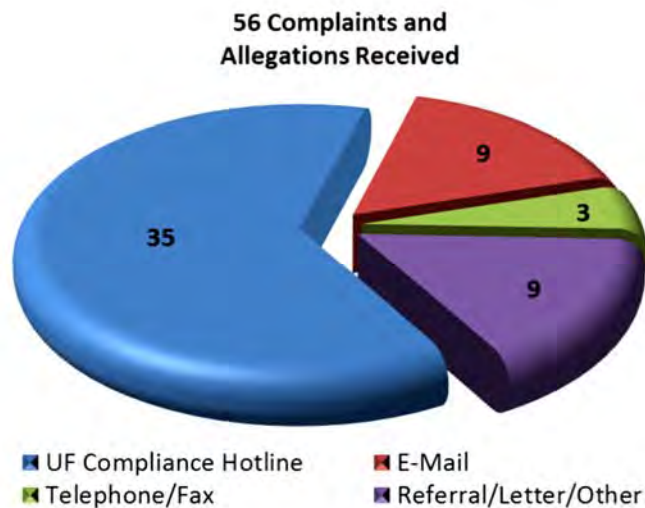
The OIA also participates in projects and initiatives that do not result in a released report. Examples of such projects during 2014 include:

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

INVESTIGATIONS

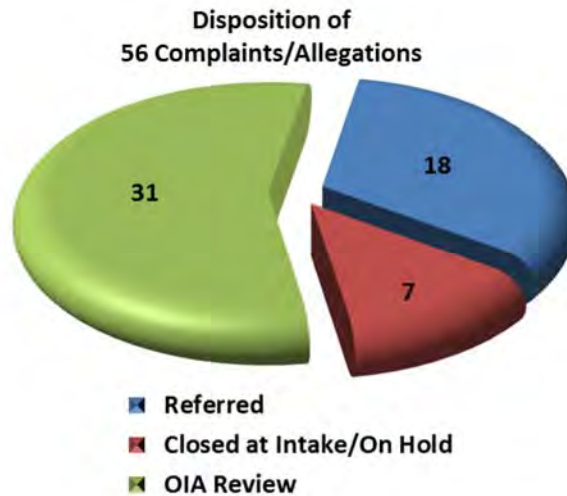
The OIA receives complaints and allegations related to fiscal improprieties as well as a wide array of alleged improper behaviors and business practices. The complaints, concerns and allegations are received from a variety of internal and external sources, including direct correspondence and referrals from other university offices and state agencies. As illustrated in the chart below, the UF Compliance Hotline (hotline) continues to be 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 has maintained its oversight of the university's hotline, which continues to be managed by The Network, an industry leading provider of governance, risk, and compliance solutions and reporting systems.

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 2014, the OIA received a total of 56 complaints and allegations, which reflected a 23 percent decrease from fiscal year 2013, when 73 complaints/allegations were received. For fiscal year 2014, the OIA had an unusually high occurrence of duplicate complaints/allegations for several issues that were presented for review. All allegations received for the fiscal year are reflected in this total, including the duplications as they reflect the reporting of similar concerns from multiple complainants. The 56 complaints/allegations were received via the following delivery methods:



When complaints and allegations were received, 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 Programs, the University of Florida Police Department 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 is referred to the appropriate university department.

The review process begins by considering 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 56 allegations received in fiscal year 2014, our initial assessments resulted in the following dispositions for review:

Investigations (Cont'd)

For fiscal year 2014, the total number of hours related to investigative activities decreased by 5 percent over the prior year's hours; while the total number of allegations received decreased by 23 percent. The complexity and nature of the more recent allegations have led to longer periods per investigation to complete our review. A total of 2,623 hours, or 13 percent of total available hours for projects, were committed to investigative efforts. It is important to note that 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 volume of significant alleged issues received, by type, are listed in the following table:

Major Activity/Issues Identified in Allegations Received	Number of Occurrences - 2014	Number of Occurrences - 2013
Inappropriate Outside Activity/Conflict of Interest	7	3
Improper Termination/Retaliation Claim	5	3
Hostile Work Environment (several duplicate claims)	5	4
Theft or Personal Misuse of Assets/Funds	4	7
Alleged Fiscal/Grant Fund Misconduct	3	4
PCard Misuse/Purchasing	3	6
Nepotism	1	3

FOLLOW-UP

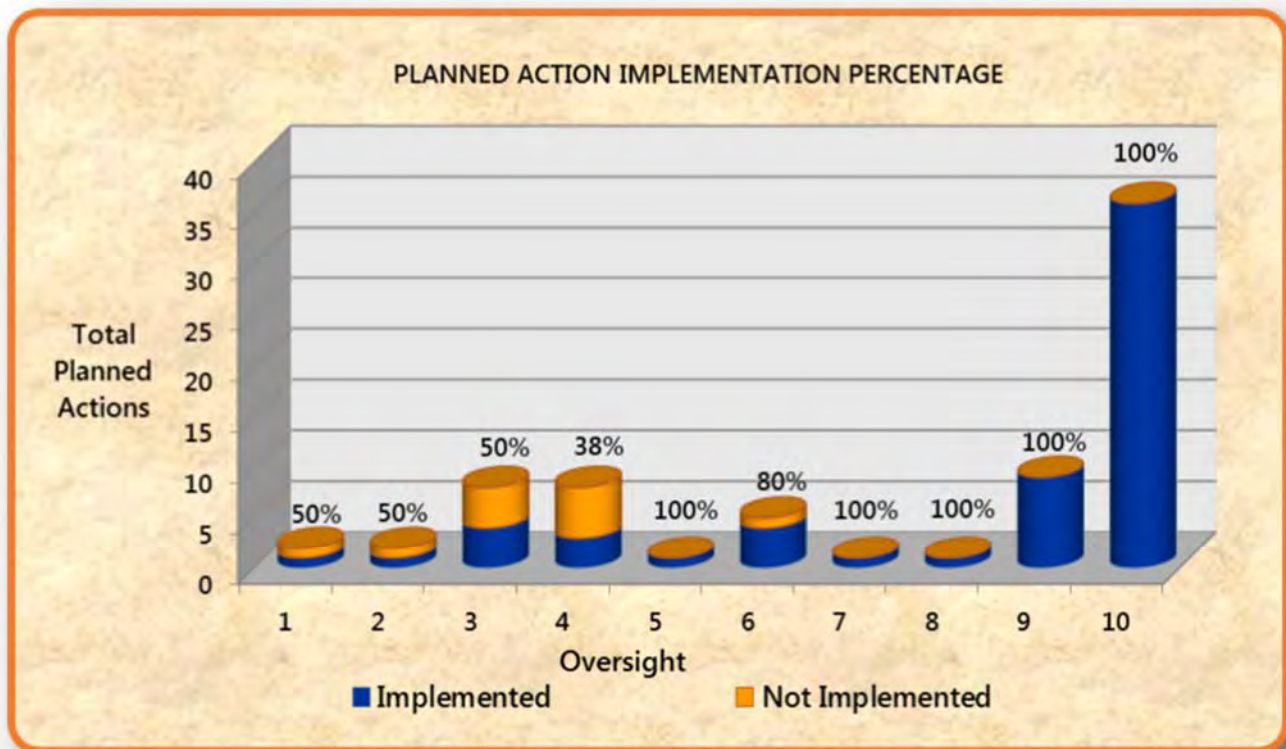
The IIA International Standards for the Professional Practice of Internal Auditing, Section 2500, promulgated by the Institute of Internal Auditors, requires that the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management and ensure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

Audit reports issued by the OIA include comments on noted issues and opportunities for improvement. Action plans are developed and agreed to by the audit team and management to address noted issues, and include due dates reflecting 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 tracked these outstanding recommendations throughout the year and conducted quarterly follow-up procedures 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 2013-2014 fiscal year, the OIA staff expended 388 hours, representing 2 percent of available hours, on follow-up activities.

Follow-Up (Cont'd)

As revealed by the following summarized information, university management was generally effective in implementing audit recommendations and planned actions. The caption "in process" included action plans that were not fully implemented as of the 2013-2014 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	2	1	1	0	50%	100%
2 - Business Affairs	2	1	1	0	50%	100%
3 - CFO	8	4	4	0	50%	80%
4 - CIO	8	3	4	1	38%	20%
5 - Human Resources	1	1	0	0	100%	0%
6 - IFAS	5	4	1	0	80%	100%
7 - Research	1	1	0	0	100%	50%
8 - Student Affairs	1	1	0	0	100%	100%
9 - UAA	9	9	0	0	100%	100%
10 - UFF	36	36	0	0	100%	96%
Totals	73	61	11	1	84%	89%



OTHER ACTIVITIES

UNIVERSITY SERVICE

OIA staff participated in various university-wide initiatives and assignments, including:

- ◆ Board of Trustees Audit and Operations Review Committee: Liaison
- ◆ Audit Coordination (External)
- ◆ Direct Support Organization Audit Committee Coordination (UAA, UFF & Gator Boosters)
- ◆ Auxiliary Enterprise Review Committee: Member
- ◆ Export Controls Working Group: Member
- ◆ InCommon Federation Assurance Subcommittee for Active Directory: Participant
- ◆ Information Security Advisory Committee and Technical Subcommittee: Member
- ◆ Institute of Food and Agricultural Sciences (IFAS): Developing and Maintaining Good Operational Controls; Reconciliation Best Practices Update: Presenter
- ◆ Payment Card Committee: Member
- ◆ Sick Leave Pool Committee: Member
- ◆ Sponsored Research Training - The Auditor's Perspective: Presenter
- ◆ Building Emergency Coordinator: Backup Coordinator

PROFESSIONAL ACTIVITIES

OIA 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
- ◆ Institute of Internal Auditors - North Central Florida Chapter (NCFIIA): Treasurer, Board Member, Membership Chair, Newsletter Editor, Web Master, Historiographer, Programs Committee Members(2)
- ◆ American Institute of Certified Public Accountants (AICPA): Member
- ◆ Florida Institute of Certified Public Accountants (FICPA): Member
- ◆ Institute of Chartered Accountants in England and Wales (ICAEW): Member
- ◆ State University Audit Council (SUAC): Member and Chair

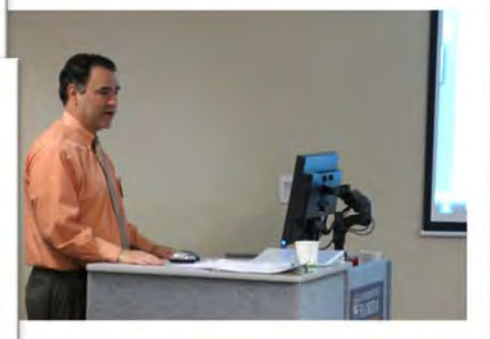


AUDIT AND MAS REPORTS ISSUED

Title	Period	Issue Date	Report No.	Project
University of Florida Investment Corporation (UFICO)	As of April 30, 2013	8/30/13	UF-13-624-11	Internal Audit
Major Construction	As of March 31, 2013	9/27/13	MAS 72-13-04	Management Advisory Service
UAA Ticket Office	As of April 30, 2013	9/30/13	UF-13-626-13	Internal Audit
UF Alumni Association	As of March 31, 2013	12/4/13	UF-13-630-17	Internal Audit
UAA On-Campus Recruiting Compliance	As of July 31, 2013	12/19/13	UF-13-628-15	Internal Audit
UF Foundation Restricted Gifts	January 1, 2012 – December 31, 2012	1/6/14	UF-13-631-18	Internal Audit
UF Foundation IT General Controls and Disaster Recovery	As of July 1, 2013	1/6/14	UF-13-629-16	Internal Audit
Purchasing Card Program	As of December 31, 2012	1/8/14	UF-13-622-09	Internal Audit
President's Reimbursable Expenses	July 1, 2012 – June 30, 2013	1/22/14	MAS 72-13-02	Management Advisory Service
Identity and Access Management	As of March 31, 2013	3/17/14	UF-12-601-06	Internal Audit
Subrecipient Monitoring	As of September 30, 2013	5/12/14	UF-14-640-09	Internal Audit
University Payroll	As of June 30, 2013	5/12/14	UF-14-638-07	Internal Audit
Attractive and Sensitive Property	As of October 31, 2013	5/23/14	UF-14-632-01	Internal Audit
UAA Business Continuity and Data Maintenance	As of October 31, 2013	6/10/14	UF-14-641-10	Internal Audit
Extension Services Risk Assessment and Monitoring	As of May 28, 2014	6/27/14	MAS 72-14-04	Management Advisory Service
Material and Supply Fees and Equipment Use Fees	As of December 31, 2013	6/30/14	UF-14-636-05	Internal Audit
UAA Sports Injury Monitoring System 	As of December 31, 2013	7/18/14	UF-14-644-13	Internal Audit
Mobile Computing and Storage Devices 	As of September 30, 2013	7/31/14	UF-14-637-06	Internal Audit

 - Substantially completed as of June 30, 2014

Auditing is serious work...



...and fun!

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