# UF UNIVERSITY of FLORIDA

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

# OFFICE *of* INTERNAL AUDIT
## Annual Report *2014—2015*

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The University of Florida Board of Trustees and President Fuchs

The mission of the 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 the 2014-2015 fiscal year, the OIA was challenged by several complex audit, advisory and investigative projects. Additionally, we were short one staff member for the year due to insufficient budget. The most significant project, from a resource perspective, was the Performance-Based Funding – Data Integrity audit performed at the direction of the Board of Governors (BOG). This audit provided assurance to the BOG that appropriate controls were in place to ensure the reliability and completeness of submitted data used to measure performance and allocate funding. The BOG has requested that this audit be performed again in the 2015-2016 fiscal year, and the project was included in that year's OIA work plan. The addition of the Performance-Based Funding project, along with the staff shortage, challenged the OIA to achieve our goal of completing our work plan for the 2014-2015 fiscal year. The work plan addressed identified risks for the university community including 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.

The OIA moves into the new fiscal year committed to the goal of providing audit, advisory and investigative services that add value to our university. Abraham Lincoln once said "I do the very best I know how - the very best I can; and I mean to keep on doing so until the end." I encourage all employees and units of the University of Florida to join the OIA in striving to do our very best and make our university as good as it can be. The OIA exists only to serve the university, to the best of our ability, so please contact us whenever we can be of assistance.

I consider it an honor to serve the University of Florida, my alma mater, as its Chief Audit Executive, and I am proud to present this 2014-2015 Annual Report which summarizes our activities for the year and provides useful data for benchmarking the effectiveness of our operations.

Sincerely,

Brian D. Mikell
Chief Audit Executive

**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, designed to add maximum value with our available resources, 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 2015 was 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. OIA staff remained active in professional organizations on the local (North Central Florida Chapter of the Institute of Internal Auditors) and national level (Association of College and University Auditors). Staff 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 (BOT) through its Committee on Audit and Operations Review 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 reports to the CAE as shown below in the Organization Chart as of June 30, 2015.
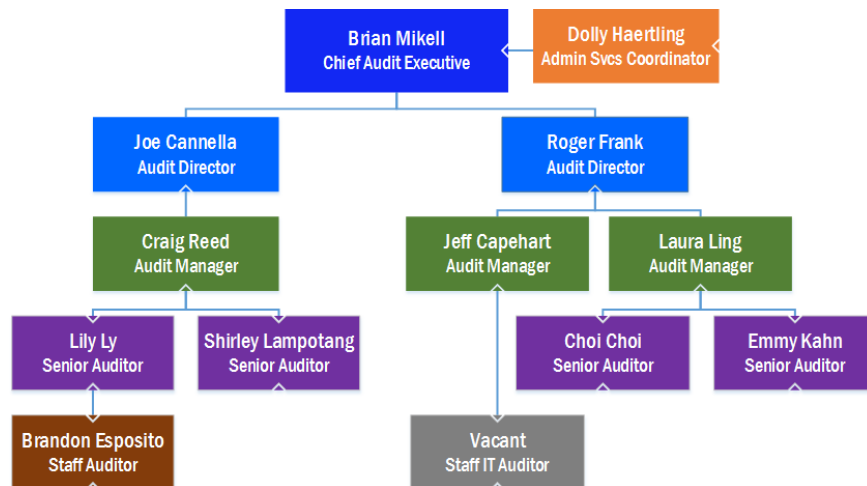


**Staffing and Other Resources**

The OIA offices were 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 to look 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 staff remained stable and experienced no turnover during the 2014-2015 fiscal year. However, we were unable to fill our staff IT auditor position, vacant since January 2014, due to insufficient budget. This position should be funded in the 2015-2016 fiscal year budget and we anticipate filling it during the early fall of 2015. Our

current three-year work plan was designed based on 12 professional audit positions (including the CAE), so the staff IT position vacancy during the fiscal year resulted in planned projects being deferred as we possessed inadequate resources to complete our work plan. In addition, at the direction of the BOG, the BOT Chair directed the OIA to perform an audit of the university's data submission process relative to the BOG's performance-based funding initiative. This unanticipated project required considerable staff resources to complete and resulted in further adjustments to the OIA work plan.

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 serves as the university's third line of defense (IIA Position Paper, *The Three Lines of Defense in Effective Risk Management and Control*, January 2013), providing comprehensive assurance based on the highest level of independence and objectivity available within the university. We remain committed, with available resources, to providing effective and efficient internal audit services with a high level of professionalism.



[Back row: Roger Frank, Brandon Esposito, Jeff Capehart, Craig Reed, Brian Mikell, Joe Cannella
Front row: Lily Ly, Shirley Lampotang, Emmy Kahn, Laura Ling, Choi Choi, Dolly Haertling]

**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 the Association of Colleges and University Auditors, and taking advantage of other 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 2014-2015 fiscal year.
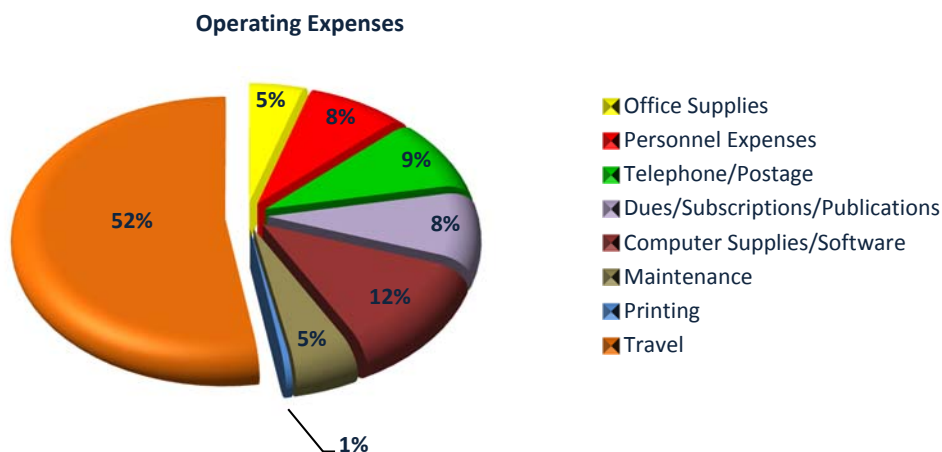
| Sponsored By | Hours | Employees Participating |
|---|---|---|
| Institute of Internal Auditors-North Central Florida Chapter | 264 | 11 |
| Association of Colleges and University Auditors | 181 | 10 |
| Wicklander-Zulawski & Associates | 48 | 2 |
| Various Public Accounting Firms | 21.5 | 5 |
| Miscellaneous | 20 | 5 |
| University of Florida | 17 | 2 |
| The Institute of Internal Auditors | 10.5 | 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 95 percent of total expenditures during the 2014-2015 fiscal year.  Fixed asset expenditures resulted from equipment purchases, mostly new computers and related equipment.  The OIA follows a plan to replace computer equipment on a three year cycle to promote technological relevance, meaning that approximately one-third of our computer inventory is replaced each fiscal year.  Due to timing differences, we incurred two purchasing cycles within the 2014-2015 fiscal year, resulting in the increase in fixed assets expenditures.  Normal expectations call for moderate annual increases in training and operating expenses.  The OIA saw an increase in reported operating expenses, mostly due to travel, and a slight decrease in reported training expenses.

Additional detail of OIA operating expenses is presented in the pie chart.  Over 50 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 | 2013-2014 | 2014-2015 |
|---|---|---|
| Salaries | $1,273,385 | $1,298,331 |
| Fixed Assets | 5,279 | 15,149 |
| Operating Expenses | 20,772 | 27,258 |
| Training | 8,896 | 8,561 |
| Compliance Hotline | 9,500 | 9,500 |
| Total Expenditures | $1,317,832 | $1,358,800 |

**Operating Expenses**



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

**Time Analysis**

The table provides a comparison between time available as planned and actual time available for projects.  We anticipated a position vacancy for three months, however we were unable to secure funding to fill the position and it remained vacant for the full fiscal year, resulting in an actual shortage of 1,530 hours.  Actual hours used for training, leave and administrative support were less than planned, resulting in a gain of 546 hours.  When combined with the 607 hours of overtime generated by OIA staff, the final result was actual hours for the period falling 377 hours short of the amount planned, approximately 2.4 percent.

**Planned/Actual Hours**

| | Planned | | Actual | | Difference |
|---|---|---|---|---|---|
| Time Available  (11 x 2,040) | | 22,440 | | 22,440 | |
| Less:  Adjustment for Position Vacancies | (510) | | (2,040) | | (1,530) |
| Training/ Leave Use/ Operational Support | (6,340) | | (5,794) | | 546 |
| Total | | (6,850) | | (7,834) | (984) |
| Excess hours worked | | | | 607 | 607 |
| **Time Available for Projects** | | **15,590** | | **15,213** | **(377)** |

## 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.  Actual time used for follow-up and indirect categories was very close to planned allocations for the fiscal year.  Actual time spent on investigations, always a wild card dependent on the volume of allegations received, was 50 percent more than planned.  Actual investigative time, combined with slightly more than planned time used for MAS reviews, resulted in less time available and used for audit projects.
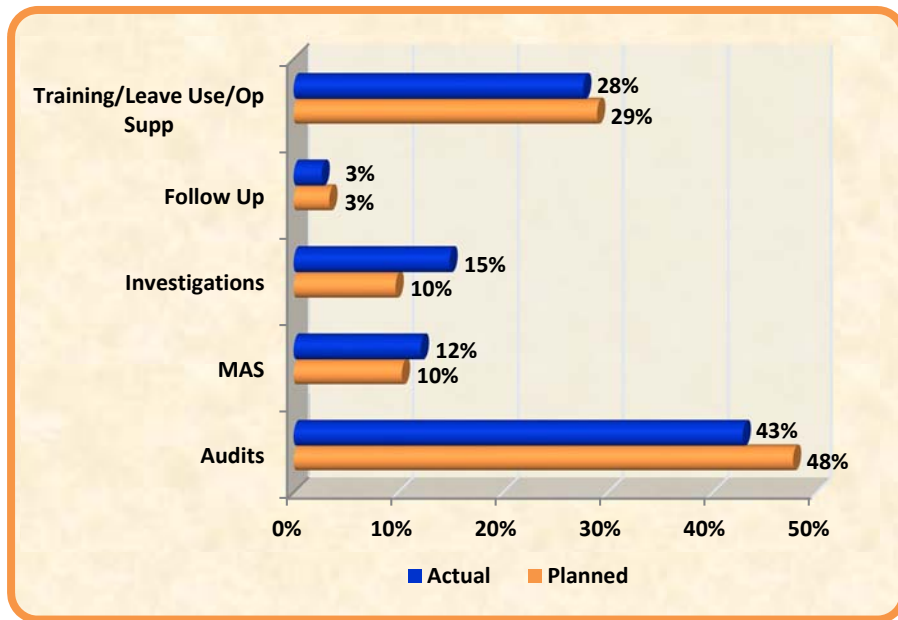
**Time Comparison – Current vs. Prior Years**

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.  Actual time used for audit projects has tended to fluctuate in proportion with time used for investigations and MAS projects.  For example, audit project time was higher (59 percent) during FY 14 when MAS and investigative time remained lower (16 percent).  Time spent on follow up and operational support has remained relatively constant and minor during each year.
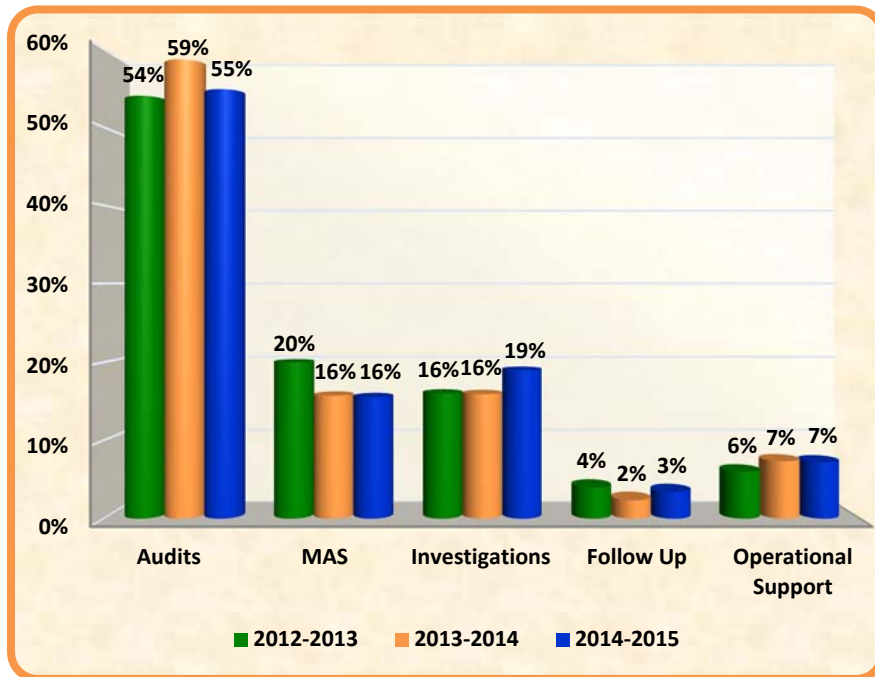
**Office Direct Time**

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 2014-2015 fiscal year, the OIA was able to finish the year at 72 percent direct time, meeting our office goal. The OIA has now met or exceeded our office direct time goal for the past four years, attributable to increased overall staff experience and focus on the assigned projects. The OIA will continue to stress efficient and effective use of our time resources to maximize our value to the university.
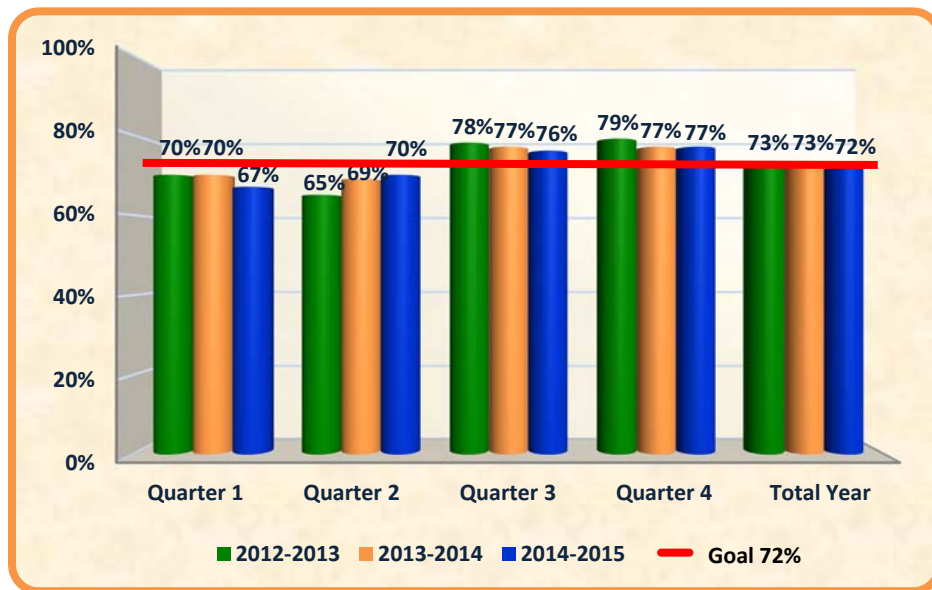
**Trend Analysis**

The table reflects a three-year analysis of projects planned and completed.  Internal audits and management advisory services (MAS) were planned based on institutional audit risk assessments which included the participation and involvement of 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 reviewed, revised as necessary, and approved by the BOT 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 included on the work plan.

Over the last three years, a total of 63 projects were planned and 57 projects were completed.  During fiscal year 2014-2015, 55 percent (8,993 hours) of available time was used on audit projects and 16 percent (2,544 hours) of available time was used on MAS projects.  An additional 19 percent (3,118 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 |
| 2012-2013 | 22 | 21 | 8 | 11 | 19 |
| 2013-2014 | 22 | 20 | 8 | 10 | 18 |
| 2014-2015 | 23 | 22 | 12 | 8 | 20 |
| **TOTAL** | **67** | **63** | **28** | **29** | **57** |
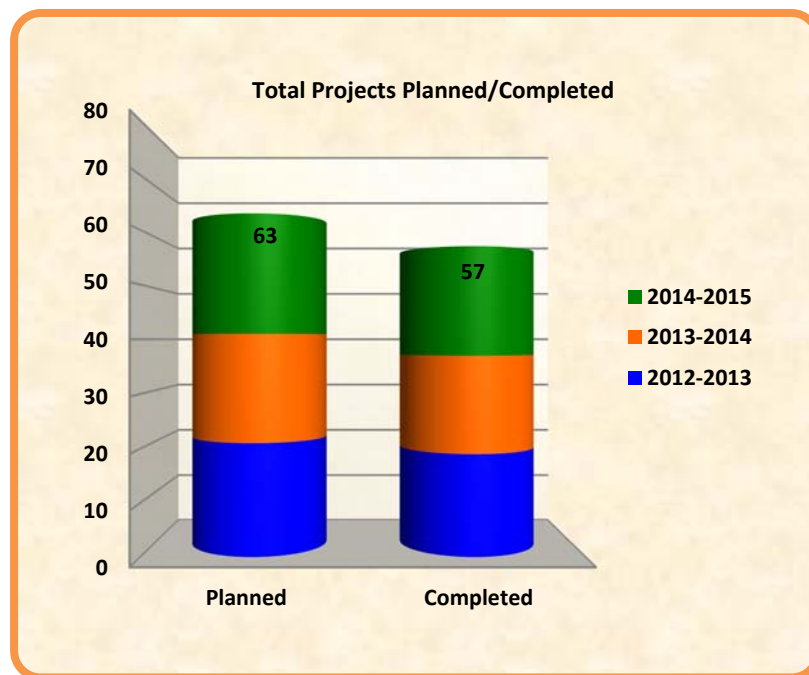
**Client Surveys**

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, 93 percent of survey responses to individual questions in all three categories indicated ratings of either good or excellent.

**Client Surveys
(9 Responses)**

| | | |
|---|---|---|
| **Audit Performance** | 0% | |
| | 4% | |
| | 25% | |
| | | 71% |
| **Audit Report** | 0% | |
| | 6% | |
| | 15% | |
| | | 79% |
| **Audit Team** | 0% | |
| | 10% | |
| | 19% | |
| | | 71% |

Legend:
- ■ Poor
- ■ Fair
- ■ Good
- ■ Excellent

Axis: 0%  20%  40%  60%  80%
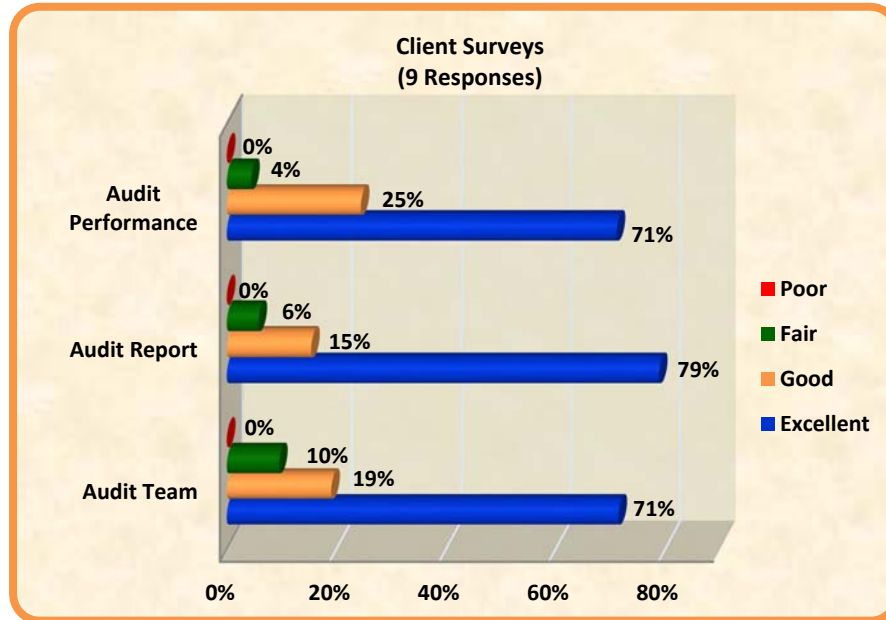
This summary of audit reports issued profiles audit engagements completed or substantially completed during this fiscal year. The subjects of our reports illustrate a commitment to balanced, proactive and risk-based coverage. Audits performed included system-wide fiscal, research support and administrative processes. 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.

### UFF OTHER REVENUES

The University of Florida Foundation, a direct support organization of the University of Florida created under Section 1004.28, Florida Statutes, is a non-profit, 501(c)(3) organization whose mission is to promote, receive and administer private support for the University of Florida. The foundation reported approximately $10.3 million as other revenues on their financial statements for the Fiscal Year Ended June 30, 2013.
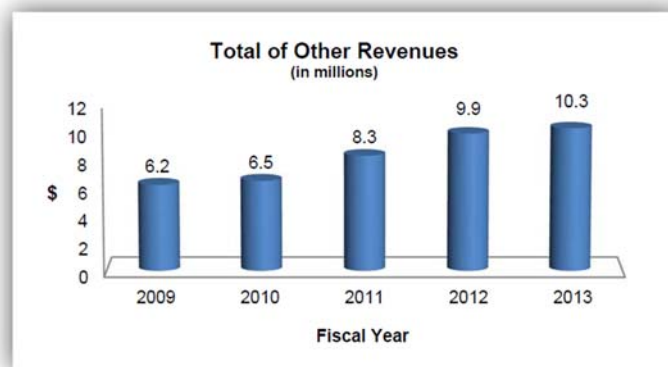


The OIA conducted an audit of Other Revenues at the foundation as of December 31, 2013. The objective of this audit was to evaluate the adequacy and effectiveness of controls in place related to identification, collection, completeness and reporting of other revenues.

### UFF TRAVEL EXPENSES

A memorandum of understanding between the university and the UFF, dated May 10, 2009, specifies what travel expenses are considered allowable and how travel related costs should be processed and categorized. For the period of April 1, 2013 through March 31, 2014, the foundation recorded $792,728 of expenditures in travel-related accounts. Most of these expenditures were reimbursements to employees processed through the university's travel module, with lesser amounts of expenditures made via a foundation credit card or travel-related expenses, primarily for non-employees, processed through the accounts payable module.

The OIA conducted an audit of UFF Travel Expenses as of March 31, 2014. The objective of this audit was to determine if travel expenses and purposes for foundation employees and development officers were appropriately approved, adequately documented, and in compliance with foundation and university policies and procedures.

### INTERNATIONAL STUDENT ACTIVITIES

The University of Florida is heavily involved in international activities. Our campus environment includes more than 5,000 international students from over 130 different countries, more than 1,000 international scholars and faculty, and serves as a home base for over 2,000 study abroad students in over 50 countries,. These international activities introduce increased risks and challenges due to physical separation, legal and/or cultural differences, safety concerns, and a variety of other issues. After performing an initial risk assessment of international activities, we focused our audit on the study abroad programs and international student activities primarily conducted through the University of Florida International Center (UFIC).

The UFIC was established in 1991 to serve as an internal and external liaison for the university, providing a source of assistance to faculty, administrators and students to enhance their ability to pursue and develop international activities and initiatives. Support provided by the UFIC includes study abroad services, international student services, exchange visitor services, and program development, as well as assistance to faculty and colleges in the facilitation of international agreements. The UFIC was also responsible for monitoring the progress and compliance with the regulations related to international students.

The OIA conducted an audit of International Student Activities as of December 31, 2013. The primary objective of this audit was to identify and evaluate the adequacy of university controls in place to mitigate risks related to international student activities. Specifically, we focused on the processes and transactions related to international students and study abroad programs.

## UFF RESTRICTED GIFTS

The UFF was established to support and enhance the university by encouraging private donations. The UFF'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 administrated by specific university units.

The OIA conducted an audit of the UFF restricted gift funds for the period of January 1, 2013 through December 31, 2013. Foundation endowed fund transfers to the university during the audit period totaled approximately $32 million. Total disbursements by university units from endowed restricted funds during the audit period were also approximately $32 million. The primary objectives of this audit were to evaluate controls to determine if university units used restricted funds in accordance with donor intent, foundation policies and university directives, that donor intent was adequately communicated to university units, and that transfers of restricted funds to the university were authorized and appropriately processed

## PERFORMANCE BASED FUNDING – DATA INTEGRITY

The Florida Legislature has called upon the State University System of Florida to reach new levels of efficiency, academic quality and accountability. The Board of Governors (BOG) responded by implementing a performance based funding (PBF) model, which is intended to build upon the BOG's strategic plans and goals and annual accountability reports.

The integrity of the data provided to the BOG by the universities is critical to the PBF decision-making process. Therefore, the BOG developed a Performance Based Funding Data Integrity Certification, to be executed by the University President, to provide assurances that the data submitted is reliable, accurate and complete. On June 27, 2014 the Chairman of the BOG instructed each university Board of Trustees (BOT) to "direct its Chief Audit Executive to perform, or cause to have performed by an independent audit firm, an audit of the university's processes which ensure the completeness, accuracy and timeliness of data submissions to the Board of Governors." Our audit provided an objective basis for the President to certify the required representations.

We conducted an audit of the University of Florida's data submission process related to data metrics used for the BOG's PBF initiative as of September 30, 2014. The primary objective of this audit was to determine the adequacy of university controls in place to promote the completeness, accuracy and timeliness of these data submissions to the BOG.

## BABY GATOR CHILD DEVELOPMENT CENTERS

The mission of Baby Gator Child Development Centers (Baby Gator) is to offer high-quality care to children ages six weeks through five years of age. Baby Gator provides childcare and early education services for the children of students, faculty, staff and the Gainesville community as well as supports the educational mission of the university by providing a teaching and learning environment. Baby Gator operated as an auxiliary under the oversight of university Human Resources Services. Baby Gator operated four centers (Lake Alice, Newell Drive, PK Yonge, and Diamond Village) with an enrollment of approximately 300 children being served by 50 teachers and over 100 substitutes. Baby Gator worked collaboratively with university colleges and departments, and education and nursing departments of Santa Fe College and Florida Gateway College, to provide training opportunities for students. Approximately 125 students per semester, supervised by Baby Gator staff, volunteered to fulfill needed hours for their coursework.

The OIA conducted an audit of the Baby Gator Child Development Centers as of June 30, 2014. The primary objective of this audit was to evaluate the effectiveness of the controls and procedures in place at Baby Gator that were designed to enhance compliance with applicable laws and regulations and the safety and security of the children.

## UAA ACADEMIC SUPPORT SERVICES

The University Athletic Association is a direct support organization of the University of Florida responsible for the intercollegiate athletic programs at the university. As a commitment to all student-athletes' academic potential, the UAA has established an academic support program.

The UAA's Office of Student Life (OSL), located in Farrior Hall, assists student-athletes in their pursuit of a university degree through the development and evaluation of their academic plans. The OSL staff of 15 full-time employees, three interns, and approximately 150 tutors provided academic counseling and support that included assistance in degree program advisement, tutorial services, career and personal development, leadership training, and community services. Farrior Hall provides offices for the OSL staff, 25 tutor rooms, two computer labs (each housing 30 computers), a quiet study room, and the Cassisi Learning Lab. Current renovations to Farrior Hall will double the space available for academic services. The OSL incurred approximately $2.6 million in salary and operating expenses during the 2014 fiscal year.
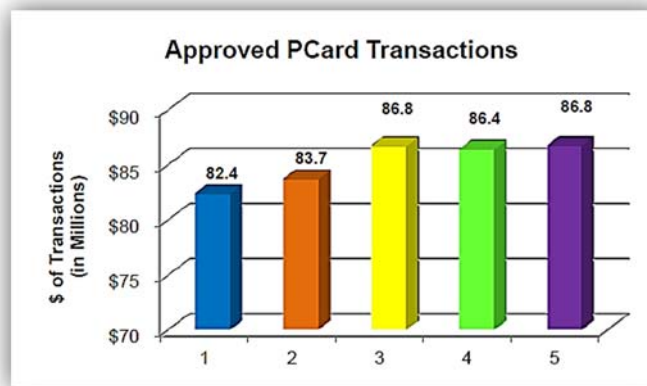
The OIA conducted an audit of the UAA Academic Support Services as of August 31, 2014. The primary objective of this audit was to evaluate the adequacy and effectiveness of controls to provide academic support services to student athletes, specifically focusing on compliance with applicable rules and regulations, tutoring services, and reporting of academic standing.

## PURCHASING CARD PROGRAM

The Purchasing Card (PCard) Program provides an effective and convenient way for the university to make purchases. However, PCard purchases 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.

To obtain a PCard, university policy requires all faculty or staff to be authorized by their dean, director, or department chair and to complete the web based training. Training consisted of various courses specifically designed for PCard holders, verifiers and approvers that discuss relevant PCard policies and procedures. Training was recommended annually for all cardholders and approvers.

As of December 31, 2014, there were approximately 5,000 PCards issued for 371 business units. For the period of January 1, 2010 through December 31, 2014, the university had processed and approved PCard transactions exceeding $426 million, ranging from approximately $82 to $87 million per year.



The OIA conducted an audit of the University of Florida PCard Program as of June 30, 2014. 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.

## UAA CONTROLS ASSESSMENT

Internal controls promote the achievement of efficient and effective operations, accuracy of reporting, and compliance with laws and regulations. The OIA conducted an audit of the UAA's internal control systems as of December 31, 2014. The primary objective of this audit was to develop an understanding and assessment of unit control procedures related to key activities. Control procedures were evaluated based on five interrelated components: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring.

The UAA's fiscal and administrative structure includes aspects of both a centralized and a decentralized model. Within this structure, central process owners and department heads are responsible for establishing procedures that provide reasonable assurance that appropriate internal controls are in place to promote the achievement of goals and objectives. Information related to management's expectations must be effectively communicated to employees throughout the organization so that they understand their responsibilities and applicable laws and regulations.

We developed two Control Self-Assessment (CSA) surveys to assist the UAA management with an evaluation of the effectiveness of its internal controls. The purpose of these surveys was to evaluate business processes and identify the existence of actual or perceived weaknesses and risk. One survey was sent to unit managers to evaluate the internal controls at the unit/department level while a second survey was sent to all other employees to assess their familiarity and understanding of those controls. The results of these surveys, along with audit validation procedures performed, provided input and direction for UAA training programs, policy improvements, and procedural development, and served to reinforce management's expectations, applicable guidance, and internal control accountability.

## UAA FINANCIAL AID AND SCHOLARSHIPS

Compliance with the National College Athletic Association (NCCA), Southeastern Conference (SEC), and university rules related to athletic scholarships and financial aid is the responsibility of the Athletic Director. Operationally, compliance was jointly carried out by the UAA Associate Director of Compliance, the UAA Office of Student Life, the UAA Controller's Office, and the University of Florida Office for Student Financial Affairs. During the 2013-2014 academic year, the UAA disbursed athletic scholarships to 412 individual student-athletes totaling $8,597,957.

The OIA conducted an audit of the UAA student-athlete scholarships as of January 31, 2015. The primary objective of this audit was to evaluate the key controls in place to promote compliance with the NCCA and SEC requirements for student-athlete scholarships and financial aid. Specifically, we focused on communication of data between the key processing areas, student-athlete financial aid eligibility and limits, disbursements, team scholarship limitations, submission of squad lists to the SEC, and student-athlete financial disclosures.

## UF ALUMNI ASSOCIATION GATOR CLUBS

The Gator Clubs are affiliated organizations of the University of Florida Alumni Association (UFAA) and exist to support both the Alumni Association and the University of Florida. The clubs consist of alumni, parents and friends of the University of Florida, and exist as non-profit organizations under the corporate umbrella of the UFAA operating exclusively for educational and charitable purposes. As of March 24, 2015 there were 88 active Gator Clubs throughout the United States, with 38 clubs residing in the state of Florida.

The OIA conducted an audit of the UFAA Gator Clubs as of June 30, 2014. The primary objective of this audit was to evaluate the effectiveness of controls and procedures in place for managing the UFAA Gator Clubs. Specifically, we focused on Gator Club scholarship funds, year-end reporting, membership dues rebates, and risky event procedures.

## TRAVEL, ENTERTAINMENT AND EMPLOYEE REIMBURSEMENTS

The university processes travel and employee reimbursements through the Travel and Expenses module in the *myUFL* system. Expense reports were generally initiated by the employee/traveler or their unit processor. Travel for conferences and conventions, as well as international travel, required the completion of a Travel Authorization form whereby the travel was authorized and subject to system budgetary controls. These transactions were generally reviewed and approved at the unit level through electronic workflow within *myUFL*. While the university's decentralized processing environment may increase the risk of errors, these risks were mitigated

through extensive monitoring provided by the University of Florida Travel Office, which included post-payment reviews for a sample of expense reports, training for university travel processors, and approval and monitoring of travel advances.

The Travel Office operated within the Office of the Vice President and Chief Financial Officer, under the direct supervision of the Associate Controller for University Disbursement Services. Travel expenses for the 2013-2014 fiscal year totaled $45.4 million. Included in these expenses were travel related reimbursements totaling $30.5 million.

The OIA conducted an audit of the University of Florida travel, entertainment and employee reimbursements as of September 30, 2014. The primary objectives of this audit were to determine if controls were adequate to promote compliance with university directives and procedures, determine whether adequate processes were in place to monitor travel advances and promote timely closeout, and identify and evaluate controls in place to detect duplicate payments.

**CITRUS RESEARCH AND DEVELOPMENT FOUNDATION**

The National Research Council of the National Academies of Science recommended that one organization be identified and empowered to have oversight responsibility over research and development efforts in the area of citrus greening, a disease that is threatening the economic viability of the citrus industry in Florida. The Citrus Research and Development Foundation, Inc. (CRDF), a public-private partnership and a direct-support organization of the University of Florida, was established in May 2009 with a mission to advance disease and production research and product development activities to ensure the survival and competitiveness of Florida's citrus growers.

The CRDF was governed by a 13 member Board of Directors that included individuals from industry, academia, and government. The Foundation solicits, requests, coordinates and monitors research projects through funding provided by state appropriations, the Florida Department of Citrus, the Florida Department of Agriculture and Consumer Services, the U.S. Department of Agriculture and private entities. The University of Florida provided the CRDF with administrative support, legal services, research development activities and office space. For the 2013-2014 fiscal year, the CRDF received total revenues of $17.7 million and incurred expenditures, mostly contract payments to research entities, totaling $16 million.
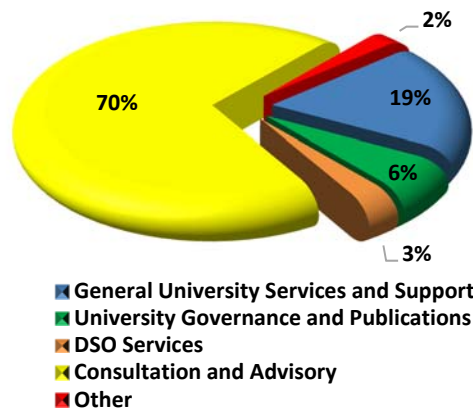
The OIA conducted an audit of the CRDF as of January 31, 2015. The primary objective of this audit was to evaluate effectiveness of controls and procedures over the administration of citrus research focusing on award processes, product development and fiscal oversight.

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.



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

During fiscal year 2014-2015, a total of 2,544 hours were spent on MAS engagements, which represented 12 percent of total available hours. A significant portion of MAS effort (70 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 fiscal 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.

EXTENSION SERVICES MONITORING CONTROL SELF-ASSESSMENT

The objective for this review was to assist IFAS Extension in the development of a control self-assessment (CSA) tool for the 4-H Youth Development Program. The CSA was administered to the county extension offices to ascertain their level of knowledge and general understanding of 4-H Program policies and procedures designed to promote the efficient and effective delivery of program services.

BUILDING ACCESS SECURITY SYSTEMS

The objective of this review was to assess the operational oversight and assignment of responsibilities, and the strategic planning related to building access, including the standardization of systems, its funding, and the coordination of security access with Core offices of the university.

**DEFERRED MAINTENANCE**

This review was performed to evaluate the adequacy of procedures in place to monitor building maintenance requirements and prioritization, examine funding methods used by peer institutions, and evaluate communication of building maintenance needs.

**CLOUD COMPUTING**

The objective of this review was to evaluate controls over cloud computing, to review current practices on campus, and to identify opportunities to strengthen existing related information security practices.

**REVIEW OF RESEARCH AWARDS FROM THE NUCLEAR REGULATORY COMMISSION (NRC)**

The objective of this engagement was to review the activity of all NRC awards granted to the university, for the period March 1, 2014 through April 30, 2015, to assess whether that activity was in compliance with the NRC award terms and restrictions. The review was conducted pursuant to an agreement between the College of Engineering and the granting agency.

**YOUTH PROTECTION ACTIVITIES**

The objective of this project was to review of the organizational structure and governance over youth (under 18 years) activities and evaluate procedures in place to identify these activities and track the youth and individuals involved. The review also examined the education, training and communication of youth protection procedures, and an assessment of compliance with applicable laws, regulations and internal policy.

**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. The on-line course has been offered continuously since 2012.

**"THE AUDITOR'S PERSPECTIVE"**

*"The Auditor's Perspective"* is a training course and information dissemination program run through Human Resources Training and Organizational Development office which features a discussion of audits performed, including a summary of common issues and findings, and proactive best practices in higher education. The live course is led by the OIA Audit Director and is designed to educate department managers on the important operational controls and factors that they should be aware of should their department or unit be the subject of an audit. This course is held two to four times per year.

**GENERAL CONSULTING SERVICES**

During the 2014-2015 fiscal year, 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 College of Engineering, the Office of the Chief Information Officer, the Office of Sponsored Programs, 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 2015 include:

- IT Advisory Services
- IT Security and Compliance
- Research Compliance
- DSO Governance and Assistance
- Post Audit Assistance
- Auxiliary Services
- MyUFL Upgrades and Enhancements

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), which accounted for 49 percent of the allegations received during the last fiscal year, continues to be a key component of the ethics and compliance process for the university.  It continues to provide the most recognized mechanism for the reporting of issues, complaints, allegations and other university-related concerns via telephone or internet web page.  The OIA maintained its oversight of the Hotline, which is contractually managed by The Network, an industry leading provider of governance, risk, and compliance solutions and reporting systems.

The OIA remains 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 2015, the OIA received a total of 43 complaints and allegations, a 23 percent decrease from fiscal year 2014, when 56 complaints/allegations were received.  This 23 percent decrease in complaint intakes for fiscal year 2015 mirrors fiscal year 2014, when there was a similar 23 percent decrease in complaints received from its prior fiscal year, which could be viewed as a positive result of prior investigative efforts.  The 43 complaints/allegations recorded during fiscal year 2015 were received via the following delivery methods:

**43 Complaints and Allegations Received**



- UF Compliance Hotline
- E-Mail
- Telephone/Fax
- Referral/Letter/Other
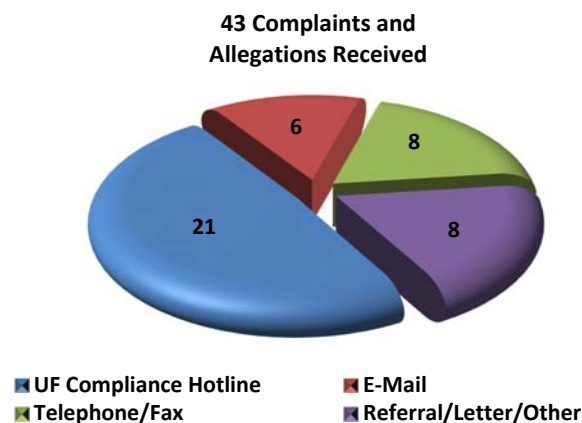
When complaints or allegations were received, the OIA assessed the most appropriate department or unit to perform a review, should one be warranted.  While the OIA specifically reviewed all cases involving alleged fiscal improprieties, we worked closely with departments such as Human Resource Services, the Division of Sponsored Programs, the University of Florida Athletic Association, 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 indicated that the allegations were not of a fiscal nature, the allegation was referred to the appropriate university department.

The review process began by considering the facts and information contained in the allegation and, if there was any indication of merit to any allegation or complaint, a project number was assigned and a full-scale investigative review was initiated.  Of the 43 allegations received in fiscal year 2015, our initial assessments resulted in the following dispositions for review:

**Disposition of
43 Complaints/Allegations**



- ▣ Referred
- ▣ Closed at Intake/On Hold
- ▣ OIA Review
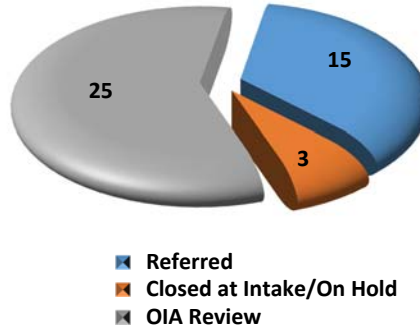
For fiscal year 2015, the total number of hours related to investigative activities increased by almost 19 percent over the prior year's hours, while the total number of allegations received decreased by 23 percent. The complexity and nature of the more recent allegations have required the devotion of more resources to complete our review, with six specific investigations comprising an aggregate 71.5 percent of investigative hours expended during the fiscal year. A total of 3,118 hours, or 15 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 (table is not all inclusive).

| Major Activity/Issues Identified in Allegations Received | Number of Occurrences 2015 | Number of Occurrences 2014 | Number of Occurrences 2013 |
|---|---|---|---|
| Inappropriate Outside Activity/Conflict of Interest | 8 | 7 | 3 |
| Improper Termination/Retaliation Claim | 4 | 5 | 3 |
| Hostile Work Environment | 4 | 5 | 4 |
| Theft or Personal Misuse of Assets/Funds/Time | 8 | 4 | 7 |
| Alleged Fiscal/Grant Fund/Scientific Misconduct | 3 | 3 | 4 |
| PCard Misuse/Purchasing | 1 | 3 | 6 |
| Nepotism | 1 | 1 | 3 |

The International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors, requires the chief audit executive to 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 and action plans from all known audit reports throughout the year and conducted quarterly follow-up procedures to determine the status of management actions. Results of these follow-up procedures were communicated to university management and the Board of Trustees Audit and Operations Review Committee. For the 2014-2015 fiscal year, the OIA staff expended 558 hours, representing 3 percent of total available hours, on follow-up activities.

As shown in 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 2014-2015 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 | 13 | 11 | 2 | 0 | 85% | 50% |
| 2 - CFO | 11 | 8 | 2 | 1 | 73% | 50% |
| 3 - CIO | 8 | 4 | 4 | 0 | 50% | 38% |
| 4 - Health Affairs | 1 | 1 | 0 | 0 | 100% | N/A |
| 5 - IFAS | 2 | 0 | 2 | 0 | 0% | 80% |
| 6 - Research | 1 | 1 | 0 | 0 | 100% | 100% |
| 7 - UAA | 10 | 9 | 1 | 0 | 90% | 100% |
| 8 - UFF | 43 | 42 | 1 | 0 | 98% | 100% |
| **TOTAL** | **89** | **76** | **12** | **1** | **85%** | **84%** |



Planned Action Implementation Percentage
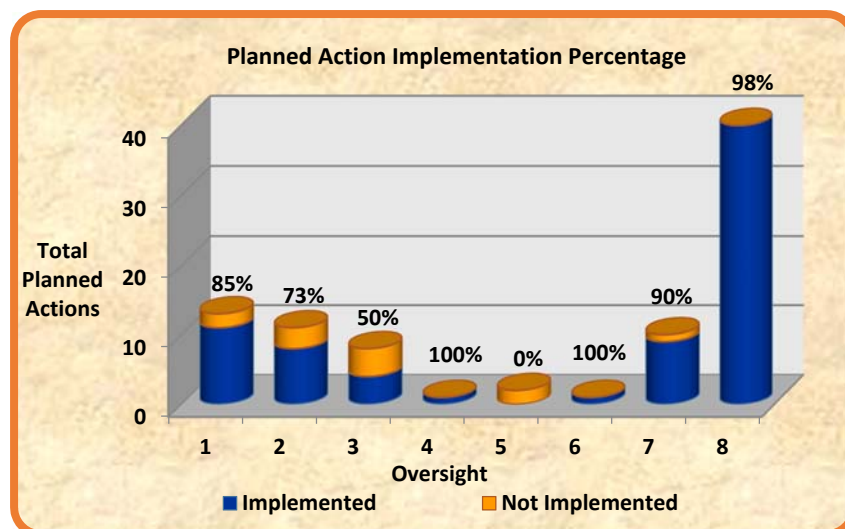
Audit personnel contributed support and advisory services by representation in the following areas:

UNIVERSITY SERVICE

· *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*

· *Information Security Advisory Committee and Technical Subcommittee:  Member*

· *IFAS Fiscal and Administrative Support Personnel Meeting: Attractive/Sensitive Property - Survey Results and Audit Updates:  Presenter*

· *Payment Card Committee:  Member*

· *Sponsored Research Training - The Auditor's Perspective:  Presenter*

· *Building Emergency Coordinator: Backup Coordinator*

· *Shared Infrastructure Advisory Committee: Attendee*

· *Advanced Leadership Training Program: Presenter*

PROFESSIONAL ACTIVITIES

· *Association of College and University Auditors (ACUA):  Institutional Membership, Best Practices Committee Chair*

· *Quality Assurance Review Team Member: University of Alabama System, Texas A&M System, University of North Florida*

· *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)*

· *Information Systems Audit and Control Association (ISACA): 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*

INTERNAL AUDIT (AUDIT) AND
MANAGEMENT ADVISORY SERVICE (MAS) REPORTS ISSUED

| TITLE | PERIOD | ISSUE DATE | REPORT NUMBER | PROJECT |
|---|---|---|---|---|
| President's Reimbursable Expenses | July 1, 2013 – June 30, 2014 | 9/3/14 | MAS 72-14-03 | MAS |
| UFF Other Revenues | As of December 31, 2013 | 10/29/14 | UF-14-465-14 | AUDIT |
| UFF Travel Expenses | As of March 31, 2014 | 10/29/14 | UF-14-646-15 | AUDIT |
| International Student Activities | As of December 31, 2013 | 11/7/14 | UF-14-643-12 | AUDIT |
| Extension Services Monitoring – Control Self-Assessment | As of July 31, 2014 | 12/16/14 | MAS 72-15-04 | MAS |
| UFF Restricted Gifts | January 1, 2013 – December 31, 2013 | 1/9/15 | UF-14-642-11 | AUDIT |
| Performance Based Funding – Data Integrity | As of September 30, 2104 | 2/9/15 | UF-15-663-17 | AUDIT |
| Baby Gator Child Development Centers | As of June 30, 2014 | 2/17/15 | UF-15-648-02 | AUDIT |
| UAA Academic Support Services | As of August 30, 2014 | 2/18/15 | UF-15-657-11 | AUDIT |
| Purchasing Card | As of June 30, 2014 | 4/7/15 | UF-15-652-06 | AUDIT |
| Building Access Security Systems | As of August 2014 | 5/18/15 | MAS 72-14-08 | MAS |
| Cloud Computing | As of May 31, 2014 | 5/29/15 | MAS 72-14-01 | MAS |
| UAA Controls Assessment | As of December 31, 2014 | 6/12/15 | UF-14-647-16 | AUDIT |
| UAA Financial Aid and Scholarships | As of January 31, 2015 | 6/12/15 | UF-15-658-12 | AUDIT |
| UF Alumni Association Gator Clubs | As of June 30, 2014 | 6/12/15 | UF-15-660-14 | AUDIT |
| Review of NRC Awards | As of December 31, 2014 | 6/19/15 | MAS 72-15-07 | MAS |
| Travel, Entertainment and Employee Reimbursements ⌂ | As of September 30, 2014 | 7/6/15 | UF-15-656-10 | AUDIT |
| Citrus Research and Development Foundation ⌂ | As of January 31, 2015 | 7/24/15 | UF-15-647-01 | AUDIT |
| Youth Protection Activities ⌂ | As of August 31, 2014 | 8/10/15 | MAS 72-15-05 | MAS |
| Deferred Maintenance ⌂ | January 31, 2015 | 8/13/2015 | MAS 14-72-02 | MAS |

⌂ - Substantially completed as of June 30, 2015