

UF UNIVERSITY of
FLORIDA

ANNUAL REPORT



OFFICE OF AUDIT & COMPLIANCE REVIEW

Operational, Financial, Compliance Audits
Management Advisory Services
Special Reviews

2006-2007



Nur Erencuc, CPA, CFE
Chief Audit Executive

**Message
from
the Chief
Audit
Executive**

The 2006-2007 Office of Audit and Compliance Review (OACR) Annual Report provides a summary of the OACR's activities for the year and provides data for benchmarking the effectiveness of its operations.

The OACR started the fiscal year by preparing for the external Quality Assessment (QA) as recommended by the Institute of Internal Auditors. The review team was composed of four audit directors from peer universities with extensive professional recognition and qualifications. The QA report provided the highest level of opinion on compliance with the IIA Standards and commented on the positive perception of the OACR as adding value to the University's internal controls. The very positive QA report and the recommendations contained reinforced the vision and strategies adopted by the OACR.

The period included a good mix of proactive services to strengthen internal controls and an audit plan addressing high risk processes or activities. To this end, the OACR

- Developed and co-facilitated *PRO 303 Internal Controls at UF* training program. The session was very well received by over 400 attendees and is included as a required course in the fiscal training program initiated by the Office of Human Resources,
- Updated the Internet based control self assessment tool, "CAT," and initiated and compiled the self assessment survey with over 200 participating units,
- Initiated and piloted a facilitated Enterprise Risk Management program for campus and for select support organizations.

Another major initiative of the period was the implementation of a 24/7 anonymous hotline managed by a contracted provider. This was an improvement of the control environment for the University and its affiliated organizations as recognized by the University's Sarbanes-Oxley committee.

Similar to prior periods, the OACR had significant turnover and recruitment activities for the period and was again reminded that change is constant and inevitable. We hope to continue serving the University and its affiliated organizations as promoters of positive change for improved accountability.



Baughman Center

CONTENTS

Introduction 2

Operations 2

Goals and Objectives

Staffing and Other Resources

Organization Chart

Staff Training

Budget and Expenditure Analysis

Time Analysis

Time Allocation

Audits and Other Planned Reviews6

Trend Analysis

Client Surveys

Audit Report Summaries7

Management Advisory

Services11

Special Advisory Reviews

Newsletter

Post-Audit Assistance

Investigations 12

Summary of Significant Issues

Follow-Up..... 13

Follow-Up Statistics

Other Activities 14

Reports Issued15

Contacts and Resources16

INTRODUCTION

The Office of Audit and Compliance Review (OACR) provides a central point for the coordination of activities that promote accountability, integrity, and efficiency for the University of Florida.

The University of Florida completed the third year of the *myUFL* implementation in 2006-2007. As the system stabilized, the Office of Audit and Compliance Review provided proactive assistance as well as post implementation audits to promote good business procedures together with a reasonable level of controls in a decentralized environment. We were active in internal control training initiatives through Human Resources and Research Administration and conducted a quality assessment review of our office. In 2006-2007, we contracted with a provider of anonymous complaint services for the University.



From left to right: Lily Reinhart, Shahpar MacIntyre, Marilyn Velez, Craig Reed, Nur Erenguc, Suzanne Newman, Jeff Capehart, Brecka Anderson, Joe Cannella, Choi Choi, Brian Mikell, Hui Zhou

procedures to determine if we are in compliance with the International Standards for the Professional Practice of Internal Auditing. We received the highest level of opinion allowed and have adopted many of the team's suggestions for improvement.

We updated the web-based Control Assessment Tool (CAT) in 2006-2007 with the intention of providing unit managers with easily accessible mechanisms for evaluating their unit's internal controls in nine different areas. This project will be ongoing by validating the results of the CAT questionnaires in 2007-2008.

In 2006-2007 we contracted with The Network, a provider of anonymous, confidential hotline services for many other universi-

ties and corporations. The implementation of the compliance hotline service and subsequent publicity campaign was a major initiative. The opportunity for anonymous, confidential disclosure of concerns at UF is essential in capturing complainant concerns that otherwise may be unreported.

To help UF staff learn about internal controls and how to apply them to business processes, we partnered with the Controller's Office and Human Resources in co-facilitating a training initiative, *PRO303 Internal Controls at UF*. The course is part of a series of courses that will lead to a certification in fiscal management. Additionally, *The Guiding Principles of Financial Management and Internal Control Principles* was formally adopted by UF and its governing bodies to provide stakeholders with a reasonable assurance regarding the achievement of established goals and objectives.

Staffing and Other Resources

During 2006-2007 OACR experienced staff turnover in four positions. We promoted the Senior IT Auditor to IT Audit Manager and successfully recruited a Staff IT Auditor toward the end of the year. In addition, we hired one of our graduate students in a Staff Auditor position. We end-

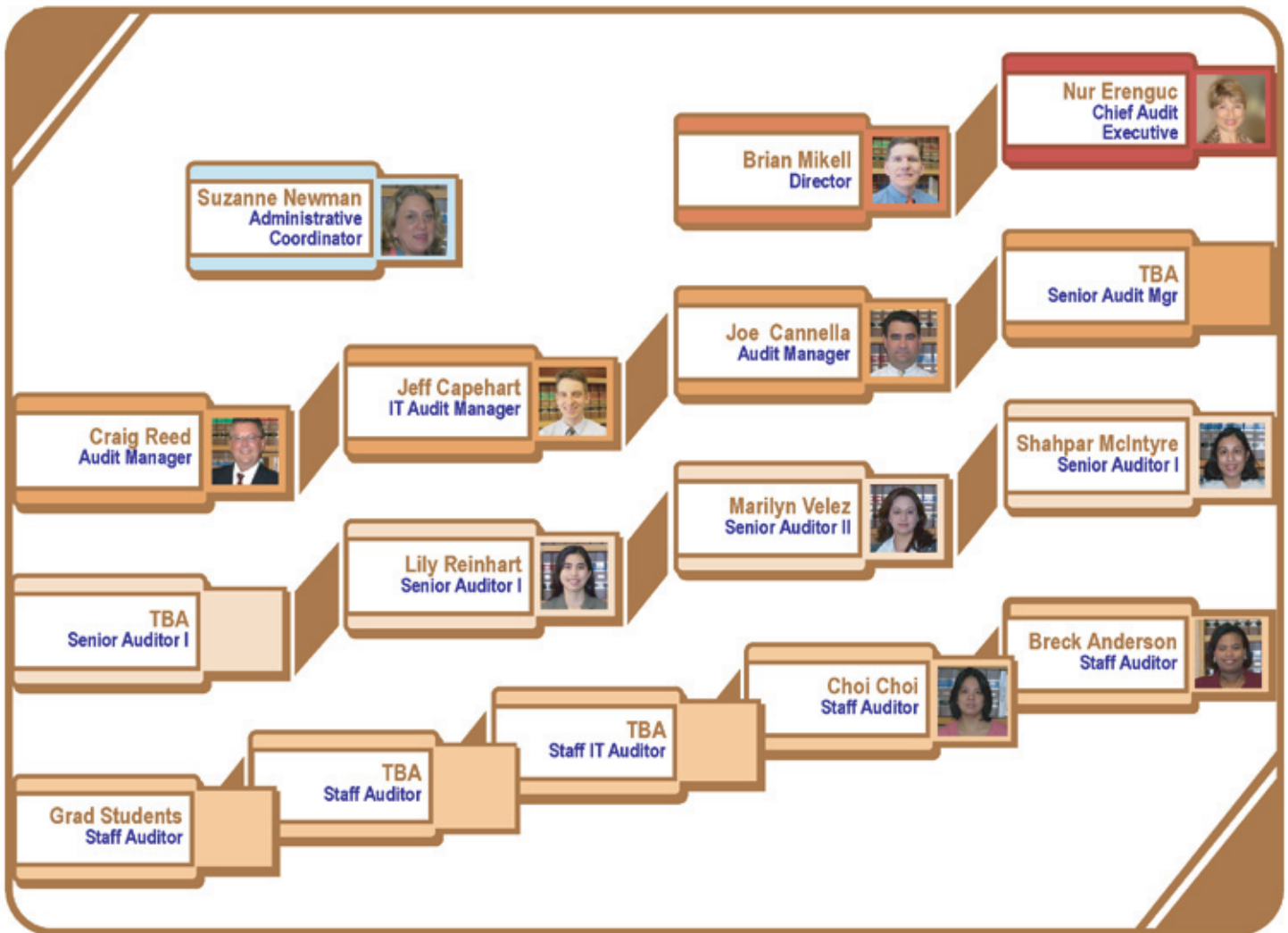
OPERATIONS

Goals and Objectives

A key operational objective for the period was completing the audit work plan, including audits of the university's direct support organizations. We also developed the 2007-2010 work plan using a risk based approach. We initiated and piloted an Enterprise Risk Management (ERM) approach for the University and its affiliated organizations including the University Athletic Association and University of Florida Foundation. We conducted facilitated sessions with key management to discuss the enterprise risk management methodology.

The Institute of Internal Auditors recommends an external quality assurance review of internal auditing offices every five years. We assembled a team of audit professionals from peer institutions in conducting our external quality assurance review. The audit team spent one week interviewing our staff and clients and examining our internal

OACR ORGANIZATION CHART



ed the year with four vacancies, although we expect to fill two positions in the summer of 2007. When fully staffed at fourteen, the OACR will favorably benchmark with its peer organizations and meet the internal audit needs of the university and its support organizations.

Staff Training

Continuing professional education through attendance to relevant conferences and seminars is promoted. Table 1 reflects a listing of staff participation in formal training programs in 2006-2007.

Table 1-Staff Training

Sponsored by:	Hours	Employees Attending
Accountants Education Group	4	1
Association of Colleges and University Auditors	67	6
Deloitte and Touche	1	1
Florida Institute of Certified Public Accountants	20	2
Information Systems Audit and Control Association	3	1
Institute of Internal Auditors-North Central Florida Chapter	144	12
Paisley Consulting	20	1
State Universities Audit Council	116	6
The Institute of Internal Auditors	89	4
University of Florida	40	10

Budget Expenditure Analysis

The OACR budget by category is illustrated in Table 2. The highest budgetary commitment is professional staff salaries representing 90% of total expenditures. This year, we implemented the compliance hotline and expended resources for aggressive recruitment of new staff. In addition, we contracted with a consultant to assist with the Enterprise Risk Management approach to audit planning and we paid expenses and fees for a week-long quality assurance team review. Computer supplies were our largest expenditure this year, due to the University’s higher threshold for capitalized equipment combined with lower prices for computer equipment.

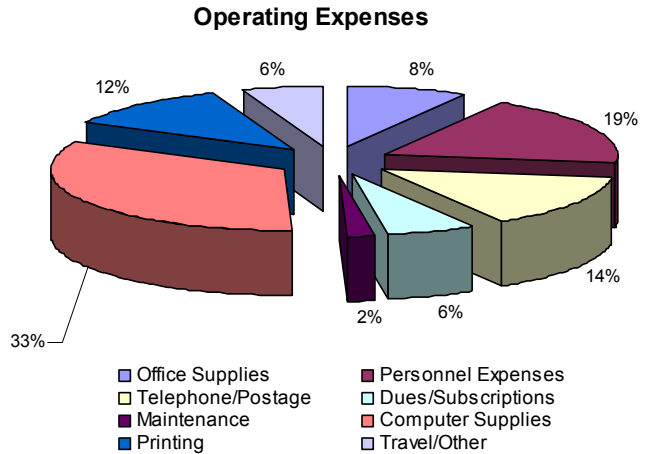


Table 2-Analysis of Expenditures

	2005-2006	2006-2007
Salaries	\$1,058,853	\$1,085,247
Other Personal Services (OPS)	21,154	34,733
Fixed Assets	8,879	2,951
Operating Expenses	22,310	28,713
Training	15,602	17,990
Renovations	20,308	--
AutoAudit Software Purchase	18,075	--
Consultants	4,385	15,811
Compliance Hotline Implementation	--	9,500
Personnel Recruitment	--	4,408
Total	\$1,169,566	\$1,199,353

Time Analysis

Table 3 provides a comparison between time available as planned and actual time available for projects. Actual hours lost due to position vacancies exceeded the planned amount, having an impact on project progress and completion. The impact was mitigated

by the 910 hours of overtime along with the less than planned usage of time for training and leave, resulting in available hours for the period being only 4.8% less than planned.

Table 3-Planned/Actual Hours

	PLANNED		ACTUAL	DIFF.
Time Available	13.8 x 2,040	28,152	28,152	
Less: Adjustment for Position Vacancies		(1,530)	(3,871)	2,341
Training/ Leave Use/ Operational Support		(7,883)	(7,343)	(540)
Total			(11,214)	
Excess hours worked			910	(910)
Time Available for Projects		18,739	17,848	891

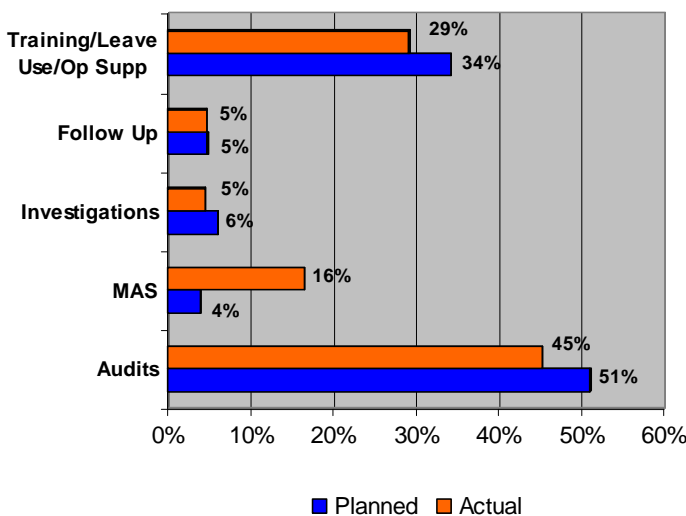
Time Allocation

Chart A compares the planned activity mix for total time available with actual effort expended, while Chart B provides a comparison between prior year and current allocation of time available for projects. With the exception of Management Advisory Services (MAS), actual time by category did not vary significantly from the plan. In comparison with the prior year, time spent on follow up, investigations, and operational support remained constant. The shift in time from audit projects to MAS is largely due to an increase in requested services from campus, and initiatives such as campus training, hotline implementation, and the control self assessment project.

Direct time percentages are established as a productivity goal for each professional position and for the office as a whole. Direct time excludes administration, service support, leave and training.

Chart C compares direct time achieved in the last two fiscal years. Procedures that were implemented throughout the year to more closely monitor staff direct time were effective in increasing our direct time percentage to 71%, just short of our targeted goal of 72%.

**Chart A - Allocation of Total Time
Planned vs. Actual**



**Chart B - Allocation of Time Available
for Projects
Prior vs. Current Year**

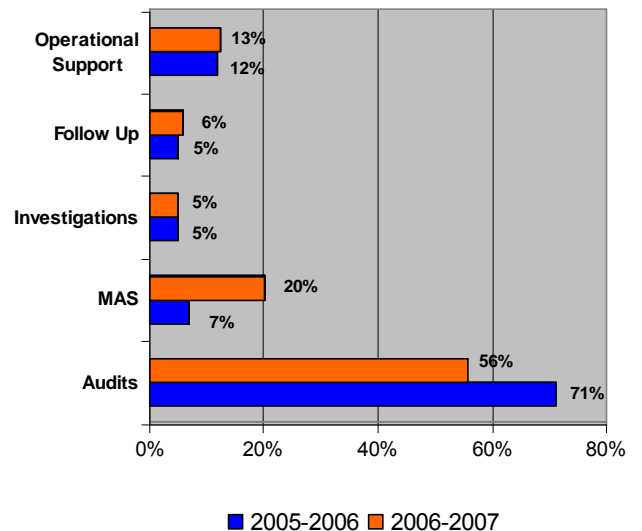
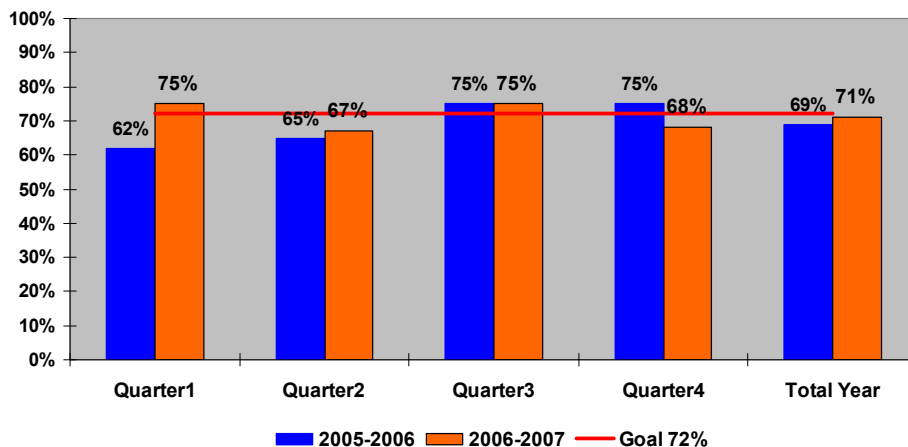


Chart C - Office Direct Time by Fiscal Years



AUDITS AND OTHER PLANNED REVIEWS

Trend Analysis

Table 4 reflects a three-year analysis of projects planned and completed. The work plan includes planned audits and advisory reviews.

Over the last three years, 70 projects were planned and 59 were completed. Many of the planned projects not completed are in progress and are included with the following year's work plan.

Internal audits and Management Advisory Services (MAS) were planned based on evaluation of risk and included input from university management. Completed projects for the 2006-2007 fiscal year would have been higher if not for the shift in available time spent from audits to MAS (see Chart B). MAS engagements do not always result in a project report that would be reported as a completed project.

Trend Analysis of Projects Planned/Completed

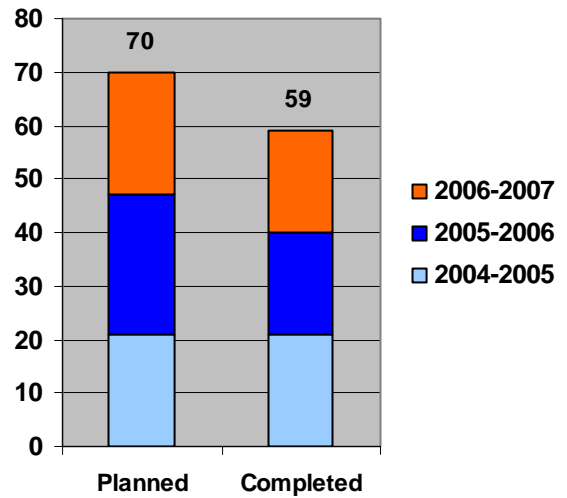


Table 4-Trend Analysis of Projects Planned/Completed

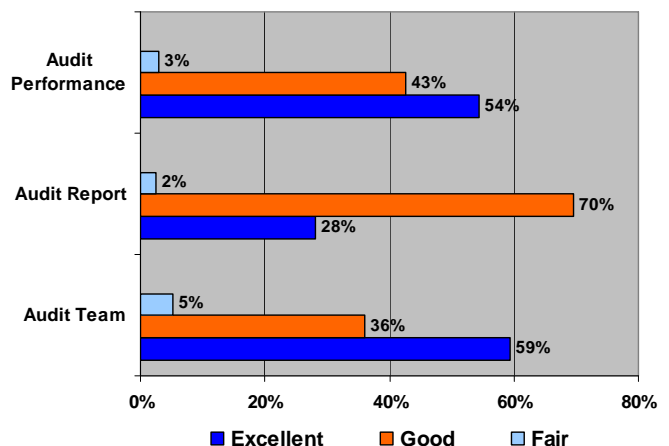
	Planned		Completed		
	Original	Revised	Current	Carry Over	Total
2004-2005	27	21	17	4	21
2005-2006	30	26	16	3	19
2006-2007	31	23	12	7	19*
TOTALS	88	70	45	14	59

* Table 6 lists reports issued this period.

Client Surveys

In an effort to ensure continued high quality of OACR services, input from clients is requested at the conclusion of each engagement. Feedback is obtained via client surveys on the overall performance of the engagement, the quality and usefulness of the report, and the conduct of the audit team. Results of our client surveys during the year indicate that OACR services are well received. Overall, 95% of survey responses from all categories indicated ratings of either good or excellent.

Client Surveys (14 Responses)



AUDIT REPORT SUMMARIES

The summary of reports issued profiles major engagements completed during this fiscal year. The subjects of the reports illustrate commitment to proactive and meaningful coverage of high risks through audits of contracts and grants accounting, bank reconciliations, the university budgeting process and disbursements from both University and Foundation funds. Audits of other critical functions of the University such as purchasing cards and temporary employment were also conducted during the period. The IT audits included laptop security at the Health Science Center, financial aid processing, and an audit of Computing & Network Services. We continued to provide audit services to the Direct Support Organizations at the UF Foundation and University Athletic Association by performing audits and working with their audit committees.

Petty Cash and Change Funds

Petty cash and change funds are established as a means to have cash available for day-to-day minor expenses, for making change and for paying research study participants. Fund initiation and closing are authorized by University Treasury Management based on need and are authorized by unit management. A fund custodian is responsible for overseeing proper use of the fund and initiates fund replenishment through the disbursement processing system. As of June 30, 2006 there were 117 petty cash and change funds totaling \$72,875.

Opportunities for improving controls included training fund custodians, increased monitoring of funds through

surprise cash counts and evaluating fund replenishment procedures. Management agreed to address all audit comments in the areas identified.

Foundation Disbursements Monitoring Plan Implementation

Effective July 1, 2004, University of Florida Foundation (UFF) fund expenditures were processed through the University of Florida's accounting system, *myUFL*. The objective of this audit was to evaluate the internal controls in place to monitor Foundation disbursements and ensure compliance with university and UFF policies and restrictions.

Controls were generally adequate to ensure compliance with Foundation policies and restrictions for the \$18.6 million UFF funds disbursed through the university in 2005-2006. UFF and University Disbursement Services agreed to develop procedures for following up on missing support and ensure timely approval of vouchers. Foundation management agreed to communicate to fund administrators regarding appropriate payment authorization and ensure that authorization is documented prior to disbursing funds.

University of Florida Golf Course

The primary objectives of this audit were to assess whether controls provided reasonable assurance that sales and collection activities, purchasing and inventory management, information technology support and compliance with UAA rules and policies were effective at the University of Florida Golf Course.

The University of Florida Golf Course is an auxiliary of the University Athletic Association. Its primary mission is to support the men's and women's golf teams. The Golf Course is also available to UF staff, faculty, alumni, students and their guests for a fee. The Golf Course operates a Pro Shop and a Snack Bar as part of the Golf Course. Total operating revenues for Golf Course fees, Pro Shop and Snack Bar were \$1.2 million in 2006.

Significant opportunities for improvement existed in the areas of sales and collections, physical inventory, and adherence to UAA policies. Management agreed to address audit concerns by communicating and monitoring compliance with UAA policies and procedures at the Golf Course.



Bank Reconciliation

Treasury Management, a department of the Controller's Office, has the responsibility of reconciling the general ledger to the subsidiary ledger prior to reconciling the general ledger to eight Wachovia bank accounts. As of June 30, 2006, bank balances totaled \$124,613,630. The objective of the audit was to evaluate the effectiveness of the bank reconciliation process.

We found that the reconciliation process needed improvement, meaning that the process had well-designed controls but they were not always effective and/or other controls were needed. University management agreed to hire and train more staff, establish a 30-day timeliness standard, implement a review checklist for the monthly reconciliation process, review role security and formalize the timely resolution and review of the reconciling items transmittal to supervisors.

Health Science Center Laptop/Portable Device Security

The primary objective of this audit was to evaluate Information Technology (IT) controls relative to restricted data stored on laptop computers and other portable devices to ensure compliance with Health Science Center (HSC) policies and procedures.

The Security Program for the Information and Computing Environment (SPICE) standards were developed by the HSC Security Office and Information Security Council to provide guidance for unit Information Security Managers (ISM) and Information Security Administrators (ISA). The SPICE program was designed to protect information that is owned, managed and used by the HSC in all its forms, through training, systems analysis and technical consultation and support.

The security controls in place for administrative access to production servers, and controls and procedures in place for managing operating system patches on production servers were generally effective. However, the controls over laptop security needed improvement. Management agreed to address improvements in controls over laptops as proposed by the audit team.

Admissions Scholarships and Minority Ambassadors

The Minority Ambassadors Program is an outreach leadership program designed to assist in the recruitment of minority students or students from low performing high schools by providing them information about the univer-

sity, tours of the university, conducting high school events and community service projects. Eligibility for some minority based scholarships is contingent on participation in the Minority Ambassadors Program. Awards totaled \$3.7 million in 2005-2006.

The objective of the audit was to assess the adequacy and effectiveness of controls relating to administration, appeals, scholarship eligibility and record maintenance. We found that controls over the program needed improvement. Management agreed to implement the suggestions for improvement recommended by the audit team.

University Check Processing and Disbursements

The objectives of this audit were to evaluate the internal controls monitoring disbursements and to ensure compliance with university policies and procedures. Disbursements for 2005-2006 totaled over \$615 million.

Our audit concluded that the controls over check processing and disbursements needed improvement. The action plans included communicating to campus the necessity of adhering to University Directives and Procedures regarding disbursement procedures, the removal of incompatible roles, a plan to minimize mass approval of vouchers, and the adoption of procedures to monitor the use of vendor discounts.

Financial Aid Interfaces and Processing

Student Financial Aid, a division of Student Affairs, is responsible for determining the eligibility of financial aid recipients and the type and amount of aid they receive. University Financial Services, part of Finance and Ac-



counting, disburses the funds. The two systems interface when financial aid summary data is passed from the financial aid system to the *myUFL* general ledger when financial aid checks are disbursed. Our audit objectives were to ensure that interfaces between the two systems transferred data accurately and securely, processing of student financial aid payments were complete and accurate and access to online financial aid data was appropriately controlled.

We found that controls over financial aid interfaces and processing were generally adequate.

Indirect Cost Recoveries

The objective of this audit was to determine whether surplus indirect cost recoveries were used as directed in Section 1004.22(5), Florida Statutes, which allows the university to retain indirect cost recoveries from contract and grant awards to operate the Division of Sponsored Research, with any surplus to be used to support research in any area of the university. The university collected over \$66 million in 2006-2007 as reimbursement for indirect costs.

We concluded that indirect cost recoveries were distributed in accordance with the Statute to support the Division of Sponsored Research and to support other research or training programs. However, procedures were not in place to confirm that the expenditures were consistent with the intent of the Statute. Action plans proposed by the audit team and agreed upon by DSR include not allowing transfers from fund 211 without DSR approval, clarification of research expenditure definitions and a requirement that units receiving allocations submit a year-end summary of expenditures to determine the need for future allocations.

Contracts and Grants Accounting

The contracts and grants receivable module of the *myUFL* system, implemented in July 2004, was not functioning properly and was turned off in October 2005. An accounts receivable database subsidiary system (AR Tracking Database) was implemented to temporarily record and track accounts receivables. The three contract and grant offices, Finance and Accounting, Institute of Food and Agricultural Sciences and the College of Engineering, utilize the database to maintain accounts receivable records, billing, schedules, and to track financial reporting requirements. The objective of this audit was to assess the adequacy and effectiveness of key controls over invoicing or billing, reporting to sponsors, and monitoring compliance with sponsor restrictions.

We concluded that post award contracts and grants accounting needed improvement. The action plans proposed by the audit team and agreed upon by management include improving the timeliness of billing sponsors, the timeliness of external reporting and the timeliness of award close-out procedures.

Purchasing Card Program

The Purchasing Card program provides an efficient way for university units to purchase goods and services without the traditional controls of a purchase order. As of December 30, 2006, there were approximately 4,800 active cardholders with purchases totaling over \$76 million during 2006.

Our audit focused on monitoring controls established by the PCard office, processing and approval of PCard transactions at the unit level and on the appropriateness of ap-



proval authority established through role security assignment. We found that controls were generally adequate over the administration of the PCard. Opportunities for improvement agreed to by PCard administration included developing criteria for obtaining supporting documentation from unresponsive cardholders, communicating with units who deviate from established procedures, emphasizing the role of an appropriate approver over PCard transactions and reviewing the established transaction/spending limit data.

Temporary Employment

University employees occupying temporary positions are classified as Other Personal Services (OPS). The primary objective of this audit was to evaluate key controls for the proper utilization of the OPS classification with an emphasis on the OPS Non-Exempt Regular (OPSN) classification.

The OPS classification provides a mechanism for hiring employees on a temporary basis without being subject to hiring and recruitment guidelines required for regular employees. OPS employees are not eligible for vacation,

insurance or other employment benefits. OPS salaries totaled \$202 million for the fiscal year ended June 30, 2006, representing 16% of salaries for all employment classifications.

We found that controls were adequate over the administration of faculty, clinical post doc and housing staff OPS classifications. We noted that administration of the OPSN classification needed improvement. The audit team and human resources management agreed that HR would modify directives and procedures to better define the OPSN classification and clarify the documented information required for hires based on level of employment. Human Resource Services will perform an analysis of the OPSN classification to better define the appropriate length of employment for the classification and Human Resource Services will reinforce the importance of timely recording of terminations.

University Budgeting of State Appropriations

The focus of the University Budgeting audit was the execution of the state appropriations budget by the Office of the Provost and UF's sixteen colleges for the 2005-2006 fiscal year. The University of Florida receives funding from various sources, including state appropriations. The University President has designated the Provost as the chief budget officer for the University of Florida which authorizes the Provost to budget allocations from state appropriations to budgetary units. Department allocations are entered by each unit's budget officer into the online Budget Preparation System in *myUFL*. State appropriations for the 2005-2006 fiscal year totaled approximately \$749 million, 44% of the university's net revenues of approximately \$1.7 billion.

Our audit concluded that the controls over the budget process needed improvement. Opportunities for improvement included the Office of the Provost adopting



formal procedures to provide guidance regarding appropriate budget monitoring frequency and documentation, guidance regarding the need to document approval for the initial budget, amendments and transfers and providing guidance to university units regarding the importance of maintaining reserves.

CNS Data Center Security

We completed an audit of the Computing and Networking Services (CNS) Data Center security environment, focusing on controls relating to physical security, risk management and incident response, change management, disaster recovery and continuity of operations plans.

CNS is a unit of the Office of Information Technology and houses and runs hardware and systems software to support major University of Florida administrative systems such as the *myUFL* systems for financial and human resource management and the Integrated Student Information System. CNS also supports many campus-wide systems, such as the campus Internet connection and networking infrastructure services.

While the security environment of the CNS data center was generally adequate, opportunities for improvement were identified relative to monitoring physical access to the data center, reducing the risk of system downtime, and the disaster recovery plan.

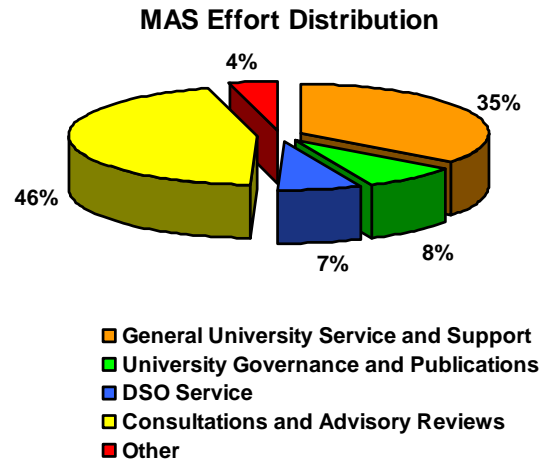
UFF Asset Management

The University of Florida Foundation's asset management controls were audited as of December 31, 2006. The audit covered permanent collections, furniture and equipment, vehicles, livestock and real estate. These assets totaled approximately \$45 million as of our audit date.

Controls were generally adequate and control strengths were noted in all areas. Opportunities for improvement were identified with respect to the Foundation's permanent collections.

MANAGEMENT ADVISORY SERVICES

OACR is committed to providing proactive, preventive advice on internal controls, operations and compliance. Requests for management advisory services (MAS) usually come from various management levels throughout the University. The information provided through these services assists management in decision making and in improving operations. Results of these types of services are often communicated through management letters. OACR actively provides advisory reviews, consulting assistance, training and training tools, and post-audit assistance, all categorized as MAS. The chart illustrates the types of MAS performed and the percentage of time spent.



During fiscal year 2006-2007, 4,138 hours were spent on MAS, which represented 20% of available hours. Following are summaries of MAS projects and service/ support:

College of Liberal Arts & Sciences General Revenue Budget Deficit

In response to concerns over the budget deficit experienced by the College of Liberal Arts and Sciences (CLAS), we performed a limited scope advisory review of the CLAS state appropriations budget deficit as of June 30, 2006. We reported a cumulative state appropriation budget deficit as of June 30, 2006 of \$4.7 million and identified contributing internal control weaknesses. The CLAS developed a five-year plan to address the budget deficit and initiated changes in their budget administration process. Subsequently, the five-year plan has been replaced with a faculty approved plan focusing on attrition and targeted, modest reinvestment that should render CLAS debt free by the 2008-2009 fiscal year. Additional training and monitoring procedures were also initiated.

First Generation Matching Grant Program Funds

The First Generation Matching Grant Program was created to provide need-based student financial aid for undergraduate students whose parents have not earned a baccalaureate degree. Funds appropriated by the legislature are available to match, on a dollar-for-dollar basis, private gifts designated for the First Generation Program. We certified that \$1.3 million in private gifts were accurate, consistent with donor intent and eligible for state matching under the Program.

J. Wayne Reitz Union Business Office

We performed a review of the J. Wayne Reitz Union business office. The J. Wayne Reitz Union, a department of the Office of Student Affairs, provides services for students, faculty, staff, alumni and guests. The facility includes a bookstore, an art and entertainment center, a cinema, restaurants, computer labs, a hotel, and student legal services. The Reitz Union, an auxiliary enterprise, generates income from fees. The Reitz Union business office provides guidance and support for other Reitz Union departments in the areas of fiscal responsibility, financial reporting and compliance with university rules and regulations. Our recommendations included developing a mission statement, changes in organizational structure, and improved control procedures.

Control Self Assessment

OACR developed a self-assessment survey of compliance with university procedures and appropriate internal controls. The survey consisted of 100 questions that addressed business functions and included links to supporting policies and suggested practices to provide unit administrators with an educational resource on controls as well as a tool to evaluate the controls within their own environments. We sent the Control Assessment Tool (CAT) to selected university departments and received responses from over 200 units, amounting to 84% response rate. As part of the 2007-2008 audit plan, our staff will validate the CAT survey responses. The CAT is available on our web site as a permanent reference and training tool for units at http://oacr.ufl.edu/Control_Self_Assessment.htm.

Internal Control Training

The Office of Audit and Compliance Review developed an internal control training program in 2006-2007. *PRO303 Internal Controls at UF* is a course designed to help UF fiscal staff learn about internal controls and how to apply them to business processes. *Internal Controls at UF* is offered through UF's Human Resource Training and Development Office and is part of a series of courses leading to a certification in fiscal management. Co-presented with the Controller's Office, seven sessions were held reaching over 400 participants. The feedback on the training program has been extremely positive and will continue during the 2007-2008 fiscal year.



General Consultation Services

During the fiscal year, OACR provided MAS consulting services in response to requests from many University-related entities including the Vice President for Business Affairs, University of Florida Foundation, Warrington College of Business, College of Medicine and various auxiliaries.

Newsletter

Quarterly newsletters were distributed campus-wide with regular features that include highlights from projects and campus-wide issues. Copies are available at <http://oacr.ufl.edu>.

Post-Audit Assistance

We routinely provide support and guidance on the implementation of planned actions.

INVESTIGATIONS

The OACR receives complaints and allegations of fiscal improprieties from a variety of internal and external sources, including hotline calls, direct correspondence, and referrals from other university offices and state agencies. The investigative reviews conducted by OACR have dual objectives of responding to facts of allegations

and addressing relevant fiscal and administrative control weaknesses. Where appropriate, recommendations for improvements of internal controls are communicated to management and are monitored for implementation. In total, 1,135 hours, or 5% of available hours were committed to investigative efforts.

Significant issues from these reviews are summarized below.

Resource Misuse

- Concerns were presented to the OACR regarding the possibility of resource misuse after a University employee was suspected of using a University purchasing card to inappropriately purchase gift cards for personal benefit. Of gift card purchases totaling \$33,608, it was determined that \$30,250 was fraudulent and not approved by the College. The University Police department and the Alachua County Sheriff's Office were actively involved in this investigation. Recommendations that included amending purchasing card procedures and gift card oversight were immediately implemented by the College.

- Concerns were presented to the OACR regarding possible theft of cash deposits by a University employee. The review confirmed that five deposits with funds totaling \$1,119 were misdirected and the University Police Department filed a sworn complaint against the employee for theft. Recommendations were made to improve the departmental cash handling controls over cash deposits.

Conflict of Interest

- An allegation stated that a University employee obtained design and engineering services for personal use from contractors that perform services in the unit in which the employee works. While no discounts or preferred payment arrangements were identified, a lack of sensitivity and compliance with a code of ethics resulted in the department conducting ethics training, distributing a code of ethics and documenting acknowledgement by staff that the code had been read and would be complied with.

- An allegation stated that a University employee had a spouse, hired as an OPS employee in the same department, whose salary was being inappropriately paid from a restricted funding source. An OACR review confirmed portions of the salary were in fact paid from the specific fund. However, the employment was already terminated before the initiation of the review.

FOLLOW-UP

Audit reports include auditor’s comments and planned actions developed and agreed to by the audit team and management and the estimated time for their implementation. Reports issued by external auditors, including the Office of Auditor General, contain recommendations for which university management also provides a corrective implementation plan.

Standard 2500, *Standards for the Professional Practice of Internal Auditing*, promulgated by the Institute of Internal Auditors, requires that the internal auditor determine that management has taken appropriate action regarding reported audit comments.

Quarterly follow-up activities were conducted throughout the year and their results were communicated to University management and the Board of Trustees Audit Commit-

tee. For the report period, the OACR staff expended 1,194 hours or 6% of available hours for follow-up activities.

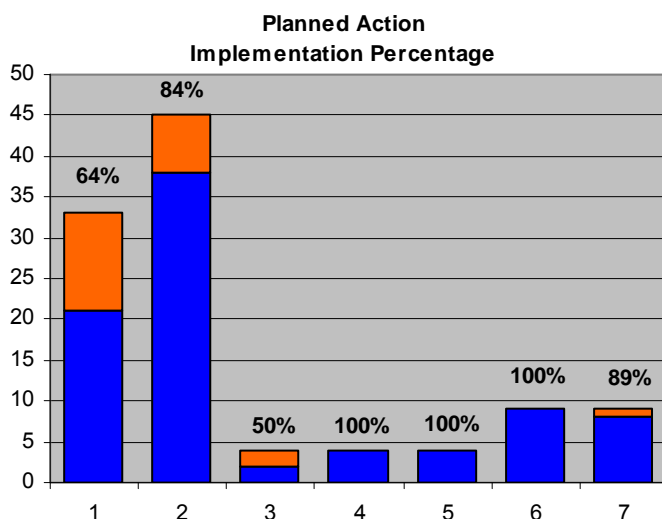
Table 5 summarizes the results of our follow-up activities for the year ended June 30, 2007.

As reflected by the summarized information, management generally reacted in an effective manner to implement audit recommendations and planned actions, however these actions were not always completed timely.

The caption “in process” includes action plans that were not fully implemented during our follow-up review process for the year ended June 30, 2007. The caption “not to be implemented” generally reflects changing conditions that render the plan obsolete.

Table 5-Follow Up Activities

Oversight by	Followed Up	Implemented	In process	Not to be Implemented	Percent Implemented	Percent Implemented Prior Year
Academic Affairs	33	21	12	0	64%	79%
Business Affairs	45	38	7	0	84%	79%
Health Affairs	4	2	2	0	50%	100%
Sponsored Research	4	4	0	0	100%	N/A
Student Affairs	4	4	0	0	100%	80%
UAA	9	9	0	0	100%	100%
UFF	9	8	1	0	89%	83%
Totals	108	86	22	0	80%	83%



- 1 Academic Affairs
- 2 Business Affairs
- 3 Health Affairs
- 4 Sponsored Research
- 5 Student Affairs
- 6 University Athletic Association
- 7 University of Florida Foundation

OTHER ACTIVITIES

Professional Activities

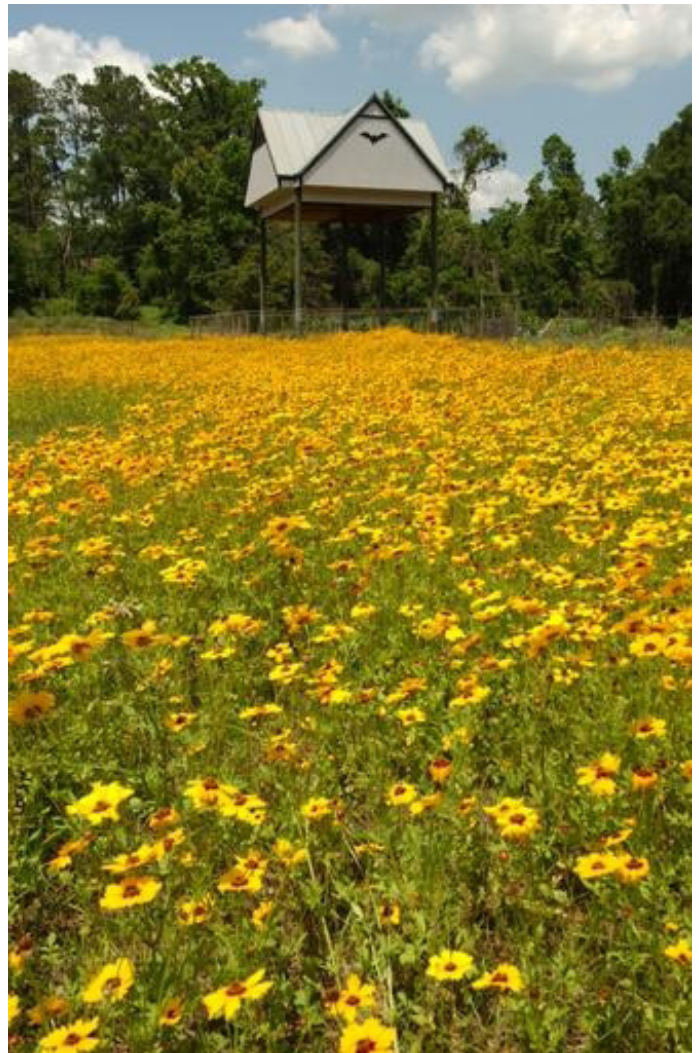
OACR staff participated in various national initiatives, training and organizations including:

- Member – Association for College and University Auditors (ACUA)
- Member – Institute of Internal Auditors
- Member – Association of Healthcare Internal Auditors (AHIA)
- Member – American Institute of Certified Public Accountants (AICPA)
- Member – Florida Institute of Certified Public Accountants (FICPA)
- Member – Association of Certified Fraud Examiners (ACFE)
- Member – IIA North Central Florida Chapter
- Treasurer – IIA North Central Florida Chapter
- Program Committee – IIA North Central Florida Chapter
- Board Member – IIA North Central Florida Chapter
- Web Master – IIA North Central Florida Chapter
- Chair – State University Auditors Consortium (SUAC)
- Audit Coordination (External)
- Member – Auxiliary Review Committee
- Member – University of Florida Communications Network (UFCN)
- Presenter – Division of Sponsored Research – Research Administration Training Series
- Facilitated – Enterprise Resource Management Sessions
- Direct Support Organization Audit Committee Coordination (UAA, UFF & Gator Boosters)

University Service

During 2006-2007, OACR members participated in various university-wide initiatives and assignments including:

- Member – University Information Technology Advisory Committee – Information Security Management (ITAC-ISM)
- Member – UF Bridges Information Technology Advisory User Committee
- Member – University Information Technology Advisory Committee- Network Infrastructure (ITAC-NI)



The Bat House

Table 6-Reports Issued 2006-07

TITLE	PERIOD	ISSUE DATE	REPORT NO.	PROJECT
CLAS General Revenue Budget Deficit	As of June 30, 2006	9/21/06	71.200701	MAS
Petty Cash and Change Funds	As of June 30, 2006	10/25/06	UF-06-464-16	Internal Audit
UFF Disbursements Monitoring Plan Implementation	As of June 30, 2006	11/17/06	UF-06-452-04	Internal Audit
University of Florida Golf Course	12/1/06 – 8/31/06	11/21/06	UF-07-480-01	Internal Audit
Bank Reconciliation	As of June 30, 2006	11/27/06	UF-06-466-18	Internal Audit
HSC Laptop/Portable Device Security	As of June 30, 2006	12/4/06	UF-07-508-29	Internal Audit
Admissions Scholarships and Minority Ambassadors	As of August 31, 2006	12/15/06	UF-07-507-28	Internal Audit
Check Processing and Disbursements	As of June 30, 2006	1/5/07	UF-06-460-12	Internal Audit
First Generation Matching Grant Program Funds	As of December 15, 2006	2/1/07	71.200704	MAS
Reitz Union Business Office	As of November 15, 2006	2/19/07	71.200701	MAS
Financial Aid Interfaces and Processing	As of November 15, 2006	3/5/07	UF-06-473-25	Internal Audit
Indirect Cost Recoveries	As of December 31, 2006	5/22/07	UF-07-500-21	Internal Audit
Contracts and Grants Accounting*	As of December 31, 2006	7/5/07	UF-06-463-15	Internal Audit
Purchasing Card Program*	As of December 31, 2006	7/11/07	UF-07-501-22	Internal Audit
Temporary Employment*	As of December 31, 2006	7/12/07	UF-06-468-20	Internal Audit
Control Self Assessment*	As of May 2007	7/18/07	72.200702	MAS
University Budgeting of State Appropriations*	As of June 30, 2006	8/22/07	UF-07-496-17	Internal Audit
UFF Asset Management*	As of December 31, 2006	9/7/07	UF-07-489-10	Internal Audit
CNS Data Center*	As of June 22, 2007	9/14/07	UF-07-495-16	Internal Audit

* Substantially completed as of June 30, 2007.

CONTACTS AND RESOURCES

The Office of Audit and Compliance Review works collaboratively and cooperatively with many other offices. Below is a partial listing of the contacts and resources used frequently.

State Auditor General

<http://www.state.fl.us/audgen/>
Gainesville Office: (352) 334-1740
Campus Office: (352) 392-5255

FL Department of Financial Services

Consumer Helpline: 1-800-342-2762
Get Lean Hotline: 1-800-GET-LEAN
www.fldfs.com

University Controller's Office

<http://fa.ufl.edu/uco/>
(352) 392-1321

Board of Governors

<http://www.fldcu.org/>

Board of Trustees

<http://www.trustees.ufl.edu/>

Health Science Center Compliance

<http://www.med.ufl.edu/complian/>
(352) 265-8359

Division of Sponsored Research

<http://rgp.ufl.edu/research/>
(352) 392-1582

Institutional Review Board

<http://irb.ufl.edu/>

University Contracts & Grants

<http://fa.ufl.edu/cg/>
(352) 392-1235

IFAS Sponsored Programs

<http://grants.ifas.ufl.edu>
(352) 392-2356

Engineering Contract & Grants

<http://www.eng.ufl.edu/home/cng/>
(352) 392-6626

University Athletic Association

<http://www.uaa.ufl.edu/>
(352) 375-4683

Equal Opportunity Programs Office

<http://www.hr.ufl.edu/eo/default.htm>
(352) 392-1075

University Ombudsman

<http://www.ombudsman.ufl.edu/>
(352) 392-1308

General Counsel and Vice President

<http://www.generalcounsel.ufl.edu/>
(352) 392-1358

University Police Department

<http://www.police.ufl.edu/>
(352) 392-1111

Shands Auditing

(352) 265-7969

Senior Vice President for Administration/Human Resources

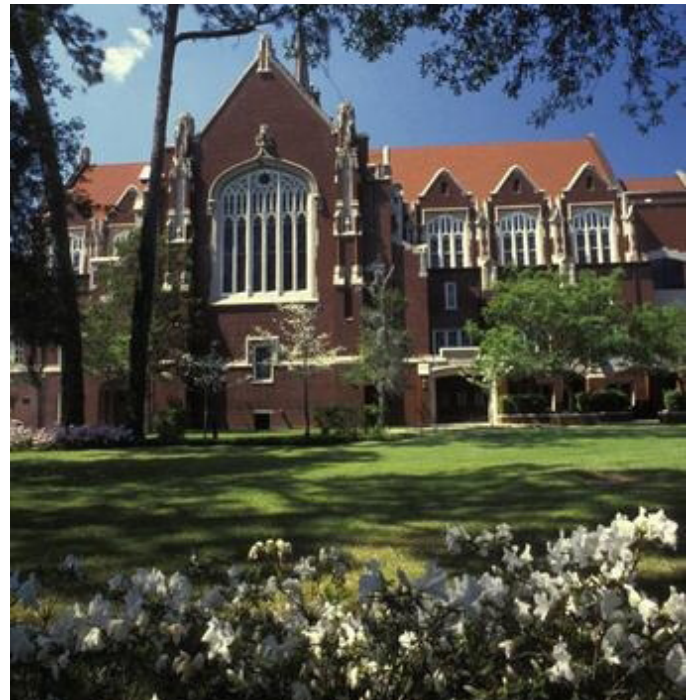
<http://www.hr.ufl.edu/>
(352) 392-1075

Vice President for Business Affairs

<http://www.admin.ufl.edu/>
(352) 392-1336

HIPAA (Privacy Office)

<http://privacy.health.ufl.edu/>
(352) 263-5094



University Auditorium