Message from the Chief Audit Executive

2002-2003 has been a year of major changes for the Office of Audit and Compliance Review (OACR). In fact, in many ways, it has been re-invented. With Section 20.055, Inspector General's Act no longer applicable to the State Universities under the new governance, the President and the Board of Trustees have approved an internal audit charter. Having a charter specifically identifying the scope and responsibilities of our office further clarified our role to internal and external constituencies. Our office name has been changed from Office of Inspector General to Office of Audit and Compliance Review. Staff titles have been revised as well.

With the strong leadership provided by our audit committee, an audit committee charter in line with the basic premises of the Sarbanes-Oxley Corporate Accountability Act has been developed.

The period marked the beginning of our commitment to provide proactive assistance in the implementation of PeopleSoft Enterprise Resource Planning System (UF Bridges). Our Director joined the UF Bridges team on a full time basis. We recruited three new staff members during this period.

As a professional initiative, we have been the major contributor in the establishment of the North Central Florida Chapter of the Institute of Internal Auditors. We hope to better promote the profession of internal auditing and its role in organizational integrity and accountability to our students and other members of our University.

This annual report provides a summary of our operations for the fiscal year 2002-2003. We hope that it also reflects our continuing commitment to client service, quality improvement and effective risk coverage through audits and advisory services.

Nur Erenguc, CPA
Chief Audit Executive

CONTENTS

INTRODUCTION

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

In response to changes in applicability of Section 20.055, Florida Statutes (Inspector General's Act), President Young and the Board of Trustees Audit Committee approved the Internal Audit Charter in December 2002. The Charter defines OACR mission, organizational structure, scope and authority. It also establishes the professional standards for the staff and specifies the duties and responsibilities of the office. The complete Charter can be found at the end of this report.

To more accurately reflect the mission, the office name was changed from Inspector General to Audit and Compliance Review effective July 1, 2003. At that time, a new web site, *http://oacr.ufl.edu* was also launched.

OPERATIONS

Goals and Objectives

The department goals and objectives for the 2002-2003 fiscal year were incorporated in the annual work plan. During this period, goals and objectives were fully or significantly accomplished.

The devolution from state legacy systems to the PeopleSoft Enterprise Resource Planning System (ERP), or UF Bridges, has been an office focus this year as one full-time employee has been working with the implementation team during the initial phase. Other staff members have participated in committees planning the transition and all audit staff members have attended PeopleSoft training organized by OACR.

Section 1011.4105, Florida Statutes, requires that university inspectors general certify transition plans and assess key controls for implemented systems and business processes. To that end, the majority of audit resources will be committed to this endeavor during the next two years.

Staffing and Other Resources

During most of the 2002-2003 period, OACR was fully staffed. Staffing grew from nine to twelve positions with a senior auditor and a staff auditor recruited using the salary funding for the staff position temporarily assigned to the Enterprise Resource Planning project. An additional senior auditor position was also established.

Staff Attributes

The quality of internal audit service is highly dependent on staffing. The comparison of staff attributes in education, experience, and certification compares very favorably with those reported by peer universities.

We have revised the organizational structure where groups of auditors are better aligned with service groups and types.

All OACR professional staff have at least one certification. Continuing education through relevant conferences and seminars is promoted. During 2002-2003, training expenses and training hours per employee increased by more than 100%, primarily due to the commitment to PeopleSoft training. Two professional staff members also pursued graduate studies in complementary disciplines. **Table 1** reflects a listing of staff participation in formal training programs.
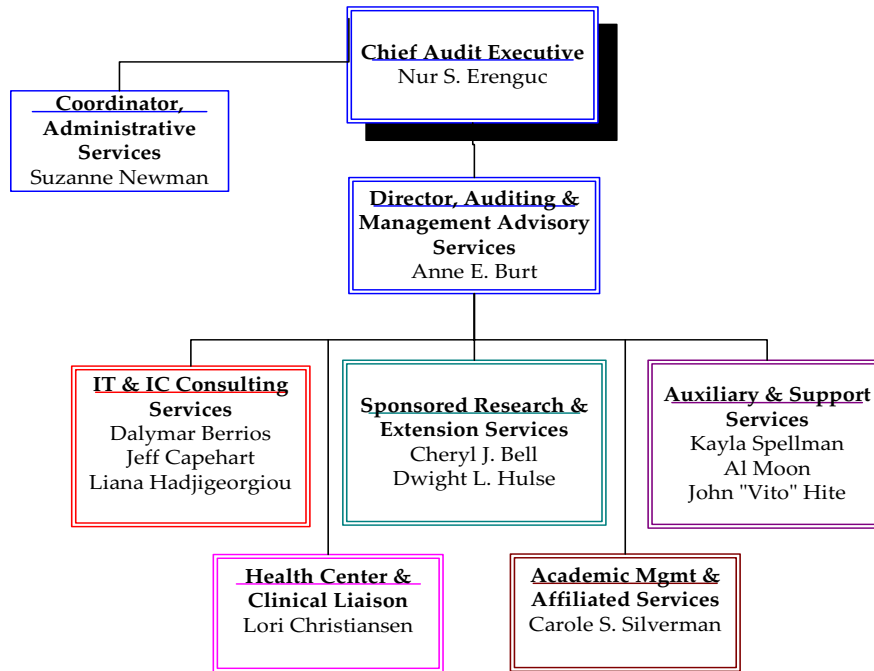
Organization Chart

```
                          ┌──────────────────────┐
                          │ Chief Audit Executive │
                          │    Nur S. Erenguc     │
                          └──────────────────────┘
┌──────────────────┐               │
│   Coordinator,   │               │
│  Administrative  │               │
│     Services     │     ┌──────────────────────┐
│  Suzanne Newman  │     │  Director, Auditing & │
└──────────────────┘     │ Management Advisory   │
                         │      Services         │
                         │     Anne E. Burt      │
                         └──────────────────────┘
```

IT & IC Consulting Services	Sponsored Research & Extension Services	Auxiliary & Support Services
Dalymar Berrios	Cheryl J. Bell	Kayla Spellman
Jeff Capehart	Dwight L. Hulse	Al Moon
Liana Hadjigeorgiou		John "Vito" Hite

Health Center & Clinical Liaison	Academic Mgmt & Affiliated Services
Lori Christiansen	Carole S. Silverman

Table 1-Staff Training

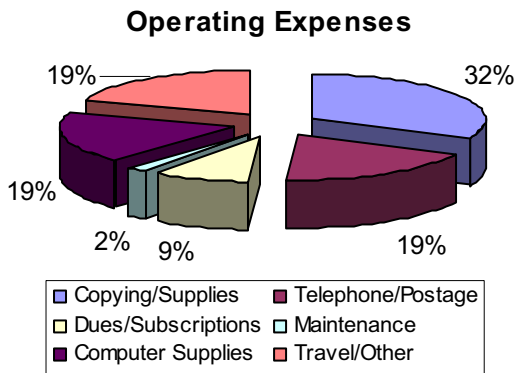| Sponsored by:	Hours	Employees Attending
PeopleSoft Education	424	12
Institute of Internal Auditors	141	12
Association of College and University Auditors	122	5
Southern Association of College & University Business Officers	32	2
Association of Inspectors General	32	2
Florida Association of Certified Public Accountants	16	1
National Association Student Financial Aid Administrators	32	1
National Association of Fraud Examiners	18	1
Florida Audit Forum	6	1
University of Texas-Austin	12	1

Time Analysis

Table 2 provides a comparison between time available as planned and actual time available for projects. Actual project hours available, including 213 hours worked in excess of normal workweek hours, exceeded 7% of planned available hours.

Table 2-Planned/Actual Hours

	PLANNED		ACTUAL		DIFF.
Time Available	9 x 2,080	18,720	12x2,080	24,960	(6,240)
Less: Adjustment for Position Vacancies			3,680		3,680
Training/ Leave Use/ Operational Support		(5,242)	7,100		1,858
Total				(10,780)	
Excess hours worked				213	(213)
Time Available for Projects		**13,478**		**14,393**	**(915)**

Operating Expenses

- Copying/Supplies
- Dues/Subscriptions
- Computer Supplies
- Telephone/Postage
- Maintenance
- Travel/Other

Budget

The OACR budget by category is illustrated in **Table 3**.   The highest budgetary commitment is professional staff salaries representing 92% of total expenditures. The increase in operating expenditures is attributable to travel and recruitment.
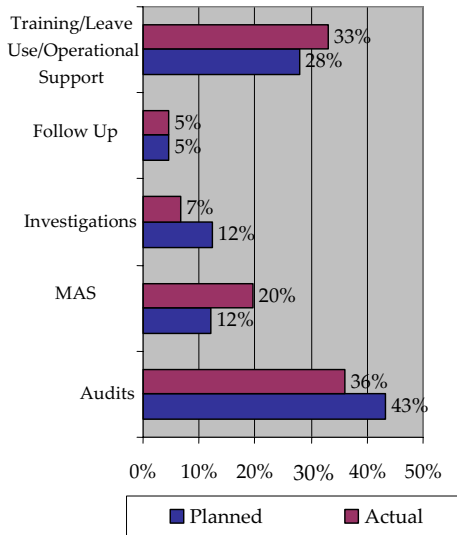
Table 3-Analysis of Expenditures

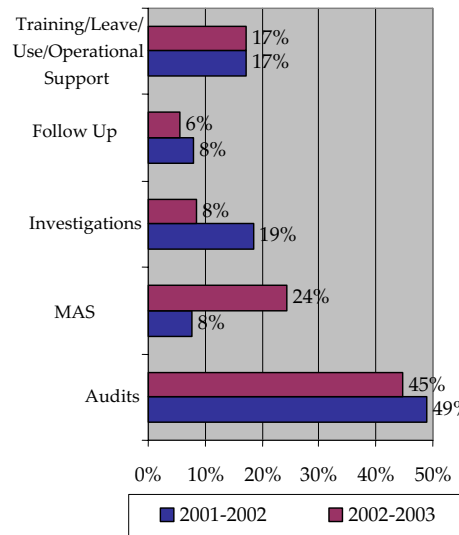|	2001-2002	2002-2003
Salaries	$610,778	$620,468
Other Personal Services	13,396	7,329
OCO & Other Fixed Assets	4,581	8,741
Operating Expenses	10,947	15,016
Training	12,000	26,318
Total	**$651,702**	**$677,872**

Time Allocation

Chart A represents the planned activity mix for time available for projects and actual effort expended. **Chart B** provides a comparison between prior year and current allocation of time available for projects. In comparison with the prior year, more time was spent on advisory services, mostly attributable to our commitment to the ERP 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. Total office direct time remained at 67%. Direct service goal was established at 72%.
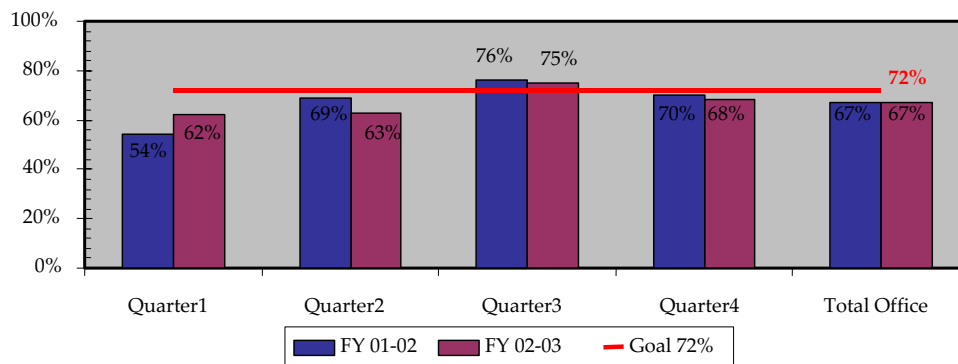
Chart A-Allocation of Time Available for Projects Planned vs. Actual

	Planned	Actual
Training/Leave Use/Operational Support	28%	33%
Follow Up	5%	5%
Investigations	12%	7%
MAS	12%	20%
Audits	43%	36%

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

	2001-2002	2002-2003
Training/Leave/ Use/Operational Support	17%	17%
Follow Up	8%	6%
Investigations	19%	8%
MAS	8%	24%
Audits	49%	45%

Chart C-Office Direct Time by Fiscal Years

	FY 01-02	FY 02-03
Quarter1	54%	62%
Quarter2	69%	63%
Quarter3	76%	75%
Quarter4	70%	68%
Total Office	67%	67%

Goal 72%

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, 51 of 52 projects planned were completed. The 98% completion rate reflects this year's extraordinary effort.

During 2002-2003, 45% of available time, or 7,746 hours, was spent on audits. Internal audits were planned based on evaluation of risk and included input from university management.
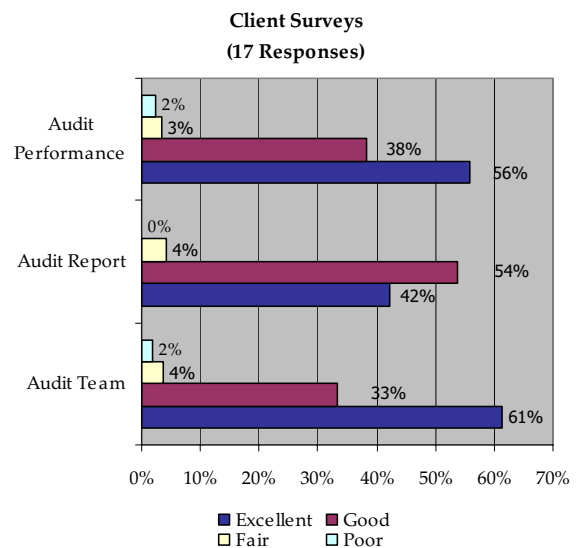
Table 4–Trend Analysis of Projects Planned/Completed

	Planned		Completed		
	Original	Revised	Current	Carry Over	Total[1]
2000-2001	19	19	16	2	18
2001-2002	19	17	13	3	16
2002-2003	16	16	14	3	17
TOTALS	54	52	43	8	51

[1]Table 6 lists reports issued this period.

Client Surveys

Client surveys completed at the conclusion of each engagement reflect that OACR services are well received. Ninety-five percent of survey responses indicated ratings of either good or excellent in all categories, an improvement from last year's 88%.

**Client Surveys
(17 Responses)**

Audit Performance: Poor 2%, Fair 3%, Good 38%, Excellent 56%
Audit Report: Poor 0%, Fair 4%, Good 54%, Excellent 42%
Audit Team: Poor 2%, Fair 4%, Good 33%, Excellent 61%

(0% 10% 20% 30% 40% 50% 60% 70%)

■ Excellent ■ Good
□ Fair □ Poor

SUMMARY OF REPORTS ISSUED

The summary of reports profiles major engagements completed during this fiscal year. The subjects of the reports illustrate commitment to proactive and meaningful coverage through audits in areas of new implementation such as, GatorLink; technological trends, such as Technology Licensing; regulatory scrutiny, such as IFAS Sponsored Programs. Audits of other critical functions of the University such as motor pool, web-based grade processing and retirement plans were also conducted during the period.

Office of Technology Licensing (OTL)

University-developed inventions were appropriately and effectively evaluated for transfer to the commercial sector through patent and licensing. The licensing was administered in compliance with the Bayh-Dole Act. Overall, OTL fulfilled its responsibilities for the technology transfer process from evaluation of disclosures through the licensing of inventions.

Management agreed to address concerns related to documentation of decisions made in the invention disclosure evaluation. Procedures to evaluate marketability, processing of patent attorney fees, and monitoring license agreement deliverables will be improved as well.

Restricted Gifts

At the request of the University of Florida Foundation, Inc., we audited five endowed funds with disbursements of $358,441 to determine whether fund use by the University was in accordance with donor intent.

We determined that funds used by University units were in compliance with donor restrictions. Management agreed to develop financial need evaluation for graduate students and to enhance monitoring for specific funds.

Motor Pool & Vehicle Utilization

The primary objective of the audit was to determine whether Motor Pool operations were conducted efficiently, effectively and met program objectives. Motor Pool offers routine automotive repairs, maintenance services and 24-hour refueling to university, state agencies and other affiliated units. Motor Pool is entirely self-funded. In 2002, revenues and expenditures were $1,001,000.

We found Motor Pool operations to be efficient and effective. Motor Pool pricing was competitive with external vendors and provided value to the university units. Management committed to establish performance measures to benchmark and document achievements. Procedures to obtain billing authorization and update contact information will be improved. Formal competitive procedures will be used for the procurement of outsourced services. Fuel pumps will be inspected annually and employees will be instructed about appropriate time card endorsement.

Grade-a-Gator

An audit of the web-based grade processing application, Grade-a-Gator, was performed to determine if it had appropriate controls to ensure accuracy, completeness, and confidentiality of grades processed.

Controls were in place to ensure the confidentiality, accuracy and completeness of data during grade processing. Management will reiterate the University's expectation that grade accuracy and integrity are the responsibility of the course instructor. Grade-a-Gator use guidelines will be updated, a mechanism for grade verification will be provided and detection controls for grader identity and status will be developed.

Center for Performing Arts

The University Center for Performing Arts (UFPA) operates the Curtis M. Phillips Center for the Performing Arts, the Baughman Meditation Center and the University Auditorium, for a combined 2,600 seating capacity. The objective of the audit was to assess the adequacy of internal controls in place for event accounting, revenues and collections, purchases and disbursements, and for the accuracy of financial information compiled and reported.

Overall, collections, disbursements and contracts were appropriately processed and there was compliance with restrictions of selected gift Accounting for revenues and associated costs, timeliness of billings, collections and deposits, and working capital levels needed improvement. UFPA management committed to develop, document and periodically update policies and procedures, comply with the University's deposit policies, strengthen oversight of events, improve cost allocation of expenses, improve billing processes and raise working capital levels.

IFAS Sponsored Programs

Internal controls and compliance over pre- and post-award processes in the IFAS Office of Sponsored Programs (OSP) were within the scope of this audit. OSP provides support to Institute of Food and Agricultural Sciences faculty and staff in the preparation and submission of sponsored program proposals and provides oversight and accountability in the management of awarded projects. IFAS awards were $69.5 million in fiscal year 2002.

Controls over the fiscal management and reporting for sponsored programs needed significant improvement. Procedural changes initiated by OSP just prior to and during the audit should address a number of concerns. Management agreed to implement processes and/or reinforce newly established procedures to facilitate proposal and contract reviews and ensure timely fiscal management and reporting.

Levin College of Law

Policies and practices with regard to teaching loads, assignments and leave were included in the scope of this audit. We also evaluated purchasing card, property and international program administration.

We found strong procedures with respect to property and purchasing card administration. Faculty assignments and teaching loads were generally consistent with College policies and norms. We identified opportunities for improvement in the coordination and reporting of sabbaticals and faculty off-campus employment and in administration of international programs.

Voyager Gas Card

This audit was initiated following investigative review of card theft and misuse. We evaluated the Voyager Fleet System (Voyager) gas card program for adequate procedures, controls and support for Voyager gas card transactions on campus. The audit addressed opportunities for improvement in policies and procedures and program administration.

Management agreed to evaluate use, needs and alternatives relative to the current Voyager card program. Subject to the conclusion of that process, efforts to develop and disseminate transaction monitoring, program administration, and Voyager card use policies may be undertaken.

Preservation Institute: Nantucket

We completed an audit of fiscal transactions processed through the Preservation Institute: Nantucket (PI:N) local checking account. PI:N, an historic preservation institute within the College of Design, Construction and Planning, offers a summer academic program to historic preservation students along with other programs. The Institute is housed on facilities in Nantucket Island, Massachusetts. The checking account was closed following this audit and opportunities for improved processes were identified in a variety of areas.

Concession Fund

We assessed the internal controls in place for Concession Fund collections and disbursements. Commissions from vending contracts for beverages, food, laundry and games are deposited in the

Concession Fund. Commissions for fiscal year 2002 totaled $1,195,000. Concession Fund monies are held in university local funds and used for discretionary purchases which are generally not made with state or grant funds. For the six months ended December 31, 2002 Concession Fund expenditures totaled $242,000.

Controls over Concession Fund collections and disbursements were adequate. The budget was authorized and effectively monitored. Management will verify commissions due and evaluate the utility charging method to appropriately reflect power consumption of vending machines.

Decentralized Gift Collection

An audit of gift collection procedures for gifts received by campus units was conducted to assess the internal controls for decentralized gift collection and for the propriety of university-related bank accounts with vicinity banking institutions.

Most campus units could improve procedures to provide a higher assurance that collections were completely accounted for and were physically safeguarded. Management agreed to disseminate reminders campus-wide of cash control and collection policies. Management will re-notify vicinity banks of University policy regarding the use of its name and tax ID number and the required authorization for establishing University bank accounts.

IFAS Minor Construction

The budgeting, accounting, and oversight processes associated with IFAS construction projects with costs of $1 million or less (minor construction) were within the scope of this audit. IFAS Facilities Planning and Operations manages IFAS minor construction on-campus and in each of Florida's 67 counties made up of extension service offices, research and education centers, partnerships degree programs, county unit and 4-H camps. As of January 2002, IFAS Facilities Planning & Operations maintained 1,240 buildings.

Controls were generally adequate to ensure that projects were properly funded, authorized and completed according to the approved scope of the work. Management reports were accurate and useful. Opportunities were identified to improve compliance with policies and construction

oversight. Management will properly classify projects, ensure payments are accurate and supported, properly authorize change orders, follow purchasing bid procedures during selection of sub-contractors, and obtain building permits, inspections and progress reports.

GatorLink

An audit of GatorLink was conducted to determine if it is a secure and reliable authentication system for the University's enterprise resource planning (ERP) system and other campus computing activities. GatorLink was developed to create a single user identifier and password for access to University Information Resources. GatorLink identifiers (IDs) are required for all students, staff, and faculty. As of March 15, 2003, there were 87,869 non-expired GatorLink accounts. GatorLink will be used as the authentication control for the ERP system, to be implemented July 1, 2004.

Controls were generally adequate for a secure and reliable authentication system for ERP and other computing services with some exceptions. Opportunities for improvement were identified over password resets, account maintenance, and contingency processing.

International Program Contracts

An audit of International Program Contracts was conducted to evaluate the adequacy of internal control procedures over contracts. Thirteen colleges supplement their international area studies curricula with international program contracts. As of December 31, 2003, the UF International Center maintained and coordinated 67 exchange program contracts in over twenty countries, twenty-two

study abroad programs in more than fifteen countries and 122 general cooperative international agreements in over 40 countries.

Authority to sign international contracts needed clarification and internal controls over contract initiation and monitoring needed improvement. Management will inform the university community of policy regarding administrative processing and execution of international program contracts. Procedures to formally document the review process will be established. Management will continue to monitor exchange contract reciprocal balances, update policies and procedures for oversight of contracts and use of the database, and establish guidelines to ensure the timely completion of the contract initiation process.

Retirement Plans & Options

Retirement plans were audited to determine if employees were enrolled timely and appropriately in retirement plans to which they were eligible. As part of this audit, we also evaluated the accuracy and completeness of retirement records and compliance with retention policies.

Our analysis reflected that adequate controls were in place to ensure the proper administration of the University's retirement plans and options. Improvement opportunities existed in monitoring employee voluntary contributions and in record retention practices.

Student Government Productions

We audited Student Government Productions (SGP), an agency of the Student Government executive branch, to evaluate controls over contracting and disbursement activities. SGP provides free and reduced price entertainment to the University community. Student Government Productions is 86% funded by Activity and Service Fee allocations generated from tuition fees and 14% by ticket sales. As of April 2003, SGP received $581,000 and spent $563,000 for fiscal year 2002-2003.

Expenditures were reasonable, allowable and compliant with applicable contract terms. We found opportunity for improvement in disbursement controls to minimize over-commitment of funds. Management agreed to update or establish procedures for contract

negotiation, event budgeting, and disbursement policies. We also recommended creating a checklist of minimum requirements for off-campus venues and creating a work contract for SGP officers.

Florida Veterinary Medicine Faculty Association, Inc.

The specific objective of the review was to determine the proper classification and accounting of program revenues. Florida Veterinary Medicine Faculty Association, Inc. (FVMFA) was created for the orderly collection and distribution of faculty practice activities. Prior to the creation of the plan, faculty practice activities and associated hospital revenues were accounted for in the University of Florida Health Operations & Maintenance (O&M) Trust Fund, subject to the budgetary and spending oversight exercised by the University and governing authorities.

Only 36 percent or $2,323,933 of program revenues accounted for in the Practice Plan met the plan's definition of practice income. The remainder, or 64 percent, should have been accounted for under the O&M trust fund appropriately matching the expenses that generated these revenues. Changes will be intitiated to only include physician related income in the FVMFA. An analysis of revenue codes will be completed to properly identify the physician fee component of program revenues.

MANAGEMENT ADVISORY SERVICES

ufbridges

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 usually communicated through management letters.

During fiscal year 2002-2003, 4,226 hours were spent on MAS. This represented 24% of available hours and is four times the hours spent in fiscal year 2001-2002. The significant increase in hours is attributable to OACR's participation in the Enterprise Resource Planning (ERP)-Business Reengineering Process.

OACR actively provides consulting assistance, training and training tools, and post-audit assistance. The following chart illustrates the type of MAS performed and the percentage of time spent.

Effort Distribution
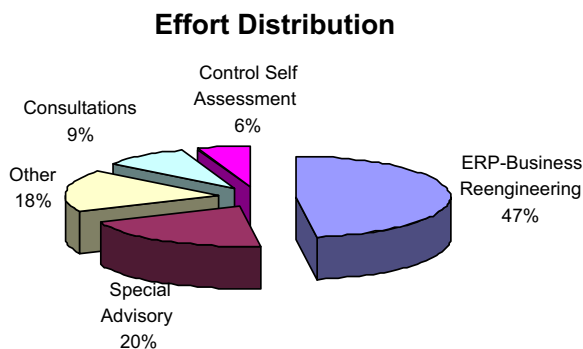
ERP-Business Reengineering

The UF Enterprise Resource Planning (ERP) Project, or *UF Bridges*, is a multi-year effort to improve UF business processes. PeopleSoft systems will provide the framework for integrated real-time information using common tools across a wide range of university activities. These systems will provide web-based, real-time access to work processes and information. New systems for

financial processes including general ledger, accounts receivable, travel and expense, customer relations and asset management will be implemented. New systems for human resource management, payroll processing, and time and labor data collection will also be implemented. The state systems that the University has been using will no longer be available to state universities and the PeopleSoft systems are scheduled to replace them on July 1, 2004. In addition, new student systems will be implemented in 2006 and 2007.

Other management advisory activities included participation in Advisory User Council, Stakeholder and Team meetings and researching governance requirements and best practices.

Special Advisory Reviews

OACR provided proactive assistance on matters of internal controls, system design changes, and governance on the following areas:

Application Fees By Credit Card (Office of Admissions)

Extended Pay Plan Procedures (University Police Department)

Housing Freshman Online Application (Division of Housing)

DOCE Non-Credit Agreement (Department of Continued Education)

Intern Participation Certificates (Office of Academic Affairs)

Financial Aid Reporting (Office of Academic Affairs)

Employee Time Cards (Center for Instructional &Research Computing Activities)

Payroll Cost Transfers (Finance & Accounting)

Fischer Scientific Contract Overcharge (Finance & Administration)

Trade Agreements Policy Review (Stephen C. O'Connell Center)

Unclaimed Property (Finance & Accounting)

Student Body Law 2002-142 Activity & Service Funds (Student Government Finance)

Control Self Assessment

The university's fiscal and administrative structure is based on a decentralized model in which deans, directors, and unit heads are responsible for unit procedures and internal controls. Previously, OACR developed and accumulated the results of a university-wide self-assessment survey of compliance with university procedures and appropriate internal controls. The survey was limited to just over 100 questions that addressed most 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. OACR has kept the Control Self-Assessment Tool available on our web site as a permanent reference and training tool for units at *http://oacr.ufl.edu*.

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.

Twenty-two separate complaints, some containing multiple allegations, were addressed during the fiscal year.

In total, 1448 hours, or 8% of available hours were committed to investigative efforts.

Significant issues from these reviews are summarized below.

- **Inappropriate Internet Content**

A complainant alleged that a vendor was delivering online gambling websites and software from computers located on the University of Florida campus.

We determined that the specific content was no longer contained on the servers. However, based on documentation submitted and public discussion of similar allegations at other universities, we concluded that the vendor servers on the University campus were used as alleged. Management decided to terminate the contract.

- **Payroll Abuse**

An employee had full-time employment with an affiliated organization and was at the same time a part-time employee of the University.

We determined that the two positions involved similar job duties. Biweekly, an average of 63 hours were paid in addition to the 80 hours full-time assignment. We concluded that a minimum of 590 hours, representing $8,976, was paid in excess of the authorized assignment.

- **Gas Credit Card Abuse**

OACR was informed of misuse of a state gasoline credit card. Between July 26 and August 21, 2002 $6,200 in charges was processed for a state vehicle described as remaining on-campus.

Merit was found in the misuse of the gas card in the amount of $8,908. Procedures and oversight of credit card use and billing were not timely or adequate to detect and preclude misuse. The employee responsible for fueling the vehicle terminated employment from the University and

criminal investigation was pursued. An audit was initiated to evaluate card use policies and procedures.

- **Research Income Diversion**

Concerns regarding diversion of research by-products using university resources by a former College of Medicine faculty member was addressed.

We determined that revenues generated had been inappropriately deposited to the faculty member's personal account. The former faculty member currently resides outside of the United States and the case was transferred to the University Police Department.

FOLLOW-UP

Audit reports include auditor's comments and planned actions developed and agreed to by the audit team and management with estimated time

for their implementation. Reports issued by the external auditors, including the Office of Auditor General and Office of Program Policy and Government Accountability, 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 procedures were conducted throughout the year and their results were communicated to University management. For the report period, the OACR staff expended 973 hours, 6% of available hours, to evaluate the implementation status of 118 action plans, 37 of which required two or more follow up visits.

Table 5 summarizes the results of our follow-up activities as of June 30, 2003.

Table 5 - Follow-up Activities

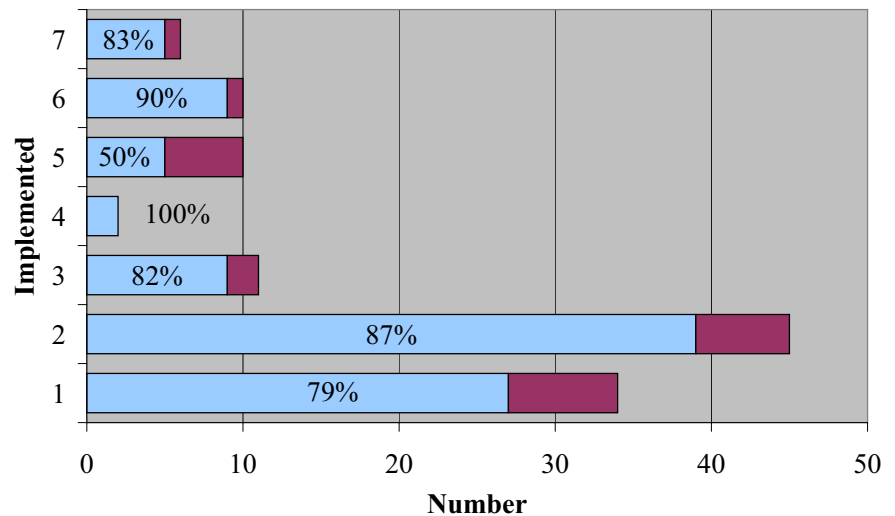| Oversight by	Followed Up	Implemented	In Process	Not to be Implemented	Percent Implemented	Percent Implemented Prior Year
Academic Affairs	34	27	6	1	79%	75%
Finance & Administration	45	39	6	0	87%	87%
Sponsored Research	11	9	2	0	82%	88%
Health Affairs	2	2	0	0	100%	94%
Agricultural and Natural Resources	10	5	4	1	50%	100%
Student Affairs	10	9	1	0	90%	83%
Development and Alumni Affairs	6	5	1	0	83%	50%
Totals	**118**	**96**	**20**	**2**	**81%**	**85%**

Planned Action Implementation Percentage

As reflected by the summarized information, management generally reacted timely and in an effective manner to implement audit recommendations and planned actions.

Oversight by:
7 Student Affairs
6 Agriculture & Natural Resources
5 Health Affairs
4 Sponsored Research
3 Development
2 Finance & Administration
1 Academic Affairs

Chart — *Implemented* (y-axis) vs *Number* (x-axis, 0 to 50):
- 7: 83%
- 6: 90%
- 5: 50%
- 4: 100%
- 3: 82%
- 2: 87%
- 1: 79%

OTHER ACTIVITIES

Professional Activities

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

- Board member – Association for College and University Auditors (ACUA)

- Member – Institute of Internal Auditors

- Member – Association of Healthcare Internal Auditors

- Member – American Institute of Certified Public Accountants

- Member – ACUA Information Exchange Committee

- Member – IIA North Central Florida Chapter Steering Committee

- Treasurer – IIA North Central Florida Chapter

- Board Member – IIA North Central Florida Chapter

- Proofing Team – ACUA magazine, *CandU Auditor*

University Service

During 2002-2003, OACR members participated in various university-wide initiatives and assignments including:

- Member – ERP General Ledger Committee

- Member – ERP Vendor Relations Committee

- Member – ERP Vision Team

- Member – Information Technology Security Policy Committee

- Member – UF Bridges Information Technology Advisory User Committee

- Member – Auxiliary Review Committee

- Member – Selection Committee for University Controller

- Member — Selection Committee for Director for Campus Safety

- Co-Presenters – Research Administration Training

Table 6-Reports Issued 2002-2003

TITLE	PERIOD	ISSUE DATE	REPORT NO.	PROJECT
Office of Technology Licensing	7/1/01-12/31/01	9/30/02	UF-02-361-03	Internal Audit
Restricted Programs	7/1/01-6/30/02	11/8/02	UF-03-392-13	Internal Audit
Motor Pool & Vehicle Utilization	As of 6/30/02	12/6/02	UF-03-381-02	Internal Audit
Grade-a-Gator	As of 11/14/02	1/3/03	UF-02-375-17	Internal Audit
Center for Performing Arts	7/1/01-6/30/02	1/28/03	UF-02-372-14	Internal Audit
IFAS Sponsored Programs	As of 8/31/02	2/4/2003	UF-03-388-09	Internal Audit
Levin College of Law	As of 8/31/02	3/14/03	UF-03-382-03	Internal Audit
Voyager Gas Card	As of 9/30/02	3/12/03	UF-03-393-14	Internal Audit
Nantucket Preservation Institute	As of 6/30/02	4/18/03	UF-03-394-15	Internal Audit
Concession Fund	7/1/02-1/7/03	4/30/03	UF-03-385-06	Internal Audit
Decentralized Gift Collection	As of 6/30/02	5/16/03	UF-03-380-01	Internal Audit
IFAS Minor Construction	1/1/02-1/31/03	6/17/03	UF-02-368-10	Internal Audit
Gator Link	As of April 2003	6/18/03	UF-02-377-19	Internal Audit
International Program Contracts	As of 12/31/02	6/30/03	UF-03-390-11	Internal Audit
Florida Veterinary Medicine Practice Plan	As of 6/30/02	7/17/03	MAS 72-03-04	Advisory Review*
Retirement Plans & Options	1/1/02-1/31/03	8/6/03	UF-03-383-04	Internal Audit*
Student Government Productions	7/1/02-3/31/03	8/8/03	UF-03-395-16	Internal Audit*

* Substantially completed as of June 30, 2003.

Audit & Operations Review Committee Members

Joelen Merkel, Chair

Cynthia O'Connell

Alfred Warrington, IV

University of Florida
Office of Audit and Compliance Review
Charter

Introduction

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. The Office of Audit and Compliance Review (OACR) at the University of Florida administers the internal audit program for the University with the objectives to assist members of the University and the Board of Trustees in the effective discharge of their responsibilities. To this end, the OACR furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities and organizations reviewed.

Mission

The Office of Audit and Compliance Review serves the University of Florida and its support organizations, including its direct support organizations and Faculty Practice Plan corporations. It provides a central point for coordination of and oversight for activities that promote accountability, integrity, efficiency, and compliance.

Organization, Independence, Authority

The university president appoints the Chief Audit Executive. The OACR operates under the general supervision of the university president and reports to the President for administrative support and reports to the Board of Trustees through its audit committee as to the process and content of its reports. This reporting relationship promotes independence and assures adequate consideration of audit findings and planned actions.

In performing its function, the OACR has no direct responsibility or authority over any of the activities it reviews. Therefore, the audit, review and appraisal do not relieve other persons in the university of the responsibilities assigned to them. The OACR is authorized full and unrestricted access to all areas and information sources necessary to carry out its activities. Documents and information provided to OACR staff during an engagement are handled in the same prudent manner as by those employees normally accountable for them.

Professional Standards

The OACR staff members have a responsibility to the interest of those they serve and should refrain from entering into any activity that may create a conflict of interest. They have an obligation of self-discipline above and beyond the requirements of laws and regulations. They should uphold and demonstrate qualities of integrity, honesty, loyalty, morality, dignity, and confidentiality consistent with the Institute of Internal Auditors Code of Ethics. The Institute's Standards for the Professional Practice of Internal Auditing shall constitute the operating procedures for the Office.

Duties and Responsibilities

(a) Conduct and coordinate audits, investigations, and management reviews relating to the programs and operations of the university and its support organizations.

(b) Conduct, supervise, or coordinate other activities carried out or financed by the university for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse in, its programs and operations.

(c) Receive complaints and coordinate all activities of the University as required by the Whistle-blower's Act pursuant to Sections 112.3187-112.31895, Florida Statutes.

(d) In accordance with the University's Policy on Fraudulent and Dishonest Acts, receive and consider complaints that do not meet the criteria for an investigation under the Whistle-blower's Act and conduct, supervise, or coordinate such inquiries, investigations, or reviews as appropriate.

(e) Keep the University president, management and the audit committee for the University's Board of Trustees informed concerning fraud, abuses, and internal control deficiencies relating to programs and operations, initiate corrective actions, and report on the progress made in implementing corrective actions.

(f) Ensure effective coordination and cooperation between the Auditor General, federal auditors, and other governmental bodies and external auditors with a view toward avoiding duplication.

(g) Review, as appropriate, rules and procedures relating to the programs and operations of the university and make recommendations concerning their impact.

In the performance of these services, Office of Audit and Compliance Review will ensure that an appropriate balance is maintained between audit, investigative, and other activities. Detailed operational procedures for the OACR will be established and presented for the approval of the president and the audit committee.

Nur Erenguc, Inspector General

Charles Young, President

Joelen Merkel, Chair
BOT Audit & Operations Review
Committee

APPROVED DATE: 12-11-2002