

Office of Audit & Compliance Review
Operational, Financial, Compliance Audits
Management Advisory Services
Special Reviews

Annual Report

2008-2009



Office of Audit & Compliance Review

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Message from the Chief Audit Executive Brian Mikell, CPA

As an alumnus of the University of Florida, I considered myself a very fortunate Gator when I assumed the duties of the Chief Audit Executive on February 1.

While the university's recent budgetary difficulties have resulted in staff reductions below normal levels for the Office of Audit and Compliance Review (OACR), our current staff is very professional and capable of fulfilling our mission to provide internal audit services with the goal of improving the university's operations. I believe that OACR's services are well respected in the university community and my main goals are to retain and further develop our current staff, and recover staff reductions as soon as possible, to maintain and ultimately increase our service level to the university.



This 2008-2009 Annual Report provides a summary of our activities for the year and presents data useful for benchmarking the effectiveness of our operation.



We are located off-campus in the Human Resource Services Building, 903 West University Avenue. We share the building with the office of the Chief Information Officer as well as Human Resource Services

Introduction

The mission of the Office of Audit and Compliance Review (OACR) is to provide independent, objective assurance and consulting services, using a risk-based approach, to add value and improve operations of the University of Florida and its affiliated organizations. OACR serves as a central point for the coordination of and oversight for activities that promote accountability, integrity, and efficiency for the University of Florida.

In 2008-2009, as we were settling into our new off-campus office space, we learned that our

Chief Audit Executive was retiring. Due to the professionalism of the OACR staff, we did not miss a beat and continued to provide effective service to the university community during this time of transition, including internal audit support for the major direct support organizations, the UF Foundation and the University Athletic Association. As we move into 2009-2010, OACR's expectations are to continue providing proactive assistance in strengthening internal controls in the university's decentralized environment as well as conducting audits to promote good business practices.

Operations

Goals and Objectives

A key operations objective for the period was the completion of the second year of the 2007-2010 audit work plan. Our work plan included university audits as well as audits of the university's direct support and affiliated organizations.

We continued various ongoing initiatives started during prior periods, including management of

the compliance hotline. We co-facilitated, along with the University Controller's Office, *Internal Controls at UF*, part of the certification in fiscal management for employees, for 154 participants. We were responsive to requests and addressed needs of campus through advisory and consulting engagements as well as investigative reviews.



OACR staff: Stan Anders, Roger Frank, Suzanne Newman, Vito Hite, Joe Cannella, Jeff Capehart, Choi Choi, Brian Mikell, Marilyn Velez, Shirley Lampotang, Craig Reed, Lily Reinhart

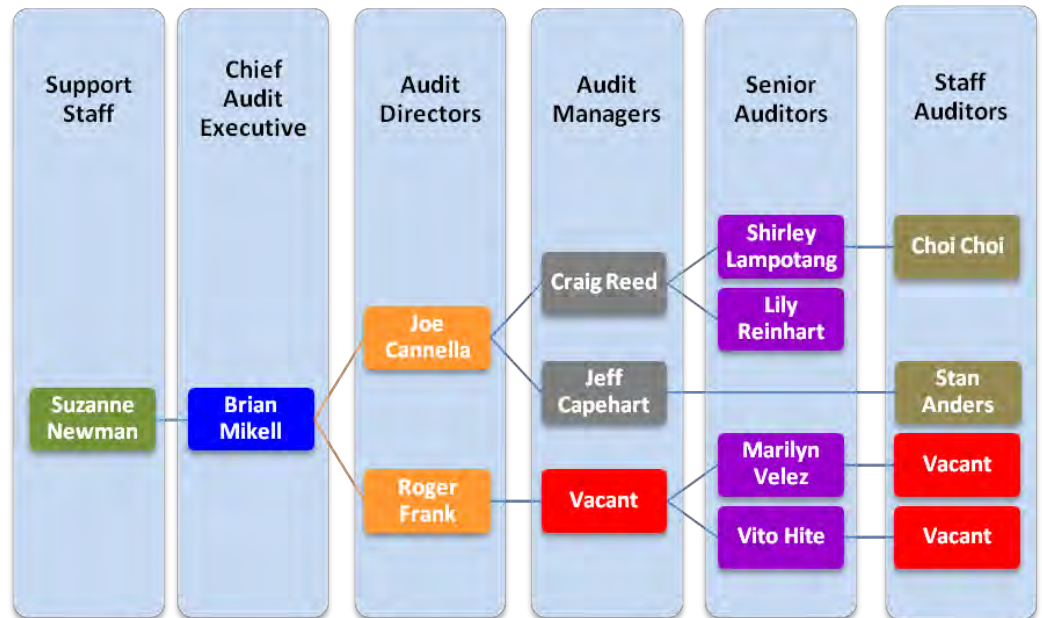


Organization

The Chief Audit Executive (CAE) is appointed by the university president. The CAE reports administratively to the senior vice president for administration and business ventures and functionally to the Board of Trustees through its audit committee. This reporting relationship

promotes independence and assures adequate consideration of audit findings and planned actions. OACR staff reports to the CAE as shown in the following organization chart as of June 30, 2009.

We transitioned to a new Chief Audit Executive, promoted two managers to directors and hired a senior auditor in 2008-2009, leaving three positions vacant.



Staffing and Other Resources

During 2008-2009, OACR experienced the retirement of its longtime Chief Audit Executive after more than 18 years in the position. The former audit director was appointed as the new Chief Audit Executive. The internal organization chart was adjusted when two audit managers were promoted to the positions of Director of Audits and Director of Investigations and Management Advisory Services. We also hired one senior auditor to fill a vacant position and have recruited two graduate student interns. In response to continuing budget reductions, we have left two staff auditor positions and an audit manager position vacant. If there are no additional budget cuts in the upcoming year, we expect to fill one of the vacant staff auditor positions.

We settled into our new off-campus home in the Human Resource Services building, 903 West University Avenue. To ensure the OACR staff is equipped with the appropriate tools to efficiently perform their required duties, we adopted a rotational equipment replacement policy and made a commitment to ensure that all necessary software is current and up-to-date.

To better align audit resources with the university units expecting and supporting audit effort, we continued a funding methodology necessary to meet this need and expectation. Our funding method will change for 2010-2011 with the implementation of the Responsibility Center Management budget model.



OACR student staff: Staff Auditor/grad student **Sarah Mann** (Accounting), Front Office Assistant **Max Pankow** (Finance) and IT Staff Auditor/grad student **Kevin Li** (Information Systems and Operations Management)

Staff Training

The Institute of Internal Auditors’ (IIA) International Professional Practice Framework, Section 1230, states that “Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.”

OACR places a high value on continuing professional education and attendance to relevant conferences and seminars is promoted. The table provides a list of staff participation in training opportunities in 2008-2009.

Sponsored by:	Hours	Employees Attending
IIA-North Central Florida Chapter	273	10
Association of Colleges and University Auditors	70	5
The Institute of Internal Auditors	52	3
City of Tallahassee	40	2
Association of Certified Fraud Examiners	20	1
Association of Healthcare Internal Auditors	18	1
Purvis Gray & Company	12	2
University of Florida	11	3
Miscellaneous	8	4
Florida Institute of Certified Public Accountants	6	2

Continuing professional education is highly valued and attendance at relevant conferences and seminars is promoted.

Local IIA Chapter Training

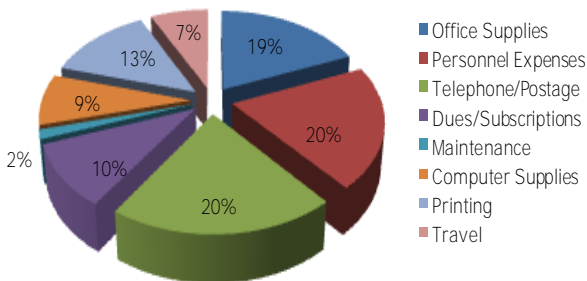


Expenditure Analysis

The OACR expenditures by category are illustrated in the following table. Our primary budgetary commitment remains professional staff salaries. Expenditures, in total and in most categories, decreased from the prior year partially as a result of budget reductions. The most significant

decrease was in the consultant line and was due to the fact that no audit services were purchased from outside sources. Nearly 60% of OACR operating expenses resulted from telephone/postage, office supplies and personnel-related expenses.

Operating Expenses



Analysis of Expenditures

	2007-2008	2008-2009
Salaries	\$1,174,551	\$1,137,914
Other Personal Services	22,145	16,068
Fixed Assets	2,652	--
Operating Expenses	30,663	16,952
Training	16,985	10,469
Consultants	93,800	--
Compliance Hotline	9,500	13,650
Total	\$1,350,296	\$1,195,053

OACR's primary budgetary commitment remains professional staff salaries.

Time Analysis

The table 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 a negative impact on project progress and comple-

tion. The impact was mitigated by the 547 hours of overtime along with the slightly less than planned usage of time for training, leave and administration, resulting in available hours for the period being only 3.8% less than planned.

Planned/Actual Hours

	PLANNED	ACTUAL	DIFF.
Time Available (11 x 2040)	22,440	22,440	
Less: Adjustment for Position Vacancies	(1,000)	(2,635)	(1,635)
Training/ Leave Use/ Operational Support	(6,484)	(5,962)	522
Total	(7,484)	(8,597)	(1,113)
Excess hours worked		547	547
Time Available for Projects	14,956	14,390	(566)

Time Allocation — Time Planned vs. Actual

Chart A—Allocation of Total Time
Planned vs. Actual

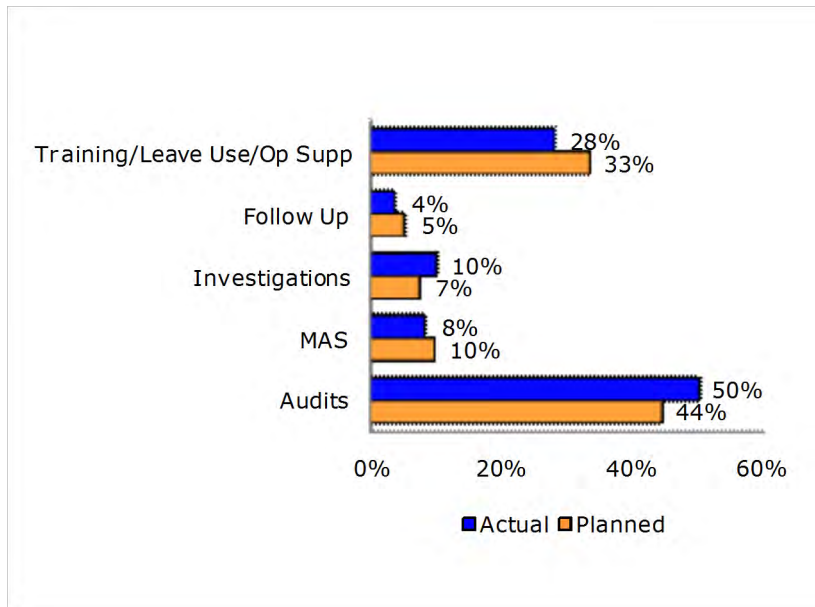


Chart A compares the allocation of total planned available time, by indirect and direct categories, with actual effort expended. While actual time by category did not vary significantly from the plan, indirect hours were less than planned with investigations and audits primarily benefiting from these hours.

OACR's actual time expended by category did not vary significantly from the work plan.

Time Comparison — Prior vs. Current Year

Chart B—Allocation of Time Available
Prior Projects vs. Current Year

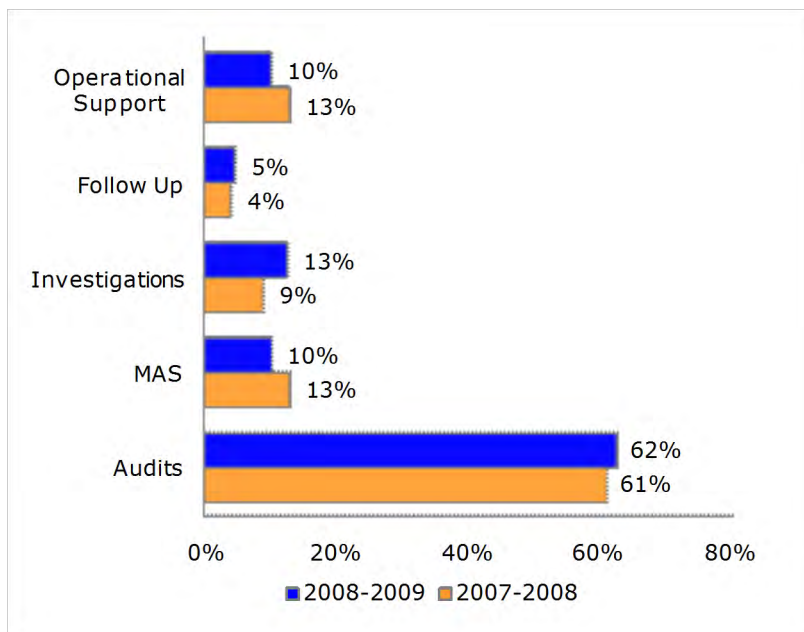


Chart B compares the actual time used during the prior year with the current year allocation for direct project categories and operational support. The allocation of time spent on follow up remained constant while there was a small increase in the time used for audit projects. Continuing a trend noted in the previous year, there was a shift in time from Management Advisory Services (MAS) and operational support to investigations, resulting largely from a continued increase in hotline and other complaints.



The Swamp—”Where only Gators get out Alive”



Lake Wauburg



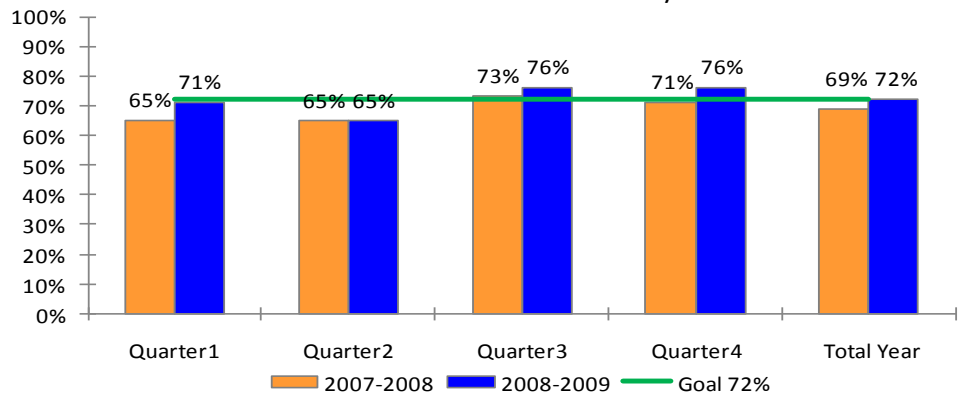
Office Direct Time

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 percentages, by quarter and in total, for the last two fiscal years. Due in large part to a decrease in time

charged to administration, leave and training, we achieved our direct time percentage goal of 72% for the year. Continued emphasis on projects contributed to the higher direct time, while lower staff turnover called for less resources devoted to training.

We achieved our direct time percentage goal of 72% for the year.

Chart C - Office Direct Time by Fiscal Years



Audits and Other Planned Reviews

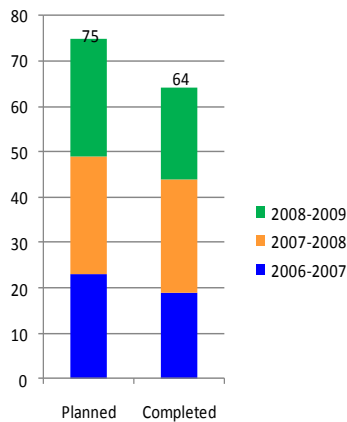
Trend Analysis

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

Over the last three years, 75 projects were planned and 64 have been completed. Internal audits and Management Advisory Services (MAS) were planned based on evaluation of risk which included input from the university management.

Many of the planned projects not completed are in progress and are considered with the next year's work plan. Planned MAS engagements do not always result in a project report that would be included in as an issued report. During 2008-2009, 62% (10,619 hours) of available time was spent on audits and 10% (1,743 hours) of available time was spent on MAS.

Trend Analysis of Projects Planned/Completed

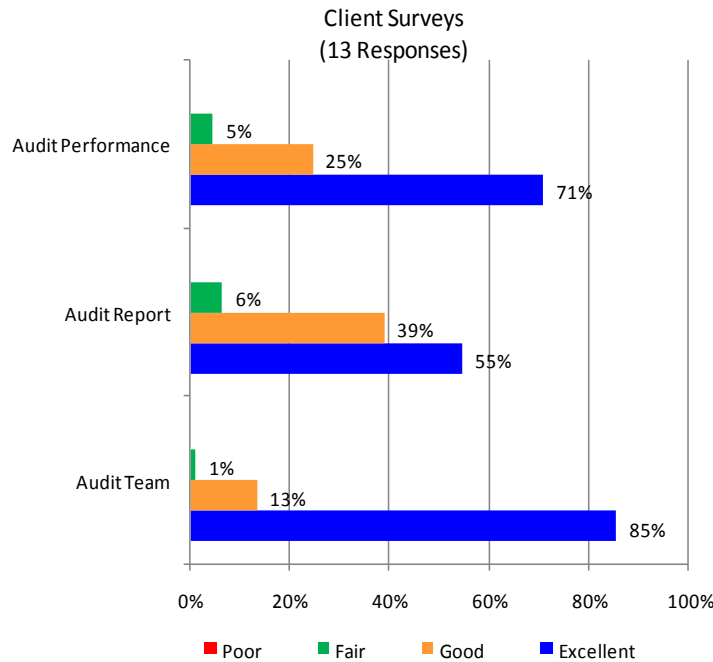


Trend Analysis of Projects Planned/Completed

	Planned		Completed		
	Original	Revised	Current	Carry Over	Total
2006-2007	31	23	12	7	19
2007-2008	28	26	16	9	25
2008-2009	30	26	14	6	20
TOTALS	89	75	42	22	64

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 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, for the most part, that OACR services are well received. Overall, 96% of survey responses to individual questions in all three categories indicated ranges of either good or excellent.



Client surveys indicate that, overall, OACR services were well received in 2008-2009.

Audit Report Summaries

This summary of audit reports issued profiles major engagements completed during this fiscal year. The subjects of our reports illustrate a commitment to balanced, proactive and significant coverage through audits of the Student HealthCare Center, Cashiering and Collections, Bank Reconciliations, Florida Opportunity

Scholars Program, UF Performing Arts and the IFAS Departmental audits. 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 with their audit committees.



IFAS Food Science & Human Nutrition Department

The primary objective of this audit was to evaluate key controls over the administrative processes of the Food Science and Human Nutrition Department (FSHN). Specifically, we focused on the control environment, collections, payroll and personnel administration, disbursements, fiscal monitoring, asset management, fuel and vehicle usage and compliance.

FSHN is one of the world's largest combined programs in which food science, nutritional sciences, and dietetics are studied within one academic department. The department has approximately 30 full-time faculty members, 80 graduate students and close to 1,000 undergraduates. Programs were accredited by the Institute of Food Technologists and the American Dietetic Association. FSHN's mission is to provide progressive and effective programs in

teaching, research, and extension which meet the needs of the citizens of Florida and benefit the nation. At the time of our review, FSHN had approximately 174 employees and \$5.7 million in property and equipment. Year-to-date expenditures through February 28, 2009 totaled \$7.1 million.

FSHN is involved in research in food sciences, nutritional sciences, dietetics, citrus research, and education occupying four buildings located on-campus and several research laboratories in the Lake Alfred Center for research and extension. The Southern Region Programs-Interregional Program 4, housed on-campus, is a federal cooperative program established in 1963 to assist the producers of minor crops to obtain clearances for pest control materials.



UFF Travel and Entertainment



Development officers are key employees in helping the foundation achieve its fundraising mission and frequently travel to meet with prospective donors. Foundation travel expenses totaled \$555,448 for the audit period. Development related travel accounted for 79% (\$437,311) of the total. While travel and entertainment expenses composed less than 1% of total foundation operating expenditures for the past three fiscal years, they have increased by 27% between fiscal years 2005 and 2006 and by 21% between fiscal years 2006 and 2007. As of July 1, 2007 the foundation was integrated into the University of Florida's *myUFL* accounting system. A July 3, 2007 Memorandum of Understanding established guidelines for the processing of foundation disbursements through the univer-

sity's accounting system.

The scope of this audit was limited to travel disbursements from accounts maintained by the foundation. The objectives of this audit were to identify and evaluate the controls in place to ensure:

- Travel and entertainment expenditures were accurate, supported and appropriate pursuant to applicable guidelines
- Policies and procedures were complete, current and effectively communicated to travelers and approvers
- Timely reimbursement to travelers
- Appropriate access to the travel & expense module in *myUFL*

UF Performing Arts



Curtis M. Phillips Center

The University of Florida Performing Arts (UFPA), an auxiliary unit of the university, was formed in September 2000 when the Curtis M. Phillips Center and the Baughman Center were united under common leadership. In April 2001, the University Auditorium became part of the unit. The UFPA is managed by a director who reports to the Provost and Senior Vice President for Academic Affairs. For the 2007-2008 fiscal year, UFPA revenues and expenses totaled \$4,252,475 and \$4,988,184, respectively.

The UFPA has been unable to meet annual expenses reporting a net loss of \$82,858 for 2006-2007 and \$735,708 for fiscal year 2007-2008.

The primary objective of this audit was to evaluate key controls over the business activities relating to revenues, contracts, expenditures (including payroll and leave), property and equipment, and financial reporting.

Bank Reconciliations

The primary objective of this audit was to evaluate the adequacy and effectiveness of key controls over the reconciliation process. Bank reconciliations identify differences between the bank statement balance and the corresponding general ledger cash account balances, and adjusts these differences so that both sets of records are in agreement. Reconciling items may include timing differences, errors, or irregularities.

The university has eight bank accounts through Wachovia that are reconciled and monitored by



UAA Payroll

The primary objective of this audit was to evaluate the adequacy and effectiveness of controls over the UAA payroll processes. Specifically, we focused our review on policies and procedures, accuracy of payroll, termination of employees, and system access.

The UAA executed its payroll biweekly. Timecards and/or leave slips were completed by em-

ployees, approved by supervisors and submitted to Human Resources for entry into the payroll system. For the fiscal year ended on June 30, 2008, approximately \$30.1 million was disbursed for UAA employees' salaries and benefits. As of the September 12, 2008 UAA paid 400 employees via direct deposit and issued warrants to 153 employees.

UAA Sports Camps and Clinics

During the summer of 2008, the UAA operated 12 camps and clinics which employed approximately 612 employees. Total revenues and expenditures reported as of August 31, 2008 were \$2,878,108 and \$2,013,583, respectively. The objectives of this audit were to evaluate the adequacy and effectiveness of existing controls in the UAA’s sport camps and clinics relating to revenues, disbursements and compliance with NCAA bylaws, UAA rules, regulations, and policies and procedures.

UAA encourages head and assistant coaches to schedule camps and clinics, provided these are operated in a manner consistent with the phi-

losophy and goals of the UAA, the university, and in compliance with NCAA regulations. UAA has established policies governing the operation of camps and clinics based on the philosophy of institutionally controlled administration while allowing, as appropriate, maximum management freedom to coaches. Camp directors are entitled to the net profit of camps and clinics. UAA provides administrative oversight in the areas of compliance, risk management, human resources and accounting. Insurance and administrative fees are charged to each camp to cover insurance premiums and the costs of administrative services provided by the Business Office.



Student Health Care Center

The Student Health Care Center (Center) is operated as an auxiliary under the authority delegated by the university president to the College of Medicine. The Student Health Advisory Board, composed of six staff and seven students appointed by the Department Chair of Community Health and Family Medicine, provides advice concerning policies and procedures for the Center. The primary objective of this audit was to evaluate key controls over the administrative processes of the Center focusing on control environment, fiscal monitoring, billing and collections, payroll, purchasing and disbursements, inventory/asset management and information technology.

The Center is an accredited outpatient clinic

with capacity to provide primary medical and psychological care for up to 400 patients per day. The Center’s primary support, \$12 million during fiscal year 2007-08, was provided by the mandatory student health fee. An additional \$5 million was generated from other Center sales and services, including pharmacy, laboratory, X-ray, physical therapy, women’s health, employee assistance program, massage therapy, CPR and immunizations. The Center maintained a full and part-time staff of approximately 250 employees and maintains a satellite clinic for south campus at the Health Science Center, a nurse-staffed clinic at Santa Fe Community College through outside contract and three limited service clinics in campus residence halls.

The Student Health Care Center provides outpatient care for UF’s 50,000 student body.

UFF Restricted Gifts

The foundation’s policy is to honor the donor’s stated purpose for the use of the specified gift through restricted funds that are established within the foundation and administered by specific university units. The primary objectives of our audit were to evaluate controls to determine if:

- Restricted funds use was in accordance with donor intent and university directives
- Donor intent was adequately communicated
- Restricted funds transfers to the university were authorized, deposited intact and appropriately processed
- Contributions received from donors were deposited in appropriate funds

Foundation endowed fund transfers to the university during calendar year 2007 totaled approximately \$33.6 million. We selected and tested 54 endowed restricted funds established as eminent scholar, professorship, scholarship, fellowship, research, and “other” funds. We reviewed 161 disbursements from these funds and perused journal entries in search of disbursements that may have been unusual considering the purpose of the fund.





HRS sponsors a benefits fair annually during open enrollment.

Benefits Management

The mission of Human Resource Services Benefits Management (HRBM) was to provide leadership in the design, delivery, and evaluation of benefits programs, processes, and policies that enable the university to attract, retain, and develop world class faculty and staff. The HRBM staff was under the direction of the Vice President of Human Resource Services. Satellite office support for benefits counseling and enrollment was located in the College of Medicine, Health Science Center, Institute of Food and Agricultural Science and Physical Plant Department. Employees can elect to participate in state-sponsored and/or university-sponsored benefits plans. HRBM coordinated

payroll deductions and remitted employee and employer premiums to plan providers. University contributions toward employee insurance premiums totaled \$109 and \$119 million for the 2007 and 2008 fiscal years, respectively.

The primary objective of this audit was to evaluate the adequacy and effectiveness of key controls over benefits management. Specifically, we focused on control processes relating to enrollment, payroll deductions and premiums, training, information, and communications, confidentiality of employee data, monitoring, and IT Controls.

Cashiering and Collections

The primary objective of this audit was to evaluate the adequacy and effectiveness of key controls over collections at the University Cashier's Office and decentralized units, focusing on the effectiveness of controls related to:

- Collecting, safeguarding, processing, and depositing cash receipts
- Recording and reconciling
- Compliance with directives, procedures and credit card industry data security standards

The Cashier's Office operated under Treasury Management, a unit in the Finance and Accounting Division of the Controller's Office, and served as a focal point for all university collections in-

cluding departmental deposits, wires, and student payments. Treasury Management was responsible for reconciling university financial records and monitored internal controls and established standards for cash controls over university collections. Treasury Management was also responsible for ensuring university compliance with Payment Card Industry Data Security Standards, which govern the processing of credit card transactions. The Cashier's Office prepared all collections for deposit to the university bank accounts. During fiscal year 2007-08, there were approximately \$696 million in departmental collections (excluding EFT/wire transfers) and approximately \$155 million in student collections.

UFF Departmental Collections

Development officers are hired by the foundation and assigned to campus units to have a major role in identifying and soliciting gifts. All gifts solicited in the name of and received for the benefit of the University of Florida, by staff, faculty, or students must be deposited with the foundation. Gifts are recorded to funds that are associated with a unit and have a designated fund administrator who is ultimately accountable for the fund. From July 1 through November 30, 2008, the foundation recorded over 22,000 gift receipts totaling approximately \$39 million. Included in these totals were gifts initially received at the foundation and at approximately 220 campus units.

The primary objective of this audit was to assess

the adequacy of internal controls over the processing of foundation gift collections received by university units, specifically focusing on:

- Collecting, safeguarding, and processing cash receipts
- Recording and reconciling
- Segregation of duties
- Timeliness of deposits

Departmental collections totaled approximately \$696 million in 2007-2008.



Florida Opportunity Scholars Program

The Florida Opportunity Scholars Program (FOS) began in 2006 to provide the opportunity for first-generation college students from economically disadvantaged backgrounds to attend the university. Eligible FOS recipients were guaranteed a scholarship and grant combination for up to five years in order to fund the participant's full cost of attendance to pursue a bachelor's degree. Initial FOS eligibility requirements included meeting normal university admission standards, Florida residency, family income less than \$40,000, neither parent with a bachelor's degree, and first time student in college (no transfer students). Requirements for annual renewal of the FOS award included full-time enrollment, meeting the income test requirements, earning at least 24 credit hours each year, and a minimum

cumulative GPA of 2.0.

The FOS was managed by a steering committee chaired by the Director of Student Financial Affairs and included representation from the Dean of Students Office, Student Affairs, University Counseling Center, Career Resource Center, AIM Program Office, Housing and Resident Education, and College of Liberal Arts and Sciences Academic Advising. During fiscal year 2008-2009, \$5,710,963 was disbursed to 1,078 participants. The primary objective of this audit was to evaluate the adequacy and effectiveness of key controls over the FOS, focusing on eligibility, awards, academic and social support, and program administration.



In its second year, Florida Opportunity Scholar enrollment retention rate was 95.4%.

UFF Fundraising Event Management

Fundraising events are used to encourage alumni and potential donors to provide private funds for the university's benefit. The foundation Special Events office is responsible for the oversight of fundraising events. The mission of the foundation Special Events office included maintaining event standards for all university alumni and development events, and serving as a resource for foundation staff who are planning such events. Development officers are hired by the founda-

tion and assigned to campus units to have a major role in identifying and soliciting gifts.

The scope of our audit was limited to foundation events that involved development staff. The objective of this audit was to assess the adequacy of internal controls in place over the planning, conducting and administration of foundation fundraising events.



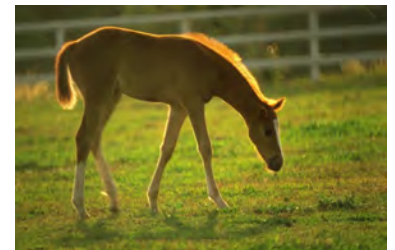
IFAS Animal Sciences Department

The primary objective of this audit was to evaluate key controls over the administrative processes of the Animal Sciences Department. Specifically, we focused on the control environment, collections, payroll and personnel administration, disbursements, fiscal monitoring, asset management, fuel and vehicle usage and compliance.

Animal Sciences is an academic department of the College of Agriculture and Life Sciences, a unit of the Institute of Food and Agricultural Sciences (IFAS), and has programs in genetics, management, meat science, molecular biology and physiology, and nutrition. Animal Sciences faculty works closely with industry groups, including several livestock associations, to develop

educational programs for their members. At the time of our review Animal Sciences had approximately 124 employees (30 faculty members and 94 staff), \$7.2 million in property and equipment, and \$2 million in animals. Year-to-date expenditures through February 28, 2009 totaled \$7.9 million.

Animal Sciences conducts research on various types of animals including horses, swine, sheep, beef and dairy cattle. As of February 28, 2009, the herds consisted of 4,466 animals maintained in nine university farm areas in and around Gainesville, Ocala and Alachua, with one USDA research center in Brooksville, Florida.



UFF Information Technology General Controls



The foundation computing department, which consisted of 13 employees, reported to the Chief Technology Officer and was responsible for the security of the foundation's information technology infrastructure. Foundation computing provided support for up to 450 users and managed the donor database, accounting system, and traditional IT services.

The primary objective of this audit was to evaluate the adequacy of internal controls over the foundation's information technology (IT) infrastructure. Specifically, we re-

viewed controls in the following areas:

- Security Policy
- Human Resources Security
- Physical and Environmental Security
- Communications and Operations Management
- Access Control
- System Development and Maintenance
- Business Continuity Management

Management Advisory Services

OACR assists management in decision making and improves operations through consultation 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. The following chart illustrates the distribution of effort performed on the various types of MAS services.

During fiscal year 2008-2009, 1,743 hours were spent on MAS, which represented 13% of available hours. A significant portion of MAS effort was expended on advisory reviews, consultations and general university service and support. Following are summaries of MAS projects and service/support:

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.

Florida Blue Key

Florida Blue Key, Inc. (FBK) is a non-profit corporation managed by its officers. The FBK officers are university students elected to serve for a one year term. The FBK produces the university's Homecoming, including Gator Growl. Other events organized by FBK include a high school debate tournament and career day events for undergraduate students. The objective of this project was to review the revenue and disbursement processes of FBK and the contract between FBK and the university for the production of Homecoming and provide recommendations to improve internal control processes.

Water Cost of Service Study

In response from a request from the university's Physical Plant Division management, we reviewed the Water Cost of Service Study (WCSS) used to calculate the water rates charged to the university as of October 1, 2008. The objective of our review was to determine that the WCSS was accurately performed and the methodology of deriving the rates was appropriate and in compliance with contract terms.

Master Vendor Files

The objective of this MAS was to review the requirements and internal control procedures used to establish and maintain vendors within the *myUFL* master vendor file. The Purchasing and Disbursements Services (PDS) vendor maintenance team is responsible for the addition of vendors, changes to existing vendor information, ob-



taining and retaining required supporting documentation, and loading vendor payment information into the database.

Internal Control Training

OACR has continued to present, in conjunction with the University Controller’s office, an internal control training course. *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. Five sessions were conducted during the 2008-2009 fiscal year reaching nearly 154 employees. The feedback on the training program continued to be positive and it will be continued into the 2009-2010 fiscal year. Human Resources Training and Organizational Development office, with the assistance of OACR and the University Controller’s office, is developing an online version of this training course to provide more accessibility and flexibility for campus administrative staff. The online course should be available next fiscal year.

General Consultation Services

During the fiscal year, OACR provided MAS consulting services in response to requests from university related persons and entities including,

among others, the University Controller’s office and Vice President for Research.

Newsletter

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

Other MAS Projects

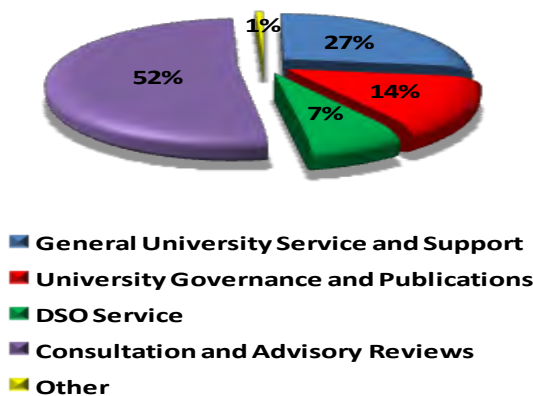
The OACR also participates in projects and initiatives that do not result in a released report. Examples of such projects during the 2008-2009 fiscal year includes:

- Role Security
- PeopleSoft Student Financials
- myUFL Financial Upgrade
- Campus Safety
- Data Security
- DSO Financial Reporting and Governance – Each year, we survey all affiliated organizations to obtain information related to their financial audits. We also review all audit reports when completed and examine for significant findings that may require our attention or that we may want to bring to the audit committee’s attention.

Internal Control training will be available on-line in 2009-2010.



MAS Effort Distribution



Our quarterly newsletter can be found at www.oacr.ufl.edu

Investigations



Integrity and Accountability

UF Compliance Hotline

Toll-free: 1-866-500-3344
www.tnwincc.com/reportline/university

An anonymous 24/7 reporting service provided by **NETWORK**

For further information, please visit <http://www.compliance.ufl.edu>

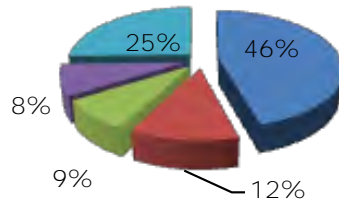
UF UNIVERSITY OF FLORIDA

The OACR receives complaints and allegations of fiscal improprieties from a variety of internal and external sources, including direct correspondence and referrals from other university offices and state agencies. The OACR also is responsible for the oversight of the University of Florida's compliance hotline. The OACR has contracted with an independent third party, The Network, to manage the compliance hotline. The Network is a technology-based company that aids its clients in the collection of confidential and sensitive information. The compliance hotline is a key component of the compliance process for the University and provides a mechanism for the reporting of issues, complaints and allegations, and other university-related concerns by either telephone or internet web page.

The OACR is committed to assisting the University in sustaining an operating environment with the core attributes of honesty and integrity. We strive to maintain the utmost objectivity and independence in all reviews by strictly following professional standards. In 2008-2009, the OACR received a total of 59 complaints and allegations via the following methods:

Complaints and Allegations Received

- 27 - UF Compliance Hotline
- 7 - E-Mail
- 5 - Telephone / Fax
- 5 - Internal Audits
- 15 - Referral / Letter / Other

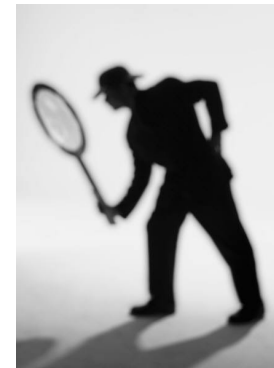
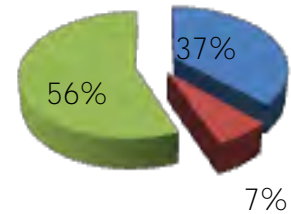


When complaints and allegations are received by the OACR, they are assessed to determine the most appropriate method for response. In some instances, the initial assessment indicates that the allegations are not of a fiscal nature and that other university departments would be the more appropriate body to perform a review of the reported concerns. In cases where a fiscal concern or impropriety may be present, the OACR will initiate its review process.

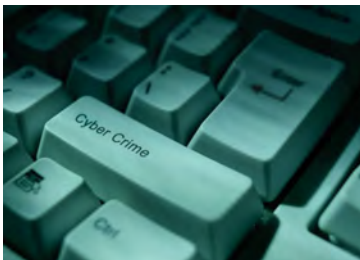
The review process begins with a preliminary review of the facts and information contained in the allegation and, if there is any indication of merit to any allegation or complaint, a project number is assigned and a full scale investigative review is initiated. Of the 59 complaints received in 2009, the assessments, preliminary and full scale reviews performed resulted in the following classifications or breakdown of review activities.

Disposition of Complaints/Allegations

- 22 - Referred
- 4 - Preliminary Assessment
- 33 - Full Review



The compliance hotline provides a mechanism for reporting concerns anonymously.



Where appropriate, recommendations for improvements of internal controls are communicated to management and are monitored for implementation. In 2009, the total number of hours related to investigative efforts increased over prior years' due to the significant increase in allegations received (63%) including several large investigations related to allegations brought by a former university dean. A total of 2,132 hours, or 10% of available hours, were committed to investigative efforts. The significant issues addressed with these reviews are listed in the following table.

Activity/Controls Identified	Number of Occurrences
Purchasing Card Misuse	7
Research Funds Misuse	3
Inappropriate Outside Activities/Conflict of Interest	3
Theft of Property/Resources	3
Financial Mismanagement	2
Improper Use of Equipment	2

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 the 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 procedures were conducted throughout the year and their results were communicated to university management and the Board of Trustees Audit Committee. For the 2008-2009 fiscal year, the OACR staff expended 785 hours or 4% of available hours for follow-up activities.



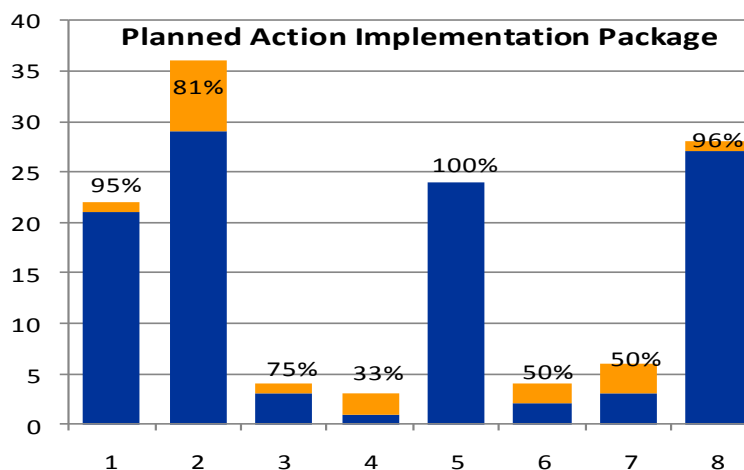
The Institute of Internal Auditors

OACR determines if management has taken appropriate action regarding audit comments in accordance with IIA standards.

Oversight by	Followed Up	Implemented	In process	Not to be Implemented	Percent Implemented	Percent Implemented Prior Year
1 - Academic Affairs	22	21	0	1	95%	85%
2 - Business Affairs	36	29	7	0	81%	71%
3 - Health Affairs	4	3	1	0	75%	100%
4 - Human Resources	3	1	2	0	33%	67%
5 - IFAS	24	24	0	0	100%	100%
6 - Sponsored Research	4	2	1	1	50%	50%
7 - UAA	6	3	3	0	50%	100%
8 - UFF	28	27	0	1	96%	83%
Totals	127	110	14	3	87%	82%

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

The caption "in process" includes action plans that were not fully implemented during our follow-up review process for the year ending June 30, 2009. The caption "not to be implemented" generally reflects actions that were not fully implemented after our follow-up review procedures were completed, or changing conditions that render the plan obsolete.



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 (IIA)
- 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
- Secretary — IIA North Central Florida Chapter
- Program Chair — IIA North Central Florida Chapter
- Membership Chair — IIA North Central Florida Chapter



The Baughman Center on Lake Alice, UF campus, is open daily for meditation and available for weddings, memorial services and special events.

- Board Member — IIA North Central Florida Chapter
- Web Master — IIA North Central Florida Chapter
- Member — State University Auditor Consortium (SUAC)
- Technology Committee — Association of Health Care Internal Auditors (AHIA)

University Service

During 2008-2009, OACR members participated in various university-wide initiatives and assignments including:

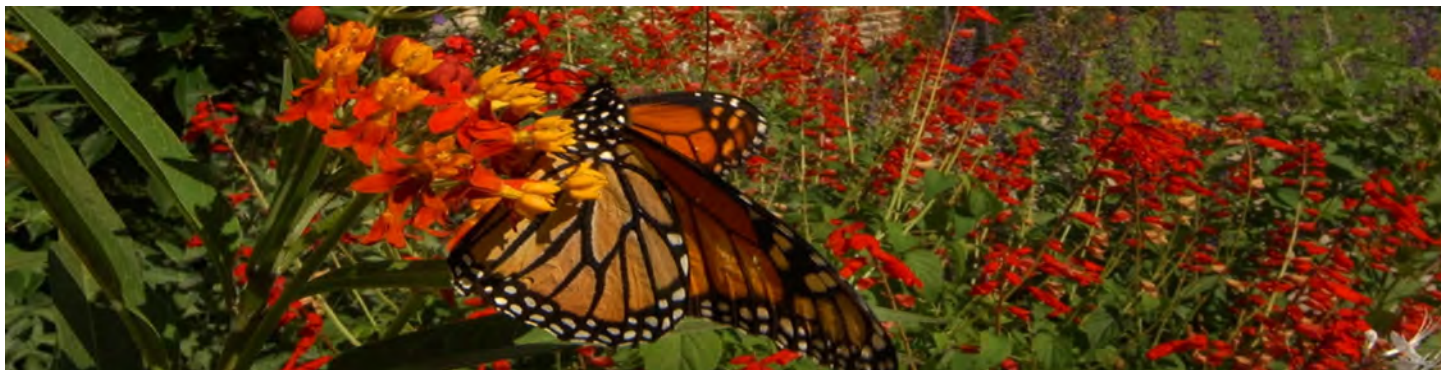
- Member – University Information Technology Advisory Committee – Information Security Management
- Member — University Information Technology Advisory Committee—Data Infrastructure
- Member — University Information Technology Advisory Committee—Network Infrastructure
- Audit Coordination (External)
- Member — Auxiliary Review Committee
- Member — University of Florida Communications Network
- Presenter — Division of Sponsored Research—Research Administrators Training Series
- Presenter — PRO3 Series—Internal Controls at UF
- Direct Support Organization Audit Committee Coordination (UAA, UFF and Gator Boosters)
- Coordinator — Building Emergency Management Plan
- Coordinator — University of Florida Green Team

Reports Issued

Reports Issued 2008-09

TITLE	PERIOD	ISSUE	REPORT NO.	PROJECT
UFF Travel and Entertainment	7/1/07—3/31/08	9/16/08	UF-08-521-13	Internal Audit
President's Reimbursable Expenses	7/1/07—6/30/08	10/8/08	72.2008.02	MAS
UF Performing Arts	As of 3/31/08	10/9/08	UF-08-513-05	Internal Audit
Master Vendor Files	As of 7/24/08	10/31/08	72.2008.12	MAS
Bank Reconciliations	As of 8/31/08	12/17/08	UF-09-551-13	Internal Audit
UAA Sport Camps and Clinics	As of 9/31/08	1/6/09	UF-07-484-05	Internal Audit
Water Cost of Service Study	As of 10/1/08	2/13/09	71.2009.02	MAS
Florida Blue Key Homecoming	As of 2/20/09	2/20/09	71.2009.01	MAS
Student Health Care Center	As of 9/30/08	3/6/09	UF-09-539-01	Internal Audit
UFF Restricted Gifts	1/1/07—12/31/07	3/9/09	UF-08-527-19	Internal Audit
Benefits Management	As of 2/28/09	4/24/09	UF-09-552-14	Internal Audit
Cashiering and Collections	As of 11/30/08	5/27/09	UF-09-553-15	Internal Audit
UAA Payroll	As of 8/31/08	6/5/09	UF-09-547-09	Internal Audit
Florida Opportunity Scholars Program	As of 3/31/09	6/18/09	UF-09-558-20	Internal Audit
UFF Fundraising Event Management	As of 10/31/08	6/30/09	UF-09-542-04	Internal Audit
UFF Departmental Collections	As of 11/30/08	6/30/09	UF-09-541-03	Internal Audit
UFF Information Technology General Controls	As of 4/30/09	6/30/09	UF-09-544-06	Internal Audit
*IFAS Animal Sciences Department	As of 2/28/09	7/13/09	UF-09-549-11.1	Internal Audit
*IFAS Food Science & Human Nutrition Department	As of 2/28/09	7/13/09	UF-09-549-11.2	Internal Audit

* Substantially completed as of June 30, 2009.





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