

# *Annual Report*

## *2009-10*

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

# Office of Audit & Compliance Review



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## *Message from the Chief Audit Executive*

### *Brian Mikell, CPA*

Fiscal year 2009-2010 marked my first complete year as Chief Audit Executive. I consider it an honor to serve my alma mater in this capacity and have sought to ensure that the Office of Audit and Compliance Review (OACR) has remained true to its mission of always adding value through provision of audit, advisory and investigative services.

We have been successful in our main goal of retaining our capable and professional staff and I remain committed to increasing OACR's value to the university through their further professional development. We are here to serve and



I encourage all employees and units of the University of Florida to contact OACR whenever we can be of assistance.

## *Introduction*

The mission of the Office of Audit and Compliance Review is to provide independent, objective assurance and consulting services, using a risk-based approach, to add value and improve the operations of the University of Florida and its affiliated organizations. 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.

The scope of our work included determining whether the university's network of risk management control and governance processes, as designed and represented by management, was adequate and functioned in an effective and

efficient manner.

In the 2009-2010 fiscal year, the OACR staff continued to provide effective service to the university community, including internal audit support for the major direct support organizations, the UF Foundation and the University Athletic Association.

OACR's expectations, as we move into fiscal year 2010-2011, 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.



We are located off-campus, in the Human Resource Services building, at 903 West University Avenue.

# Operations

## Goals and Objectives

A key operational objective for the period was the completion of the final 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.

The OACR continued various ongoing initiatives from prior periods, including the management of the compliance hotline and co-facilitation, along with the University Controller's Office, of the *Internal Controls at UF* training class. This class is part of the certification in fiscal management for employees. With the assistance of Human Resources, an on-line version of the class was developed and training was provided, through live and on-line sessions, for 171 employees. The OACR continued to be responsive to requests for assistance and addressed the needs of campus through advisory and consulting engagements as well as investigative reviews.



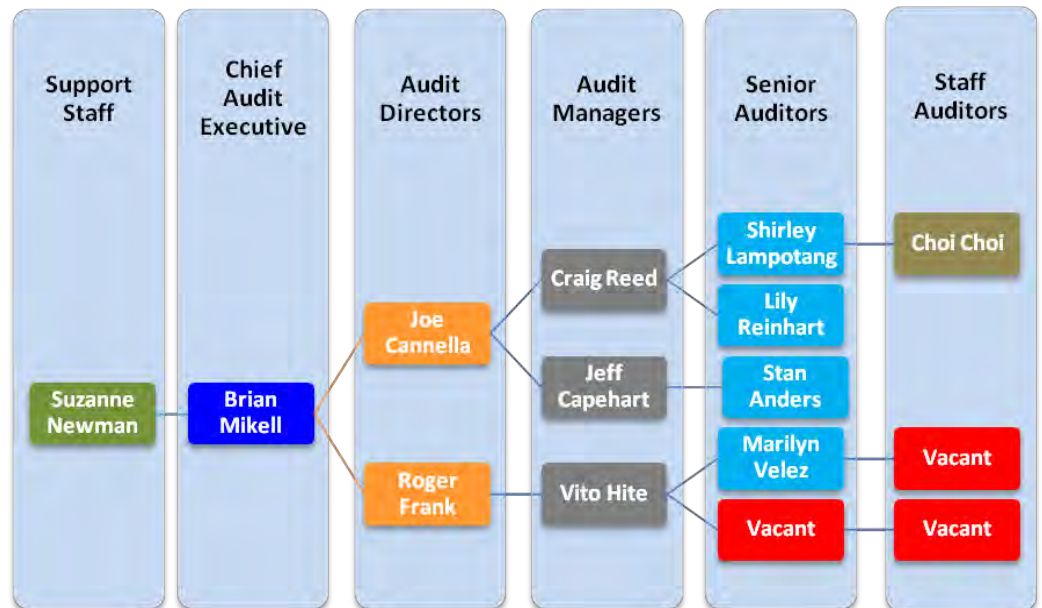
OACR staff: Joe Cannella, Roger Frank, Brian Mikell, Jeff Capehart, Marilyn Velez, Stan Anders, Shirley Lampotang, Suzanne Newman, Choi Choi, Craig Reed, Vito Hite, Lily Reinhart

## Organization

The Chief Audit Executive (CAE) is appointed by and operates under the general oversight of the university president. The CAE reports functionally to the Board of Trustees through its audit committee and administratively to the senior vice president for administration and busi-

ness ventures. 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 Organization Chart as of June 30, 2010:

We promoted a senior auditor to manager and a staff auditor to senior auditor in 2009-2010, while continuing to leave three positions vacant.



## Staffing and Other Resources

During the 2009-2010 fiscal year, OACR enjoyed stability with no turnover in our full-time staff. The internal organization chart was adjusted through the promotion of a Senior Auditor to the position of Audit Manager, Investigative Services, and the promotion of an IT Staff Auditor to an IT Senior Auditor. As a result of budget reductions over the last few years, we have two vacant positions at staff auditor and one vacant senior auditor position. As the fiscal year came to a close, the OACR was prepared to fill one of the vacant staff auditor positions.

The OACR continued to enjoy our off-campus home in the Human Resource Services building at 903 West University Avenue. Through a rotational equipment replacement policy, we maintained our commitment to ensure that the OACR staff was equipped with the appropriate tools to efficiently perform their required duties. We are

also committed to ensure that all necessary software is current and up-to-date. The OACR continued to utilize electronic media to issue audit reports when feasible, and to document and store our supporting working papers.

University management continued to demonstrate its commitment to the internal audit function by adequately funding the OACR, considering the budget reductions previously noted. For some years, a funding model had been utilized that effectively aligned audit resources with the university units expecting and supporting audit effort. During the year, we submitted a funding request for the 2010-2011 fiscal year under the new Responsibility Center Management budget model. We anticipate similar funding support from the university through this new 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 Standards for the Professional Practice of Internal Auditing, Section 1230, states that "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development." OACR places a premium on quality continuing professional education through participation in our local IIA

chapter seminars, promoting attendance to professional conferences and taking advantage of relevant training opportunities through the university and other entities.

The following table provides a list of staff participation in formal training programs during the 2009-2010 fiscal year:

Sponsored by:	Hours	Employees Attending
The IIA - North Central Florida Chapter	241	11
The Institute of Internal Auditors	113	11
Association of Colleges and University Auditors	90	4
University of Florida	33	11
Florida Department of Justice	18	9
Association of Healthcare Internal Auditors	17	1
Thomson Reuters	13	2
Miscellaneous	9	3
Jefferson Wells	6	3



Local IIA Chapter Training



## Expenditure Analysis

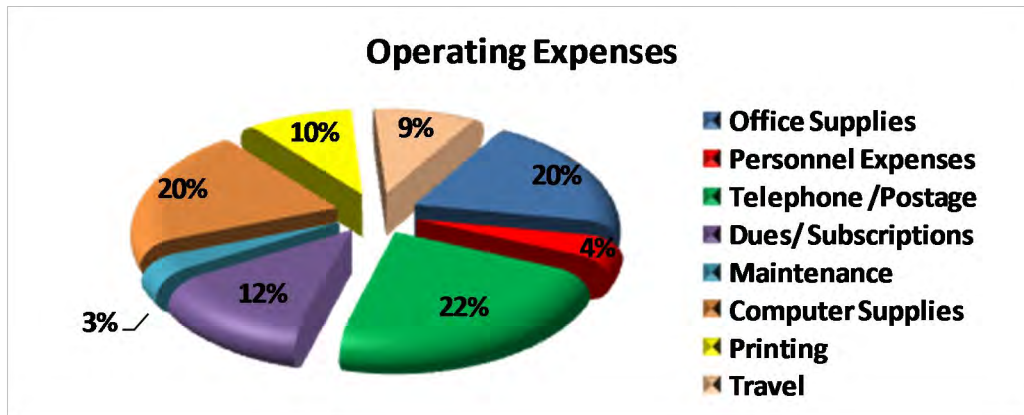


The OACR expenditures by category are illustrated in the following table. Our primary budgetary commitment remains professional staff salaries. Overall, expenditures moderately increased from the prior year as we began to recover from the budget reductions of recent years. The decrease in OPS expenditures resulted from partially funding salaries from Federal Work Study funds,

which are not part of OACR budget, and a reduction in student staff. Fixed asset expenditures increased due to IT equipment purchases that were deferred in 2008-2009 due to budget cuts. Approximately 55% of OACR operating expenses resulted from telephone/postage, office supplies, travel and personnel-related expenses.

### Analysis of Expenditures

	2008-2009	2009-2010
Salaries	\$1,137,914	\$1,152,300
Other Personal Services (OPS)	16,068	5,749
Fixed Assets	--	13,397
Operating Expenses	16,952	14,761
Training	10,469	12,705
Compliance Hotline	13,650	9,500
<b>Total</b>	<b>\$1,195,053</b>	<b>\$1,208,412</b>



## Time Analysis



The table below provides a comparison between time available as planned and actual time available for projects. Actual hours lost due to position vacancies and actual hours used for training, leave and administration were 917 hours less than the amounts planned, having a positive impact on

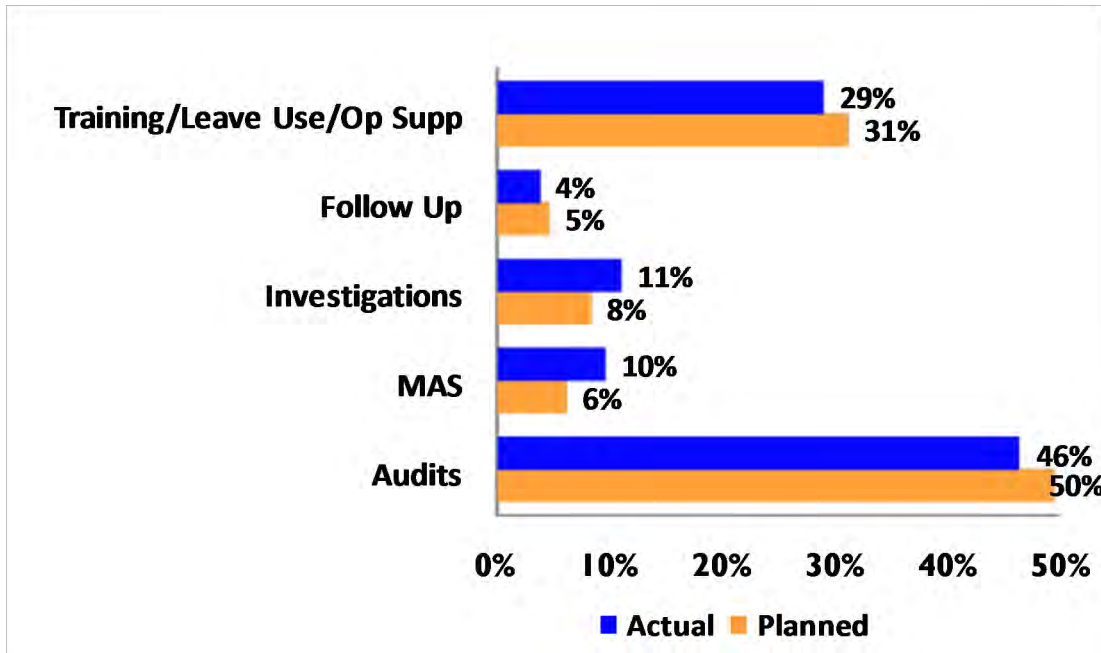
project progress and completion. This positive impact was further enhanced by the 518 hours of overtime generated by OACR staff, ultimately resulting in available hours for the period exceeding planned hours by 11%.

### Planned/Actual Hours

	Planned	Actual	Diff.
Time Available (9.75 x 2040)	19,890	19,890	
Less: Adjustment for Position Vacancies	(500)	(196)	304
Training/ Leave Use/ Operational Support	(6,340)	(5,727)	613
<b>Total</b>	<b>(6,840)</b>	<b>(5,923)</b>	<b>917</b>
Excess hours worked		518	518
<b>Time Available for Projects</b>	<b>13,050</b>	<b>14,485</b>	<b>1,435</b>

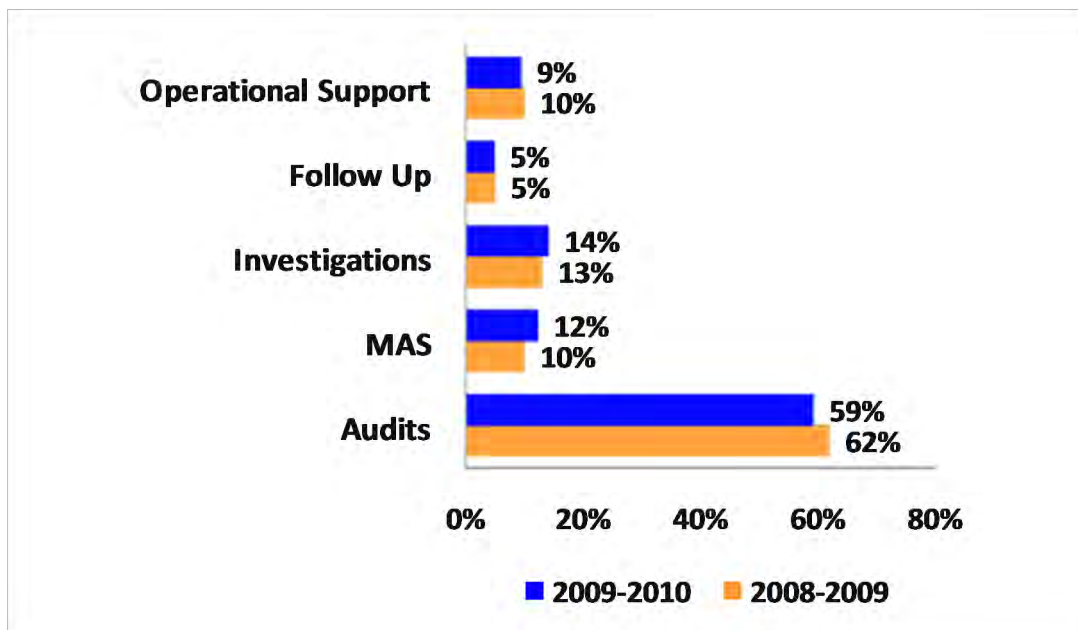
### *Time Allocation — Time Planned vs. Actual*

This chart compares, by indirect and direct categories, the allocation of total planned available time with actual effort expended. While actual time by category did not vary significantly from the plan, actual hours charged to indirect and audit categories were less than planned, with investigations and management advisory services primarily using these hours.



### *Time Comparison — Prior vs. Current Year*

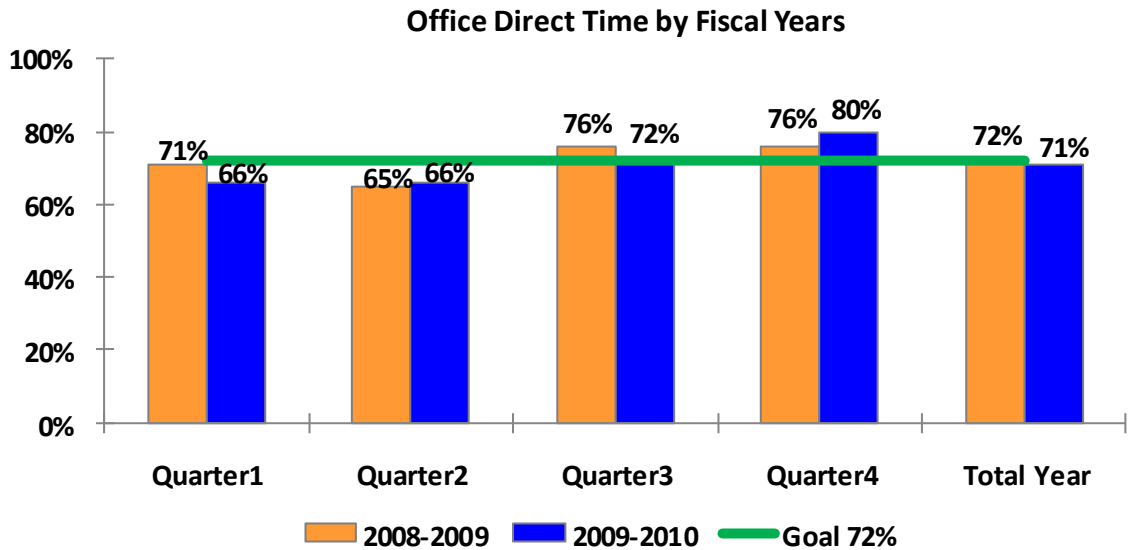
This chart compares, for direct project categories and operational support, the actual time used during the prior year with the current year allocation. The allocation of time spent on follow up and operational support remained relatively constant. In 2009-2010, we saw a decrease in available time allocated to audits with a corresponding increase in available time allocated to investigations and management advisory services. This shift in time reflects an increase in requests from campus for advisory services as well as hotline and other complaints.



## Office Direct Time

Direct time percentages are established as a productivity goal for each professional position and at 72% for the office as a whole. Direct time is generally defined as time spent on projects and it excludes time charged to administration, service support, leave and training. This chart compares direct time

percentages, by quarter and in total, for the last two fiscal years. With a strong 3<sup>rd</sup> and 4<sup>th</sup> quarter, OACR was able to finish the year at 71% direct time, slightly under our goal but fairly consistent with the previous year. OACR continues to stress efficient and effective use of our time resources.



## Audits and Other Planned Reviews

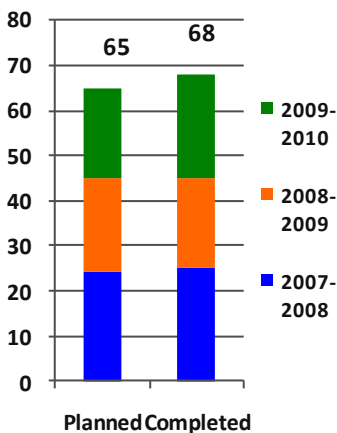
### Trend Analysis

The table below reflects a three-year analysis of projects planned and completed. Internal audits and management advisory services (MAS) were planned based on an institutional risk assessment, which included input from university management. Planned projects shown in the table include audits and advisory reviews that should result in a report, and the original planned projects are derived from OACR's three-year work plan. Each year's work plan is formally revised and approved by the audit committee midway through the year. As risks

and resources change, projects may be added, deleted or deferred to future periods. Not all completed projects were planned.

Over the last three years, a total of 65 projects were planned and 68 were completed. During fiscal year 2009-2010, 59% (9,478 hours) of available time was used on audit projects and 12% (1,969 hours) was used on MAS projects. An additional 14% (2,257 hours) was used for investigative projects, and is not reflected in the reported projects.

**Total Projects Planned/Completed**

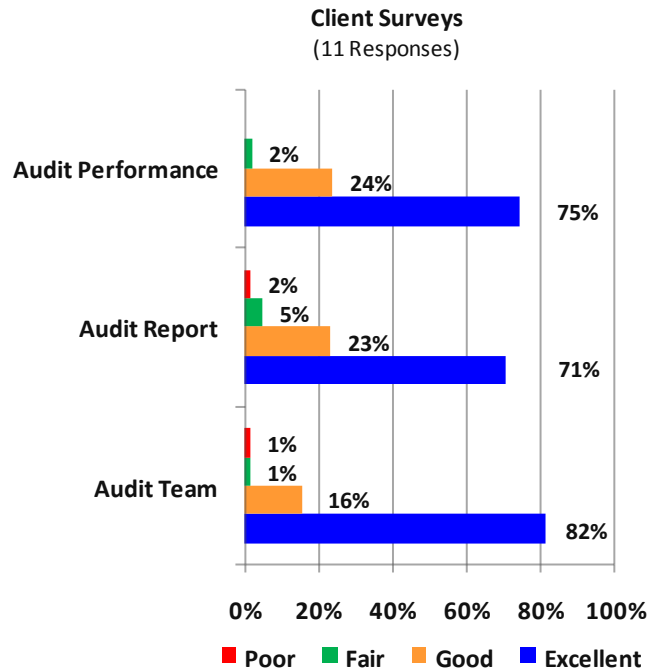


**Trend Analysis of Projects Planned/Completed**

	Planned		Completed		
	Original	Revised	Current	Carry Over	Total
2007-2008	27	24	16	9	25
2008-2009	26	21	14	6	20
2009-2010	23	20	15	8	23
<b>TOTALS</b>	<b>76</b>	<b>65</b>	<b>45</b>	<b>23</b>	<b>68</b>

## Client Surveys

In an effort to ensure continued high quality of OACR services, input from clients is requested at the conclusion of each audit engagement. Feedback is obtained via client surveys on the overall performance of the audit engagement, the quality and usefulness of the audit report, and the conduct of the audit team. Results of our client surveys during the year indicated that, for the most part, OACR services were well received. Overall, 96% of survey responses to individual questions in all three categories indicated ratings of either good or excellent.



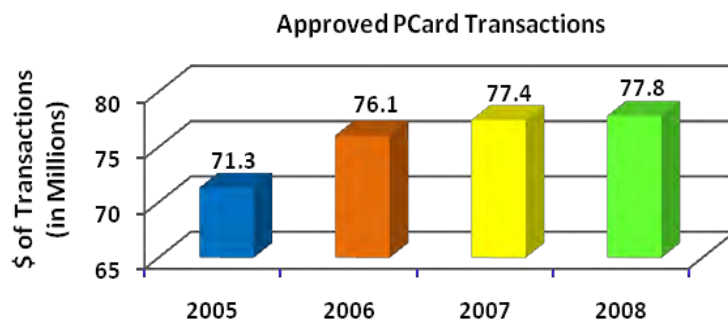
Client surveys continue to indicate that, overall, services were well received in 2009-2010.

## Audit Report Summaries

This summary of audit reports issued profiles audit engagements completed during this fiscal year. The subjects of our reports illustrate a commitment to balanced, proactive and significant coverage. Audits performed included system-wide fiscal processes, system-wide contract and grant processes, major areas under the purview of student affairs, university auxiliary units and departments within the Institute of Food and Agricultural Sciences (IFAS). 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.

## Purchasing Card (PCard) Program

The PCard program provides an effective and convenient way to purchase commodities. University policy requires all faculty or staff to be authorized by their dean, director, or department chair and to complete web-based training prior to issuance of a PCard. As of February 28, 2009, there were approximately 4,900 active University of Florida PCards for 341 business units. For the period January 1, 2005 through December 31, 2008, approved PCard transactions totaled over \$303 million as shown in the accompanying chart:



PCard purchases do not require traditional controls such as purchase requisitions, purchase orders, and receiving reports. Therefore, for the achievement of accountability objectives, established control procedures must be followed both at the unit level and at PCard administration. This audit was conducted as of February 28, 2009 with the objective to evaluate the effectiveness of controls in place at the unit level to determine whether PCard usage was appropriate, including approval of PCard transactions and compliance with the PCard use guidelines.



## *Alumni Association Gator Clubs*



The Gator Clubs exist as nonprofit organizations under the corporate umbrella of the University of Florida Alumni Association and are subject to the regulations and restrictions of the Alumni Association. The term “Gator Club” is a registered trademark of the University of Florida Alumni Association. Gator Clubs are organizations of alumni, parents and friends of the University of Florida, organized to operate exclusively for educational and charitable purposes. They advance and promote the general welfare and interests of the University of Florida as an educational institution. Their goal is to foster a spirit of loyalty, unity and

cooperation among the graduates, former students and friends of the University of Florida.

As of May 15, 2009, there were ninety-eight Gator Clubs. Thirty-eight clubs were located in the state of Florida, fifty clubs were located outside the state of Florida, and ten clubs were located internationally. This audit was conducted as of March 31, 2009 with the objective to evaluate the key controls in place to promote efficient and effective management of Gator Clubs and to determine if the Gator Clubs are in compliance with University of Florida Alumni Association guidelines and procedures.



## *UFF Restricted Gifts*

The UFF was established to support and enhance the university by encouraging private donations. The foundation’s policy is to honor the donor’s stated purpose for the use of the specified gift. Restricted gift funds are established within the foundation and administered by specific university units.

During the calendar year 2008, the UFF transferred to the university endowed restricted funds totaling approximately \$32.2 million to be used for scholar-

ships, fellowships, professorships, eminent scholar chairs, and research. During the same period, the university disbursed approximately \$23.7 million from endowed restricted funds for salaries and benefits, scholarships, fellowships, travel, materials and supplies, and contractual services. This audit was conducted for the calendar year 2008 with the objective to evaluate controls designed to ensure that restricted funds were used in accordance with donor intent.

## *UAA Student-Athlete Academic Eligibility*

Compliance with the National Collegiate Athletic Association (NCAA), Southeastern Conference (SEC), and university rules related to student-athlete academic eligibility is the responsibility of the UAA athletic director, and is a joint process conducted by the UAA’s Compliance Office and Office of Student Life, and by the university’s Office of Admissions and Office of the University Registrar. During the 2008-2009 academic year, there were 492 eligible individual student-athletes identified on the squad lists, including 152 fresh-

men. This population of eligible student-athletes was approximately 60% male (292) and 40% female (200).

This audit was conducted as of June 30, 2009 with the objective to evaluate the key controls designed to promote compliance with the NCAA and SEC requirements for student-athlete academic eligibility. Specifically, we reviewed initial academic eligibility for incoming freshmen and transfers, and continuing academic eligibility including degree progress requirements.

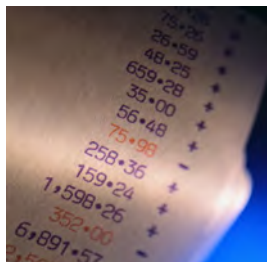


## *Payroll*

University Payroll Services is a unit of the University Controller's Office and is responsible for processing the University of Florida’s payroll. The payroll process creates pay checks and electronic funds transfers (direct deposits) for employees. It also creates payments of employee benefits and payroll deductions for payroll vendors. The university used a biweekly schedule for processing payroll. During calendar year 2007, there were 26

scheduled pay days with total payroll disbursements of approximately \$1.15 billion.

Payroll control procedures must be in place both at the unit level and at central Payroll Services. This audit was conducted as of August 31, 2009 with the objective to evaluate key controls over payroll processes, both at the central and unit level, for ensuring the propriety and effectiveness of university payroll.



## Recreational Sports Department (RSD)

The RSD operated within the Office of the Vice President, Student Affairs, and was responsible for developing sports programs and services for students, faculty and staff. These programs and services included aquatics, fitness, intramural sports, sports clubs and other recreational activities. The RSD managed several on-campus recreation facilities including three fitness centers, nine fields, two pools, six outdoor court facilities, and a gym. Lake Wauburg, located eight miles south of campus, was also managed by the RSD and included activities such as boating, swimming, volleyball, a team development course and a climbing wall.

The RSD had 27 permanent employees and over

600 OPS and student employees. Approximately 90% of funding was provided by Student Government through allocation of Student Activity and Service fees. Additional revenue was realized from fees charged for membership, personal training, event registrations, and facility rentals. The RSD's total budget for the fiscal years 2009 and 2010 was \$5 and \$5.3 million, respectively. This audit was conducted as of July 31, 2009 with the objective to evaluate key controls over the RSD's administrative processes including fiscal monitoring, collections, payroll and personnel, disbursements, memberships, facility access and safety, programs offered and management of assets.

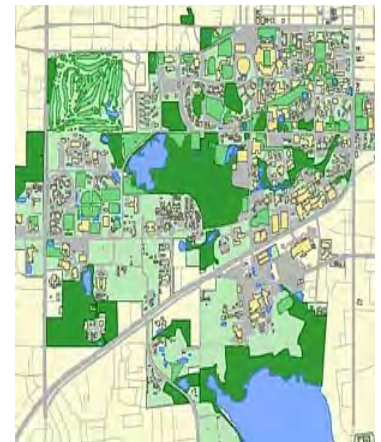


## Transportation and Parking Services (TAPS)

TAPS was a self-supporting auxiliary unit, operated within the Business Services Division, reporting to the Vice President for Business Affairs. TAPS was responsible for parking administration for the university including, among other things, decals sales, parking fees, the Zipcar program, fiscal and administrative oversight over the mass transit contract, parking enforcement and the Student Traffic Court. TAPS maintained a full and part-time staff of approximately of 55 employees.

TAPS derived its operating resources from a

mandatory transportation fee paid by matriculating students (42% in FY 2009), decal sales (32%), parking fees (12%), and fines and penalties (12%). Total operating revenue for the fiscal years ended 2007, 2008, and 2009 was \$16.1, \$17.5 and \$19.1 million, respectively. Operational expenses totaled \$17.4 million for the fiscal year ended June 30, 2009. This audit was conducted as of October 31, 2009 with the objective to evaluate the control environment and key controls over the administrative processes of TAPS.



## University of Florida Investment Corporation (UFICO)

The UFICO was created by the Board of Trustees of the University of Florida in June 2004 to oversee the investments of the University of Florida. As of June 30, 2009, the UFICO managed an investment portfolio of \$1.6 billion. The portfolio consisted of assets from the University of Florida Foundation, the University of Florida Research Foundation, the University Athletic Association and the University of Florida.

The UFICO was governed by a separate Board of Directors appointed by the University's Board of Trustees. The UFICO's Board of Directors approved the investment policies, objectives and

broad asset allocations for the various investment pools. The UFICO staff was charged with overseeing the day-to-day operational investment activities subject to policies established by their Board, which included performing due diligence procedures on current and prospective investment managers and retaining or dismissing investment managers, custodians and service providers. This audit was conducted as of June 30, 2009 with the objective to identify and evaluate the UFICO's control procedures in place relative to the selection and review of prospective investment managers, and the assessment of current investment managers.



## UFF Human Resources and Payroll

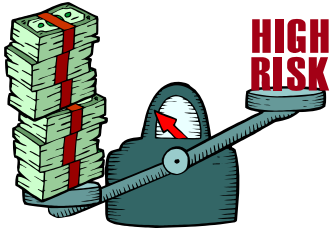


UFF Human Resources (HR) provided services to foundation employees in the areas of benefits administration, compensation, employment practice, policy and procedure, payroll administration, recruitment and retention, safety, training and development, and wellness. Foundation payroll was processed through either the University of Florida's accounting system, *myUFL*, or outsourced to Automatic Data Processing, Inc. (ADP). The foundation began processing payroll through *myUFL* on June 18, 2004 and

ceased adding new employees to the ADP system in May 2008.

As of June 19, 2009, there were 176 foundation employees processed through *myUFL* and 105 processed through ADP. Total payroll expenses for the foundation totaled \$28,518,737 during fiscal year 2008-2009. This audit was conducted as of October 31, 2009 with the objective to assess the adequacy of internal controls in place over foundation human resource management and payroll processes.

## UFF Risk Management and Insurance



The UFF is a direct support organization of the University of Florida whose mission is to promote, receive and administer private support for the University of Florida. The foundation employed a multifaceted approach for managing its mission-related risks, including the use of an independent risk management and insurance consulting firm.

This audit was conducted as of September 30, 2009 with the objective to assess the adequacy of internal controls over foundation risk management and insurance processes. Specifically reviewed were the foundation's processes in place for risk assessment and planning; procurement and monitoring of insurance activities; managing workers' compensation; and complying with federal, state and university regulations.

## Cost Sharing



Cost sharing is a term used to describe circumstances where a granting agency does not fully fund all of the allowable costs associated with a specific project, with the university funding the difference from other revenue sources. Cost sharing may take the following forms:

- **Mandatory** cost sharing is required by statute or the agency states that cost sharing is a requirement of the award, and is generally reported to the sponsoring agency through financial reports.
- **Voluntary committed** cost sharing is proposed by the university when none is required. When the sponsor accepted the proposal, the proposed cost sharing became a

condition of the award. Voluntary committed is generally not required to be reported to the sponsor.

When an award was accepted that included cost sharing, the university agreed to provide the stated cost for the performance of the project. To ensure compliance with cost sharing commitments, the university had developed an information system contained within *myUFL* to monitor its commitments and the associated expenses. Committed cost sharing had averaged approximately \$21.5 million per year over the last three years. This audit was conducted as of July 31, 2009 with the objective to evaluate and determine whether existing controls provided reasonable assurance that cost sharing commitments were in compliance with applicable policies, laws and regulations.

## *Contracts and Grants Billing and Reporting*

The university derives a major portion of its operating revenues from contracts and grants (\$574 million for the fiscal year ending June 30, 2009). Federal sponsors have been the largest contributors to the university's research programs with the National Institute of Health providing the largest portion of federal support (\$132 million for the fiscal year ending June 30, 2009).

Administration of contracts and grants was a team effort consisting of the Principal Investigator (PI) and their departmental administration, the Division of Sponsored Research (DSR), and the university's appropriate fiscal office. The PIs were ultimately responsible for ensuring compliance in the use of funds awarded to sponsored projects. Departmental fiscal personnel assisted the PIs with the fiscal management of their projects. Three contracts and grants central administrative offices (C&G) exist (Institute of Food and

Agricultural Sciences, the College of Engineering and the rest of the university) to provide additional oversight and support. The C&G offices were primarily responsible for post-award financial administration. After approval of an award by the DSR, the C&G offices established the award accounts and released initial budget amounts, processed and submitted invoices, submitted financial reports, and performed periodic reconciliation of the award accounts in the university's accounting system.

This audit was conducted as of August 1, 2009 with the objective to evaluate the adequacy and effectiveness of key controls over billing and reporting. The audit specifically focused on the control environment, account set up, billing, collections, cash management, reporting to sponsors and closeout processes.



## *Check Processing and Disbursements*

University Purchasing and Disbursement Services (PDS) was a unit of the University Controller's Office. The PDS disbursements office had the responsibility to review and approve vouchers for vendor payment, distribute checks, image supporting documentation for financial transactions, and disseminate and interpret information relative to the invoice payment process.

In the *myUFL* system, vouchers were allowed to be manually approved or pre-approved for payment. Manually approved vouchers were entered at the unit level and supporting documentation was faxed to the central imaging system for review and approval by one of the five core ap-

proval offices. Pre-approved vouchers were the result of purchases from designated vendors or when PDS allowed select units to have their own review and approval process outside of *myUFL* for operational efficiency purposes.

During the 2008-2009 fiscal year, the university processed 972,408 vouchers through *myUFL* (excluding payroll related transactions) resulting in disbursements of approximately \$635 million. This audit was conducted as of January 31, 2010 with the objective to evaluate the adequacy and effectiveness of key controls over voucher processing and disbursements, including check production.



*Elmore Hall*

## *IFAS Gulf Coast Research and Education Center*

The Center consisted of two campuses located in Hillsborough County. The Balm campus was located in Wimauma, Florida and included 475 acres, 16 labs, and 22 faculty devoted to conducting research on small fruits, vegetables, and ornamental crops. Research and teaching included programmatic areas in genetics, plant breeding, integrated biological, chemical and cultural pest management, plant pathology, soil and water science, and natural resource conservation. The Center also offered teaching programs with bachelor and masters level courses at the Plant City campus of Hillsborough Community

College.

At the time of our review the Center had approximately 100 employees, \$3.4 million in equipment at both locations, and approximately \$5.9 million in annual expenditures. This audit was conducted as of February 28, 2010 with the objective to evaluate key controls over the administrative processes of the Center including, payroll and personnel administration, fiscal monitoring, collections, disbursements, asset management and general compliance with applicable rules and regulations.



*Gulf Coast Research & Education Center*

## *IFAS Southwest Florida Research and Education Center*



The Center was located in Immokalee, Florida and had 320 acres, of which approximately 30 acres were vegetables, 70 acres were citrus and the remainder was natural range scrub. The facilities included 17,000 square feet of administrative and laboratory space, research greenhouses, and maintenance facilities. Research and teaching programs included horticulture, physiology, entomology, plant pathology, ecology, soil science, and water resources specifically related to production of vegetables and citrus.

At the time of our review the Center had approximately 80 employees, \$2.4 million in equipment, and approximately \$4.5 million in annual expenditures. This audit was conducted as of February 28, 2010 with the objective to evaluate key controls over the administrative processes of the Center including, payroll and personnel administration, fiscal monitoring, collections, disbursements, asset management and general compliance with applicable rules and regulations.

## *J. Wayne Reitz Student Union (JWRU)*



*J. Wayne Reitz Student Union*

The JWRU was operated as an auxiliary enterprise within the Office of the Vice President, Student Affairs. The mission of the JWRU was to create diverse interactions and environments to cultivate personal development and enhance the university experience for students and the greater university community. The JWRU Board of Managers was a standing advisory committee of the University of Florida and was appointed annually by the university president, subject to the authority of the Vice President for Student Affairs. The board addressed issues pertaining to facility usage and programming, long range plans for development and renovation of facilities, sustainability initiatives, marketing and promo-

tion functions, financial policies, operating budgets, facility use rates, and building space allocation.

The JWRU was managed by an executive director who oversees the operational functions and approximately 90 full-time staff and 258 part-time student employees. Operational funding for the JWRU originated from the Activity and Service fees, allocated by Student Government (approximately 60%), and from internally generated revenues of its auxiliary operations (approximately 40%). This audit was conducted as of February 28, 2010 with the objective to evaluate the adequacy and effectiveness of key control procedures in place for managing the JWRU.

## *UAA Ticket Office*



The mission of the UAA Ticket Office was to provide equal, honest and quality service to athletic ticket subscribers, Gator Boosters and peers within the ticket industry. The UAA sold tickets through different venues and methods, including Ticketmaster's website (Host), the UAA website, the main window at the Ticket Office, over the phone, and on game days, through the different stadiums' windows. During the 2008-2009 fiscal year, the Ticket Office implemented Archtics, a new ticketing system from Ticketmaster. The Ticket Office utilized Archtics to sell tickets, store customer information, account for revenues and generate reports. The system had an online application (Account Manager) that allowed customers to

purchase tickets through the UAA website and manage their accounts.

At the time of our review, the Ticket Office employed approximately 10 full-time staff and 35 part-time employees. Game revenues generated through ticket sales during the 2008-2009 fiscal year totaled \$17,722,000 from football, \$3,053,000 from men's basketball, and \$407,000 from the other sports. This audit was conducted as of December 31, 2009 with the objectives to evaluate the adequacy and effectiveness of key controls over ticket sales revenue; ticket security; Ticketmaster contract compliance; and, compliance with SEC and NCAA rules regarding complimentary tickets.

# Management Advisory Services

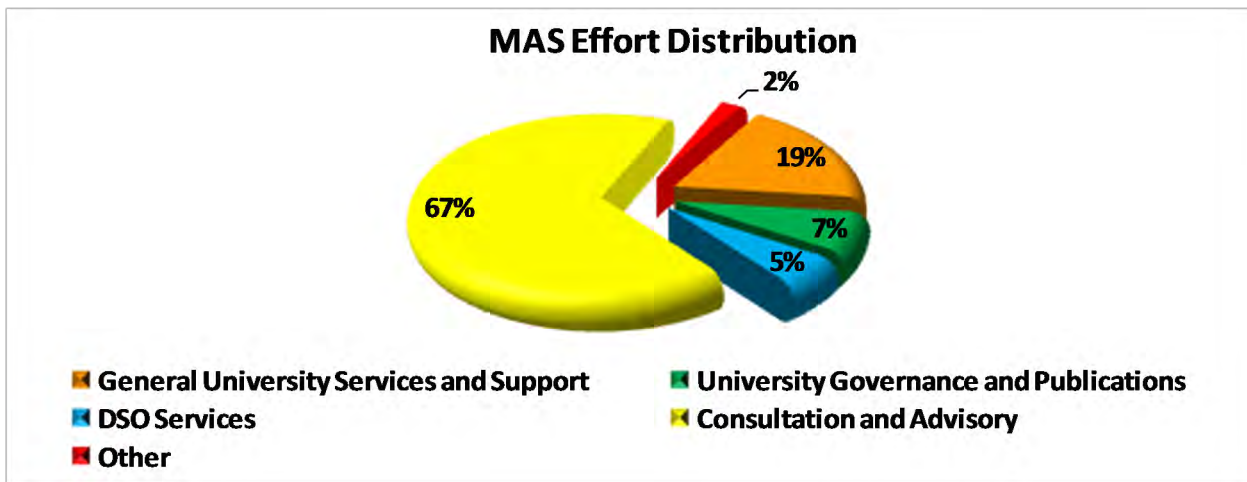
The Institute of Internal Auditors defines “consulting services” as

*Advisory and related client service activities...intended to add value and improve an organization’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.*

OACR is committed to providing proactive, preventive advice on internal controls, operations and compliance through management advisory services (MAS). Such engagements may be performed as part of our risk-based work plan, or as a result of a request

from various management levels throughout the university. OACR actively provides advisory reviews, consulting assistance, training and training tools, and post-audit assistance with the goal to assist management in decision making and operational improvements. MAS engagement results and recommendations are communicated to management and stakeholders in the most appropriate manner – which may be orally or through a letter or more formal report format.

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



During fiscal year 2009-2010, 1,969 hours were spent on MAS, which represented 12% of available hours. A significant portion of MAS effort (85%) was expended on consultation and advisory reviews, and general university service and support. Following are summaries of MAS projects completed and significant service/ support efforts during the year:

### President’s Reimbursable Expenses

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

### IFAS European Union Project Review

This MAS was an audit of eligible costs declared in the final financial reports prepared by the University of Florida to be presented to the Commission of the European Communities under the contract “Building trust for quality assurance in

emerging markets for food chains.” The objective of the review was to provide reasonable assurance that the financial statements accurately and fairly represented allowable costs under that contract.

### Zipcar Contract Review

Included in the objectives of our audit of Transportation and Parking Services was a review of controls over the administration of the Zipcar program. It was noted that the Zipcar contract was pending with an effective date of January 3, 2010. Due to the timing of the renewal of the Zipcar contract, we determined that we could provide more value through an MAS review of the proposed contract terms of the new Zipcar contract. The objective of this MAS was to review the key contract terms of the contract, benchmark with peer institutions utilizing the Zipcar program, and to review key administrative processes over the Zipcar program.



Tigert Hall



## Management Advisory Services—cont'd



Curtis M. Phillips Center  
for the Performing Arts

### University of Florida Performing Arts (UFPA) Charitable Ticket Donation Outreach Program

The purpose of the UFPA's Charitable Ticket Donation Outreach Program (Program) was to distribute tickets to local non-profit charitable organizations while simultaneously enriching the community through the performing arts, making it a culturally vibrant and desirable place to live. The objective of this MAS was to understand the program and provide best practices and recommendations in the context of existing rules and regulations.

### Export Control Compliance Program

The United States Government has implemented a series of export control laws and federal executive orders to provide for the legal export of certain technologies, and to administer and enforce economic and trade sanctions based on U.S. foreign policy. This MAS was conducted to evaluate the Export Control Compliance Program Guidelines and to identify opportunities to strengthen existing practices.

### Lenel Electronic Access Control System

The Lenel Electronic Access Control System was an electronic locking system that was implemented prior to 2004 as a replacement for keys and locks in numerous locations. The system also allowed for the time control remote opening and closing of exterior doors. The objective of this MAS was to gain an understanding of the Physical Plant Division's role in managing the Lenel system and to determine the reliability and security of the system.

### Internal Control Training

PRO 303 Internal Controls at UF is a course designed to help university administrative staff understand internal control concepts and learn how to apply them to their everyday business processes. OACR has continued to present, in conjunction with the University Controller's office, live sessions of this internal control training course. Human Resources Training and Organizational Development office, with the assistance of OACR and the University Controller's office,

developed an online version of this training course to provide more accessibility and flexibility for campus administrative staff. The online course was implemented during the 2009-2010 fiscal year.

During the year 171 employees participated in the internal control training - 77 in the live sessions and 94 participated in on-line training. The feedback on the training program continued to be positive and it will be continued into the 2010-2011 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 Chief Information Officer's office, the Chief Financial Officer's office, the Physical Plant Division, and the Vice President for Research.

### Newsletter

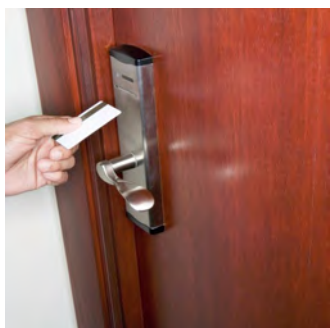
Quarterly newsletters were distributed campus-wide with regular features that include highlights from projects and campus-wide issues. Electronic copies are maintained at: <http://oacr.ufl.edu/newsletter.html>

### 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 2009-2010 fiscal year includes:

- Role Security
- IT Advisory Services
- Research Compliance
- Data Security
- Effort Reporting
- 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.



## Investigations

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 2010, the OACR received a total of 43 complaints and allegations via the following methods:

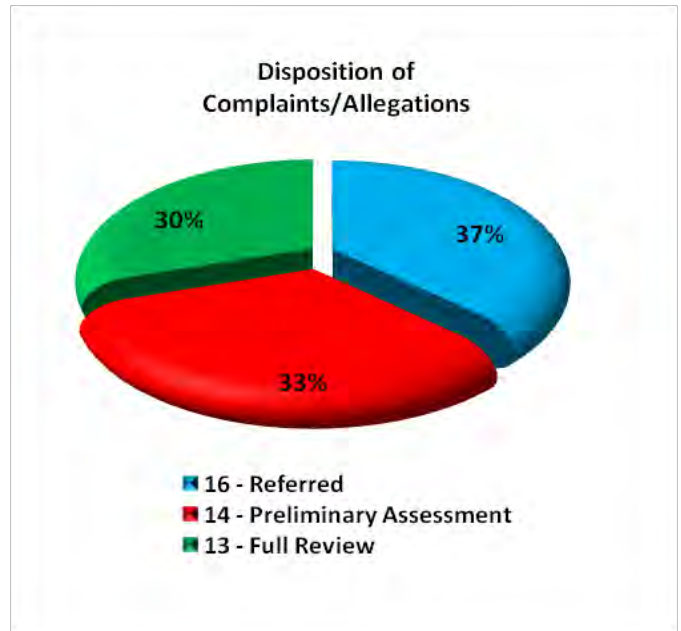


When complaints and allegations are received by the OACR, they are assessed to determine the most appropriate method for response. In some instances, the initial assessment indicates that the allegations are not of a fiscal nature and that other university departments would be the more appropriate body 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 43 complaints received in 2010, the assessments, preliminary and full scale reviews performed resulted in the following classifications or breakdown of review activities:



For fiscal year 2010, the total number of hours related to investigative efforts increased by 5% over the prior years’ hours due to the complexity of several large investigations performed. A total of 2,257 hours, or 14% of available hours, were committed to investigative efforts. Not all investigative reviews conducted by OACR result in findings that require communication to Management. When appropriate, results are communicated to management and may include recommendations for improvements of internal controls that will be monitored for implementation.

The significant issues addressed with OACR’s investigative reviews are listed in the following table:

Activity/Controls Identified	Number of Occurrences
Purchasing Card Misuse	2
Research Funds Misuse	2
Inappropriate Outside Activities/ Conflict of Interest	1
Theft of Property/Resources	1
Financial Mismanagement	2
Improper Use of Equipment/Email	2



## Follow-up

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

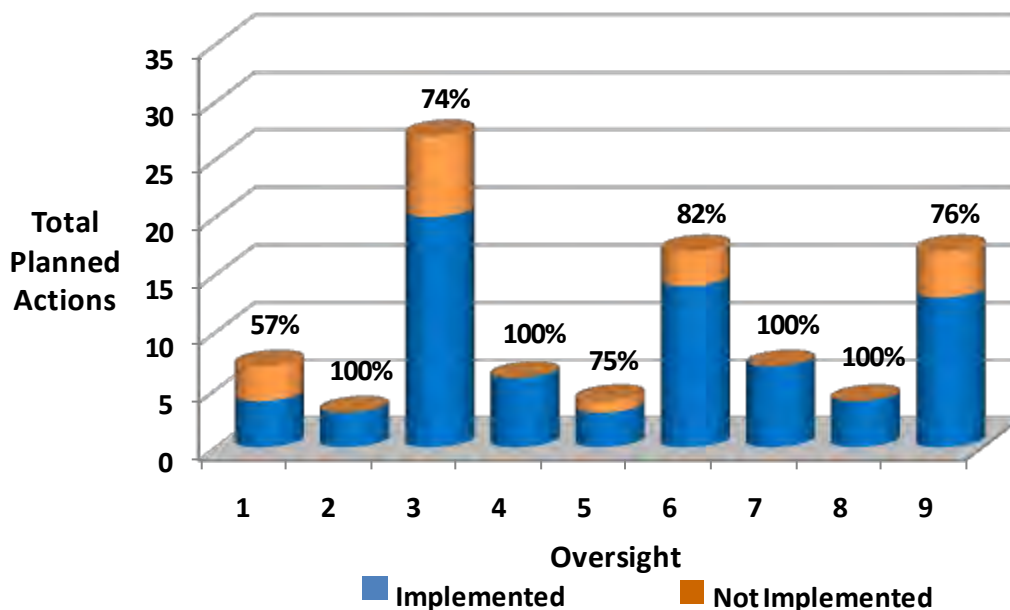
OACR audit reports include auditor’s comments and planned actions developed and agreed to by the audit team and management and the estimated time for their implementation. Reports issued by external auditors, including the Office of Auditor General, contain recommendations for which university management may also provide a corrective implementation plan. OACR conducted quarterly follow-up procedures throughout the year on action

plans from internal audit reports and comments from external and other audit reports. Results of these follow-up procedures were communicated to university management and the Board of Trustees Audit and Operations Review Committee. For the 2009-2010 fiscal year, the OACR staff expended 783 hours, or 5% of available hours, for follow-up activities.

As reflected by the summarized information, management generally reacted in an effective manner to implement audit recommendations and planned actions. The caption “in process” included action plans that were not fully implemented during our follow-up review process for the 2009-2010 fiscal year. The caption “not to be implemented” generally indicated that actions were not fully implemented after our follow-up review procedures were completed, or that changing conditions rendered the plan obsolete.

Oversight by	Followed Up	Implemented	In process	Not to be Implemented	Percent Implemented	Percent Implemented Prior Year
1 – Academic Affairs	7	4	1	2	57%	95%
2 – Business Affairs	3	3	-	-	100%	81%
3 – CFO	27	20	4	3	74%	N/A
4 – Health Affairs	6	6	-	-	100%	75%
5 – Human Resources	4	3	0	1	75%	33%
6 – IFAS	17	14	3	-	82%	100%
7 – Student Affairs	7	7	-	-	100%	N/A
8 – UAA	4	4	-	-	100%	50%
9 – UFF	17	13	1	3	76%	96%
<b>Totals</b>	<b>92</b>	<b>74</b>	<b>9</b>	<b>9</b>	<b>80%</b>	<b>87%</b>

Planned Action Implementation Percentage



## Other Activities

### Professional Activities

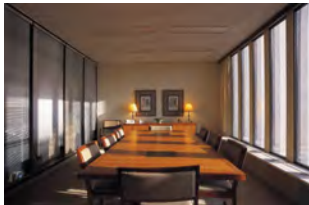
OACR staff participated in various national initiatives, training and organizations including:

- ♦ **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
- ♦ **Board Member** IIA North Central Florida Chapter
- ♦ **Membership Chair** IIA North Central Florida Chapter
- ♦ **Web Master** IIA North Central Florida Chapter
- ♦ **Program Committee** IIA North Central Florida Chapter
- ♦ **Member** State University Auditors Consortium (SUAC)
- ♦ **Technology Committee** Association of Healthcare Internal Auditors (AHIA)
- ♦ **Member** Information Systems Audit and Control Association (ISACA)
- ♦ **Member** Florida AutoAudit Users Group
- ♦ **Member** Chartered Accountants in England and Wales (ICAEW)

### University Service

During fiscal year 2009-2010, OACR staff participated in various university-wide initiatives and assignments including:

- ♦ **Liaison** Board of Trustees Audit and Operations Review Committee
- ♦ Direct Support Organization Audit Committee Coordination (UAA, UFF & Gator Boosters)
- ♦ Audit Coordination (External)
- ♦ **Member** Information Security Officer Search Committee
- ♦ **Member** Research Accounting and Effort Reporting Project Steering Committee
- ♦ **Member** Information Security and Compliance Committee
- ♦ **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
- ♦ **Member** Auxiliary Review Committee
- ♦ **Member** Research Compliance Committee
- ♦ **Member** University of Florida Communications Network
- ♦ **Presenter** Division of Sponsored Research – Research Administration Training Series
- ♦ **Presenter** PRO3 Series – Internal Controls at UF
- ♦ **Presenter** Academic Administrators Leadership Series
- ♦ Building Emergency Coordinator
- ♦ **Coordinator** University of Florida Green Team



## Reports Issued

### Reports Issued 2009-10

TITLE	PERIOD	ISSUE DATE	REPORT NO.	PROJECT
Purchasing Card Program	As of 2/28/09	7/24/09	UF-09-560-22	Audit
President's Reimbursable Expenses	7/1/08 – 6/30/09	8/24/09	72.2009.05	MAS
Alumni Association Gator Clubs	As of 3/31/09	9/2/09	UF-09-543-05	Audit
UFF Restricted Gifts	1/1/08 – 12/31/08	9/2/09	UF-09-545-07	Audit
UAA Student Athlete Academic Eligibility	As of 6/30/09	9/22/09	UF-09-561-23	Audit
Payroll	As of 8/31/09	10/8/09	UF-08-514-06	Audit
Recreational Sports Department	As of 7/31/09	11/23/09	UF-10-563-02	Audit
IFAS EU Project Review	As of 10/31/07, 08 & 09	11/24/09	71.2010.02	MAS
Zipcar Contract Review	As of 12/18/09	12/18/09	71.2010.08	MAS
Transportation & Parking Services	As of 10/31/09	2/22/10	UF-10-568-07	Audit
UFPA Charitable Ticket Donation Outreach Program	As of 2/22/10	2/22/10	72.2010-09	MAS
University of Florida Investment Corporation	As of 6/30/09	2/25/10	UF-08-517-09	Audit
UFF Human Resources & Payroll	As of 10/31/09	3/4/10	UF-10-565-04	Audit
UFF Risk Management and Insurance	As of 9/30/09	3/4/10	UF-10-569-08	Audit
Export Control Compliance Program	As of 2/28/10	4/9/10	72.2009-10	MAS
Cost Sharing	As of 7/31/09	4/28/10	UF-10-567-06	Audit
Contracts and Grants Billing and Reporting	As of 8/1/09	4/28/10	UF-10-564-03	Audit
Lenel Electronic Access Control System	As of 10/1/09	5/11/10	UF-72.2010-02	MAS
Check Processing and Disbursements	As of 1/31/10	6/3/10	UF-10-571-10	Audit
IFAS Gulf Coast Research and Education Center	As of 2/28/10	6/14/10	UF-10-577-16.1	Audit
IFAS Southwest Florida Research and Education Center	As of 2/28/10	6/14/10	UF-10-577-16.2	Audit
J. Wayne Reitz Student Union	As of 2/28/10	6/21/10	UF-10-574-13	Audit
*UAA Ticket Office	As of 12/31/09	8/13/10	UF-10-562-01	Audit

\* Substantially completed as of June 30, 2010