UF UNIVERSITY of FLORIDA

2016 - 17 ANNUAL REPORT
Office of Internal Audit

Operational, Financial, Compliance Audits
Management Advisory Services
Special Reviews

UNIVERSITY OF FLORIDA

OFFICE OF INTERNAL AUDIT

ANNUAL REPORT

2016 - 2017

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The University of Florida Board of Trustees and President Fuchs

The mission of the Office of Internal Audit (OIA) is to provide independent, objective assurance and consulting services, using a risk-based approach, to add value and improve the operations of the University of Florida and its affiliated organizations. The OIA serves as a central point for the coordination of and oversight for activities that promote accountability, integrity, and efficiency in the operations of the University of Florida. The scope of our work includes determining whether the university's network of risk management control and governance processes, as designed and represented by management, are adequate and function in an effective and efficient manner.

During the 2016-2017 fiscal year, the OIA was challenged by several complex audit, advisory and investigative projects. One of the significant audit projects completed during the year was the Performance-Based Funding – Data Integrity audit performed at the direction of the Board of Governors (BOG), for the third consecutive year. Discussions with the BOG, through the State University Audit Council, to perform this audit on something other than an annual basis have not been successful. Accordingly, we will continue to perform this annual audit project for the foreseeable future, allocating necessary audit resources for its completion. We continued auditing the president's expenses for every six-month period as required by his employment contract, and provided audit services to some of the university's major direct support organizations including the University of Florida Foundation, the University Athletic Association, and Gator Boosters. Multiple challenging investigative projects were also tackled by the OIA staff during the year, consuming significantly more resources than planned. Simple math proves that a significant increase in resources required for investigative services leads to less resources being available for planned audit and advisory projects. This fact coupled with a less experienced staff, discussed in more detail later in our annual report, challenged the OIA to achieve our goal of completing planned projects for the 2016-2017 fiscal year. The result is that some planned projects, with the approval of the Board of Trustees Committee on Audit and Operations Review, were deferred to future periods. The OIA sought to use available resources efficiently and effectively to complete as much of our risk-based audit work plan as possible; sought quality professional training for our staff to enhance our expertise relative to audit trends and techniques in the higher education environment; and continued to manage the university's anonymous ethics and compliance hotline, either addressing or referring all allegations received via the hotline or other avenues. The OIA staff also remained actively involved in the university community and professional organizations.

In November of 2016, the BOG approved regulation 4.002, State University System Chief Audit Executives. This new regulation necessitated certain changes in the OIA's charter, which were approved by the Board of Trustees Committee on Audit and Operations Review at their December 2016 meeting. The BOG also approved regulation 4.003, State University System Compliance and Ethics Programs. This regulation has led to the appointment of a Chief Compliance Officer and the creation of a central compliance function office. The OIA, through advisory services, has and will assist as appropriate in the creation of this functional office. The Chief Audit Executive and the Chief Compliance Officer will report to the same BOT committee, which will necessitate operational changes in the committee's function as well as future revisions to the committee charter.

As we move into the 2017-2018 fiscal year, the OIA remains committed to the goal of providing audit, advisory and investigative services that add value and improve the operations of our university. Lou Holtz is quoted as saying, "I follow three rules: Do the right thing, do the best you can, and always show people you care." I encourage all university employees to join me in following Lou's rules – Always do the right thing to the best of your ability, and care for each other along the way. If we follow this guidance, it will result in a more productive and pleasant environment at the University of Florida. The OIA exists only to serve the university, to the best of our ability, so please contact us whenever we can be of assistance.

It is truly an honor to serve the University of Florida, my alma mater, as its Chief Audit Executive. I am proud to present this 2016-2017 Annual Report which summarizes our activities for the year and provides useful data for benchmarking the effectiveness of our operations.

Brian D. Mikell, C.P.A.

Goals and Objectives

The Office of Internal Audit's (OIA) key operational objective continues to be completion of our fiscal year audit work plan. Our risk-based work plan, designed to add maximum value to the university with our available resources, includes audits and advisory services related to units and processes of the university as well as the university's direct support and affiliated organizations. Achievement of this goal during fiscal year 2017 was challenging as discussed further in the Staffing and Other Resources section of this report.

The OIA continued various ongoing initiatives from prior periods, including the management of the university's ethics and compliance hotline. OIA staff remained active in professional organizations on the local (North Central Florida Chapter of the Institute of Internal Auditors) and national level (Association of College and University Auditors). Staff continued to be active in training initiatives for campus including research compliance, and fraud awareness. The OIA's staff members also participated, in an advisory capacity, on various committees that served to facilitate and improve university governance. Considering available resources, the OIA endeavored to be responsive to requests for assistance and the needs of campus by audit work plan flexibility, and through advisory and consulting engagements, and investigative reviews.

Organization

The Chief Audit Executive (CAE) is appointed by and operates under the general oversight of the university President. The CAE reports functionally to the Board of Trustees through its Committee on Audit and Operations Review and administratively to the university President and the Senior Vice President and Chief Operating Officer. This reporting relationship promotes independence and assures adequate consideration of audit findings and planned actions. The OIA staff reports to the CAE as shown below in the Organization Chart as of June 30, 2017:
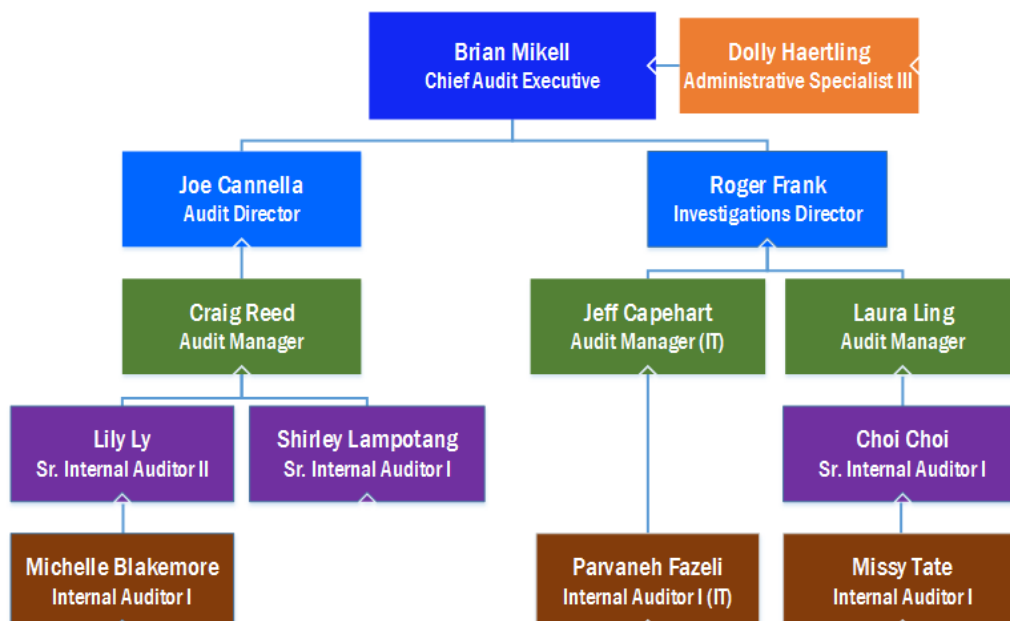
Staffing and Other Resources

The OIA offices were housed off campus in the Human Resource Services building at 903 West University Avenue. The OIA remained committed to ensuring that our staff was equipped with the appropriate tools and adequately trained to efficiently perform their required duties. Staff training was a top priority and we were constantly seeking appropriate training for our environment as a major public research university, and considering our planned projects. The OIA continued to search for ways to more efficiently and economically perform our duties, including our continued commitment to an electronic environment for reporting and document storage.

The OIA's financial budget for the 2016-2017 fiscal year was sufficient for our staffing level. This fiscal year was the first year of our 2016-2019 three-year work plan. The three-year work plan was designed based on 12 professional audit positions (including the CAE). Overall our staff was less experienced as a result of continued staff turnover, making completion of the audit work plan challenging. We entered the fiscal year down one position, which was filled in October, 2016. The fact that the OIA operated with a less-experienced staff (three entry-level auditors, two with less than one year's experience) during the fiscal year resulted in planned projects being deferred as staff was less efficient. At the end of the fiscal year, we again experienced turnover as we lost an internal auditor. This position will hopefully be filled in the early fall of 2017. The OIA remains optimistic that future staffing levels will remain more constant, leading to a higher level of experience. We will strive to complete our future work plan, as approved by the Audit Committee in June, 2016.

The OIA has continued to serve as a central point for coordination of and oversight for activities that promote accountability, integrity, and efficiency in the operations of the university. The OIA serves as the university's third line of defense (IIA Position Paper, *The Three Lines of Defense in Effective Risk Management and Control*, January 2013), providing comprehensive assurance based on the highest level of independence and objectivity available within the university. We remain committed, with available resources, to providing effective and efficient internal audit services with a high level of professionalism.

[Front Row] Lily Ly, Choi Choi, Dolly Haertling, Parvaneh Fazeli, Shirley Lampotang, Missy Tate, Laura Ling
[Back Row] Craig Reed, Jeff Capehart, Brian Mikell, Joe Cannella, Roger Frank

Staff Training

The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, Section 1230, states that "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development." The OIA places a premium on quality continuing professional education through participation in our local IIA chapter seminars, promoting attendance to conferences sponsored by professional organizations such the Association of Colleges and University Auditors, and taking advantage of other relevant training opportunities through the IIA, university and other entities. The OIA staff devoted 621 hours to formal training during the 2016-2017 fiscal year. The following table details by sponsor of staff participation in formal training programs.

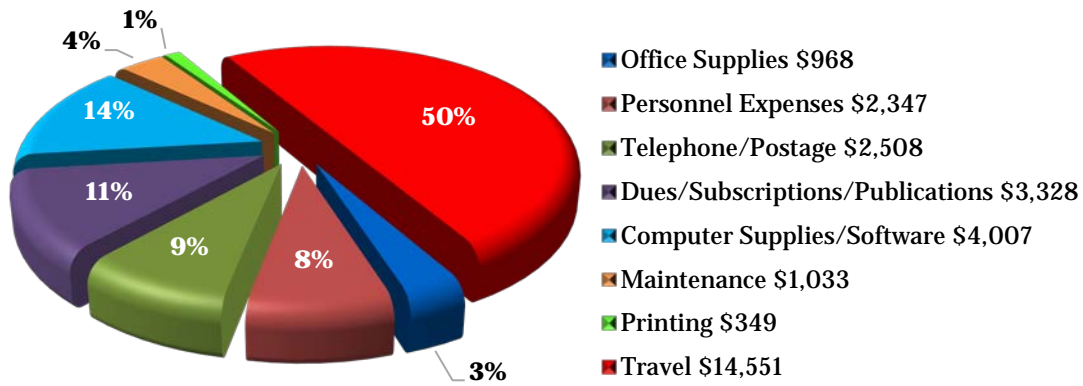| Sponsored By	Hours	Employees Attending
Association of Colleges and University Auditors	314	11
Institute of Internal Auditors-North Central Florida Chapter	267	12
Public Accounting and Advisory Firms	16	4
Rutgers University	14	1
Florida Certified Public Accountants	8	2
Miscellaneous	2	1

Expenditure Analysis

The OIA expenditures by category for the last three fiscal years are illustrated in the accompanying table. Our primary budgetary commitment remains professional staff salaries, which represented over 94 percent of total expenditures during the 2016-2017 fiscal year. The consultant expenditures were the result of our external quality assessment review, required by internal audit standards to be completed every five years. Fixed assets expenditures resulted from equipment purchases, mostly new computers and related equipment. The OIA follows a plan to replace computer equipment on a three year cycle to promote technological relevance, meaning that approximately one-third of our computer inventory is replaced each fiscal year. Due to timing differences, we incurred two purchasing cycles within the 2014-2015 fiscal year resulting in an increase in fixed assets expenditures, then returned to a normal expenditure level in the subsequent years. Normal expectations call for moderate annual increases in training and operating expenses. The OIA saw an increase in reported training expenses, due to increased training conference rates and attendance. Overall, actual expenditures increased by 13 percent from the previous fiscal year, attributable to increases in salaries (less vacant positions) and our quality assessment review.

Expenditure Category	2014 - 2015	2015 - 2016	2016-2017
Salaries	$1,298,331	$1,309,639	$1,462,218
Consultants	0	0	26,796
Fixed Assets	15,149	7,092	8,603
Operating Expenses	27,258	27,079	29,092
Training	8,561	11,896	16,180
Compliance Hotline	9,500	9,500	9,500
Total Expenditures	$1,358,800	$1,365,610	$1,552,389

Additional detail of OIA operating expenses is presented in the pie chart. Travel accounted for 50 percent of expenses, the majority of which is related to training conferences and is consistent with the increase in training expenses, demonstrating our commitment to quality professional education for our staff. The remaining OIA operating expenses were distributed among various categories, with the largest amounts incurred for computer software, professional organization dues and publications, telephone/postage, and personnel-related expenses.

Operating Expenses

- Office Supplies $968
- Personnel Expenses $2,347
- Telephone/Postage $2,508
- Dues/Subscriptions/Publications $3,328
- Computer Supplies/Software $4,007
- Maintenance $1,033
- Printing $349
- Travel $14,551

Time Analysis

The table provides a comparison between time available as planned and actual time available for projects. We anticipated a position vacancy for six months, however, actual vacancies were just over three months, resulting in a savings of 460 hours. Actual hours used for training, leave and administrative support were 1,037 hours more than planned, mostly resulting from professional development of inexperienced staff. Combining these amounts with the 703 hours of overtime generated by OIA staff, the final result was actual hours available for the period exceeding the amount planned by 126 hours, a little less than 1 percent.

| Planned/Actual Hours					
	Planned Hours		Actual Hours		Diff.
Time Available (11 x 2,040)		22,440		22,440	
Less: Adjustment for Position Vacancies	(1,020)		(560)		460
Training/Leave Use/Operational Support	(6,348)		(7,368)		(1,037)
Total		(7,368)		(7,945)	(577)
Excess hours worked				703	703
Time Available for Projects		15,072		15,198	126

Time Allocation – Planned vs. Actual

This chart compares, by major direct and indirect categories, the allocation of total planned available time with actual effort expended. Due to less than expected vacancies, actual hours generated exceeded planned hours by 1,160, almost 5.5 percent. Percentage of actual time used for Management Advisory Services (MAS) was very close to planned allocations for the fiscal year. Actual time spent on investigations, always a wild card dependent on the volume and complexity of allegations received, exceeded planned hours by more than 50 percent. Actual time used for Audits and Follow Up was less than planned, offset by an increase in actual indirect time over amounts planned. These deviations are largely explained by training and development of inexperienced staff.
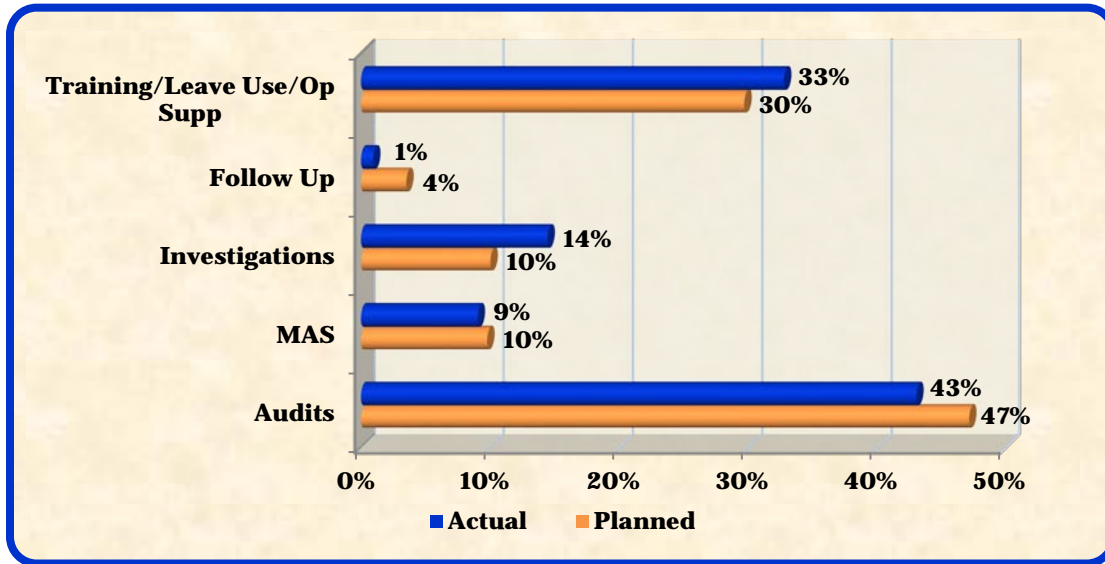

Time Comparison – Current vs. Prior Years

This chart presents a comparison, for major direct project categories and operational support, of the percentages of actual time used during the current year and the prior two years. Operational support represents general administration, and is calculated as total indirect time less time used for holidays, leave and development/training. While overall actual indirect time increased in fiscal year 2017, the increase was largely due to development and training. Actual time used for operational support had a slight decrease of two percent (235 hours) in fiscal year 2017. Actual time used for audit and investigative projects experienced significant increases of six percent (1,350 hours) and three percent (675 hours). There was a corresponding decrease in actual time used for MAS of 5 percent (820 hours), and also for actual time used for follow up of one percent (165 hours).
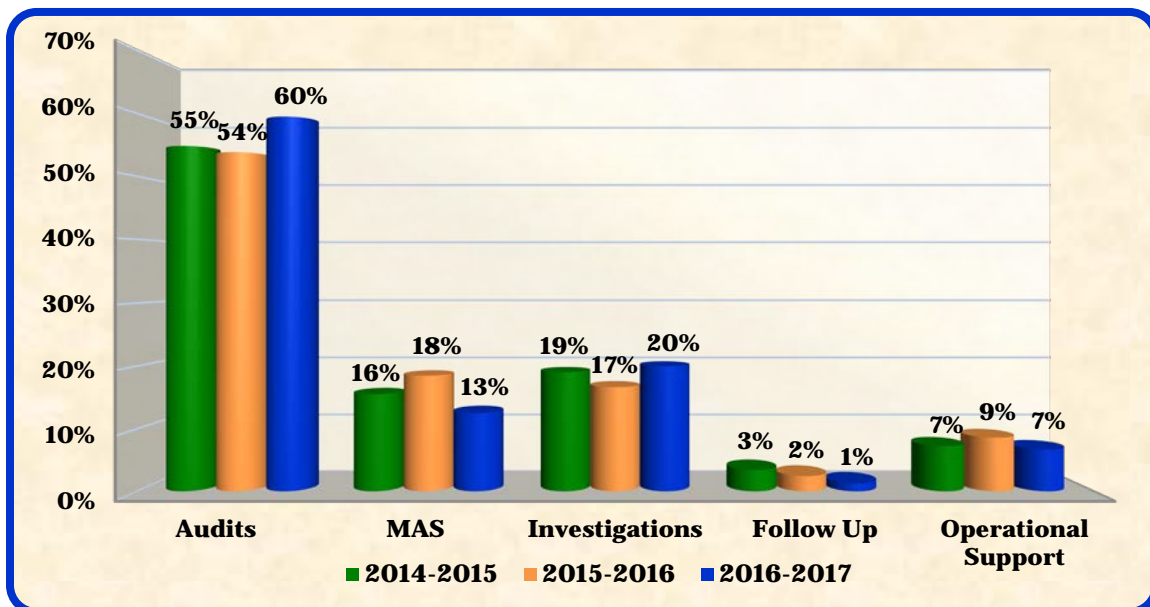
Office Direct Time

Direct time percentages are variably established as a productivity goal for each professional position level and at 72 percent for the office as a whole. Direct time is generally defined as time spent on projects and excludes time charged to general administration, service support, leave and training. This chart compares direct time percentages, by quarter and in total, for the last three fiscal years. The general staff trend has been stronger direct time percentages during the third and fourth quarters of the fiscal year, aided by fewer holidays during these periods. While the OIA again finished with a strong third and fourth quarter in the FY 2017, it was not as strong as the two previous years, and was not sufficient to reach our office goal of 72 percent direct time. This was largely the result of relatively inexperienced staff who will not generate the same level of direct time as more experienced staff. The OIA will continue to stress efficient and effective use of our time resources to maximize our value to the university.
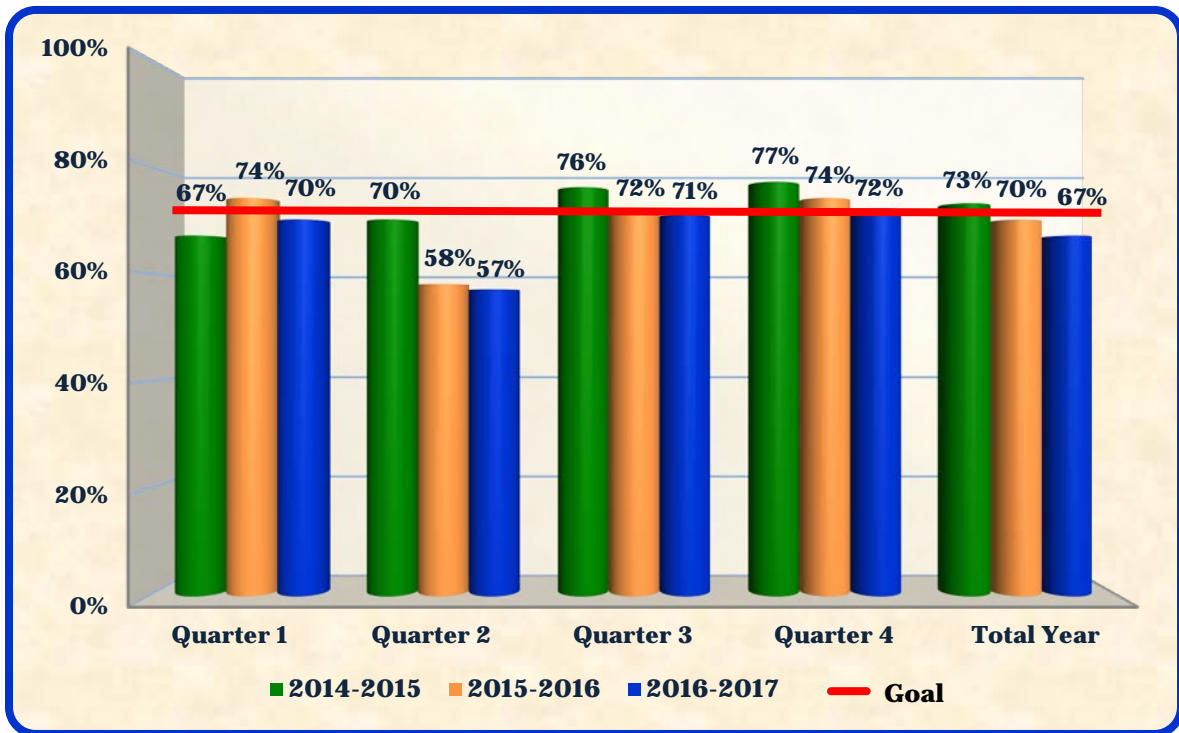
Trend Analysis

The table reflects a three-year analysis of projects planned and completed. Internal audits and management advisory services (MAS) were planned based on institutional audit risk assessments which included the participation and involvement of university management. Planned projects shown in the table include audits and advisory reviews that should result in a report, and the original planned projects are derived from OIA's 2013-2016 and 2016-2019 three-year work plans. Each year's work plan is formally reviewed, revised as necessary, and approved by the Board of Trustees Committee on Audit and Operations Review midway through the year. As risks and resources change, projects may be added, deleted or deferred to future periods. Not all completed projects were included on the work plan.
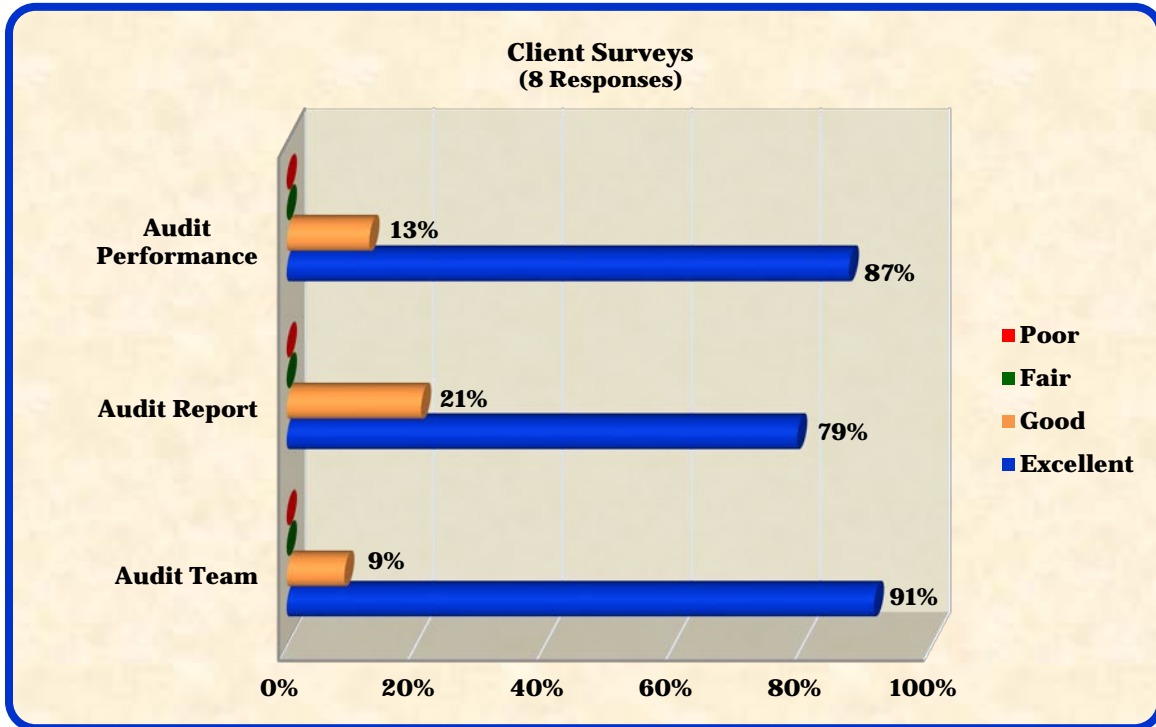
Over the last three years, a total of 63 projects were planned and 47 projects were completed. During fiscal year 2016-2017, 60 percent (9,695 hours) of available time was used on audit projects and 13 percent (2,037 hours) of available time was used on MAS projects. An additional 20 percent (3,255 hours) of available time was used for investigative projects and is not reflected in the reported projects.

Trend Analysis of Projects Planned/Completed					
	Planned Projects		Completed Projects		
	Original	Revised	Current	Carry- Over	Total
2014-2015	23	22	12	8	20
2015-2016	24	22	9	3	12
2016-2017	21	19	8	7	15
Totals	68	63	29	18	47

Client Surveys

In an effort to ensure continued high quality of the OIA services, input from clients is requested at the conclusion of each audit engagement. Feedback is obtained via client surveys on the overall performance of the audit engagement, the quality and usefulness of the audit report, and the conduct of the audit team. Results of client surveys received (8) for current year audit projects indicated that the OIA services were well received. Overall, 100 percent of survey responses to individual questions in all three categories indicated ratings of either good or excellent.

Client Surveys
(8 Responses)

Category	Good	Excellent
Audit Performance	13%	87%
Audit Report	21%	79%
Audit Team	9%	91%

Legend:
- Poor
- Fair
- Good
- Excellent

This summary of audit reports issued profiles audit engagements completed or substantially completed during this fiscal year. The subjects of our reports illustrate a commitment to balanced, proactive and risk-based coverage. Audits performed included unit level and system-wide fiscal, research support and administrative processes. We continued to provide audit services to the university's largest direct support organizations, the University of Florida Foundation (UFF) and the University Athletic Association (UAA), working directly with their audit committees and performing engagements pursuant to a specialized work plan.

UAA Student-Athlete Academic Eligibility

The UAA is a direct support organization responsible for the intercollegiate athletics programs at the university. Compliance with National Collegiate Athletic Association (NCAA), Southeastern Conference (SEC), and university rules related to student-athlete academic eligibility is the responsibility of the athletic director, and is jointly conducted by the UAA's Compliance Office and the Otis Hawkins Center, and by the university's Office of Admissions (Admissions) and Office of the University Registrar (Registrar).

The determination of freshman student-athlete initial eligibility is based on information provided by the NCAA Eligibility Center, joint review of university Admissions and Registrar, and support provided by the Admissions Committee and the Provost. Student-athlete continuing academic eligibility is determined by staff from both university Admissions and the Registrar with input from university, college or departmental representatives as needed. The Faculty Athletic Representative, Otis Hawkins Center staff and the Compliance Office staff serve in key monitoring roles throughout the eligibility certification process. At the time of our audit, there were 620 eligible individual student-athletes, 346 men (56%) and 274 women (44%).

The OIA conducted an audit of student-athlete academic eligibility as of March 31, 2016. The primary objective of this audit was to evaluate key controls in place to promote compliance with the NCAA and SEC requirements for student-athlete academic eligibility during the fall 2015 and spring of 2016 terms. The audit focused on freshman initial academic eligibility, continuing eligibility and degree progress, transfer student academic eligibility, and certification of squad lists.

UFF Endowed Restricted Gifts

The UFF was established to support and enhance the university by encouraging private donations. The UFF's policy is to honor the donor's stated purpose for the use of the specified gift. Foundation endowed funds were categorized by restricted purpose as scholarships, professorships, research, eminent scholar chair, fellowships and other. The restricted gift funds were established within the foundation and administrated by specific university units.

The OIA conducted an audit of the UFF endowed restricted gift funds for the period of January 1, 2015 through December 31, 2015. Foundation endowed restricted fund transfers to the university during the audit period totaled approximately $46.3 million. Total disbursements by university units from endowed restricted funds during the audit period were approximately $39.6 million, of which compensation/benefits and student assistance accounted for 75 percent of the total. The audit focused on evaluating the effectiveness of controls in place to determine whether university units spent restricted funds in accordance with donor intent, foundation policies and university directives. We also examined whether new endowed restricted funds were properly established and the appropriateness of transfers to the university.

UFF Non-Endowed Restricted Gifts

Foundation non-endowed funds were categorized by restricted purpose such as a specific department/program; research; scholarships and student loans; building, equipment and renovation; and various other categories. The restricted gift funds were established within the foundation and administrated by specific university units.

The OIA conducted an audit of UFF non-endowed restricted gift funds for the period of January 1, 2015 through December 31, 2015. Foundation non-endowed restricted fund transfers to the university during the audit period totaled approximately $42 million. Total disbursements by university units from endowed restricted funds during the audit period were approximately $39 million. The audit focused on evaluation controls to determine whether university units used non-endowed restricted funds in accordance with donor intent, foundation policies and university directives. We also examined whether new non-endowed restricted funds were properly established and the appropriateness of transfers to the university.

Performance Based Funding – Data Integrity

The Florida Legislature called upon the State University System of Florida to reach new levels of efficiency, academic quality and accountability. The Board of Governors (BOG) responded by implementing a performance based funding (PBF) model, which is intended to build upon the BOG's strategic plans and goals and annual accountability reports. This model seeks to further elevate the state universities while acknowledging each university's distinct mission.

The integrity of the data provided to the BOG by the universities is critical to the PBF decision-making process. Therefore, the BOG developed a Performance Based Funding Data Integrity Certification, to be executed by the university president, to provide assurances that the data submitted is reliable, accurate and complete. The chairman of the BOG instructed each university Board of Trustees (BOT) to "direct the university chief audit executive to perform, or cause to have performed by an independent audit firm, an audit of the university's processes which ensure the completeness, accuracy and timeliness of data submissions" to the BOG.

The OIA conducted an audit of the University of Florida's data submission process, related to data metrics used for the BOG's PBF initiative, as of September 30, 2016. The primary objective of this audit was to determine the adequacy of university controls in place to promote the completeness, accuracy and timeliness of these data submissions to the BOG, thus providing an objective basis for the president and BOT chair to certify the required representations.

President's Business, Travel and Entertainment Expenses
(January 1 through June 30, 2016 and July 1 through December 31, 2016)

The employment agreement between the university president and the University of Florida BOT requires a review of the president's business, travel and entertainment expenses at least every six months. The chairman of the BOT, to comply with this provision, elected to have two BOT members review the president's expenses after records supporting those expenses have been audited by the university's OIA.

We conducted two audits of the travel and entertainment expenses for the president and his spouse for the six month periods ending June 2016 and December 2016. The audits focused on evaluating the expenses for appropriate documentation and business purpose as well as determining whether they were processed in accordance with university directives, policies and procedures.

College of Liberal Arts and Sciences Information Technology Security Controls

The College of Liberal Arts and Sciences (CLAS) at the University of Florida is the largest college on campus, with more than 600 faculty members responsible for teaching the majority of the university's core curriculum to at least 32,000 students each year. CLAS IT (Information Technology) operates as a division of the Dean's Office, providing centralized computer and networking service to most of the college by managing email, web space, network file and print sharing, and other networking services to over 1,000 users in 30 departments.

The CLAS departments represent a microcosm of the entire university and may incorporate a wide variety of activities and research that may involve sensitive and restricted data such as student data (FERPA), medical data (HIPAA), and federal contract and grant funded projects that require storing and processing federal information.

The OIA conducted an audit of the IT Security Controls at the CLAS as of June 15, 2016. The audit focused on providing reasonable assurance that IT security controls were in place and effective to provide adequate security, integrity, confidentiality, and availability of the CLAS IT systems and data.

Emerging Pathogens Institute

The Emerging Pathogens Institute (EPI) was created in 2006 to provide a world-class research environment to facilitate interdisciplinary studies of the emergence and control of human, animal and plant pathogens of concern to Florida, to the nation and to the world. The EPI encompasses an 88,000 square foot building that includes biosafety laboratories, and collaborative space for bioinformatics and mathematical modeling. The EPI administration reports directly to the Office of Research and collaborates extensively with units throughout the university. As of February 2017, the EPI had recruited a total of 66 faculty from different colleges. Since 2008, over $103 million of grant funding has been awarded to faculty utilizing the EPI.

The OIA conducted an audit of the EPI as of November 30, 2016. The audit focused on the effectiveness of key operational controls relative to the control environment, safety management, building access, and security.

Human Subject Payments

The Human Subject Payments (HSP) system was designed with the intent of streamlining the coordination, disbursement and tracking of the payment process for subjects participating in university research studies. The HSP system was implemented in July 2014, as a module within the university's enterprise system.

The HSP system should be used for all compensation paid to research subjects via prepaid VISA cards, other gift cards and cash. For the fiscal year ending June 30, 2016, there were approximately 1,000 studies utilizing the system and the total payments processed were over $1,800,000.

The OIA conducted an audit of the HSP system as of June 30, 2016. The focus of this audit was to evaluate the adequacy and effectiveness of key controls in place for the HSP system, including compliance with applicable rules and regulations.

UAA Off-Campus Recruiting Compliance

The UAA is responsible for the intercollegiate athletic programs at the university. The university president, the athletics director, and the UAA Compliance Office share the responsibility for overseeing athletic compliance for the university. The NCAA recruiting legislation works to balance the interests of the prospect being recruited and the interests of the NCAA member institution who is attempting to gain the enrollment of the prospect. A potential recruit is a prospect until he or she enrolls at the university. Recruitment occurs when there is solicitation of any kind to the prospect or prospect's relatives by an institution's staff member.

The OIA conducted an audit of the UAA's off-campus recruiting activities as of November 30, 2016. The audit evaluated whether the UAA had adequate controls in place to provide reasonable assurance of compliance with the NCAA and the Southeastern Conference requirements.

Gator Boosters, Inc. Internal Controls

Gators Boosters, Inc. is a not for profit corporation and a direct support organization of the University of Florida. Gator Boosters functions as the fundraising arm for the UAA and is managed by an executive director and a volunteer board of directors. The executive director is responsible for the coordination of all athletic fundraising activities, administration of staff and management of athletic donors on behalf of the university. Gator Boosters goals included raising funds for future major projects like the football complex stand-alone facilities, renovation of McKethan Stadium and the softball complex. Gator Boosters reported $41 million in operating revenues for the 2015-2016 fiscal year and its endowments, held by the UFF, exceeded $51 million at June 30, 2016.
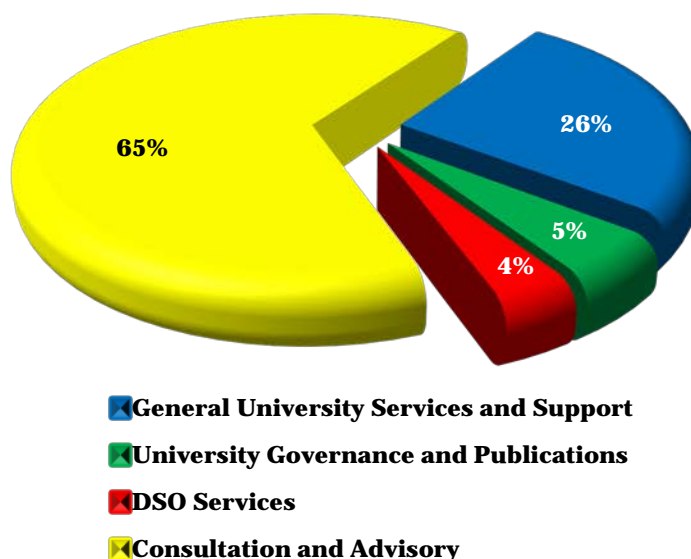
The OIA conducted an audit of Gator Boosters, Inc. as of November 30, 2016. The audit focused on obtaining an understanding and evaluating the effectiveness of Gator Boosters' internal control structure.

The Institute of Internal Auditors International Standards defines "consulting services" as

> *Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training.*

The OIA has consistently strived to provide proactive, preventive counsel on internal controls, operations and compliance through management advisory services (MAS) opportunities and engagements. Such engagements may be performed as part of our risk-based work plan, or as a result of a request from various levels of management throughout the university. The OIA actively provides advisory reviews, consulting assistance, training and training tools, and post-audit assistance with the goal to aid management in decision making and operational improvements. MAS engagement results and recommendations may be communicated to management and stakeholders orally, with an informal letter, or with a formal report, as the CAE deems appropriate.

The following chart illustrates the distribution of effort relative to the various types of MAS services:

- 65%
- 26%
- 5%
- 4%

◄ **General University Services and Support**
◄ **University Governance and Publications**
◄ **DSO Services**
◄ **Consultation and Advisory**

During fiscal year 2016-2017, a total of 2,037 hours were spent on MAS engagements, which is a reduction of 28 percent in hours consumed compared to the prior fiscal year. These MAS hours accounted for nine percent of the total available for fiscal year. The performance and completion of consultation and advisory reviews accounted for a significant portion (65 percent) of MAS effort during the fiscal year. Following are summaries MAS projects and service/support efforts completed or significantly completed during the fiscal year:

Auxiliary Oversight and Monitoring
The objective of this review was to evaluate the effectiveness of oversight and monitoring controls relative to the application process for auxiliary creation, auxiliary operations including compliance with applicable guidelines and policies, and service center rate reviews to determine the reasonableness of billing rate calculations for services provided.

Ticket Office Controls

The objective of this engagement was to assess the efficacy of specific control procedures implemented to address certain management concerns.

Contracts and Grants Billing and Reporting

The objective of this engagement was to evaluate the adequacy and effectiveness of key controls in contracts and grants operational processes relative to account setup, billing, collections, reporting and closeout.

Review of NRC Awards

Pursuant to a November 14, 2013, Nuclear Regulatory Commission (NRC) letter regarding a College of Engineering Compliance Action Plan and Agreement, the OIA agreed to perform an annual review of the activity on all NRC awards granted to the university. The objective of the engagement was to ensure compliance with the terms and conditions of each of those awards.

Internal Control Training

PRO 303 Internal Controls at UF is a course designed to help university administrative staff understand internal control concepts and learn how to apply them to their everyday business processes. The OIA has continued to support, in conjunction with the University Controller's office, the offering of this internal control training course as an online course to provide more accessibility and flexibility for campus administrative staff.

"The Auditor's Perspective"

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

General Consulting Services

The OIA provided MAS consulting services throughout the year in response to requests from university related persons and entities including, among others, the Office of the Chief Information Officer, the College of Engineering, the University Athletic Association, and the Institute of Food and Agricultural Sciences.

Other MAS Projects

The OIA also participates in projects and initiatives that do not result in a released report. Examples of such efforts during the 2017 fiscal year included:

- IT Advisory Services
- IT Security and Compliance
- Research Compliance
- DSO Governance and Assistance
- Auxiliary Services

For a number of years the OIA has actively sought to educate campus on the importance of reporting concerns related to inappropriate activities of which employees' have knowledge. In addition, the OIA has always sought to maintain positive and productive relationships with all colleges, centers, DSOs and auxiliaries while providing professional investigative services related to the reported allegations. Part of the education process has been promoting awareness of the means available to campus to report concerns regarding fiscal impropriety, improper behavior, and inappropriate business practices, while demonstrating to campus that reported concerns would be handled objectively and professionally. Our education efforts have resulted in a record year for the number of concerns reported by campus. While complaints, concerns and allegations continue to be received from a variety of internal and external means, including direct correspondence and referrals from other university offices and state agencies, the UF Compliance Hotline (Hotline) continues to be the preferred method of reporting concerns. As noted on the graphic below, the Hotline accounted for 80 percent of the allegations received during the 2016-2017 fiscal year and continues to be the preferred method for the university's ethics and compliance reporting process. The Hotline provides a friendly mechanism for reporting issues, complaints, allegations and other university-related concerns by allowing employees to report their concerns via telephone or the Hotline's website. The OIA maintains the oversight of the Hotline, which is contractually managed by NAVEX Global, a recognized industry leader in providing governance, risk, and compliance solutions and reporting systems.

In the 2016-2017 fiscal year, the OIA received a total of 112 complaints and allegations (excluding repeat allegations and concerns that were already recorded), which represents a 90 percent increase from the 2015-2016 fiscal year, when 59 complaints/allegations were received. These 112 allegations received for the current year represented the highest number of intakes in the last 10 years, and likely the highest ever. The 112 complaints/allegations recorded during the 2016-2017 fiscal year were received via the following delivery methods:

**Complaints and
Allegations Received - 112**

■ UF Compliance Hotline   ■ E-Mail
■ Telephone/Fax   ■ Referral/Letter/Other
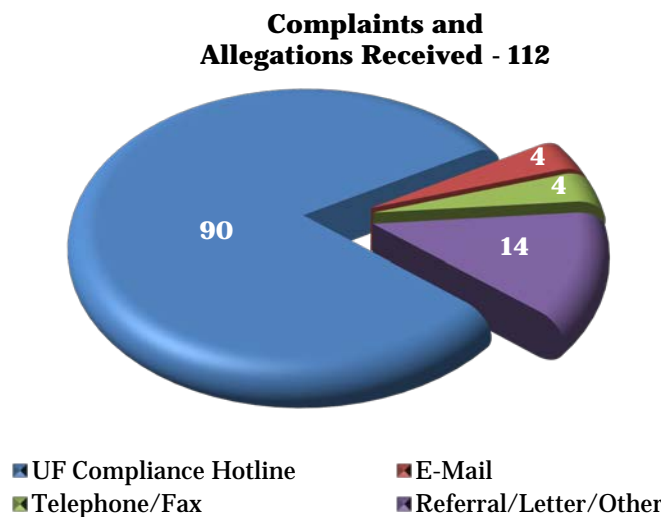
The OIA remains committed to assisting the university in sustaining an operating environment with the core attributes of honesty and integrity. For all investigations conducted, the OIA follows the Standards for Complaint Handling and Investigations for the State University System of Florida. When complaints or allegations are received, the OIA assesses whether a review is warranted and if so, the most appropriate department or unit to perform it. The assessment process begins with the consideration of the facts and information contained in the allegation and, if there was any indication of validity or credibility to any allegation or complaint involving fiscal concerns of conflicts of interest, an investigation project number is assigned and an investigative review is scheduled based on the availability of OIA personnel. When our initial assessment indicates that the allegations were not of a fiscal nature, the allegation is referred to the most appropriate university department to review the allegation. While the OIA specifically retains investigative responsibilities over all allegations involving alleged fiscal improprieties, we worked closely with departments such as Human Resource Services, the University of Florida Athletic Association, Business Affairs, the Institute of Food and Agricultural Sciences, the Office of the Provost, the University of Florida Police Department and others in the review of concerns that are more closely related to those groups' specialties and fields of expertise. Of the 112 allegations received in the 2016-2017 fiscal year, our initial assessments resulted in the following dispositions for review:

**Disposition of the
112 Complaints/Allegations**

- ■ Referred
- ■ Closed at Intake/On Hold
- ■ OIA Review
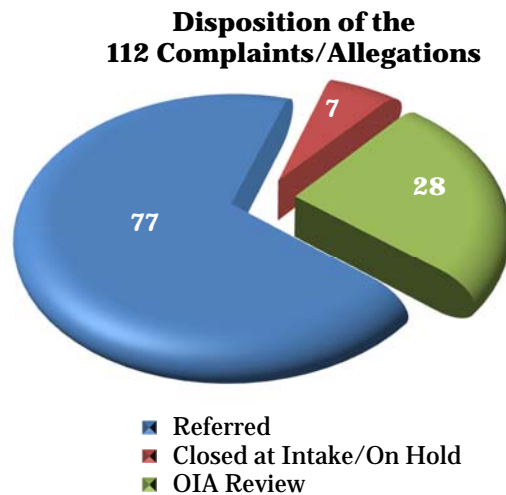
For the 2016-2017 fiscal year, the total number of hours committed to investigative activities increased by 26 percent from the prior year's hours. The complexity and nature of recent allegations has increased, even more than the highly complex investigations of the prior the year. The significant increase in allegations received required the OIA to prioritize the investigation work performed during the period. It is important to note that 30 percent of the total investigations hours were committed to one high priority case. A total of 3,255 hours, or 14 percent of total OIA hours for the 2016-2017 fiscal year, were committed to investigative efforts. Not all investigative reviews conducted by OIA result in findings that require communication to management. When appropriate, results are communicated to management and may include recommendations for improvements of internal controls that will be monitored for implementation. The volume of significant alleged issues received, by type, are listed in the following table. (This table is not all-inclusive and some allegations contain multiple categories and may be counted more than once).

| Major Activity/Issues Identified in Allegations Received	Number of Occurrences 2017	Number of Occurrences 2016	Number of Occurrences 2015
Inappropriate Outside Activity/Conflict of Interest	8	6	8
Improper Termination/Retaliation Claim	7	1	4
Hostile Work Environment	19	10	4
Theft or Personal Misuse of Assets/Funds/Time	7	16	8
Alleged Fiscal/Grant Fund/Scientific Misconduct	12	5	3
PCard Misuse/Purchasing	1	4	1
Nepotism / Favoritism	12	0	1

The International Standards for the Professional Practice of Internal Auditing, promulgated by the Institute of Internal Auditors, requires that the chief audit executive 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.

Audit reports issued by the OIA include comments on noted issues and opportunities for improvement. Action plans are developed and agreed to by the audit team and management to address noted issues, and include due dates reflecting the estimated time for their implementation. Reports issued by the external auditors, including the Office of the Auditor General, contain recommendations for which university management may also provide a corrective implementation plan. The OIA tracked these outstanding recommendations and action plans from all known audit reports throughout the year and conducted quarterly follow-up procedures to determine the status of management actions. Results of these follow-up procedures were communicated to university management and the Board of Trustees Audit and Operations Review Committee. For the 2016-2017 fiscal year, the OIA staff expended 211 hours on follow-up activities, representing 1 percent of total available hours.

As shown in the following summarized information, university management was generally effective in implementing audit recommendations and planned actions. The caption "in process" included action plans that were not fully implemented as of the 2016-2017 fiscal year-end. The caption "not to be implemented" generally indicated that actions were not fully implemented after our follow-up review procedures were completed, or that changing conditions rendered the plan obsolete.

Oversight by	Followed up	Implemented	In process	Not to be Implemented	Percent Implemented	Percent Implemented Prior Year
1 - Academic Affairs	2	1	1	0	50%	80%
2 - CFO	5	4	1	0	80%	73%
3 - CIO	5	3	0	2	60%	60%
4 - Health Affairs	2	2	0	0	100%	n/a
5 - Research	1	1	0	0	100%	100%
6 - UAA	7	7	0	0	100%	100%
7 - UFF	26	25	1	0	96%	98%
Totals	48	43	3	2	90%	91%
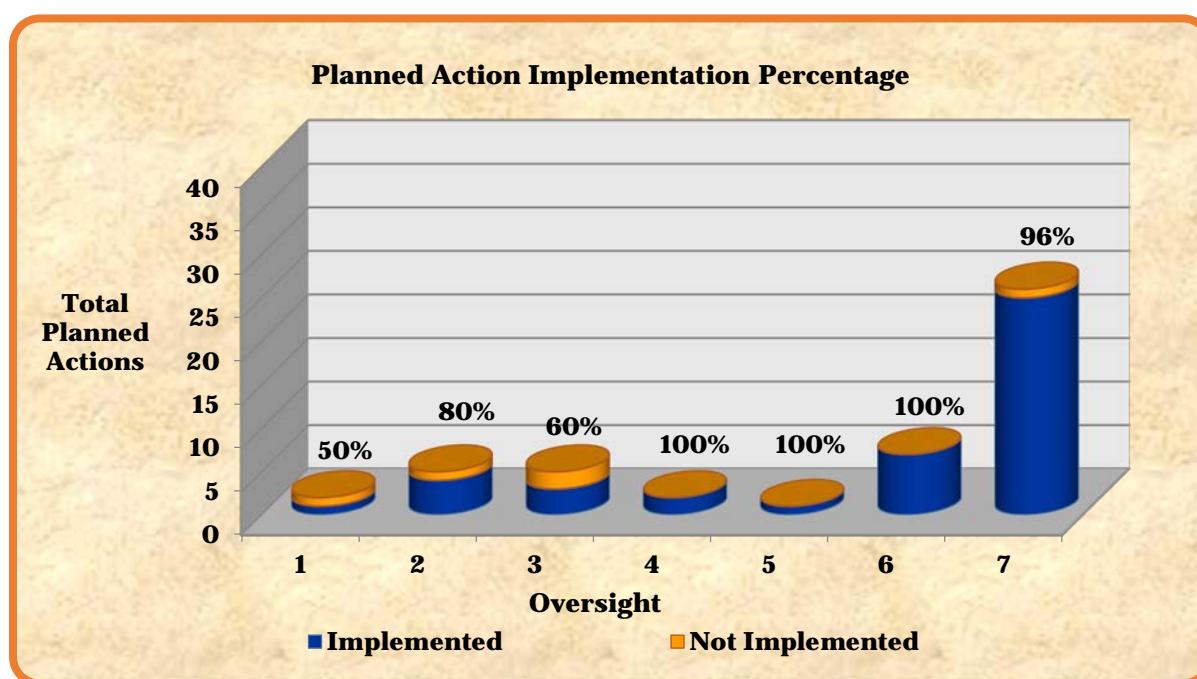
Audit personnel contributed support and advisory services by representation in the following areas:

UNIVERSITY SERVICE

· **Advanced Leadership for Academics and Professionals:** Presenter

· **Audit Coordination (External)**

· **Auxiliary Enterprise Review Committee:** Advisory Member

· **Board of Trustees Audit and Operations Review Committee:** Liaison

· **Building Emergency Coordinator:** Backup Coordinator

· **Conflict of Interest Working Group:** Advisory Member

· **Direct Support Organization Audit Committee Coordination (UAA, UFF & Gator Boosters)**

· **Export Controls Working Group:** Advisory Member

· **Gator Business Administrator Services Institute:** Audit Session Presenter

· **IT@UF Group:** Meeting Attendee

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

· **Shared Infrastructure Advisory Committee:** Member

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

· **UF Endpoint Management Governance Committee:** Advisory Member

PROFESSIONAL SERVICE

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

· **Institute of Internal Auditors – National Chapter (IIA):** Member, Volunteer

· **Institute of Internal Auditors - North Central Florida Chapter (NCFIIA):** Vice President, Treasurer, Board Member, Membership Chair, Newsletter Editor, Web Master, Historiographer, Programs Committee Members (2)

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

· **Florida Institute of Certified Public Accountants (FICPA):** Member

· **Florida AutoAudit Users Group:** Member

· **Institute of Chartered Accountants in England and Wales (ICAEW):** Member

· **State University Audit Council (SUAC):** Member

· **State University Audit Council (SUAC) IT Audit Group:** Member

· **College and University Professional Association for Human Resources (CUPA):** Member

· **Society for Human Resource Management (SHRM):** Member

Internal Audit (Audit) and Management Advisory Service (MAS) Reports Issued				
Title	**Period**	**Issue Date**	**Report Number**	**Project**
Review of NRC Award Activity	5/1/15 – 4/30/16	8/18/16	MAS 16-72-05	MAS
UAA Student Athlete Academic Eligibility	As of March 31, 2016	9/20/16	UF-16-678-15	AUDIT
Auxiliary Oversight and Monitoring	As of March 31, 2016	9/20/16	MAS 16-72-01	MAS
UFF Endowed Restricted Gifts	1/1/15 – 12/31/15	10/5/16	UF-16-681-18	AUDIT
UFF Non-Endowed Restricted Gifts	1/1/15 – 12/31/15	10/5/16	UF-16-682-19	AUDIT
Performance Based Funding – Data Integrity	As of September 30, 2016	11/2/16	UF-17-689-07	AUDIT
President's Business, Travel and Entertainment Expenses	1/1/16-6/30/16	11/17/16	UF-17-690-08	AUDIT
UAA Ticket Office Controls	As of December 13, 2016	12/13/16	MAS 17-71-01	MAS
CLAS Information Technology Security Controls	As of June 15, 2016	2/21/17	UF-16-667-04	AUDIT
Emerging Pathogens Institute	As of November 30, 2016	5/1/17	UF-17-686-04	AUDIT
Contracts and Grants Billing and Reporting	As of December 2016	3/3/17	MAS 17-72-05	MAS
Human Subject Payments	As of June 30, 2016	5/23/17	UF-16-675-12	AUDIT
UAA Off-Campus Recruiting Compliance	As of November 30, 2016	6/12/17	UF-17-695-13	AUDIT
President's Business, Travel and Entertainment Expenses	7/1/16 – 12/31/16	6/14/17	UF-17-690-09	AUDIT
Gator Boosters, Inc. Internal Controls	As of November 30, 2016	6/23/17	UF-17-694-12	AUDIT