Office of Internal Audit

Annual Report

2019 - 2020

CONTENTS

We support the mission of the university by providing objective and independent assurance, consulting and investigative services to reduce risks and improve operations.

PURPOSE

The Board of Governors Regulation 4.002 requires the chief audit executive to prepare a report summarizing the activities of the office for the preceding year.
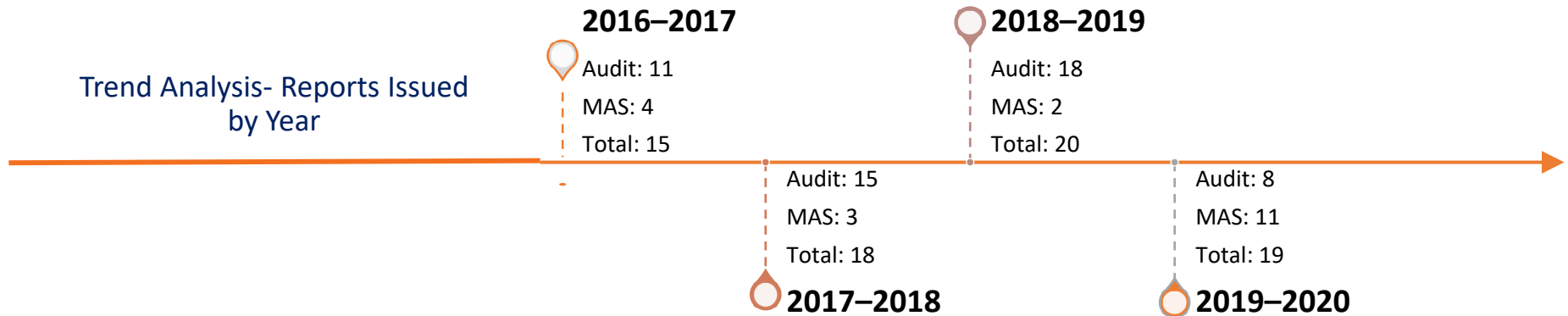
The *Standards* of the Institute of Internal Auditors require periodic disclosures regarding internal audit's purpose, responsibilities and independence.

THE YEAR IN REVIEW

HIGHLIGHTS

Trend Analysis- Reports Issued by Year

2016–2017
Audit: 11
MAS: 4
Total: 15

Audit: 15
MAS: 3
Total: 18
2017–2018

2018–2019
Audit: 18
MAS: 2
Total: 20

Audit: 8
MAS: 11
Total: 19
2019–2020

Significant Events during 2019-2020:

- **Relocated OIA office** from Human Resources to renovated space in Ayers Building
- The University and Internal Audit continued operations off-campus due to **COVID**
- Significant progress in the work plan with several **key staff vacancies**
  - ✓ New CAE started in September 2020
- Local and national **leadership** presence within IIA and ACUA
- OIA strategic plan goals implemented related to advancement of key initiatives:
  - ✓ Facilitation of **Enterprise** Risk Management for UF
  - ✓ **Data** Analytics Improvement Plan
  - ✓ Collaborative UFIT **Risk** Assessment initiative

PROJECTS COMPLETED

Title	Period	Issue Date	Report Number	Project
Audit Reports				
Research Shield Computing Environment - CONFIDENTIAL	As of June 30, 2019	8/26/19	UF-19-734-19	AUDIT
Performance Based Funding and Preeminence – Data Integrity	As of September 30, 2018	11/21/19	UF-19-737-22	AUDIT
University Athletic Association Ticket Office	As of May 31, 2019	1/8/20	UF-19-727-12	AUDIT
Executive Expense Review	As of December 31, 2019	5/6/20	UF-19-736-21	AUDIT
Animal Care Services	As of July 31, 2019	5/28/20	UF-19-718-03	AUDIT
UFF Endowed Restricted Gifts	1/1/19 – 12/31/19	6/12/20	UF-20-748-11	AUDIT
UFF Non-Endowed Restricted Gifts	1/1/19 – 12/31/19	6/12/20	UF-20-749-12	AUDIT
UFF Information Technology General Controls	As of July 1, 2019	6/12/20	UF-19-730-15	AUDIT
Other Reports and Advisory Services				
Revenue Contracting	As of June 30, 2018	7/11/19	MAS-19-72-04	MAS
Annual Report and Strategic Plan	2018-2019	10/16/2019	n/a	REPORT
Office of Youth Compliance Services	As of November 21, 2019	11/21/19	MAS-19-72-03	MAS
College of Liberal Arts and Sciences - DARPA Award Review	3/4/19 – 11/3/19	12/18/19	n/a	OTHER
International Activities ERM Matrix	As of December 31, 2019	4/10/20	n/a	ERM
Data Analysis and Reporting	As of June 30, 2019	4/23/20	MAS 19-72-08	MAS
Financial Controls at Decertification of the Law Center Association	As of June 30, 2019	5/4/20	MAS-19-71-03	MAS
Off-Campus Locations	As of April 30, 2019	5/6/20	MAS-19-72-02	MAS
COVID Unit Level Considerations	As of May 18, 2020	5/29/20	n/a	ERM
COVID Risk Analysis and Update	As of May 18, 2020	5/29/20	n/a	ERM
Expanded Food and Nutrition Education Program	As of January 31, 2020	6/2/20	MAS-20-71-01	MAS
Student-Athlete Online Proctoring	Fall 2019 and Spring 2020	7/24/20	MAS-19-72-09	MAS

OTHER ACTIVITIES

INVESTIGATIVE SERVICES

The OIA received a total of 198 complaints and allegations matching the highest number of intakes in the last 10 years. Most of the incidents (83%) were reported via the anonymous UF Compliance Hotline which is maintained by the OIA.

Investigations are conducted in accordance with the Standards for Complaint Handling and Investigations for the State University System of Florida.

Major Activity/Issues Identified in Allegations Received by OIA	2020 Reports	2019 Reports	2018 Reports
Hostile Work Environment or Harassment	46	46	35
Alleged Fiscal/Grant Fund/Scientific Misconduct	20	22	7
Nepotism / Favoritism	13	16	15
Outside Activities/ Conflict of Interests	8	16	7
Improper Termination/Retaliation Claim	10	14	10
Theft or Personal Misuse of Assets/Funds/Time	15	11	8
PCard Misuse/Purchasing	6	3	7

FOLLOW-UP

The OIA tracks outstanding recommendations and action plans from all known audit reports and conducts quarterly follow-up procedures to determine the status of management actions. Results for the year are summarized below:

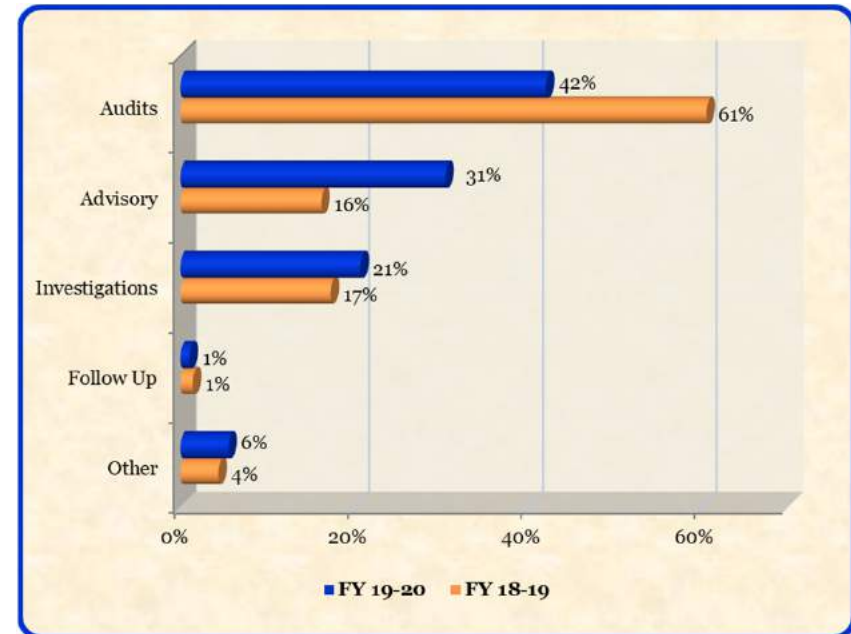| Oversight by	Followed Up	Implemented	In process	Not Implemented	Percent Implemented	PY Percent Implemented
Academic Affairs	11	9	2	0	82%	67%
CFO	2	2	0	0	100%	92%
CIO	7	7	0	0	100%	67%
COO	7	7	0	0	100%	88%
IFAS	3	0	3	0	0%	50%
Research	2	2	0	0	100%	100%
UAA	12	11	1	0	92%	67%
UFF	10	10	0	0	100%	100%
Totals	**54**	**48**	**6**	**0**	**89%**	**86%**

UF

OTHER ACTIVITIES (contd.)

The amount of time spent by the OIA on management advisory services was unusually high during the year. While some of this was originally planned and identified in our prior work plans in order to help address certain risks, additional time was spent due to COVID related concerns. We plan to return to a more appropriate balance quickly as reflected in our 2021 work plan.

How Direct Time was Spent

Category	FY 19-20	FY 18-19
Audits	42%	61%
Advisory	31%	16%
Investigations	21%	17%
Follow Up	1%	1%
Other	6%	4%

OIA impact and initial response to COVID-19:
- Assess short-term impact on controls and operations
- Consider / assess longer-term impact on OIA and UF
- Update work plan and projects - refocus on new priorities and remote audits
- Shortened work plan and related risk assessment to be more responsive
- Review potential issues and plans with management
- Prepare assessment information for Enterprise Working Group
- Monitor external/industry issues including engagement with (SUS, SEC, ACUA, Local)
- Collaboration with other assurance providers
- Changes in internal operations – remote work, implement MS Teams, staff review
- Modified internal training plans and external participation
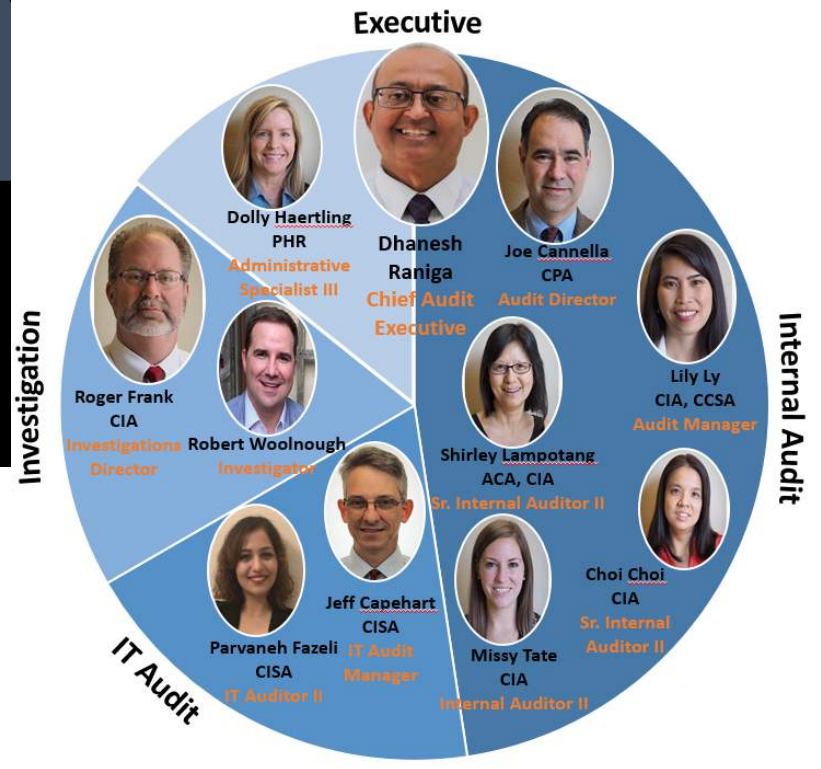
OFFICE RELOCATION

The OIA worked with the Planning Design & Construction Division to relocate to a newly renovated and functional office workspace. Located in the Innovation District, this office supports the OIA's ability to serve the university's needs now and in the future.

UF

The top priority for any internal audit function is a quality audit team. Having the right people and skills determines how much we can accomplish. We measured this by the quality of the work performed, the training that our staff receives, and the number of people in our office who have relevant professional certifications. While our client surveys' results continue to indicate we are performing exceptionally, we have identified improvement opportunities related to individualized training plans, development of subject matter experts, and the need to fill our current vacancies.

STRATEGIC PLAN UPDATE

The Strategic Plan identifies the steps necessary for internal audit to meet its vision and establishes goals to help make productivity and resource decisions. It aims to answer the questions **how can internal audit add more value** and **how do we ensure we are operating in a highly effective manner.**

- The university has a multitude of diverse and complex operations which means the OIA can't cover everything all the time. The OIA needs to be able to determine what is important so we focus on the right things; continually find ways to be more efficient in what we do; and collaborate with other functions of the university to assure risks are managed or help enact the positive change needed. Our value should be reflected in how we help the Gator Nation manage risk, continually improve, and excel at what is important.

- Our primary function is to independently report on the effectiveness of controls over known risks since others can not efficiently fill this role. Although internal audit strives to risk-based, more "standard" compliance audits have been prescribed by external stakeholders. These standard audits impact the available resources needed to provide proactive risk-based and value-added recommendations with regards to emerging or harder to solve issues. The OIA needs to continue to improve its staff capability and resource allocations, while effectively utilizing technology, to meet competing stakeholder expectations.

UF | Office of Internal Audit
UNIVERSITY *of* FLORIDA

The OIA will

Our Mission

OIA supports the university by providing objective and independent assurance, consulting and investigative services to reduce risks and improve operations.

Our Vision

To be an invaluable resource promoting excellence for the **Gator Nation**.

Our Strategic Values

Integrity

Collaboration

Excellence

Objectivity

Quality

Scope The Strategic Plan identifies the steps necessary for internal audit to meet its vision and establishes goals to help make productivity and resource decisions.

Strategic Overview

This strategic plan aims to **transition the internal audit focus** from management of historical trends and risks **to proactive, value-added services and strategic advice** based on current trends, risks and advancing data analytics.

Through collaboration with our campus partners, **we can help the university achieve its goals** and improve the management of risks.

Integrate and Improve Risk Management & Assurance

- Lead effort to streamline risk assessment and assurance activities across OneUF to gain efficiencies and maximize coverage

- Allocate limited resources to highest risk areas and improve information reports to Senior Management and the Board

Improve Utilization of Resources & Technology

- Implement improved internal processes and reporting mechanisms

- Implement Data Analytics Improvement Plan which is a collaborative partnership with core offices to improve the use of data to support decisions and monitor risks.

- Collaborate with UFIT on risk assessment and validation of enterprise-wide information technology risks

Enhance Professional Development to Align with University Objectives

- Implement strategic professional development plans for each employee that align with education in key risk areas that impact the university's ability to reach its strategic objectives

INTEGRATE & IMPROVE RISK MANAGEMENT AND ASSURANCE

UF

GOAL SUMMARY

- OIA will help lead the effort to streamline risk assessment and assurance activities across OneUF to gain efficiencies and maximize coverage:
  - Allocate our limited resources to the highest risk areas
  - Improve information reported to senior management and the Board

- OIA will develop a systematic process for anticipating new and emerging risks across campus.

FOCUS (WHY)

UF'S CONTINUALLY **EVOLVING RISK LANDSCAPE** MEANS WE MUST BE ABLE TO ADAPT OUR APPROACH TO MANAGING THESE RISKS

BETTER COORDINATION OF RISK ASSESSMENT AND ASSURANCE ACTIVITIES ACROSS UF SHOULD ALLOW US TO **GAIN EFFICIENCIES AND MAXIMIZE COVERAGE OF HIGH-RISK AREAS**

MORE COMPLETE PICTURE OF THE UNIVERSITY'S RISK MANAGEMENT SHOULD ALLOW FOR **MORE EFFECTIVE DECISION-MAKING** BY SENIOR MANAGEMENT AND THE BOARD

INTEGRATE & IMPROVE RISK MANAGEMENT AND ASSURANCE

UF

IMPLEMENTATION

Develop new enterprise risk management process – **IN PROGRESS, and ongoing**

Provide independent integrated assurance and consulting services (OIA and/or external consultants) regarding implications/controls related to emerging trends – **IN PROGRESS, April 2021**

Increase utilization of data analytics to optimize insights on audits and emerging risks – **COMPLETED, for selected projects September 2020**
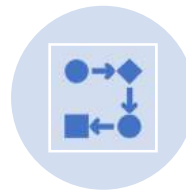
Collaborate with other assurance / compliance functions when conducting an engagement to effectively achieve objectives while minimizing duplication – **COMPLETED, and ongoing**

Develop well-informed, flexible and effective risk assessment process for OIA work plan development – **PLANNING PHASE, May 2021**

Improve OIA's ability to provide valuable insight on emerging risks – **PLANNING PHASE, May 2021**
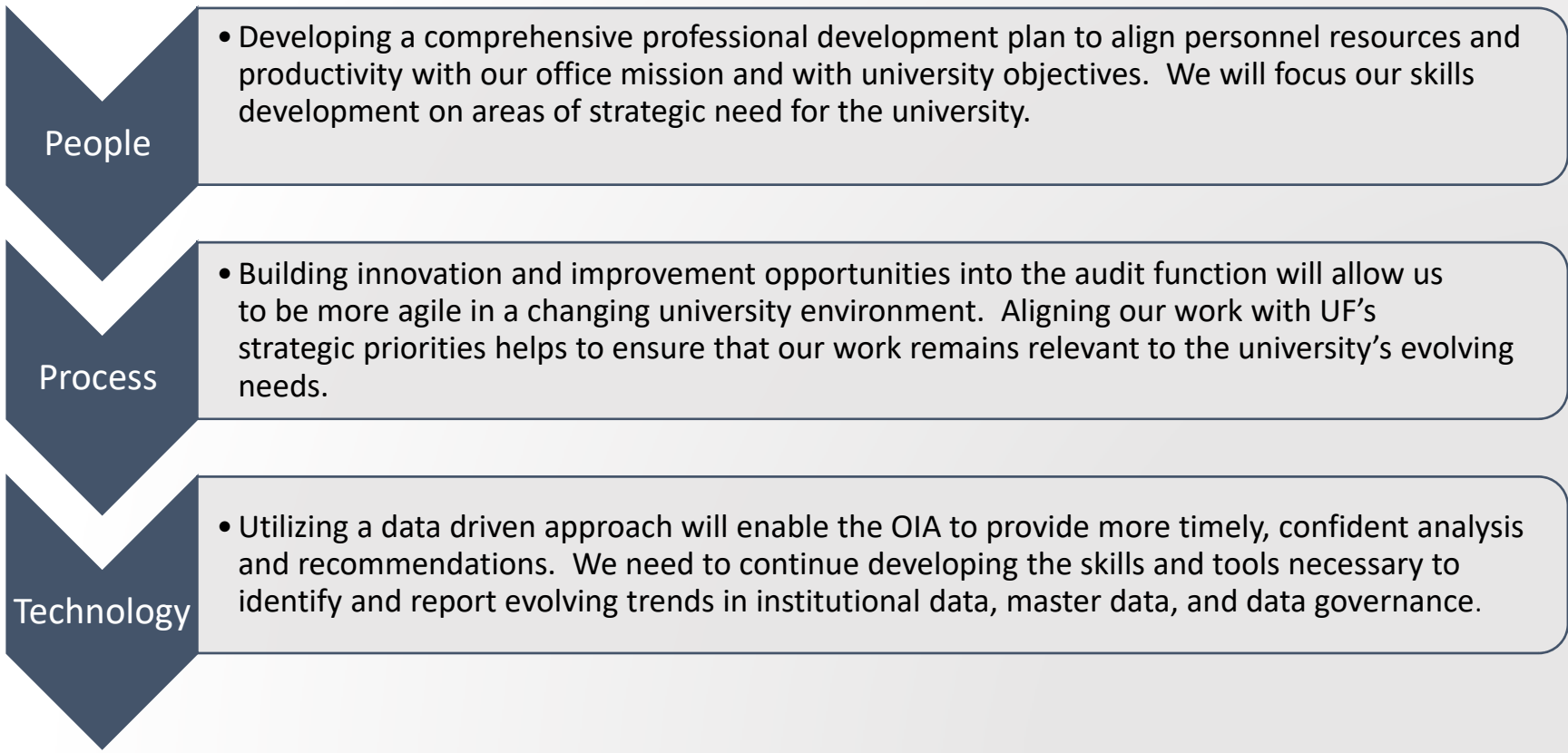
GOAL SUMMARY

Evaluation and implementation of innovative processes to improve the effectiveness (doing the right things) and efficiency (doing things the right way) as it relates to:

People
- Developing a comprehensive professional development plan to align personnel resources and productivity with our office mission and with university objectives. We will focus our skills development on areas of strategic need for the university.

Process
- Building innovation and improvement opportunities into the audit function will allow us to be more agile in a changing university environment. Aligning our work with UF's strategic priorities helps to ensure that our work remains relevant to the university's evolving needs.

Technology
- Utilizing a data driven approach will enable the OIA to provide more timely, confident analysis and recommendations. We need to continue developing the skills and tools necessary to identify and report evolving trends in institutional data, master data, and data governance.

IMPLEMENTATION

Develop a comprehensive professional development plan.

Perform critical review of audit templates and procedures for internal improvement opportunities.

Develop streamlined reporting processes and implement bi-weekly status update protocol with clients on audits.

Develop collaborative partnership with UFIT on assessment and validation of enterprise-wide information technology risks.

Technology - Develop a business plan that defines data analytics objectives and steps to enhance assurance and monitoring capabilities across the University.

COMPLETED

COMPLETED

COMPLETED

IN PROGRESS – February 2021

COMPLETED

REQUIRED COMMUNICATIONS

DISCLOSURES

The Office of Internal Audit adheres to the *Standards* of the Institute of Internal Auditors (IIA). The following items are being disclosed in conformance with the *Standards*.

Organizational Independence

The Office of Internal Auditing (OIA) must confirm to the board, at least annually, the organizational independence of the internal audit activity. The OIA reports functionally to the Audit & Compliance Committee of the UF Board of Trustees and administratively to the Chief Operating Officer.   In keeping with the Standards, the OIA must maintain a strong working relationship with the Audit Committee. In addition to regular communication with the Audit Committee Chair, the CAE presents results of audits and other activities to the Audit Committee at their quarterly meetings helping to promote the independence necessary for the OIA to adequately perform its function.

Resolution of Management's Acceptance of Risks

Each engagement can potentially produce items that may pose risks to university operations. Some items will require management's attention while others may be situations in which management decides to accept the risk associated with continuing the practice. We are required to disclose to senior management and the Board of Trustees any situation in which it is believed university personnel have accepted a level of residual risk that may not adequately reduce or mitigate the risk of loss. We report the status of these items quarterly to the Audit Committee and there were no such instances during the fiscal year.

UF

DISCLOSURES

The Office of Internal Audit operates in accordance with the guidance established by BOG Regulation 4.002, State University Chief Audit Executives

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. The OIA maintains a process to identify potential conflicts and there were no impairments to independence or objectivity in fact or appearance during the fiscal year.

Quality Assurance Review

In order to fully comply with the Standards, internal audit is required to undergo a Quality Assessment Review at least once every five years. In May 2017, the external professional services firm RSM with involvement of CAE's from peer institutions, completed a review of our office indicating our conformance with the IIA's *Standards*. We also assign a senior member to complete an internal Quality Assessment Review annually to monitor our conformance and identify improvement opportunities.

Disclosure of Nonconformance

Occasionally circumstances may require the completion of a project or engagement in a manner which is inconsistent with applicable *Standards*. Although our internal quality review always identifies improvement opportunities, there were no instances in which projects were completed in a manner that would not comply with the *Standards* during the fiscal year.