



2010-11  
**ANNUAL REPORT**

Office of  
Audit & Compliance Review

*Operational, Financial, Compliance Audits  
Management Advisory Services  
Special Reviews*



**UF**  
UNIVERSITY of  
FLORIDA



Contents	
<i>Operations</i>	<b>2</b>
<i>Audits and Other Planned Reviews</i>	<b>6</b>
<i>Audit Report Summaries</i>	<b>7</b>
<i>Management Advisory Services</i>	<b>11</b>
<i>Investigations</i>	<b>14</b>
<i>Follow-up</i>	<b>15</b>
<i>Other Activities</i>	<b>16</b>
<i>Reports Issued</i>	<b>17</b>

*Message from the Chief Audit Executive*  
*Brian Mikell, CPA*

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



Fiscal year 2010-2011 proved to be quite challenging for the OACR. We were engaged in several complex projects and experienced staff turnover resulting in three new hires, which represented 25% of our staff. In the midst of these challenges, the OACR 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. As we move into fiscal year 2011-2012, OACR's expectations are to continue providing proactive assistance in strengthening internal controls in the university's decentralized environment as well as conducting audits to promote good business practices.

I consider it an honor to serve my alma mater as its Chief Audit Executive and I have sought to ensure that the OACR remained true to its mission of always adding value through provision of audit, advisory and investigative services. I am committed to increasing OACR's future value to the university. 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.

I am proud to present this 2010-2011 Annual Report which summarizes our activities for the year and provides useful data for benchmarking the effectiveness of our operations.

*Brian D. Mikell*



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

# Operations



OACR staff (from left): Aurymar Rodriguez-DeLancey, Lily Reinhart, Craig Reed, Emmy Kahn, Joe Cannella, Choi Choi, Brian Mikell, Shirley Lampotang, Dolly Haertling, Jeff Capehart, Vito Hite (not pictured: Roger Frank).

## Goals and Objectives

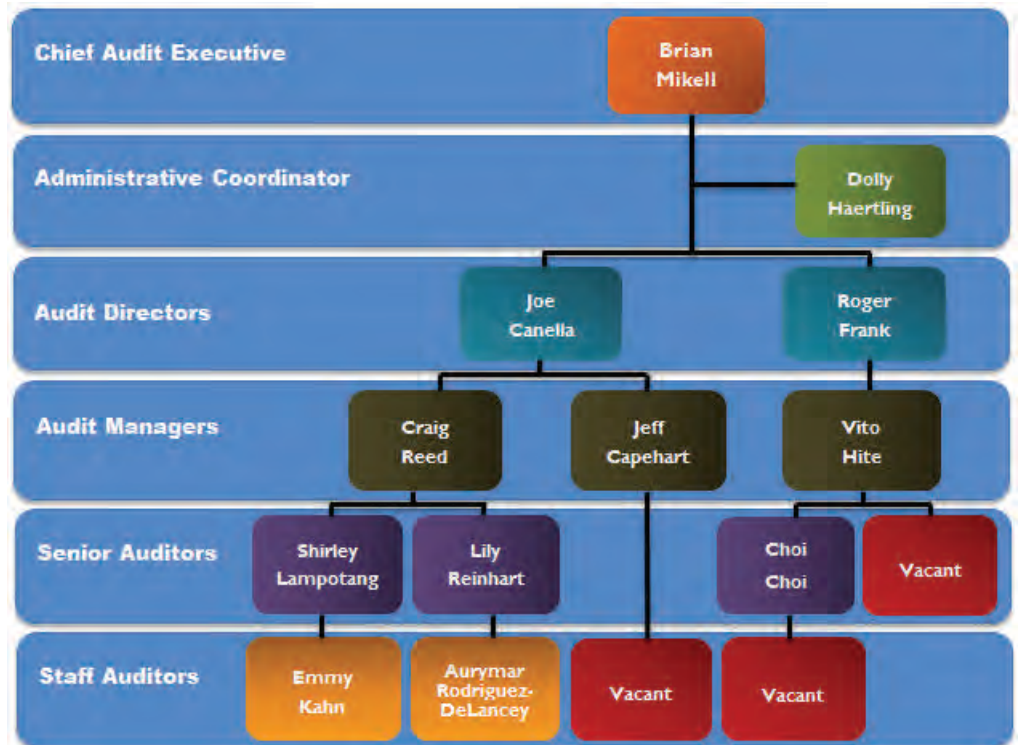
Always a key operational objective for the OACR is the completion of our current year's audit work plan. Our work plan includes university audits as well as audits of the university's direct support and affiliated organizations.

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 was part of a fiscal management certification program for employees. With the assistance of Human Resource Services, an on-line version of the class, developed in prior years, was offered. Training was provided, through the live and on-line sessions, for 143 employees during the fiscal year. The OACR continued to be responsive to requests for assistance and addressed the needs of campus through advisory and consulting engagements as well as through investigative reviews.

## Organization

The Chief Audit Executive (CAE) is appointed by and operates under the general oversight of the university president. The CAE reported functionally to the Board of Trustees through its audit committee. The CAE reported administratively to the president through the senior vice president for administration and business ventures affairs through January 2011, and through the vice president for business affairs for the remainder of the fiscal year. These reporting relationships promoted independence and assured adequate consideration of audit findings and planned actions. OACR staff reports to the CAE as shown in the Organization Chart as of June 30, 2011.

Turnover resulted in three new hires, leaving three positions vacant.



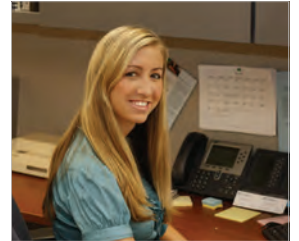
## Staffing and Other Resources

During the 2010-2011 fiscal year, the OACR experienced many staff changes. In August, we said goodbye through retirement to our longtime Administrative Coordinator, and we welcomed a new Administrative Coordinator. In October we filled one of our vacant positions that resulted from prior year budget reductions, with the hire of a Staff Auditor. In December, we lost a seven-year Senior Auditor and in April, we lost our Senior IT Auditor. To replace these positions, we hired a Staff Auditor in April and were in the process of hiring a Staff IT Auditor at year-end. The internal organization chart was further adjusted through the promotion of a Staff Auditor to the position of Senior Auditor in October. As the fiscal year came to a close, the OACR had one vacant senior auditor position and two vacant positions at staff auditor, with plans to fill one of the staff positions. The OACR consumed substantial resources by conducting searches for new employees and training new staff members during the year.

The OACR continued to enjoy our off-campus home in the Human Resource Services building at 903 West University Avenue. We maintained our commitment to ensure that our staff was equipped with the appropriate tools and adequately trained to efficiently perform their required duties. The OACR is committed to an environment of limited paper and we utilized 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, even considering the multi-year budget reductions that all of campus has endured. The 2010-2011 fiscal year was our first under the new Responsibility Center Management budget model. During the year, we submitted a funding request for the 2011-2012 fiscal year and we anticipate an adequate level of funding support from the university through this new and evolving budget model.



Faith Magin, OACR student staff member



The OACR team

## Staff Training

The IIA's 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 attend-

ance to professional conferences and taking advantage of relevant training opportunities through the IIA, university and other entities. The following table provides a list of staff participation in formal training programs during the 2010-2011 fiscal year:

Sponsored by	Hours	Employees Attending
Institute of Internal Auditors-North Central Florida Chapter	289	13
Association of Colleges and University Auditors	161	11
The Institute of Internal Auditors	69	7
University of Florida	48	13
SANS (SysAdmin, Audit, Network, Security) Institute	36	1
Association of Healthcare Internal Auditors	18	1
Florida Institute of Certified Public Accountants	16	4
Miscellaneous	14	5
Purvis Gray & Company	8	2
Deloitte and Touche	6	1



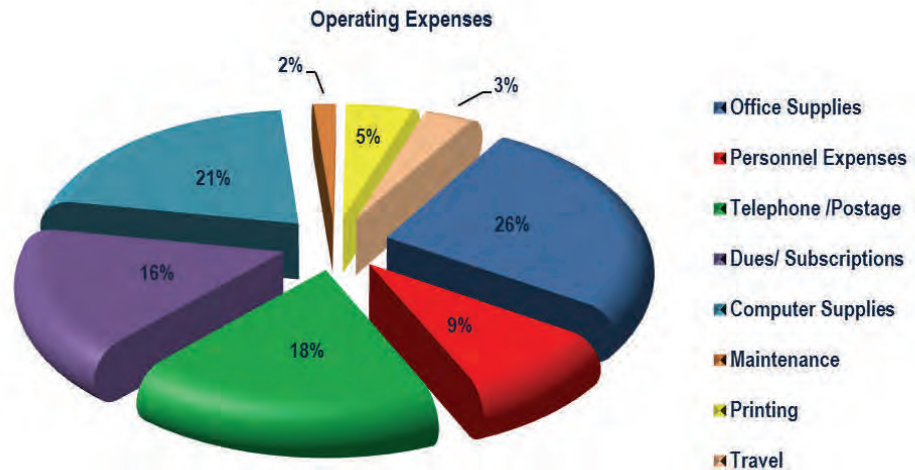
Roger Frank, Director, conducting local IIA Chapter Training.



Local IIA Chapter meeting

## Expenditure Analysis

The OACR expenditures by category are illustrated in the accompanying table. Our primary budgetary commitment remains professional staff salaries, which represented almost 95% of total expenditures. The increase in salary expenditures was attributable to university pay increases on July 1, 2010 and the filling of a vacant position on October 1, 2010. The increase in expenditures for consultants resulted from the purchase of outside audit services, while the increase in training expenditures reflected OACR's commitment to staff preparedness. Approximately 90% of OACR operating expenses were attributable to office and computer supplies, telephone/postage, professional dues/subscriptions and personnel-related expenses.



### Analysis of Expenditures

	2009-2010	2010-2011
Salaries	\$1,152,300	\$1,227,360
Other Personal Services (OPS)	5,749	2,129
Consultants		12,500
Fixed Assets	13,397	9,708
Operating Expenses	14,761	14,690
Training	12,705	23,496
Compliance Hotline	9,500	9,500
<b>Total</b>	<b>\$1,208,412</b>	<b>\$1,299,383</b>

## Time Analysis

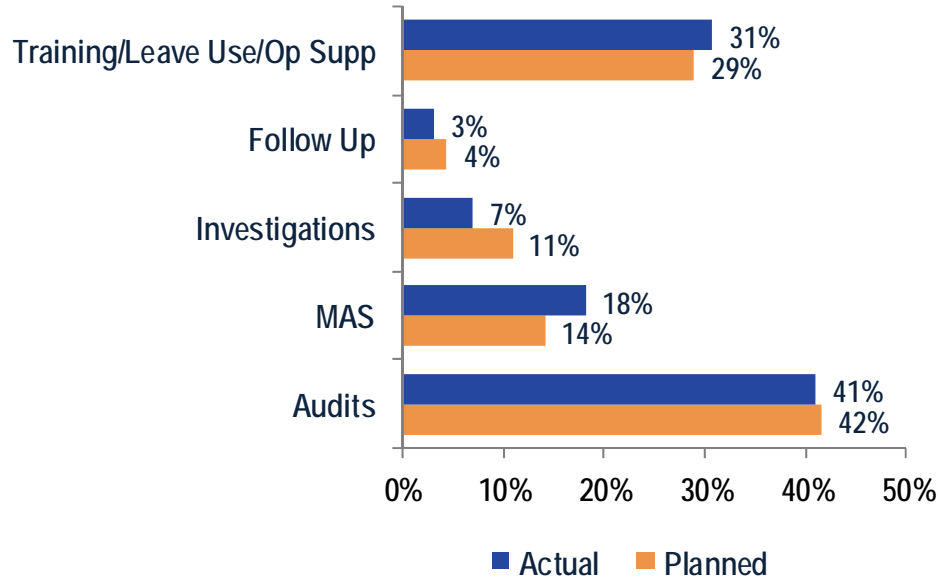
The table provides a comparison between time available as planned and actual time available for projects. We anticipated three position vacancies during the fiscal year, but actual hours lost to vacancies were 764 hours less largely due to filling one of the planned vacancies during the year. However, actual hours used for training, leave and administration exceeded planned by 600 hours, negating most of the positive impact from the filled position. When combined with the 424 hours of overtime generated by OACR staff, the final result was available hours for the period exceeding planned hours by 4%.

### Planned/Actual Hours

	Planned		Actual		Diff.
Time Available (13 x 2040)		26,520		26,520	
Less: Adjustment for Position Vacancies	(6,120)		(5,356)		764
Training/ Leave Use/ Operational Support	(5,912)		(6,512)		(600)
<b>Total</b>		(12,032)		(5,923)	
Excess hours worked				424	424
<b>Time Available for Projects</b>		<b>14,488</b>		<b>15,076</b>	<b>588</b>

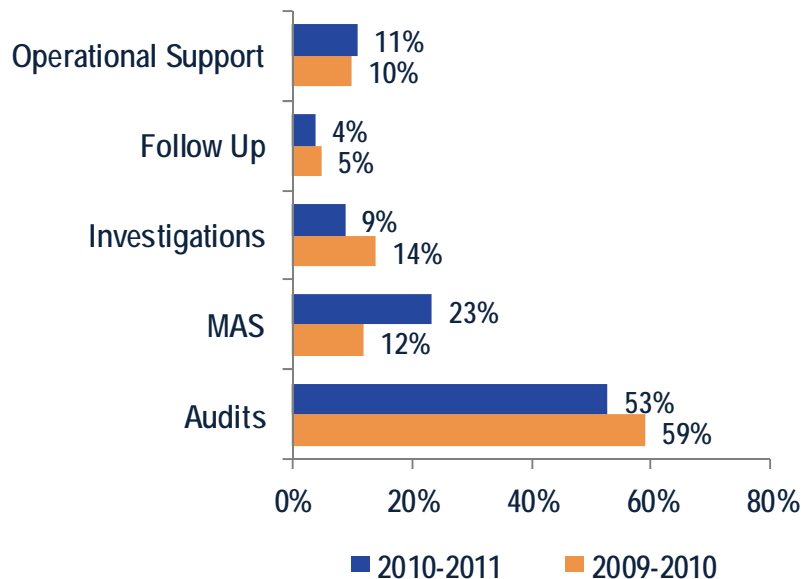
## Time Allocation — Time Planned vs. Actual

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 training and management advisory services were more than planned, offset by less actual hours being charged to investigations.



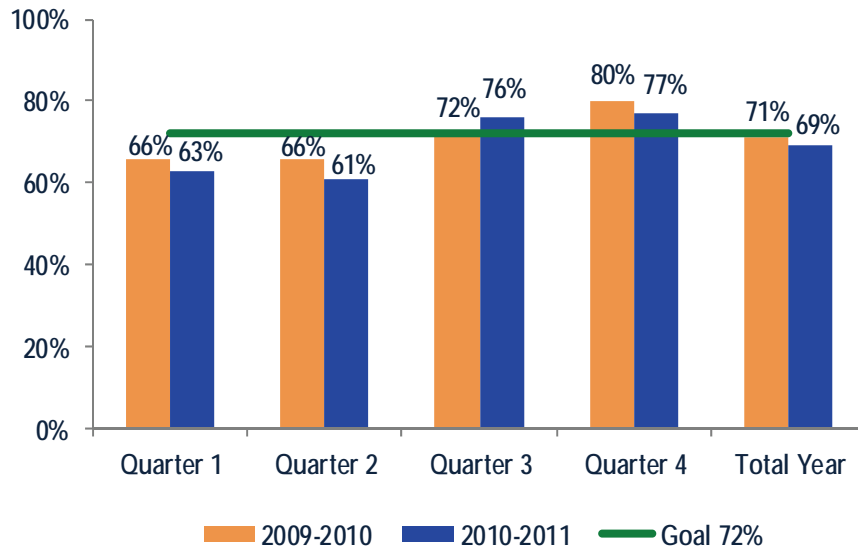
## Time Comparison — Prior vs. Current Year

This chart compares, for direct project categories and operational support, the actual time used during the prior year with the actual time used during the current year. The allocation of time spent on follow up and operational support remained relatively constant. In 2010-2011, we saw a decrease in staff time used for audits and investigations with a corresponding increase in time used for management advisory services. This shift in time reflects an increase in planned and campus requested management advisory service projects, including the campus-wide control self-assessment survey.



## Office Direct Time

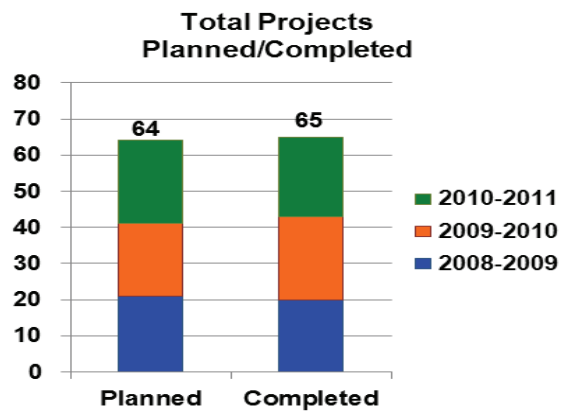
Direct time percentages are established as a productivity goal for each professional position and at 72% for the office as a whole. Direct time is generally defined as time spent on projects and it excludes time charged to administration, service support, leave and training. This chart compares direct 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 69% direct time, slightly under our goal. The lower direct time was caused, in part, by additional training and orientation for new staff members. OACR continues to stress efficient and effective use of our time resources and we anticipate higher direct time next year.



## Audits and Other Planned Reviews 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 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 64 projects were planned and 65 were completed. During fiscal year 2010-2011, 53% (8,678 hours) of available time was used on audit projects and 23% (3,852 hours) was used on MAS projects. An additional 9% (1,468 hours) was used for investigative projects and is not reflected in the reported projects.

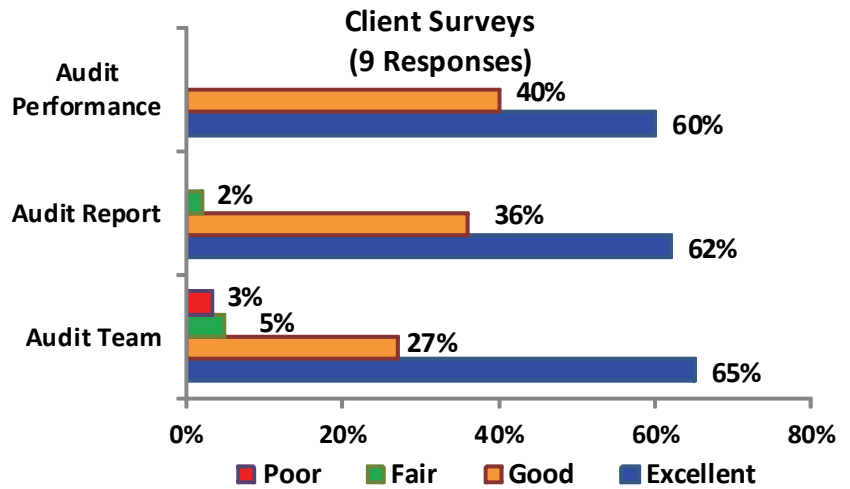


### Trend Analysis of Projects Planned/Completed

	Planned		Completed		
	Original	Revised	Current	Carry Over	Total
2008-2009	26	21	14	6	20
2009-2010	23	20	15	8	23
2010-2011	21	23	13	9	22
<b>TOTALS</b>	<b>70</b>	<b>64</b>	<b>42</b>	<b>23</b>	<b>65</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 client surveys received for current year audit projects indicated, for the most part, that OACR services were well received. Overall, 96% of survey responses to individual questions in all three categories indicated ratings of either good or excellent.



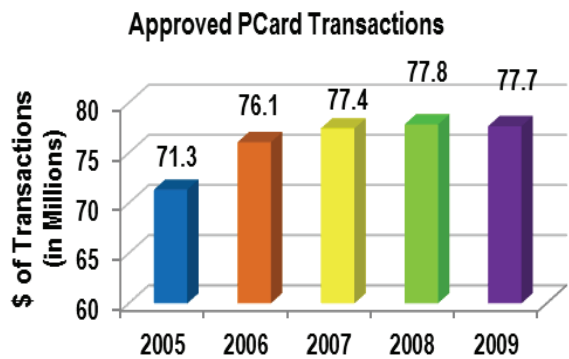
## Audit Report Summaries

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 risk-based coverage. Audits performed included system-wide fiscal and administrative processes, housing, 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), the University Athletic Association (UAA), and Gator Boosters by performing audits and working directly 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 December 31, 2009, there were approximately 4,900 active University of Florida PCards for 361 business units. For the period January 1, 2005 through December 31, 2009, approved PCard transactions totaled over \$380 million as shown in the chart.

PCard purchases do not require traditional controls such as purchase requisitions, purchase orders, and receiving reports and delegate purchasing authority to more individuals. 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 December 31, 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.



## Integrated Student Information System (ISIS)

In 1998, the university developed and implemented the ISIS, a web-based student information system used to register for classes, view schedules, check grades, and request transcripts. Employees used an administrative version of the system called ISIS-Admin for course scheduling, processing grades, reviewing class roles, and room scheduling. Applicants also used the system to check their admission status.

There were 470,112 active online student records and 203,432

imaged permanent record cards accessible through the ISIS. Hosted on multiple systems at Computing and Networking Services, the ISIS traffic ranges from 10 to 40 transactions processed per second. This audit was conducted as of July 31, 2010 with the objective to evaluate key information technology controls over the system. Specifically, we focused on information processing, security and access management, user support, change management, business continuity and disaster recovery.





## UFF Restricted Gifts

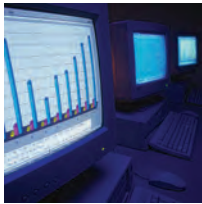


The UFF was established to support and enhance the university by encouraging private donations. The foundation's policy is to honor the donor's stated purpose for the use of the specified gift. Restricted gift funds were established within the UFF and administered by specific university units.

During the calendar year 2009, the UFF transferred to the university endowed restricted funds totaling approximately \$26.7 million to be used for scholarships, fellowships, professorships,

eminent scholar chairs, and research. During the same period, the university disbursed approximately \$34.5 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 2009 with the objective to evaluate controls designed to ensure that restricted funds were used in accordance with donor intent.

## UFF Information Technology General Controls



The UFF computing department reported to the Chief Technology Officer and was responsible for the security of the foundation's information technology infrastructure. This audit was conducted as of July 1, 2010 with the objective to review for compliance with the Payment Card Industry Data Security Standards (PCI), including an evaluation of the adequacy of related internal controls over the foundation's information tech-

nology (IT) infrastructure. Specifically, we reviewed:

- ♦ PCI Compliance
- ♦ PCI Security Policy
- ♦ Information Security Policy
- ♦ User Access Rights
- ♦ Protection of Data on Office Machines Containing Hard Drives

## UFF Asset Management



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. Total property, plant, equipment and other assets, as reported on the June 30, 2010 financial statements, totaled over \$72 million of which approximately \$34 million were tangible assets considered portable.

focus on these tangible assets including categories such as permanent collections, vehicles, equipment, and livestock. The audit objectives included evaluating the adequacy of key controls in place relative to accountability, record keeping, monitoring, safeguarding, preserving and maintaining these assets.

This audit was conducted as of December 31, 2010 with a

## UAA Purchasing and Disbursements



The UAA is a not for profit entity and a direct support organization of the University of Florida created pursuant to Chapter 1004.28, Florida Statutes. The UAA is responsible for the intercollegiate athletics programs at the University of Florida.

The goal of UAA purchasing is to provide the best products or services to meet the needs of the department/end user at a competitive price, delivered on time and at the best available quality, while adhering to UAA policies and procedures. The UAA procures goods and services through encumbered

purchase orders, procurement cards, and unencumbered purchases.

This audit was conducted as of June 30, 2010 with the objective to evaluate the adequacy and effectiveness of controls and procedures in place to manage the purchasing and disbursements processes. This audit specifically focused on policies and procedures; tests of transactions; segregation of duties, vendor file maintenance; and purchase conflict of interests.

## Personnel Actions and File Maintenance



Within the Office of Human Resource Services (HRS), the Office of Recruitment is responsible for recruitment and hiring processes, development of policies, employment verification and personnel file retention. HRS is responsible for maintaining the official personnel files for the university. Since 2002, documents have been scanned and personnel files maintained electronically, with 83,000 employees currently in the imaging system.

Using electronic Personnel Action Forms (ePAF), units across campus could initiate the appropriate job actions such as hires,

job changes, employee status changes, leave cash-out and additional pay. Additional pay refers to earnings an employee receives in addition to their regular pay, or temporary lump sum payments. During the fiscal year ending June 30, 2010, there were approximately 65,000 ePAFs processed, of which 16,340, totaling \$55 million, were for additional pay.

This audit was conducted as of June 30, 2010 with the objective to identify and evaluate the key controls over personnel actions involving additional pay, and personnel file maintenance and security.

## Procurement Practices

University Purchasing Services (UPS) is the university's centralized purchasing unit with the mission to support the goals of education, research and public service by purchasing and providing quality goods and services at competitive prices and providing responsive and responsible service to all university departments.

Procurement of goods and services primarily occurs through university purchasing cards, encumbered purchase orders, and unencumbered voucher purchases. A new e-procurement requisitioning system, "myUF Market", went live on July 1, 2009 with the goal of providing a user-friendly online marketplace designed to streamline the way university departments make encumbered purchases of goods and services. University regulations require competitive solicitation for purchase transactions \$75,000 and above, unless the purchase meets one of the allowed exemptions (sole source,

certain professional services). Below \$75,000, bids or quotes may be required. Purchase orders issued and corresponding dollars by fiscal year were as follows:

Fiscal Year	Number of PO's Issued	Dollars
2007-2008	31,483	\$487,436,234
2008-2009	27,129	\$445,764,067
2009-2010	37,722	\$411,423,330

This audit was conducted as of June 30, 2010 with the objective to evaluate the adequacy and effectiveness of key controls in place for managing the procurement process.



## Interdisciplinary Center for Biotechnology Research (ICBR)

An interdisciplinary center established in 1987 by Florida legislature, ICBR reports directly to the Vice President of Research. ICBR's mission is to serve as a world-class research support center that provides scientifically knowledgeable and technically superb services to University of Florida faculty, staff, graduate students, and other research partners throughout the state and nation within the scope of the molecular life sciences.

ICBR provides more than 250 core services in the areas of custom and high-throughput DNA sequencing and genomics, proteomics, cellomics and bioinformatics. ICBR also has an education and training program, dedicated to enhancing com-

petencies of diverse audiences in biotechnology principles and techniques and their applications.

For the 2009–2010 fiscal year, ICBR collected \$2.9 million in revenue for processing sample requests, equipment usage, facility use, and educational services. ICBR had approximately 53 employees, equipment with a recorded value of \$10.3 million, and incurred approximately \$4.6 million in expenditures annually. This audit was conducted as of June 30, 2010 with the objective to evaluate the keys controls over ICBR's operations focusing on the control environment, fiscal monitoring, collections and revenues.



## IFAS Family, Youth and Community Sciences (FYCS)

The FYCS is one of 15 academic departments under the College of Agricultural and Life Sciences within IFAS. The mission of the FYCS is to enhance the lifelong learning and the personal, social, economic and environmental well-being of diverse individuals, families and communities through extension, research and teaching programs. Utilizing federal funding, the FYCS had developed and coordinated various programs in 55 county extension offices located throughout the State of Florida.

At June 30, 2010, the FYCS had approximately 230 employees and approximately \$9.8 million in annual expenditures, of which \$5.8 million was for extension activities. This audit was conducted as of November 30, 2010 with the objective to evaluate the control environment including key controls over the administrative processes of the FYCS including, payroll and personnel, fiscal monitoring, purchasing and disbursements and compliance with rules and regulations.



## IFAS Soil and Water Science Department (SWSD)

The SWSD is one of 15 academic departments under the College of Agricultural and Life Sciences within IFAS. The mission of the SWSD is to provide scientific leadership in research, graduate and undergraduate education, and extension for soil, water, and environmental sciences. By discovering new scientific knowledge and imparting that knowledge to fellow scientists, students, and citizens, the department assists in the resolution of land and water resource issues related to agriculture and natural resource in Florida, the nation and the world.

The SWSD programs are sponsored by state and federal agencies, as well as private industry. At June 30, 2010, SWSD had approximately 204 employees and approximately \$8.6 million in annual expenditures. The audit was conducted as of November 30, 2010 with the objective to evaluate the control environment and key controls over the administrative processes of the SWSD including, payroll and personnel, fiscal monitoring, collections, disbursements, vehicle usage and compliance with rules and regulations.



## UAA Cashiering and Decentralized Collections



The UAA is a non-profit corporation and a direct support organization of the University of Florida. The UAA is responsible for the intercollegiate athletics programs at the University of Florida.

The central cashiering office serves as the focal point for UAA collections and cash disbursements. The Cashier manages all the daily activities of the office under the supervision of the UAA accounting office. The Cashier provides change, processes collections for deposit, and coordinates the physical transfer of collections from various UAA departments to the

bank.

Collections are primarily generated by ticket sales, royalties, sponsorships, University Golf Course and Gator Sportshop operations, and various sports camps. During the fiscal year ending June 30, 2010, the central cashiering office processed approximately \$87 million in collections and \$1.5 million in disbursements. This audit was conducted as of February 28, 2011 with the primary objective to assess the adequacy and effectiveness of the controls related to handling and processing cash and cash equivalents.

## Gator Boosters, Inc. Internal Controls



Gators Boosters is a not for profit corporation and a direct support organization of the University of Florida. Its mission is to strengthen the University of Florida's athletic program by encouraging private giving and volunteer leadership. Gator Boosters functions as the fundraising arm for the University Athletic Association and is dedicated to two major goals; first and foremost, to educate student athletes through scholarship funding; secondly, to improve athletic facilities for Gator student athletes to compete at the highest level.

Gator Boosters is managed by an executive director and volunteer board of directors. The executive director serves as the

chief fund raising officer and is responsible for the coordination of all athletic fundraising activities, administration of staff and management of athletic donors on behalf of the university. For the 2009-2010 fiscal year, Gator Boosters reported total revenue of \$41.2 million. As of June 30, 2010, endowments held by the UFF on behalf of Gator Boosters exceeded \$41 million. This audit was conducted as of and for the calendar year ended December 31, 2010 with the objective evaluate the control environment while specifically focusing on controls in place relating to fundraising, revenues, collections, purchasing, and disbursements.

## Department of Housing and Residence Education (DOHRE)



The DOHRE is operated as a self-supporting auxiliary enterprise within the Division of Student Affairs. The mission of the DOHRE is to provide well-maintained, community-oriented facilities where residents and staff are empowered to learn, innovate and succeed.

The DOHRE maintained 44 buildings as single-student residence halls, comprising 1.8 million square feet of space that housed approximately 7,500 students. The DOHRE also maintained 87 buildings as Graduate and Family Housing, comprising 842,000 square feet of space in 980 apartments that housed approximately 1,700 residents (students and families). The oldest residence halls, Thomas and Buckman, were built in 1906, while the newest residence hall, Hume, was

built in 2002.

For the fiscal year ended June 30, 2010, the DOHRE generated approximately \$44 million of rent revenue and incurred approximately \$30.5 million of operating expenditures. With net operating income of \$13.5 million, the DOHRE transferred \$6.2 million to capital improvement projects and made debt service transfers of \$5 million. This audit was conducted as of November 30, 2010 with the objective to evaluate the adequacy and effectiveness of key controls over the administrative processes of the DOHRE, specifically focusing on budgeting, expenditures, safety, security, services provided to students, asset management, and compliance.

## Conflicts of Interest, Outside Activities and Financial Interest



University of Florida faculty and staff members should recognize that their primary professional responsibility is to the university and its mission of instruction, research, and public service. University employees are permitted to engage in outside employment, consulting, and other activities as long as these additional activities do not interfere with the employees' primary responsibility to the university. The university recognizes that participation in these outside activities often promotes the mission of the university in addition to benefiting individual employees.

Outside activities and external financial interests of faculty and staff members are of concern to the university if they result in conflicts with the employees' obligations, duties and responsi-

bilities to the institution. When a conflict of interest does exist, the conflict may be reduced or managed to an acceptable level through monitoring and management oversight. Such conflicts can occur on an individual or institutional level.

University policy requires that a disclosure form must be completed by the employee and approved by their dean, department chair, or director prior to engaging in the outside activity or financial interest. This audit was conducted as of January 1, 2010 to evaluate the adequacy and effectiveness of key controls in place to identify and manage conflicts of interest. Our review focused on identification, review and approval of potential conflicts of interest; management of conflicts of interest; and financial disclosure to the Commission on Ethics.

# 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.*

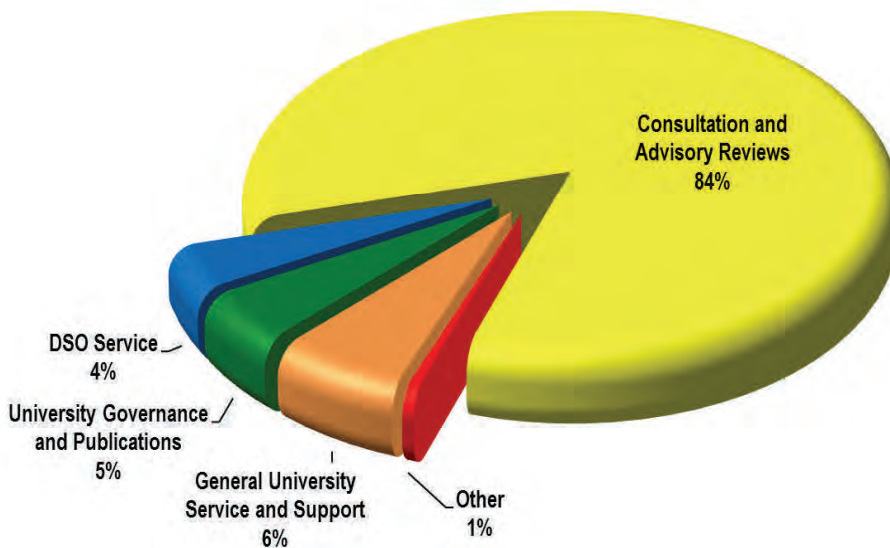
OACR is committed to providing proactive, preventive advice on internal controls, operations and compliance through management advisory services (MAS). Such engagements may be performed as part of our risk-based work plan, or as a result of a request from various management levels throughout the university. OACR actively provides advisory reviews, consulting assistance, training and training tools, and post-audit assistance with the goal to help 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, through a letter or a more formal report format.

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

During fiscal year 2010-2011, 3,852 hours were spent on MAS, which represented 18% of actual department hours. A significant portion of MAS effort (84%) was expended on consultation and advisory reviews, and general university service and support. Following are summaries of MAS projects completed or significantly completed and significant service/support efforts during the year.

**MAS Effort Distribution**



## International Activities

The University of Florida established the International Center in 1991 to serve as an internal and external liaison for the university, providing a source of assistance to faculty, administrators and students and enhancing their ability to pursue and develop international activities and initiatives. We performed an advisory review of the University of Florida Inter-

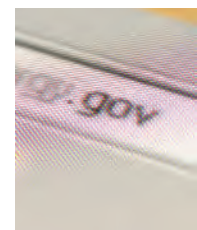
national Activities to determine the adequacy of controls over the development of study abroad programs as well as to ensure the adequacy of existing controls to ensure compliance with university directives and state and federal laws relative to the employment of and work performed by foreign individuals on behalf of the university.



## Export Controls

The University of Florida's Export Control Compliance Program Guidelines call for a review of the export control compliance program on a periodic basis to ensure that the University of Florida is in compliance with the Federal rules and regulations related to export controls. The OACR agreed to conduct these periodic reviews and has planned for a detailed

review of the export control compliance program every three years, with the last detailed review performed as of February 28, 2010. The OACR employs various ongoing procedures to monitor the effectiveness of the export control compliance program including participation, in an advisory capacity, in the quarterly meetings of the Export Control Working Group.





## *University Press of Florida*

As the official publisher for the State University System, the University Press of Florida (UPF) operates as both an Academic Infrastructure Service Organization for the Florida Board of Governors and as a publishing business. The UPF has published over 2,500 volumes since its inception and currently releases nearly 100 new titles each year.

This requested advisory review was performed to examine business control activities at the UPF, with an emphasis on controls related to fixed assets, book inventory, timekeeping and payroll, revenue collections, and disbursements. The review included examinations of activities at both the UPF offices and at its off-site warehouse.

## *Control Self Assessment Survey*

The University of Florida's fiscal and administrative structure is based on a decentralized model where the deans, directors, and department heads are responsible for unit procedures and internal controls. To assist the university's units with the evaluation and understanding of their internal controls, the OACR launched the Control Self Assessment (CSA) program on March 3, 2011. The CSA program was modeled after one originally developed by the OACR in 1997 with updates reflecting the current business environment each time the assessment has been performed.

The OACR developed a web based control assessment tool (CAT), consisting of 97 questions with "Yes/No/NA (not applicable) and N/S (not sure)" responses that address nine major categories of Control Environment; Budgeting, Accounting, and Financial Reporting; Collections, Deposits, and Cash Funds; Asset

Management; Payroll; Human Resource Management; Purchasing and Disbursement; Research Management and Support; Information Technology. The CAT was initiated with the vision that empowered managers need an easily accessible tool to identify and disseminate benchmarks to use in the evaluation of their unit based internal controls. The CAT also assists senior management and the OACR in its internal control evaluation of the university.

As of April 8, 2011, responses from 255 of 270 surveyed departments were received, amounting to 94% response rate. Survey results were used to identify practices that, if implemented, may further strengthen the internal controls of the university. A validation of the survey responses, on a sample basis, will help achieve this objective and is planned for the summer/fall of 2011.



## *UAA Control Self Assessment Survey*

The UAA's fiscal and administrative structure includes aspects of both a centralized and a decentralized model. Within this structure, central process owners and department heads are responsible for unit procedures and internal controls. On November 17, 2010 a modified version of the CSA was made available to the UAA.

To facilitate this self assessment, OACR worked with UAA management to develop a web based control

assessment tool (CAT) that addressed six major control categories. The CAT was initiated with the vision that empowered managers need an easily accessible tool to identify and disseminate benchmarks to use in the evaluation of their department level internal controls. Information was provided with the survey questions to help guide and reinforce expectations with department management. The CAT also assisted senior management and the OACR in its periodic internal control evaluation of UAA.



## *PCI/DSS Compliance*

The Payment Card Industry Data Security Standard (PCI DSS) was developed by the major credit card companies and banks as a guideline for organizations that process card payments to help prevent credit card fraud, hacking and various other security assaults. A company processing, storing or transmitting cardholder data must be PCI DSS compliant to avoid losing the ability to process credit card payments, and may be liable for fines if they do not comply. PCI DSS compliance is required of all merchants and service providers that store, process, or transmit cardholder data and

applies to all payment channels, including retail, mail/telephone order, and e-commerce. These standards include controls for handling and restricting credit card information, computer and Internet security, as well as reporting requirements for any credit card information breach.

We performed a management advisory review of university affiliated organizations as part of our work plan to determine which affiliated organizations accept payment by credit cards and to benchmark their level of PCI DSS compliance.



## *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.

## 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. During the 2009-2010 fiscal year, 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.

During the year, 143 employees participated in the live or on-line internal control training. The feedback on the training program continued to be positive and it will be continued into the 2011-2012 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 Institute of Food and Agricultural Sciences, the Physical Plant Division, and the Vice President for Research.



## Newsletter

Quarterly newsletters were distributed to campus with regular features that include issues of campus-wide interest that have come to our attention from projects and other sources. Archived newsletters 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 2010-2011 fiscal year includes:

- Role Security
- Data Security
- Research Compliance
- IT Advisory Services
- Effort Reporting
- DSO Financial Reporting and Governance

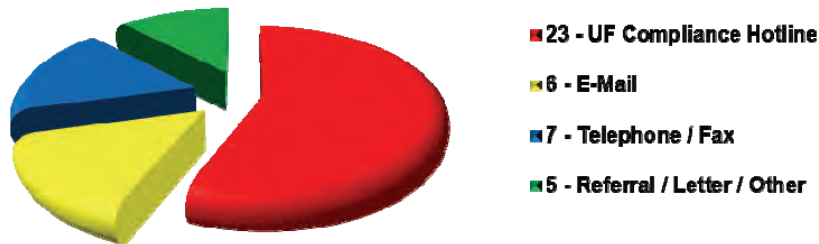
# Investigations

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 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 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 fiscal year 2010-11, the OACR received a total of 41 complaints and allegations via the following methods:

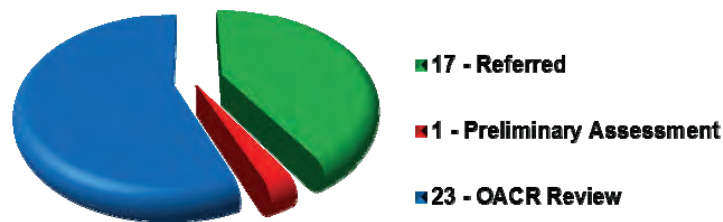
**Complaints and Allegations Received**



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 41 complaints received, the assessments, preliminary and full scale reviews performed resulted in the classifications, or breakdown of review activities:

**Disposition of Complaints / Allegations**



For fiscal year 2010-11, the total number of hours related to investigative efforts decreased by 35% over the prior years' hours due to the complexity of several large investigations performed in the prior year. A total of 1,468 hours, or 9% of available hours, were committed to investigative efforts during the 2011 fiscal year. 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 more significant issues addressed with OACR's investigative reviews are listed in the following table:

Activity/Controls Identified	Number of Occurrences
Purchasing Card Misuse	3
Research Funds Misuse	2
Inappropriate Outside Activities/Conflict of Interest	4
Theft of Property/Resources	2
Financial Mismanagement	2
Improper Use of Equipment/Email	1
Contract Management	1

## 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.

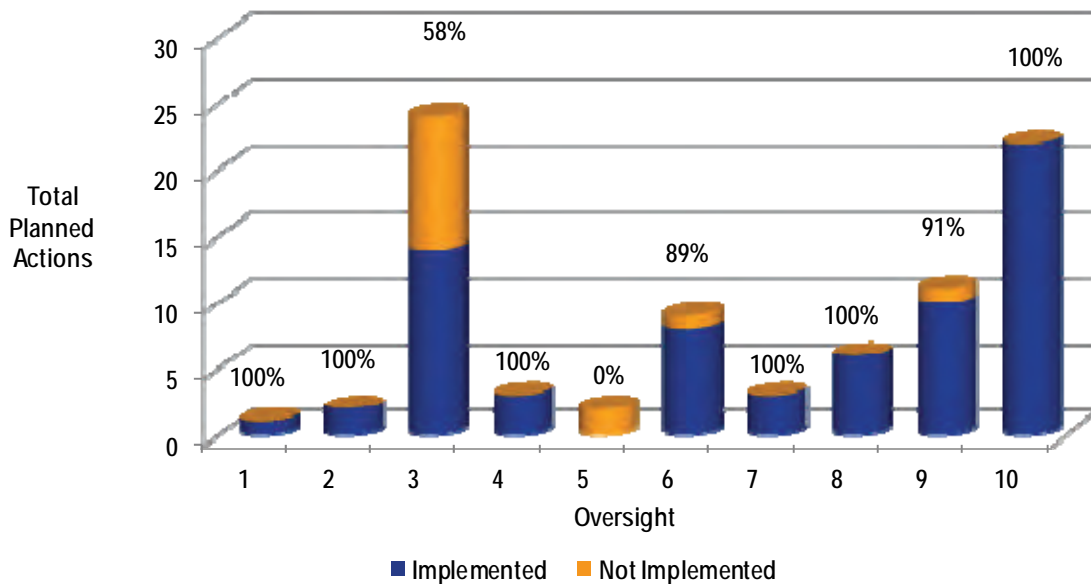
OACR audit reports include the auditor's comments and planned actions developed and agreed to by the audit team and management and the estimated time for their implementation. Reports issued by the external auditors, including the Office of the Auditor General, contain recommendations for which university management may also provide a corrective implementation plan. The OACR tracked these outstanding recommendations and 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 2010-2011 fiscal year, the OACR staff expended 655 hours, or 4% of available hours, for follow-up activities.

As reflected by the following 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 as of the 2010-2011 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	1	1	0	0	100%	57%
2 - Business Affairs	2	2	0	0	100%	100%
3 - CFO	24	14	7	3	58%	74%
4 - Health Affairs	3	3	0	0	100%	100%
5 - Human Resource	2	0	2	0	0%	75%
6 - IFAS	9	8	1	0	89%	82%
7 - Research	3	3	0	0	100%	0%
8 - Student Affairs	6	6	0	0	100%	100%
9 - UAA	11	10	1	0	91%	100%
10- UFF	22	22	0	0	100%	76%
<b>Totals</b>	<b>83</b>	<b>69</b>	<b>11</b>	<b>3</b>	<b>83%</b>	<b>80%</b>

Planned Action Implementation Percentage





## Other Activities

### Professional Activities

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

- ✦ Association of College and University Auditors (ACUA): Institutional Membership
- ✦ Institute of Internal Auditors – National Chapter (IIA): Member
- ✦ American Institute of Certified Public Accountants (AICPA): Member
- ✦ Association of Certified Fraud Examiners (ACFE): Member
- ✦ Chartered Accountants in England and Wales (ICAEW): Member
- ✦ Florida Institute of Certified Public Accountants (FICPA): Member
- ✦ Information Systems Audit and Control Association (ISACA): Member
- ✦ Institute of Internal Auditors - North Central Florida Chapter (NCFIIA): Secretary, Treasurer, Board Members (2), Membership Chair, Newsletter Editor, Program Committee Chair, Web Master, Presenter
- ✦ Association of Healthcare Internal Auditors (AHIA): Member, Technology Committee
- ✦ State University Audit Council (SUAC): Member

### University Service

*During fiscal year 2010-2011, OACR staff participated in various university-wide initiatives and assignments including:*

- ✦ Audit Coordination (External)
- ✦ Board of Trustees Audit and Operations Review Committee: Liaison
- ✦ Direct Support Organization Audit Committee Coordination (UAA, UFF & Gator Boosters)
- ✦ myUFL Financial Systems Upgrade Steering Committee: Member
- ✦ Information Security and Compliance Committee: Member
- ✦ Auxiliary Review Committee: Member
- ✦ Research Accounting and Effort Reporting Project Steering Committee: Member
- ✦ Contracts and Grants Policy Subcommittee: Member
- ✦ Division of Sponsored Research – Research Administration Training Series: Presenter
- ✦ PRO3 Series – Internal Controls at UF: Presenter
- ✦ Building Emergency Coordinator



*Reports Issued**2010-2011*

TITLE	PERIOD	ISSUE DATE	REPORT NO.	PROJECT
PCI DSS Compliance among Affiliated Organizations	As of 1/31/10	8/2/10	71.2010.01	MAS
Purchasing Card Program	As of 12/31/09	8/10/10	UF-10-578-17	Internal Audit
President's Reimbursable Expenses	7/1/09 – 6/30/10	9/7/10	72.2010.05	MAS
UF Foundation Restricted Gifts	As of 12/31/09	9/9/10	UF-10-580-19	Internal Audit
UF Foundation Information Technology General Controls	As of 7/1/10	9/13/10	UF-10-579-18	Internal Audit
UAA Purchasing & Disbursements	As of 6/30/10	10/4/10	UF-10-575-14	Internal Audit
Personnel Actions and File Maintenance	As of 6/30/10	12/6/10	UF-11-587-07	Internal Audit
Procurement Practices	As of 6/30/10	1/12/11	UF-11-588-08	Internal Audit
Interdisciplinary Center for Biotechnology Research	As of 6/30/10	1/18/11	UF-08-510-02	Internal Audit
International Activities	As of 8/31/10	1/19/11	72.2011.04	MAS
Export Control Compliance Program	As of 12/31/10	1/20/11	72.2011.13	MAS
University Press	As of 10/1/10	2/1/11	71.2011.01	MAS
IFAS Family, Youth and Community Sciences	As of 11/30/10	5/2/11	UF-11-581-01.1	Internal Audit
IFAS Soil and Water Science	As of 11/30/10	5/2/11	UF-11-581-01.2	Internal Audit
UF Foundation Asset Management	As of 12/31/10	5/4/11	UF-11-594-14	Internal Audit
Conflicts of Interest, Outside Activities and Financial Interests	As of 1/1/10	6/8/11	UF-10-566-05	Internal Audit
UAA Cashiering and Decentralized Collections	As of 2/28/11	6/15/11	UF-11-591-11	Internal Audit
UAA Control Self Assessment	As of January 2011	6/15/11	72.2011.10	MAS
Gator Boosters Internal Controls	1/1/10 to 12/31/10	6/24/11	UF-11-583-03	Internal Audit
* Department of Housing and Residence Education	As of 11/30/10	7/7/11	UF-11-584-04	Internal Audit
* University Control Self Assessment	As of 4/8/11	7/27/11	72.2011.02	MAS
* Integrated Student Information System (ISIS)	As of 7/31/10	8/24/11	UF-10-573-12	Internal Audit

\*Substantially completed as of June 30, 2010



Brian Mikell  
Chief Audit Executive  
Post Office Box 113025  
903 West University Avenue  
Gainesville, FL 32611-3025  
[auditor@ufl.edu](mailto:auditor@ufl.edu)

**OACR.UFL.EDU**