



University of Florida

1325

**Office of Internal Audit  
Annual Report 2015 - 2016**

Operational, Financial, Compliance Audits  
Management Advisory Services  
Special Reviews

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The University of Florida Board of Trustees and President Fuchs

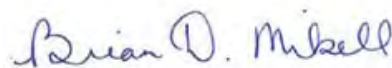
The mission of the Office of Internal Audit (OIA) is to provide independent, objective assurance and consulting services, using a risk-based approach, to add value and improve the operations of the University of Florida and its affiliated organizations. The OIA serves as a central point for the coordination 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 2015-2016 fiscal year, the OIA was challenged by several complex audit, advisory and investigative projects, and we were short staffed for the year due to turnover and lingering effects from prior-year budget shortfalls. Among 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). We will continue to perform this annual audit project for the foreseeable future. We also began auditing the president's expenses for every six month period as required by his employment contract, and conducted audits of the university's outside activity reporting process and clinical trials management. Significant advisory projects included a review of the Privacy Compliance Function, and the University Controls Self-Assessment, where the OIA surveyed identifiable university business units (279) to evaluate unit controls over business processes and assist university management in an overall evaluation of internal controls for the university. This overall evaluation process will continue in the 2016-2017 fiscal year with an audit project designed to validate a sample of unit responses to the survey. Due to limited human resources discussed in more detail later in our annual report, the OIA was challenged to achieve our goal of completing planned projects for the 2015-2016 fiscal year, resulting in some planned projects, with the approval of the Board of Trustees Committee on Audit and Operations Review, being 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.

As we embark on a new fiscal year, the OIA is committed to the goal of providing audit, advisory and investigative services that add value and improve the operations of our university. Vince Lombardi once said "The achievements of an organization are the results of the combined effort of each individual." All individual employees and units have a role to play in the success of the University of Florida, and I encourage all to join the OIA in combining our very best efforts to make our university preeminent in every sense of the word. The Office of Internal Audit exists only to serve the university, to the best of our ability, so please contact us whenever we can be of assistance.

It is my honor to serve the University of Florida, my alma mater, as its Chief Audit Executive, and I am proud to present this 2015-2016 Annual Report which summarizes our activities for the year and provides useful data for benchmarking the effectiveness of our operations.

*Sincerely,*



Brian D. Mikell  
Chief Audit Executive

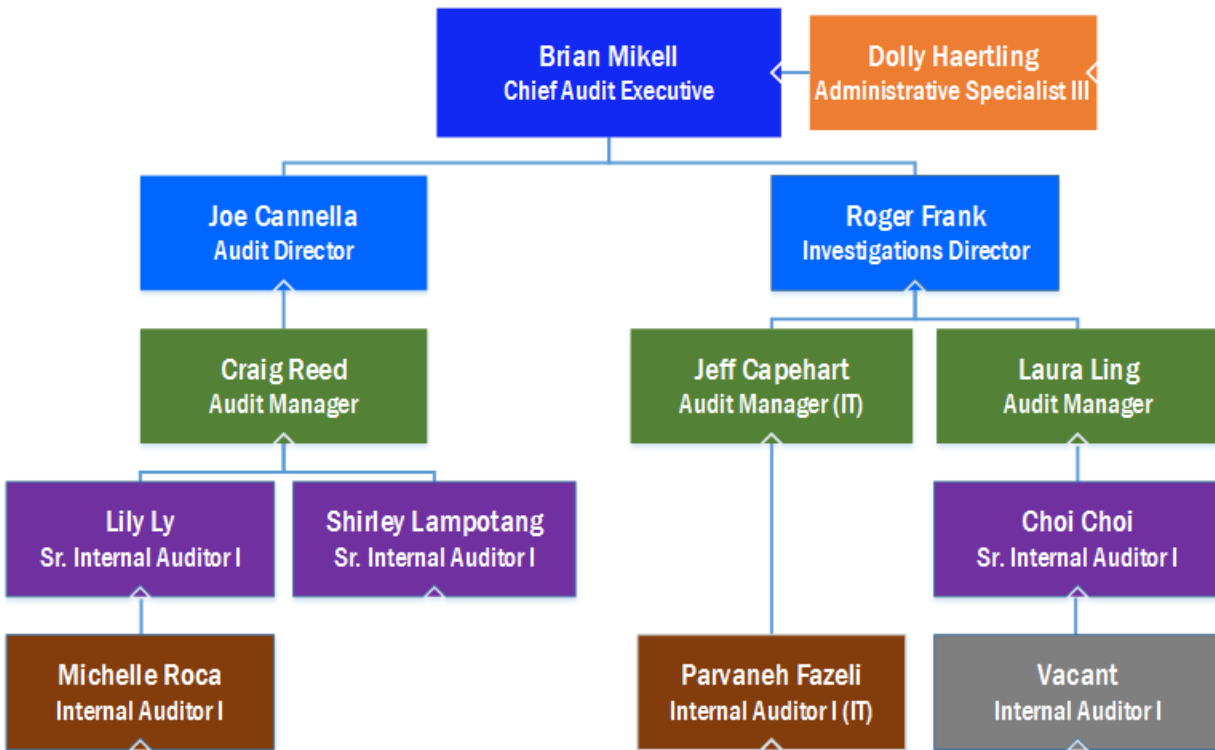
**Goals and Objectives**

The OIA’s 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 2016 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 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 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 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 of June 30, 2016:



## Staffing and Other Resources

The OIA offices were housed just 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. The OIA continued to look for ways to more efficiently and economically perform our duties, including our continued commitment to an electronic environment for reporting and document storage.

The 2015-2016 fiscal year was the third year of our 2013-2016 three-year work plan. While the OIA's financial budget for the year was sufficient, staff turnover resulted in a loss of personnel and experience making completion of the audit work plan challenging. During the 2015-2016 fiscal year the OIA lost two auditors: an internal auditor, in September, and a senior auditor, in October. We also added two entry-level auditors: an IT internal auditor, in October, and an internal auditor, in March. While the exchange from an FTE standpoint appears to be a wash, the loss of experience made it less than an equal exchange. In addition, the IT internal auditor position filled a vacancy that originated in January 2014. Consequently, we entered the fiscal year down one position, and were still down one FTE at June 30. Our three-year work plan was designed based on 12 professional audit positions (including the CAE), so the fact that the OIA operated with only 10 and 11 FTE during the fiscal year resulted in planned projects being deferred as we possessed inadequate human resources to complete our work plan. The final entry-level internal auditor position will be filled in the first to second quarter of the 2016-2017 fiscal year. As the OIA conducted an audit risk assessment in the spring of 2016 culminating in the 2016-2019 three-year work plan, the OIA is optimistic that staffing will remain more constant and the plan was again designed based on 12 professional audit positions. The new three-year audit work plan was 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.



[Left to right: Shirley Lampotang, Jeff Capehart, Dolly Haertling, Parvaneh Fazeli, Michelle Roca, Brian Mikell, Laura Ling, Joe Cannella, Lily Ly, Choi Choi, Craig Reed. Not pictured: 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 at 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 following table provides a list of staff participation in formal training programs during the 2015-2016 fiscal year.

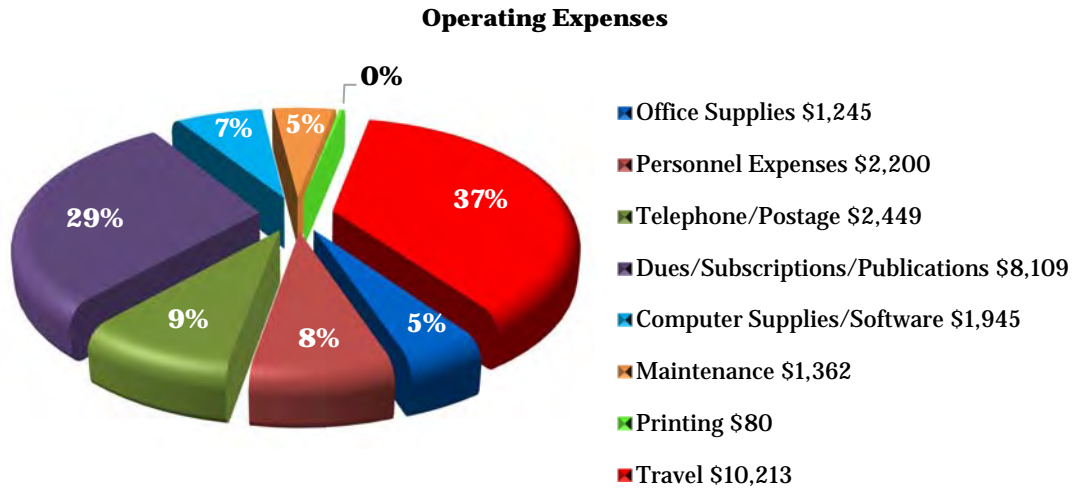
Sponsored By	Hours	Employees Attending
Institute of Internal Auditors - North Central Florida Chapter	253	11
Association of Colleges and University Auditors	100	7
Courtenay Thompson & Associates	48	3
Institute of Internal Auditors	34	7
Higher Ed Data Analytic Sharing Forum	28	1
Deloitte	19	2
MIS Training Institute	18	1
Corporate Compliance Seminars	16	1
Miscellaneous	10	3

## 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 95 percent of total expenditures during the 2015-2016 fiscal year. Fixed asset 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 current year. Normal expectations call for moderate annual increases in training and operating expenses. The OIA saw an increase in reported training expenses, mostly due to rate increases in attended conferences. Overall, actual expenditures increased less than 1 percent from the previous fiscal year.

Expenditure Category	2013-2014	2014 - 2015	2015 - 2016
Salaries	\$1,273,385	\$1,298,331	\$1,309,639
Consultants	0	0	0
Fixed Assets	5,279	15,149	7,092
Operating Expenses	20,772	27,258	27,604
Training	8,896	8,561	11,775
Compliance Hotline	9,500	9,500	9,500
<b>Total Expenditures</b>	<b>\$1,317,832</b>	<b>\$1,358,800</b>	<b>\$1,365,610</b>

Additional detail of OIA operating expenses is presented in the pie chart. Travel accounted for 37 percent of expenses, the majority of which is related to training conferences, which demonstrates our commitment to quality professional education for our staff. Dues/subscriptions/publications increased to 29 percent of expenses due to moderate increases in professional dues, and the OIA joining a data analytics working group with a goal to enhance our abilities in this area. The remaining OIA operating expenses were distributed between office supplies, telephone/postage, personnel-related expenses, computer supplies, and miscellaneous maintenance and professional printing.



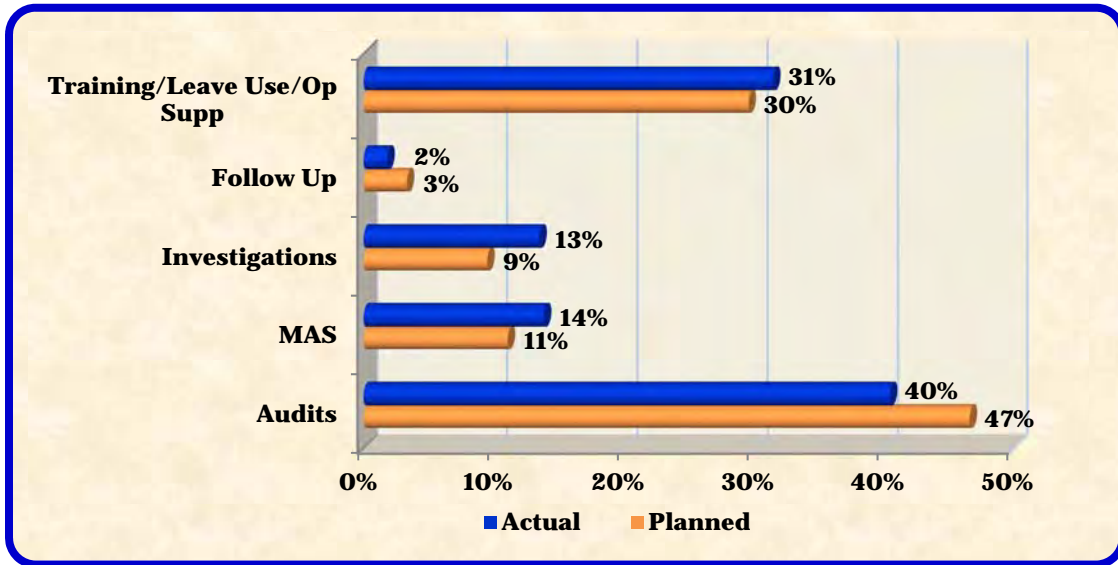
### Time Analysis

The table below provides a comparison between time available as planned and actual time available for projects. We anticipated a position vacancy for three months, however, unexpected turnover in various positions and required time to fill the vacancies resulted in actual vacancies of 2,400 hours, exceeding the amount planned by 1,890 hours. Actual hours used for training, leave and administrative support were 154 hours more than planned. Combining these negative amounts with the 688 hours of overtime generated by OIA staff, the final result was actual hours available for the period falling 1,356 hours short of the amount planned, approximately 8.7 percent.

	Planned Hours		Actual Hours		Diff.
Time Available (11 x 2,040)		22,440		22,440	
Less: Adjustment for Position Vacancies	(510)		(2,400)		(1,890)
Training/Leave Use/Operational Support	(6,340)		(6,494)		(154)
Total		(6,850)		(8,894)	(2,044)
Excess hours worked				688	688
<b>Time Available for Projects</b>		<b>15,590</b>		<b>14,234</b>	<b>(1,356)</b>

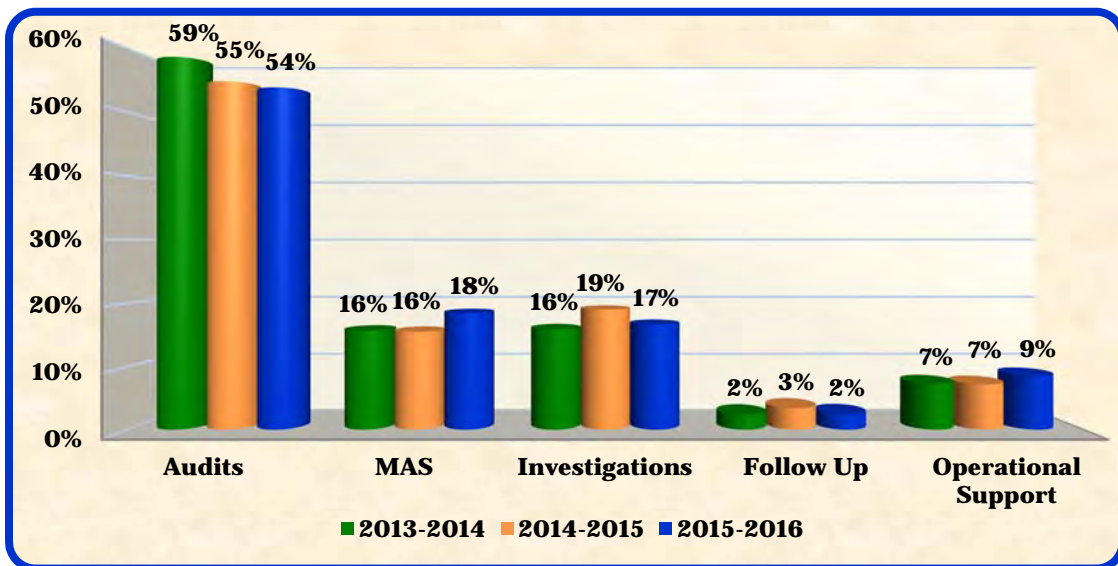
### Time Allocation – Planned vs. Actual

This chart compares, by major direct and indirect categories, the allocation of total planned available time with actual effort expended. Actual time used for follow-up and indirect categories was very close to planned allocations for the fiscal year. Actual time spent on investigations, always a wild card dependent on the volume of allegations received, exceeded planned hours by more than 20 percent. Actual time spend on Management Advisory Services (MAS), due in large part to our university-wide Control Self-Assessment project, exceeded planned hours by more than 15 percent. The combination of excessive actual time required for investigations and MAS projects resulted in almost 19 percent less than planned time available and used for audit projects.



### Time Comparison – Current vs. Prior Years

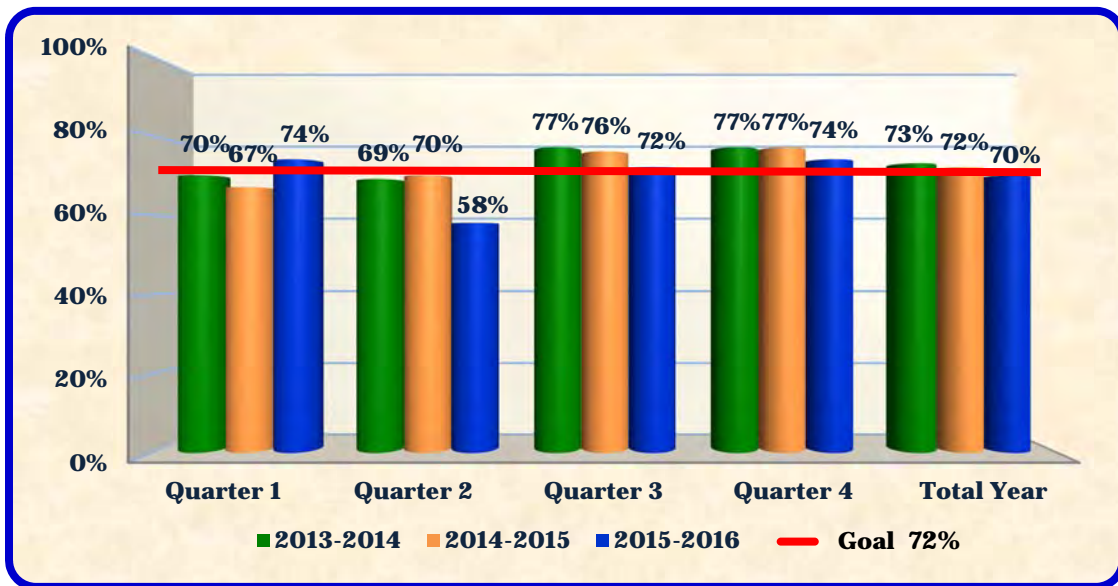
This chart presents a comparison of the percentages of actual time used during the current year and the prior two years for major direct project categories and operational support. Operational support represents general administration, and is calculated as total indirect time less time used for holidays, leave and training. Operational support had a slight increase in FY 2016 largely due to increased supervision required for new employees. Actual time used for audit projects has tended to fluctuate in proportion with time used for investigations and MAS projects. For example, audit project time was higher (59 percent) during FY 14 when MAS and investigative time remained lower (combined 32 percent), while audit project time was lower during FY's 15 and 16 (55 and 54 percent) when MAS and investigative time was higher (combined 35 percent). Time spent on follow up has remained relatively constant and minor during each year.





## 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 FY 2016, 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 hiring two new staff during the year, 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.

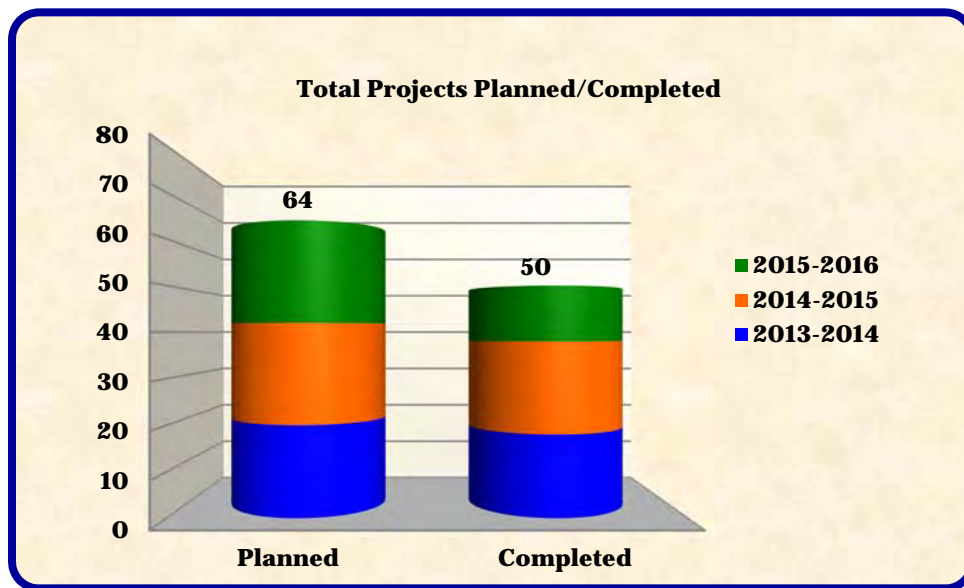


**Trend Analysis**

The table reflects a three-year analysis of projects planned and completed. Internal audits and 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; the original planned projects are derived from OIA’s 2013-2016 three-year work plan. 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.

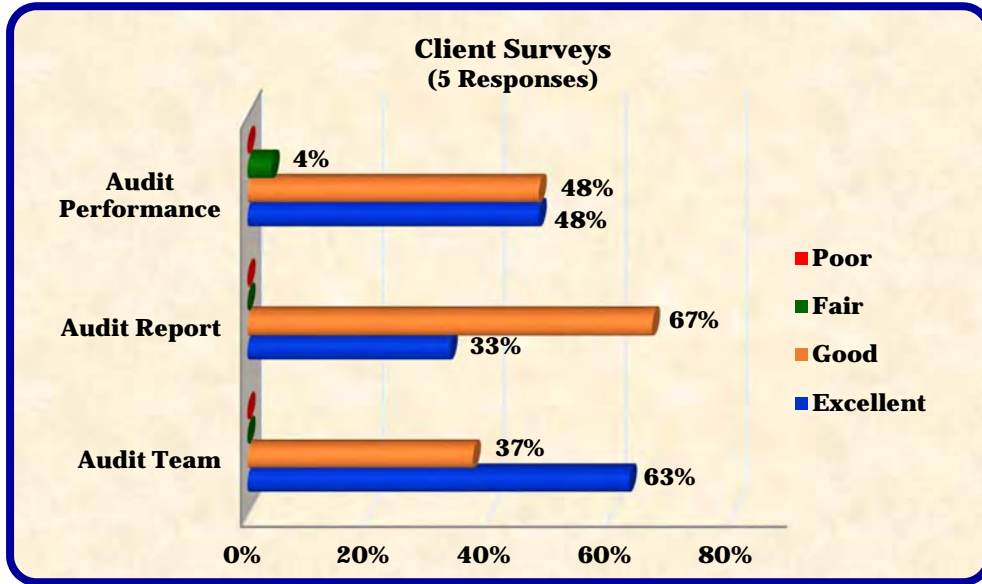
Over the last three years, a total of 64 projects were planned and 50 projects were completed. During fiscal year 2015-2016, 54 percent (8,346 hours) of available time was used on audit projects and 18 percent (2,860 hours) of available time was used on MAS projects. An additional 17 percent (2,580 hours) of available time was used for investigative projects and is not reflected in the reported projects.

	Planned Projects		Completed Projects		
	Original	Revised	Current	Carry-Over	Total
2013-2014	22	20	8	10	18
2014-2015	23	22	12	8	20
2015-2016	24	22	9	3	12
<b>TOTALS</b>	<b>69</b>	<b>64</b>	<b>29</b>	<b>21</b>	<b>50</b>



## 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 (5) for current year audit projects indicated, for the most part, that the OIA services were well received. Overall, 99 percent of survey responses to individual questions in all three categories indicated ratings of either good or 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 (foundation) and the University Athletic Association (UAA), by performing audits and working directly with their audit committees.

**FOUNDATION ENDOWED RESTRICTED GIFTS**

The foundation 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. 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 foundation endowed restricted gift funds for the period of January 1, 2014 through December 31, 2014. Foundation-endowed restricted fund transfers to the university during the audit period totaled approximately \$114 million, a large increase from previous years. This increase was due to the foundation transferring all spendable cash balances to the university in coordination with the university's investable cash consolidation strategy. Total disbursements by university units from endowed restricted funds during the audit period were approximately \$32 million. The primary objectives of this audit were to evaluate controls to determine if university units used restricted funds in accordance with donor intent, foundation policies and university directives, that donor intent was adequately communicated to university units, and that transfers of endowed restricted funds to the university were deposited intact and processed through appropriate channels.

**FOUNDATION NON-ENDOWED RESTRICTED GIFTS**

The OIA also conducted an audit of foundation non-endowed funds, which 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 audit of foundation non-endowed restricted gift funds covered the period of January 1, 2014 through December 31, 2014. Foundation non-endowed restricted fund transfers to the university during the audit period totaled approximately \$109 million, a large increase from previous years. This increase was also due to the foundation transferring all spendable cash balances to the university in coordination with the university's investable cash consolidation strategy. Total disbursements by university units from non-endowed restricted funds during the audit period were approximately \$34 million. The primary objectives of this audit were to evaluate controls to determine if university units used non-endowed restricted funds in accordance with donor intent, foundation policies and university directives; that donor intent was adequately communicated to university units; and that transfers of non-endowed restricted funds to the university were deposited intact and processed through appropriate channels.

**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 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.

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 PBF Data Integrity Certification, to be executed by the university president, to provide assurances that the data submitted is reliable, accurate and complete. On June 25<sup>th</sup>, 2015 the chairman of the BOG instructed each university Board of Trustees (BOT) to "direct its 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 Board of Governors." Our audit provided an objective basis for the president to certify the required representations.



We 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, 2015. 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.

#### **UAA PURCHASING CARD PROGRAM**

The UAA Purchasing Card (PCard) program was jointly administered and managed by the UAA offices of Procurement Services and of Accounting. In September 2014, management expanded the PCard program to help reduce the number of employee reimbursements and address the change in the National Collegiate Athletic Association rules allowing institutions to provide meals and snacks to student-athletes as a benefit incidental to participation. PCards were issued to staff within sport departments, hoping to provide staff a convenient way to purchase goods and services for their departments.

As of August 31, 2015, the UAA had issued 19 PCards to sport departments and 60 PCards to non-sport departments. From September 2014 to August 2015 the UAA incurred approximately 6,900 PCard transactions, totaling \$2.8 million.

The OIA conducted an audit of the UAA PCard program as of August 31, 2015. The primary objective of this audit was to evaluate the adequacy and effectiveness of controls in place for the administration of the program. Specifically, we focused on program policies and procedures, monitoring controls and transactional compliance with UAA policies and procedures.

#### **CONFLICTS OF INTEREST, OUTSIDE ACTIVITIES AND FINANCIAL INTERESTS**

University of Florida faculty and staff members should be committed to the university's mission of instruction, research and public service and should recognize that their primary professional responsibility is to the university. University employees are permitted to engage in outside employment, consulting, and other activities, which may promote the mission of the university in addition to benefiting individual employees, as long as these additional activities do not interfere with their primary responsibility to the university.

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 responsibilities to the institution. In some cases where a conflict of interests may exist, the conflict can be reduced or managed to an acceptable level through monitoring and management oversight. Faculty and staff members are responsible for disclosing their outside activities and financial interests through completion of a disclosure form which must be approved by their dean, department chair, or director prior to engaging in the outside activity or financial interest.

The OIA conducted an audit of the university's procedures for reporting and monitoring conflicts of interest, outside activities and financial interests as of July 31, 2015. The primary objective of this audit was to identify and evaluate the adequacy and effectiveness of key controls in place to manage conflicts of interest. Specifically, we focused on the processes of identification, review, approval and management of conflicts of interest.

#### **INDUSTRY-SPONSORED CLINICAL TRIALS**

The National Institute of Health describes clinical trials as "research studies that test how well new medical approaches work in people." For industry-sponsored clinical trials, the research protocol is typically developed by an outside agency who contracts with the university to recruit individuals to participate in the research testing.

Contracts and Grants Accounting Services was responsible for establishing projects to record the clinical trial activity, receiving and recording the revenue from the sponsors, and releasing the funds (budget authority) to the units. The university was awarded a total of \$54 million for all clinical trials over the last three fiscal years. During this period, the College of Medicine generated over \$43 million in revenues, with 84 percent resulting from clinical trials in six separate units. After analyzing clinical trial activity and associated efforts being conducted, we limited the scope of our audit to industry-sponsored clinical trials, specifically the units that had the most clinical trial activity within the College of Medicine. Controls over the administration of clinical trials were significantly decentralized and units generally controlled contract negotiation and billing. The controls vary based on available resources, the knowledge and experience of the research team, and the complexity of the clinical trial.

The OIA conducted an audit of industry-sponsored clinical trials at the university as of August 31, 2015. The primary objective of this audit was to evaluate the adequacy and effectiveness of controls in place at the departmental level for administrative processes related to clinical trials. Specifically, we focused on budgeting, subject visit revenues, other invoiceable costs and expense reporting.

**PRESIDENT'S TRAVEL AND ENTERTAINMENT EXPENSES  
(JANUARY 1 THROUGH JUNE 30, 2015 AND JULY 1 THROUGH DECEMBER 31, 2015)**

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 2015 and December 2015. The objectives of the audits included evaluating the expenses for appropriate documentation and business purpose as well as determining if they were processed in accordance with university directives, policies and procedures.

**UAA INFORMATION TECHNOLOGY GENERAL CONTROLS**

The UAA is a Direct Support Organization of the university responsible for the intercollegiate athletic programs at the university. The UAA Information Technology (IT) Department was comprised of 14 full-time staff members organized into functional areas for networking, event management, telecommunications, help desk/training, and programming. The director of the UAA IT reported to an executive associate athletic director and was responsible for the information technology infrastructure.

The UAA IT management committed to an internal set of Information Security Policies and Procedures to protect information utilized by the UAA in attaining its business goals. All employees and individuals affiliated with the UAA were required to sign and adhere to a Security Awareness and Acceptable Use Policy.

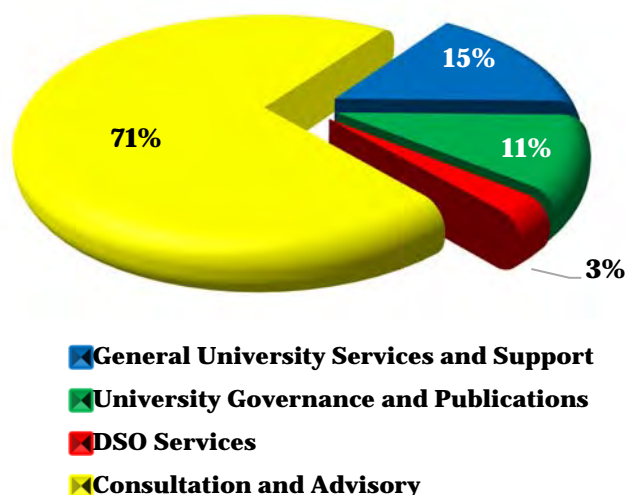
The OIA conducted an audit of the UAA IT general controls as of October 31, 2015. The primary objective of this audit was to evaluate the adequacy of IT general controls in place and their effectiveness in providing security, integrity, confidentiality, and availability of the UAA IT systems and data. Specifically, we focused on controls relating to logical access; physical security and environment; operations; and system development and maintenance.

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 is committed to providing proactive, preventive counsel on internal controls, operations and compliance through MAS 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 given the circumstances.

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



During fiscal year 2015-2016, a total of 2,860 hours were spent on MAS engagements, which is reasonably consistent with the MAS hours applied from the prior year and accounted for 14 percent of total available hours. A significant portion of MAS effort (71 percent) was expended on consultation and advisory reviews. Following are summaries of MAS projects completed or significantly completed and significant service/support efforts performed during the fiscal year:

#### **PRESIDENT’S REIMBURSABLE EXPENSES**

The objective of this review was to evaluate the effectiveness of processing controls over the president’s expenses and evaluate their propriety and compliance with established policies and procedures. This MAS project covered the last six months of President Machen’s tenure, July through December 2014.

#### **REVIEW OF THE PRIVACY COMPLIANCE FUNCTION**

The objective of this review was to evaluate the university privacy compliance function from a governance perspective, specifically to review the existing structure and oversight of the privacy function and compare it to identifiable best practices.

## **CONTROLS SELF-ASSESSMENT**

The university's fiscal and administrative structure is based on a decentralized model, whereby 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 OIA distributed a Controls Self-Assessment survey. This survey was initiated with the vision that empowered managers could use an easily accessible tool to identify and disseminate benchmarks in the evaluation of their unit-based internal controls as well as assist senior management and the OIA in its internal control evaluation of the university. A validation of unit responses, on a sample basis, will help achieve this evaluation objective and is planned for the fall of 2016.

## **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. In 2012, the Human Resources Training and Organizational Development office, with the assistance of the OIA and the University Controller's office developed an online version of this training course to provide more accessibility and flexibility for campus administrative staff. This course has been offered continuously since June of 2012 and will continue to be offered in the 2016-2017 fiscal year.

### ***"THE AUDITOR'S PERSPECTIVE"***

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

## **GENERAL CONSULTING SERVICES**

During the 2015-2016 fiscal year, the OIA provided MAS consulting services in response to requests from university-related persons and entities including, among others, the Office of the General Counsel, the College of Engineering, the Office of the Chief Information Officer, the Office of Research, and the Institute of Food and Agricultural Sciences.

## **OTHER MAS PROJECTS**

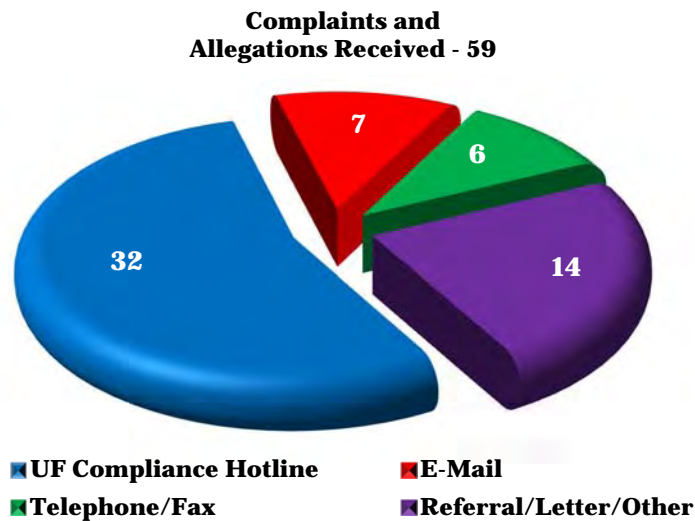
The OIA also participates in projects and initiatives that do not result in a released report. Examples of such projects during 2016 include:

- IT Advisory Services
- IT Security and Compliance
- Research Compliance
- Direct Support Organization Governance and Assistance
- Post Audit Assistance
- Auxiliary Services
- MyUFL Upgrades and Enhancements



The OIA strives to foster relationships across campus, working to educate and inform university personnel of the available avenues to report any noted concerns and irregularities. This focus on relationships and education promotes awareness and encourages university personnel to report fiscal impropriety, improper behavior, and inappropriate business practices with the confidence that reported concerns will be handled objectively and professionally. The OIA receives complaints, concerns and allegations from a variety of internal and external sources, including direct correspondence and referrals from other university offices and state agencies. As illustrated in the chart below, the UF Compliance Hotline (Hotline), which accounted for 54 percent of the allegations received during fiscal year 2015-2016, continues to be a key component of the ethics and compliance process for the university. The Hotline provides the most recognized mechanism for reporting issues, complaints, allegations and other university-related concerns via telephone or internet web page. The OIA maintained its oversight of the Hotline, which is contractually managed by NAVEX Global (formerly The Network), an industry leading provider of governance, risk, and compliance solutions and reporting systems.

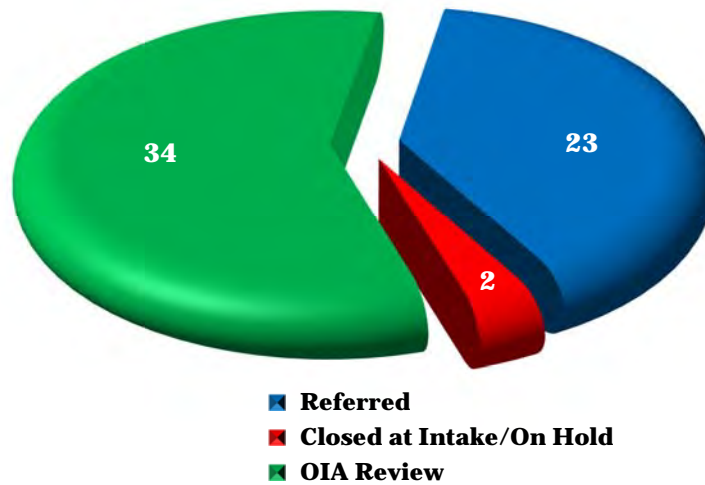
The OIA remains committed to assisting the university in sustaining an operating environment with the core attributes of honesty and integrity. We maintain the utmost objectivity and independence in all reviews by strictly following professional standards. In the 2015-2016 fiscal year, the OIA received a total of 59 complaints and/or allegations, which represents a 37 percent increase from the 2014-2015 fiscal year, when 43 complaints and/or allegations were received. This 37 percent increase during fiscal year 2015-2016 represents the largest number of intakes received since the 2012-2013 fiscal year, when a total of 73 concerns were recorded. These 59 complaints and/or allegations were received during the current fiscal year via the following delivery methods:



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. While the OIA specifically retains investigative responsibilities over all allegations involving alleged fiscal improprieties, we worked closely with units such as Human Resource Services, the Office of Research, Business Affairs, the Institute of Food and Agricultural Sciences, the Office of the Provost, the University of Florida Police Department, the University of Florida Athletic Association, the University of Florida Foundation and others in the review of concerns that are more closely related to those groups' specialties and fields of expertise. When our initial assessment indicates that the allegations were not of a fiscal nature, the allegation was referred to the appropriate university unit.

The typical review 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 or conflict of interests, a project number was assigned and an investigative review was scheduled. Of the 59 allegations received in fiscal year 2016, our initial assessments resulted in the following dispositions for review:

**Disposition of the 59 Complaints/Allegations**



For the 2015-2016 fiscal year, the actual hours devoted to investigative activities decreased by 17 percent from the prior year's hours, while the total number of allegations received increased by 37 percent. The complexity and nature of recent allegations has remained high, but the efficient completion of the reviews, combined with the experience of the investigative team resulted in fewer hours being charged than in the past fiscal year. A total of 2,581 hours, or 13 percent of total available hours for projects, were committed to investigative efforts. It is important to note that not all investigative reviews conducted by the 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 generic type, are listed in the following table (table is not all-inclusive and some allegations contain multiple categories and may be counted more than once).

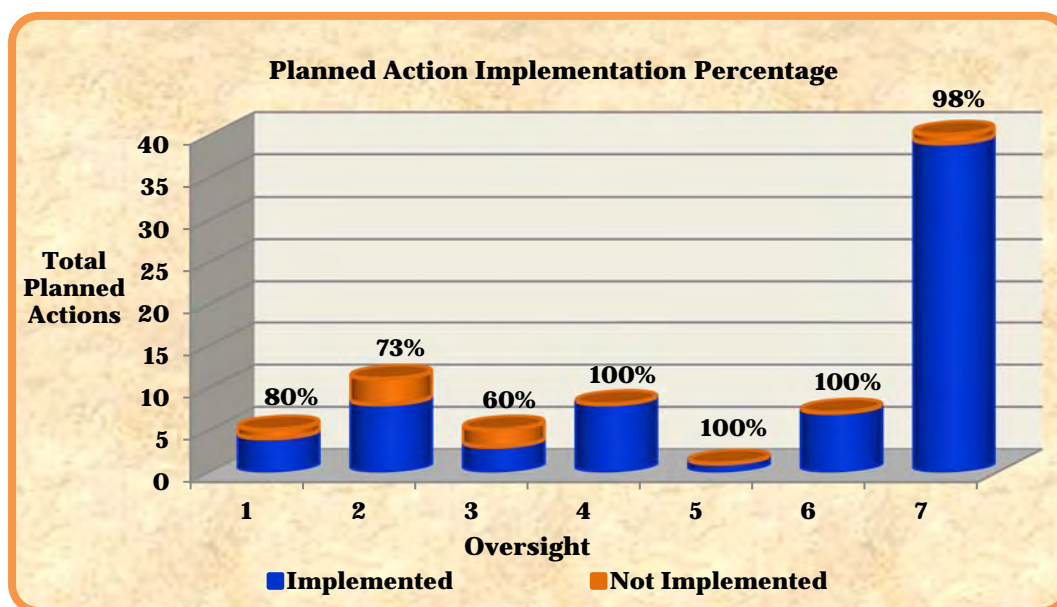
Major Activity/Issues Identified in Allegations Received	Number of Occurrences FY 2016	Number of Occurrences FY 2015	Number of Occurrences FY 2014
Inappropriate Outside Activity/Conflict of Interest	6	8	7
Improper Termination/Retaliation Claim	1	4	5
Hostile Work Environment	10	4	5
Theft or Personal Misuse of Assets/Funds/Time	16	8	4
Alleged Fiscal/Grant Fund/Scientific Misconduct	5	3	3
PCard Misuse/Purchasing	4	1	3
Nepotism	0	1	1

The International Standards for the Professional Practice of Internal Auditing, promulgated by the IIA, requires the chief audit executive to 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 BOT Audit and Operations Review Committee. For the 2015-2016 fiscal year, the OIA staff expended 376 hours on follow-up activities, representing 2 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 due but not fully implemented as of the 2015-2016 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
<b>1 – Academic Affairs</b>	5	4	1	0	80%	85%
<b>2 - CFO</b>	11	8	1	2	73%	73%
<b>3 - CIO</b>	5	3	2	0	60%	50%
<b>4 - IFAS</b>	8	8	0	0	100%	0%
<b>5 - Research</b>	1	1	0	0	100%	100%
<b>6 - UAA</b>	7	7	0	0	100%	90%
<b>7 - UFF</b>	40	39	1	0	98%	98%
<b>Totals</b>	<b>77</b>	<b>70</b>	<b>5</b>	<b>2</b>	<b>91%</b>	<b>85%</b>



Audit personnel contributed support and advisory services by representation in the following areas:

#### UNIVERSITY SERVICE

- **Board of Trustees Audit and Operations Review Committee:** Liaison
- **Audit Coordination (External)**
- **Direct Support Organization Audit Committee Coordination (UAA, UFF & Gator Boosters)**
- **Auxiliary Enterprise Review Committee:** Member
- **Export Controls Working Group:** Member
- **Information Security Advisory Committee and Technical Subcommittee:** Member
- **Sponsored Research Training - The Auditor's Perspective:** Presenter
- **Building Emergency Coordinator:** Backup Coordinator
- **Shared Infrastructure Advisory Committee:** Member
- **Advanced Leadership for Academics and Professionals:** Presenter

#### PROFESSIONAL SERVICE

- **Association of College and University Auditors (ACUA):** Institutional Membership, Best Practices Committee Chair, Committee Member
- **Institute of Internal Auditors – National Chapter (IIA):** Member, Volunteer
- **Institute of Internal Auditors - North Central Florida Chapter (NCFIIA):** 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
- **Institute of Chartered Accountants in England and Wales (ICAEW):** Member
- **State University Audit Council (SUAC):** Member and Chair
- **Higher Education Data Analytics Sharing Forum:** Member





**INTERNAL AUDIT (AUDIT) AND  
MANAGEMENT ADVISORY SERVICE (MAS) REPORTS ISSUED**

<b>Title</b>	<b>Period</b>	<b>Issue Date</b>	<b>Report Number</b>	<b>Project</b>
President's Reimbursable Expenses	7/1/14 – 12/30/14	8/17/15	MAS 15-72-03	MAS
UFF Endowed Restricted Gifts	1/1/14 – 12/31/14	10/8/15	UF-15-662-16.1	AUDIT
UFF Non-Endowed Restricted Gifts	1/1/14 – 12/31/14	10/8/15	UF-15-662-16.2	AUDIT
Performance Based Funding – Data Integrity	As of September 30, 2015	11/9/15	UF-16-674-11	AUDIT
President's Travel and Entertainment Expenses	1/1/15 – 6/30/15	11/9/15	UF-16-670-07	AUDIT
UAA PCard Program	As of August 31, 2015	1/6/16	UF-16-677-14	AUDIT
Privacy Compliance Function	As of July 31, 2015	2/3/16	MAS 16-72-06	MAS
Conflicts of Interest, Outside Activities and Financial Interests	As of July 31, 2015	4/20/16	UF-16-666-03	AUDIT
Industry-Sponsored Clinical Trials	As of August 31, 2015	4/28/16	UF-16-666-02	AUDIT
President's Business, Travel and Entertainment Expenses	7/1/15 – 12/31/15	5/27/16	UF-16-671-08	AUDIT
University Controls Self-Assessment <a href="#">Ⓜ</a>	As of March 15, 2016	7/8/16	MAS 16-72-02	MAS
UAA Information Technology General Controls <a href="#">Ⓜ</a>	As of October 31, 2015	7/27/16	UF-16-676-13	AUDIT

[Ⓜ](#) - Substantially completed as of June 30, 2016





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