Office of Internal Audit

Annual Report and Strategic Plan Update

2018 - 2019

Presented by:
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THE YEAR IN REVIEW

UF

HIGHLIGHTS

It was a year of transition for the Office of Internal Audit (OIA) as we relocated our offices and had two senior positions open all year. However, the team accomplished the following:

- Completed eighteen **audit reports** and two management **advisory reviews**.

Trend Analysis – Reports Issued by Year			
	Audit	MAS	Total
2015-2016	9	3	12
2016-2017	11	4	15
2017-2018	15	3	18
2018-2019	18	2	20
TOTAL	43	12	65

- Participated in **Other Advisory and Consulting projects** and initiatives that do not result in a released report. Highlights from 2018-2019 included efforts related to the Campus Solutions student system implementation, external audit coordination, auxiliary oversight, Direct Support Organization governance, and IT risk assessments.

- Historically high levels of **investigative work**, based on the highest volume of reported incidents and allegations we have received in the last ten years.

- **External outreach** and service including participation in Quality Assessment Reviews for two State universities and service on multiple local, state, and national Boards/Committees representing UF.
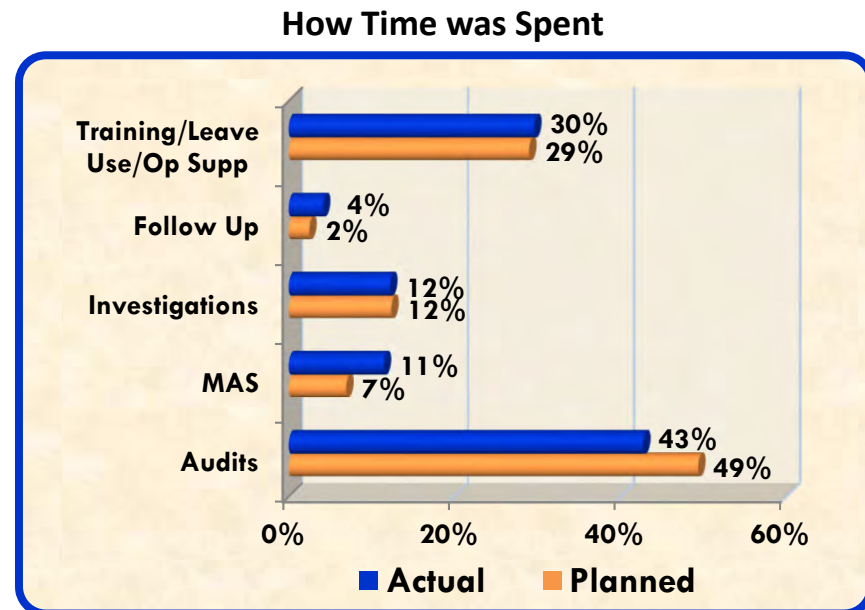
HIGHLIGHTS

During the year the team also accomplished the following initiatives:

- Created a **new Fraud Awareness Training Class** to help prevent and detect fraud in the university environment. OIA staff presented the class 13 times to approximately 800 university employees.*****

- Developed and implemented a **university-wide Investigation Protocol** including a new triage and collaboration process.*****

- **Developed a Strategic Plan** including goals, objectives, and specific steps to transform the capabilities of the OIA.*****

- Created a business plan and Data Analytics Team tasked with **improving internal audit and university-wide data analytics** capabilities.*****

- **Upgraded** the Office of Internal Audit **Website** to reflect the university's more modern presentation style.

How Time was Spent

	Actual	Planned
Training/Leave Use/Op Supp	30%	29%
Follow Up	4%	2%
Investigations	12%	12%
MAS	11%	7%
Audits	43%	49%

* New OIA initiative

HIGHLIGHTS (continued)

- Completed an internal SWOT analysis and critical assessment to **develop improvement opportunities to the audit process**.*

- Helped initiate and steer the university's **Enterprise Risk Management initiative**, including participation in proposal and selection committees.*

- Assisted with the development and transition of a **new Executive Expense Review Protocol**.*

- Developed and formalized a **Professional Development plan** for internal audit to help assure coordination with university needs.*

- Served as an Institute of Internal Auditors District Representative.*

- Initiated **changes to report formats** and communication methods for senior management and Audit Committee presentations.*

- **Relocated our offices** from the Human Resources building to the Ayers Building.

* New OIA initiative

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REPORTS ISSUED

Title	Period	Issue Date	Report Number	Type
Effort Reporting	As of May 31, 2017	7/27/18	UF-17-684-02	AUDIT
Engineering IT Security Controls	As of December 31, 2017	8/16/18	UF-18-699-02	AUDIT
Research Shield Computing Environment	As of April 30, 2018	8/30/18	UF-18-707-10	AUDIT
UFF Non-Endowed Restricted Gifts	1/1/17 – 12/31/17	10/10/18	UF-18-715-18	AUDIT
UFF Endowed Restricted Gifts	1/1/17 – 12/31/17	10/10/18	UF-18-714-17	AUDIT
Procurement Card Program	As of March 31, 2018	10/12/18	UF-17-706-09	AUDIT
Performance Based Funding – Data Integrity	As of September 30, 2018	10/30/18	UF-19-723-08	AUDIT
myUAA Information Technology	As of July 1, 2018	12/18/18	UF-18-712-15	AUDIT
Department of Animal Sciences	As of August 31, 2018	1/14/19	UF-19-717-02	AUDIT
Planning, Design and Construction Minor Projects	As of July 31, 2018	2/4/19	UF-18-700-03	AUDIT
ID Card Services	As of March 31, 2018	2/6/19	UF-18-702-05	AUDIT
UFF Financial Monitoring Controls	As of August 31, 2018	3/20/19	UF-18-713-16	AUDIT
Driver and Vehicle Information Database	As of December 31, 2018	4/19/19	UF-19-735-20	AUDIT
Online Education	As of November 30, 2018	5/16/19	UF-19-720-05	AUDIT
JWRU Fiscal Reporting	As of December 31, 2018	6/11/19	MAS-19-71-01	MAS
myUAA Business Processes	As of October 31, 2018	6/12/19	UF-19-733-18	AUDIT
UAA Sports Health	As of January 31, 2019	6/14/19	UF-18-711-14	AUDIT
UFF Endowed Restricted Gifts	1/1/18 – 12/31/18	6/28/19	UF-19-731-16	AUDIT
UFF Non-Endowed Restricted Gifts	1/1/18 – 12/31/18	6/28/19	UF-19-732-17	AUDIT
Revenue Contracting	As of June 30, 2018	7/11/19	MAS-19-72-04	MAS

OTHER SERVICES

Investigative Services:

The OIA received a total of 198 complaints and allegations representing the highest number of intakes in the last 10 years. The majority of incidents (82%) were reported via the anonymous UF Compliance Hotline which is maintained by the OIA.

| Major Activity/Issues Identified in Allegations Received by OIA	2019 Occurrences	2018 Occurrences	2017 Occurrences
Hostile Work Environment or Harassment	46	35	19
Alleged Fiscal/Grant Fund/Scientific Misconduct	22	7	12
Nepotism / Favoritism	16	15	12
Outside Activities/ Conflict of Interests	16	7	8
Improper Termination/Retaliation Claim	14	10	7
Theft or Personal Misuse of Assets/Funds/Time	11	8	7
PCard Misuse/Purchasing	3	7	1

Follow-up:

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

Oversight by	Followed Up	Implemented	In process	Not Implemented	Percent Implemented	PY Percent Implemented
Academic Affairs	9	6	3	0	67%	0%
CFO	13	12	1	0	92%	100%
CIO	3	2	1	0	67%	n/a
COO	8	7	1	0	88%	75%
IFAS	6	3	3	0	50%	n/a
Research	6	6	0	0	100%	100%
UAA	3	2	1	0	67%	100%
UFF	22	22	0	0	100%	94%
Totals	**70**	**60**	**10**	**0**	**86%**	**92%**

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OUR PEOPLE

The top priority for any internal audit function should be to build and maintain a quality audit team. Having the right people and skills determines how much we can accomplish. We have measured this by the quality of the work performed, the training that our staff receive each year and the number of people in our office who have relevant, professional certifications. Our positions are structured so that our auditors should have a relevant, professional certification. While the results of our client surveys continue to indicate we are performing exceptionally, we have identified improvement opportunities related to training, development of subject matter experts, and the need to fill our current vacancies as identified in our strategic plan.
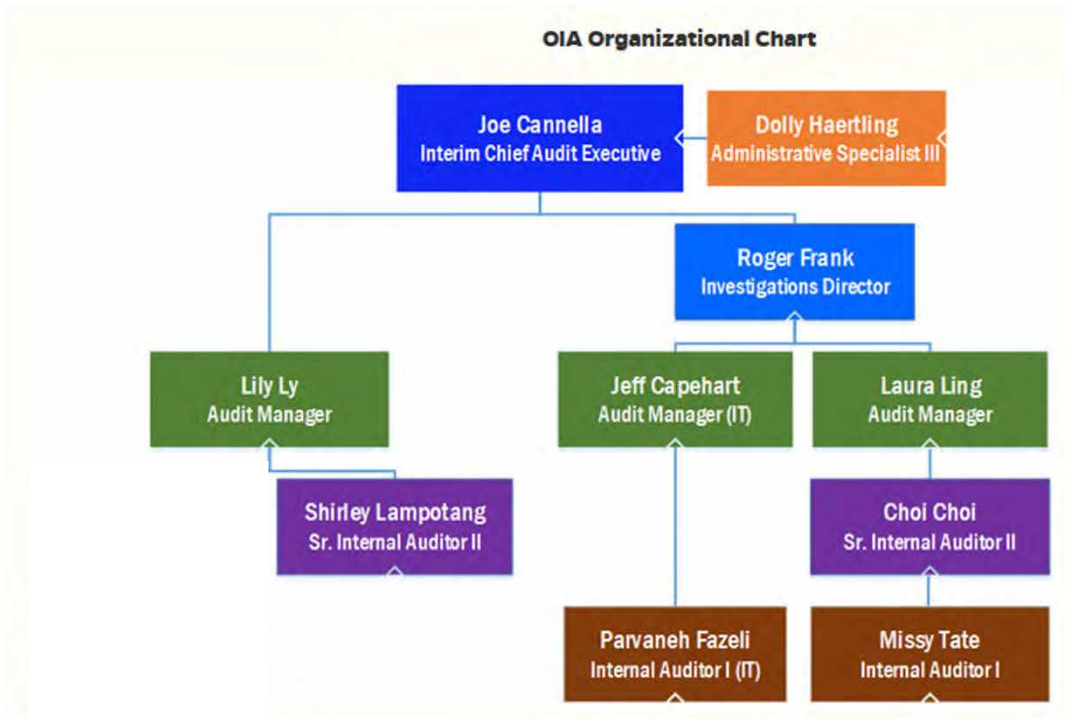
STRATEGIC PLAN OVERVIEW

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

PLAN OBJECTIVES

- Evaluate overall university needs and determine how we can best serve them

- Enhance our knowledge of university operations and the clients we serve to be able to provide more valuable insights to help manage their risks

- Provide services to help improve processes and controls based upon university's future needs, trends and risks, not just historic findings

The OIA will

Our Mission

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

Our Vision

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

Our Strategic Values

Integrity

Excellence

Quality

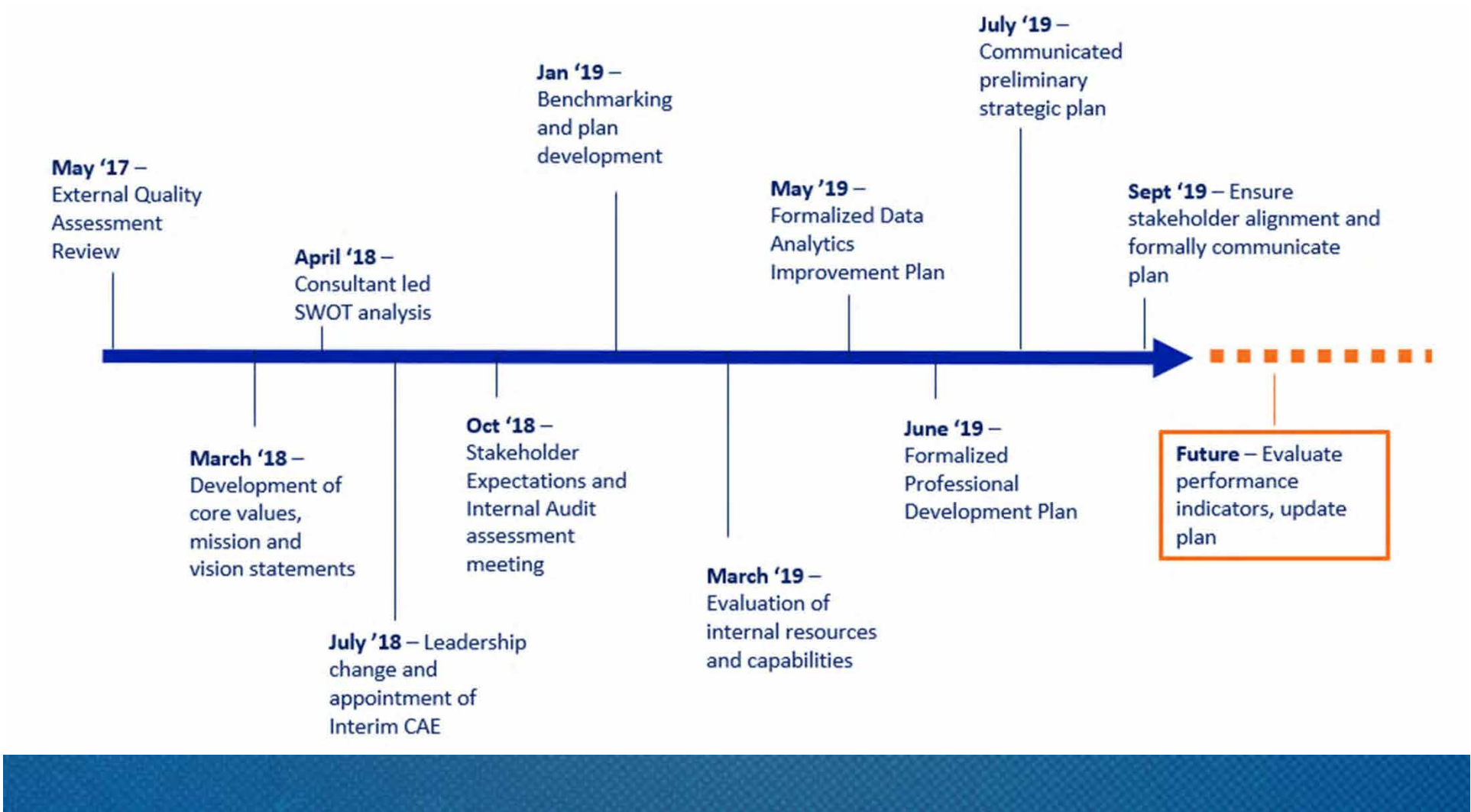**Collaboration**

Objectivity

Scope

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

Strategic Overview

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

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

Integrate and Improve Risk Management & Assurance

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

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

Improve Utilization of Resources & Technology

- Implement improved internal processes and reporting mechanisms

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

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

Enhance Professional Development to Align with University Objectives

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

STRATEGIC PLANNING PROCESS

Strategic planning steps as identified by the Institute of Internal Auditors Practice Guide that were used in development of the plan:

Process steps: Industry & Objectives → Standards & Guidance → Stakeholder Expectations → Vision & Mission → Critical Success Factors → SWOT Analysis → Key Initiatives

Timeline:

May '17 – External Quality Assessment Review

March '18 – Development of core values, mission and vision statements

April '18 – Consultant led SWOT analysis

July '18 – Leadership change and appointment of Interim CAE

Oct '18 – Stakeholder Expectations and Internal Audit assessment meeting

Jan '19 – Benchmarking and plan development

March '19 – Evaluation of internal resources and capabilities

May '19 – Formalized Data Analytics Improvement Plan

June '19 – Formalized Professional Development Plan

July '19 – Communicated preliminary strategic plan

Sept '19 – Ensure stakeholder alignment and formally communicate plan

Future – Evaluate performance indicators, update plan

EXECUTIVE SUMMARY

The university has a multitude of diverse and complex operations which means we can't cover everything all the time. The OIA needs to be able to determine what is important so we focus on the right things; continually find ways to be more efficient in what we do; and collaborate with other functions of the university to ensure risks are managed or help enact positive change. Our value is reflected in how we help the university improve and get things done, not always in the report we can write.

There is still a strong need to independently report on the effectiveness of controls over known risks since no one else can efficiently fill this role. Although internal audit strives to be more proactive, more "standard" compliance type audits have been prescribed by external stakeholders. These projects take a different skillset and directly impact the available resources needed to provide risk-based value added feedback with regards to emerging issues or harder to solve problems. The OIA needs to improve staff capability and revise its resource allocation to effectively and efficiently meet competing stakeholder expectations.

STRATEGIC GOALS

Internal audit has identified two key strategic goals that will create a foundation for continued success and help support alignment with key university objectives, even as the operations and people change.

1. Integrate and Improve Risk Management & Assurance
2. Improve Utilization of Resources & Technology

INTEGRATE & IMPROVE RISK MANAGEMENT AND ASSURANCE

GOAL SUMMARY

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

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

FOCUS (WHY)

- UF's constantly **evolving risk landscape** means we must be able to adapt our approach to managing these risks
  - Traditionally university risk management has been siloed and uncoordinated
  - Collaboration with outside expertise and other university risk management professionals should provide for deeper and more valuable insights

- Better coordination of risk assessment and assurance activities across UF should allow us to **gain efficiencies and maximize coverage of high risk areas**

- More complete picture of the university's risk management should allow for **more effective decision-making** by Senior Management and the Board

INTEGRATE & IMPROVE RISK MANAGEMENT AND ASSURANCE

IMPLEMENTATION

- Develop new enterprise risk management process – **IN PROGRESS**
    - OIA can help maximize enterprise coverage and should be well-positioned to provide insights, independent assurance of key risks, and perspective
    - Coordinate training and communication of more formalized expectations

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

- Increase utilization of data analytics to optimize insights into the emerging risk environment and overall picture of OneUF – **IN PROGRESS**

- Collaborate with local assurance/compliance functions when conducting an engagement to effectively achieve objectives while minimizing duplication – **IN PROGRESS**

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

- Improve OIA's ability to provide valuable insight on emerging risks – **PLANNING PHASE**

GOAL SUMMARY

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

- People
- Audit Process
- Technology

FOCUS (WHY)

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

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

- Technology - Utilizing a data driven approach will enable the OIA to add value by performing faster, more confident analysis and recommendations. We need to continue developing the skills and tools necessary to identify and report on evolving trends in institutional data, master data, and data governance functions

IMPLEMENTATION

- People - Develop a comprehensive professional development plan – **COMPLETED**
  - Establish framework for reviews to ensure the productivity of personnel resources
  - Create resource matrix identifying skills expected and training opportunities
  - Develop plan to obtain higher level of expertise in OIA strategic areas of focus/risk (niche leaders)

- Perform critical review of audit templates and procedures for internal improvement opportunities – **COMPLETED**

- Develop streamlined reporting processes and format for investigations and routine audits, implement bi-weekly status update protocol with clients on audits – **IN PROGRESS**

- Develop collaborative partnership with UFIT on assessment and validation of enterprise-wide information technology risks – **IN PROGRESS**

- Technology - Develop a business plan that defines data analytics objectives and steps to enhance assurance and monitoring capabilities across the University – **COMPLETED**
  - Develop collaborative partnership with UFIT and core offices to improve the use of data analytics by OIA and the rest of the university
  - Re-engineer risk assessment processes to be continually fed with current data
  - Develop the skillsets and technology required to achieve goals

STRUCTURAL CHALLENGES

- Shared governance systems and decentralized decision-making create obstacles to providing consistent and complete information to implement enhanced risk management

- Inadequate involvement of CAE in key decisions (lack of information)

- Limited resources or capabilities of key collaborative partners

- Potential for perceived lack of independence

- Inconsistent views of risks and risk appetite

- Oversight and coordination with affiliated organizations (DSOs)

PROCESS CHALLENGES

- Effective and timely identification of emerging risks. Hesitation to discuss sensitive risk areas or issues due to public records disclosure potential

- More "standard" compliance type audits have been prescribed by external stakeholders. These projects take a different skillset and directly impact the available resources that are needed to provide risk-based value added feedback with regards to emerging issues or harder to solve problems.

WORK PLAN VISION

POTENTIAL FOR 2020 WORKPLAN

The OIA is working towards developing a new risk assessment process for the 2020 Work Plan which should be reflective of UF's most critical issues.

Growing and leveraging research is a critical part of the university's goals. Research is highly regulated, resulting in complex programs and controls, as well as compliance risk. The plan should include developing more expertise to support our auditing of compliance and controls over grants throughout the institution. We believe this is critical to help UF address emerging risks and be able to demonstrate compliance and the operational excellence expected from a best in class research enterprise. We also plan to continue to support both IT and Research through our annual Research Computing audit and the IT Risk Assessment initiative.

The planned college and departmental audit program will include audits of business processes and financial transactions in the decentralized academic units and should include some critical academic and student services processes, such as student advising and academic progress, student financial aid and scholarships. This should help to support UF's goals to improve the student experience.

Because of the UF's priorities and goals to increase faculty and staff, programs and resources will be challenged. The later years of the audit work plan should include a focus on audits of the university's compensation and benefits programs. Additionally, the university must have resources in order to invest in the development of faculty and staff. Audits may need to be focused on streamlining processes, internal controls and inefficient or wasteful spending.

In order to achieve its goals, UF must maintain strong fiscal stewardship and financial stability. The objectives of many of our audits and current outreach efforts include the identification of improvements to internal controls and inappropriate expenditures. We expect the new Data Analysis Improvement Plan will provide the opportunity to more efficiently identify these opportunities and allow for continuous monitoring of key risks. We believe this will lead to cost effective methods to audit a large amount of decentralized disbursements with limited resources in a timely manner.

OFFICE OF INTERNAL AUDIT

REQUIRED COMMUNICATIONS

UF

DISCLOSURES

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

Organizational Independence

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

Impairments to Independence or Objectivity

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

DISCLOSURES

Quality Assurance Review

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

Disclosure of Nonconformance

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

Resolution of Management's Acceptance of Risks

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