

# *University of Florida Board of Trustees Committee on Audit & Operations Review*

## **Minutes**

A meeting of the Committee on Audit and Operations Review was held on Thursday, December 4, 2003, in President's Room B, Emerson Alumni Hall, UF Campus

Trustee Members Present: Joelen Merkel, Chair  
Cynthia O'Connell  
Al Warrington

- The Chair called the meeting to order at 2 p.m.
- Minutes of September 5, 2003, meeting were approved by the Committee.
- Update on Guidelines to Strategic Plan – Provost Colburn said Trustee O'Connell's proposal of requiring the President and/or Provost to address the fiscal impact of proposed changes to the Strategic Plan has been added to the guidelines.
- Environmental Health & Safety
  - EH&S Director Bill Properzio discussed security of select agents, particularly in a research setting such as UF. He discussed findings of a September 2003 USDA audit. Generally, he said UF is doing a good job compared to peer institutions.
  - Dr. Properzio discussed the history of the landfill located near campus mentioned in legal action by former UF students. He said UF signed a consent order on October 22, 2003 for the DEP to do a study of the approximately 7 acres in question. No litigation against UF has been initiated.
- UF Bridges and Transition Plan update – Bridges project team leader Fred Cantrell updated the committee on the project. He said the implementation of HR, Payroll & Financials to PeopleSoft would take place before July 1, 2004. He said the project is on budget and approximately 4 weeks behind schedule but that the time would be made up by January 30, 2004. A contingency plan is to stay with State Payroll if implementation is not ready by July 1, 2004. The committee approved the transition plan for recommendation to the Board.
- Audited Annual Financial Reports – Direct Support Organizations, Faculty Practice Plans, Self-Insurance Programs, and Other Affiliated Organizations. The committee moved to remove this item from the Board Consent Agenda until all audited financial statements have been submitted and reviewed by the Committee. Acceptance of the DSO financial reports will be decoupled from the University Financial Statements, which will remain on the Consent Agenda. It was noted that the remaining audited statements are expected soon and a clean opinion is expected. The Audit Committee will have a conference call when all audited statements have been received and reviewed.

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- University of Florida Foundation update – Ms. Erenguc stated that the UFF special review has been completed and remains confidential due to an ongoing criminal investigation. She recapped the investigation procedures and stated that 1) fraudulent payments were directed to personal accounts by altering checks noting that her office reviewed almost 40,000 checks written in the last three years, 2) payments to financial institutions were diverted to personal accounts, and 3) Foundation purchase orders and credit cards were used for personal purchases. The amount of alleged loss due to fraudulent activity totals nearly \$1 million by one individual who is believed to have acted alone. Foundation Vice President Paul Robell discussed the \$1 million insurance policy against theft held by the Foundation. Trustee Warrington said the banking institutions should be contacted regarding processing large or unusual deposits. Trustee Merkel noted that basic internal control procedures were not in place and stated that the incident raises concerns about PeopleSoft procedures for issuing checks. She requested confirmation of assurance that internal controls are in place to prevent recurrence. Guidelines for DSO audit committees clarifying their oversight roles are being developed. Recommendation for committees to have an audit charter will be included.
- Ethics and Internal Control Policies – An Ethics Policy is being developed in conjunction with the General Counsel’s office. A draft of the Internal Control Policy was distributed and will be issued by July 1, 2004. .
- University of Florida 2002-2003 Financial Statements – The committee approved for recommendation to the Board the un-audited financial statements including their accompanying notes.
- Audit & Compliance Review -- Audits completed during the quarter had been previously distributed along with follow-up information from prior audits. Trustee O’Connell noted that none of the comments were substantial and many of the audit comments were correctible through education and training. Ms. Erenguc said OACR conducts informational sessions through meetings with deans and their staffs. She said Control Self-Assessment instruments would be updated once new business procedures are implemented through the Bridges Project.
- The meeting was adjourned at 3:30 p.m.