

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, March 4, 2004, in Salon F, Reitz Union Grand Ballroom, UF Campus.

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

- The Chair called the meeting to order at 2:15 p.m. She introduced and welcomed the most recently appointed trustee and member of the audit committee, David Brown.
- Minutes of December 4, 2003 meeting were approved by the Committee.
- Phil Ciano, Auditor General's office, introduced Brian Mikell, the auditor in charge of UF's 2002-2003 financial statements. The audit found the financial statements to be presented fairly with no material instances of noncompliance or internal control weaknesses. In response to a question by the Chair, Mr. Ciano said that the internal control environment at the University sets such a high standard, one that in his 23 years of audit experience ranks among the top. He noted that the OACR and Finance & Administration are very open and cooperative. University management is responsive to correcting problems. He also noted that the AG's office completed statewide audits of Federal Financial Assistance and Florida Bright Futures Scholarship Programs for the period ending June 30, 2003 and for the first time there were no comments about UF. When questioned about DSO's Mr. Mikell said they did not look at the purpose of DSO's and only looked for material weaknesses that may affect the opinion.
- Carole Silverman, representing the Office of Audit & Compliance Review, mentioned the internal and external audits that had been issued and mailed to committee members since the last meeting. The audit follow-up implementation rate for the 2nd quarter was 90%.
- Ms. Silverman said OACR conducted a confidential investigation regarding misuse of funds in the College of Medicine. Vice President Barrett said that all funds have been returned to university accounts and four individuals have been disciplined or counseled. A discussion followed regarding the mechanism for audit committee members to receive complaints. Mr. Brown noted that in accordance with Sarbanes Oxley, the audit committee should have access to complaints. Since OACR has a hotline for receiving complaints, they will continue to evaluate and inform the Chair of all complaints with the committee being advised of major complaints.
- Oversight Guidelines and Attributes for Affiliated Organization Board of Directors – a sample questionnaire for DSO Board of Directors had been previously distributed. Ms. Merkel said the plan was to request that one board member from each DSO fill out the questionnaire and return it to the Office of Audit & Compliance Review. Appropriate direction will be provided to the DSOs based upon the completed questionnaire.

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- Governance Review of Affiliated Organizations (*Consent Agenda Item 4.12*). The Committee moved to approve the amendment to the DSO guidelines to include the provision that the Board of Directors should appoint an audit committee.
- UF Bridges and Transition Plan update –Bob Miller, representing Finance & Administration, said a comprehensive update would be presented at the Finance Committee. He said the design phase was completed in February. Training has begun for campus users and June 1 is the due date for final certification. Ms. Merkel again requested assurance that software and internal controls be in place for the proper issuance of checks under the new system. The Committee was assured that the University implemented version of the PeopleSoft would not have the exposure related to re-issuance of checks.
- Audited Annual Financial Reports – Direct Support Organizations, Faculty Practice Plans, Self-Insurance Programs, and Other Affiliated Organizations (*Consent Agenda Item 4.5*). The committee moved to approve the audited financial statements, noting that one still has not been submitted and reviewed by the Committee. In the future, the audited statements will be sent to the committee members as they are submitted.
- Trustee Warrington had several comments regarding the organizations and how they might improve their operating and financial reporting procedures. Ms. Merkel said she was disappointed that a repeat comment in the College of Nursing Faculty Practice Association, Inc. audit report reached a level of material weakness and a lack of effective management direction to address it. The Chair requested a follow-up for the corrective action.
- At the request by Board of Trustees Chairman Fernandez that the Board become educated about DSOs, the committee will be provided a presentation about one of the Direct Support Organizations at each meeting starting with UF Jacksonville Physicians, Inc., a faculty practice plan. At the June meeting, Vice President Doug Barrett will give a presentation that will include that and UF Jacksonville Healthcare, Inc.
- Annual University Reports – “Crime Statistics” and “Physical Plant Safety” -- Mr. Miller said the reports had been submitted to Audit Committee Chair Merkel as required. Ms. Merkel noted that the reports were positive and informative in nature and that she decided not to distribute copies of these reports.
- Environmental Health & Safety Director Bill Properzio updated the committee on the status of the landfill adjacent to campus. He said The DEP had conducted a site assessment and it was now under review. Affidavits of two former UF employees had been filed.
- The meeting was adjourned at 3:30 p.m.