

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 Monday, June 13, 2005, in Danielson meeting room of the Biltmore Hotel, Coral Gables, Florida.

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

Trustee Absent: David Brown

- Joint Meeting with Committee on Finance was called to order at 2:15 p.m.
 - Finance & Administration Vice President Ed Poppell gave a Bridges update. He stated that with the implementation of Bridges, the campus faced a most complex, frustrating and comprehensive change. Current version of software is updated with service packs installed. He discussed that the vision of extracting usable reports by the unit users did not turn out to be a good one and presented a major challenge. This was even more complicated for Contract and Grant users. He continued to report that during the prior week, canned reports were distributed to project managers for five thousand projects for ten and a half months of the current fiscal period, which received positive feedback. By June 20, similar financial reports will be available for all users in the electronic format. Also, trying to respond to year-end closing related concerns, sessions are being held for corrections. Mr. Poppell explained that PS did not have a reconciliation module. For the seven bank accounts that needed to be reconciled, queries needed to be created. He also reported that three accounts are reconciled and by the end of June, all will be completed. He stated that a contract with Oracle was signed with no change in the expected level of support and a smooth transition is anticipated. Mr. Poppell also stated that financial statement preparation will not be a problem and that quarterly reports prepared for the finance committee provided a good starting point.
 - In response to the question of how much was invested, Mr. Poppell stated that while on budget for implementation, additional funds are being used for corrections, enhancements and year-end closing. Expectations are for the operating costs to go down. In response to implementation status for Student Systems, Mr. Poppell responded that it was postponed with the idea that student system needs reevaluation. There are three related systems and they will be upgraded to be technologically compatible with Bridges.
 - Trustees asked if Mr. Poppell was aware of all problems and if there were many shadow systems to which Mr. Poppell responded that some people are frustrated and expressed this through the response to staff survey. It now takes longer time to do their work and many functions are not intuitive.

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- Finance Committee members left and the Committee on Audit and Operations Review commenced their meeting at 2:50 PM.
- Audits of Support Organizations-DSO, HSSO & FPP (*Consent Agenda Item*) The Committee voted to accept for full Board approval the audited financial statements for Florida Leadership and Education Foundation, Inc. which is the only DSO with 12/31 fiscal year end. Its budget for year 2005 was also presented.
- The audit committee meeting continued with the approval of minutes of March 21, 2005.
- Sarbanes-Oxley Committee Update- Mr. Robert Miller, Associate Vice President for Finance and Administration, stated that although SARBOX doesn't impose requirements for higher education, it provides best practice guidelines with regards to governance, external auditor oversight, and internal controls. The committee met several times and is reviewing the Act, title by title and performing additional surveys to present stratified recommendations to the President. It is expected that, by September, some recommendations with regards to Sections two and three will be generated.
- Hurricane Loss Recovery Update- Mr. Miller reported that FEMA has approved over a million dollars worth of claims, but only \$82,000 has been received. University's original claim of 14.6 million was very comprehensive including lost revenues and construction project losses. The University is still submitting claims. Mr. Kenneth Allen is hired as disaster manager. A reasonable expectation by Dr. Properzio is a recovery amount not to exceed \$ 5-6 million. Dr. Joe Joyce added comments about the difficulty of having risk management staff on site and mentioned that the State self insurance with the upper boundary of \$ 5million gets depleted very quickly with this kind of disaster. All claims from IFAS, totaling \$3.1 million have been filed. Expected recovery is approximately 75 cents on the dollar.
- Office of Audit and Compliance Review
 - Audit Plan 2005-2007 (consent agenda item)- Ms. Nur Erenguc, Chief Audit Executive, explained the methodology for developing the audit plan indicating that risk input from administrators, external auditors, higher education audit groups and audit staff was solicited. She stated that a big percentage of effort was being allocated to the coverage of major financial processes impacted by Bridges implementation. Trustee Warrington asked about the allocation of audit resources for projects versus internal processes and activities and commented that the supporting schedule did not readily reflect the actual percentage of effort allocated to projects including advisory, investigative reviews and follow-up that is captured by reduction of available hours off the top. He also commented that the audit plan and its support was very comprehensive and reflected a studied and carefully evaluated approach to address high impact/high probability risks.

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- Internal audit summaries and the follow-up review results were distributed as part of supporting material and were not discussed further.
- External Audits-IRS engagement- Ms. Merkel, Chair, reported that a routine audit of the University of Florida Foundation was announced by the Internal Revenue Service and that the auditors discussed the scope and coverage and will begin their fieldwork possibly in September.
- The meeting was adjourned at 3:35 p.m.