

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, March 15, 2010, in Emerson Alumni Hall.

Trustee Members Present: Al Warrington, Chair
Marshall Criser, III
Roland Daniels
Jordan Johnson
Jack Mecholsky
Cynthia O'Connell

Chair Warrington called the meeting of the Committee on Audit and Operations Review to order at 12:45 p.m.

Chair Warrington recognized the accomplishments of his predecessor, Joelen Merkel, who had served as Chair of the Audit and Operations Review Committee since its inception. He proposed that the audit committee develop a resolution to be presented to Joelen at a future date thanking her for her service. The committee agreed with the Chair's proposal.

- Minutes from the December 10, 2009 audit committee meeting were presented and unanimously approved.

Action Agenda Items:

- **Acceptance of the University of Florida's Financial Statement Audit for the FYE June 30, 2009**

In February, 2010, the State of Florida Auditor General released the report on the audit of the financial statements of the University of Florida for the fiscal year ended June 30, 2009. The Auditor General issued an unqualified opinion on the financial statements and the report included no comments. Subsequent to this release and receipt of the opinion, the university published its Annual Financial Report.

The committee reviewed the university's Annual Financial Report, which included the Auditor General's report. When asked, Phil Ciano said his office received good cooperation from university management and staff. After some discussion, the committee approved the university's audited financial statements, notes, and management's discussion and analysis as published in the Annual Financial Report and recommended approval by the Board.

- **Acceptance of the University of Florida's Operational Audit for the FYE June 30, 2009**

In January, 2010, the State of Florida Auditor General released the operational audit report of the University of Florida for the fiscal year ended June 30, 2009. This audit is performed every two years using a risk-based approach. The objectives of the operational audit were to: (1) obtain an understanding and make overall judgments as to whether university internal controls promoted and encouraged compliance with applicable laws, rules, regulations,

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contracts, and grant agreements; the economic and efficient operation of the university; the reliability of records and reports; and the safeguarding of assets; (2) evaluate management's performance in these areas; and (3) determine whether the university had taken corrective actions for findings included in the prior operational audit report. University management has developed a plan of action to address the audit recommendations. Phil Ciano, Audit Supervisor with the Auditor General's Office, commented that the auditors were satisfied with the university's responses and planned actions.

The committee reviewed the operational audit report and, after some discussion, accepted the operational audit report as presented, including the planned actions to address the audit recommendations. The committee recommended approval by the Board.

Discussion/Informational Agenda Items:

- Phil Ciano of the Auditor General's Office provided an update on external audit activities.
 - Phil reported that fieldwork on the federal financial assistance audit has been completed. The scope of the audit included a review of the university's Schedule of Expenditures of Federal Assistance, and a review of the major programs of Student Financial Assistance and the Research & Development cluster. Preliminary findings have been provided to the Auditor General and the final report, which is part of a report on the State of Florida, will be released by the end of March 2010.
 - Phil also discussed the annual audit of the Bright Futures scholarship program. This audit is in progress and the report, issued for the State of Florida, is expected to be released by early May.
 - Phil also indicated that the next audit cycle has already begun. The Auditor General delivered an engagement letter on February 11 covering the Financial, Federal Financial Assistance, and Bright Futures audits for the 2009-2010 fiscal years. The Federal audit will include a new major program for the American Recovery and Reinvestment Act (ARRA). The Chair was mailed the engagement letter and said he would provide it to the audit committee members.
- CAE Brian Mikell presented the five internal audit reports that had been issued since the last Board meeting. The reports presented were: Recreational Sports Department; Transportation and Parking Services; University of Florida Investment Corporation; Foundation Human Resources and Payroll; and Foundation Risk Management and Insurance. The reports and summaries had been previously provided for detailed review. Brian summarized each audit report and answered questions from the committee. Brian and Audit Director Joe Cannella also reported on follow-up status of previously issued internal and other audits.
- Brian presented proposed mid-year changes to the Office of Audit and Compliance Review's 2009-2010 annual audit work plan. Changes included projects added at the request of university management, and projects postponed or cancelled due to the

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university's evolving risk environment and consideration of available resources for the remainder of the year. Available resources have been affected by added projects and more than planned hours for required investigative work. Brian assured the committee that postponed audits would be considered in the development of future audit work plans to ensure that OACR is maximizing its benefit to the university. After some questions and discussion, the committee approved the proposed revisions to audit work plan.

- Brian announced that the risk assessment process has begun that will culminate in a proposed three-year audit work plan for OACR covering the fiscal years 2010 to 2013. OACR will obtain input from campus stakeholders relating to existing risks, and will also benchmark with other similar universities. Input will be solicited from the audit committee members. The proposed three-year audit work plan will be presented to the audit committee at the June meeting.
- The committee considered information provided by Business Affairs relating to audits of university affiliated organizations, noting that the only addition from the last committee meeting was the A-133 audit of Jacksonville Physician's, Inc. Brian restated the intention of OACR, at the audit committee's request, to follow-up on any repeat comments in the affiliated organization audit reports.
- Chair Warrington reported that he has reviewed the status of the investigations log. The Chair reported that the investigations were being appropriately reviewed.

The audit and operations review committee adjourned at 1:47 p.m.