

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 17, 2011, in Emerson Alumni Hall.

Trustee Members Present: Al Warrington, Chair
Ashton Charles
Marshall Criser
Roland Daniels
Mary Ann Ferguson

Chair Warrington called the meeting of the Committee on Audit and Operations Review to order at 9:03 a.m.

- Minutes from the December 9, 2010 audit committee meeting were presented and unanimously approved.

Action Agenda Item:

Acceptance of the University of Florida's Financial Statement Audit for the FYE June 30, 2010

On February 11, 2011 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, 2010. The Auditor General issued an unqualified opinion on the financial statements. 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. 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

Discussion/Informational Agenda Items:

- Phil Ciano of the Auditor General's Office provided an update on external audit activities.
 - Phil reported that the UF Federal Audit for 2009-2010, part of a statewide audit, covered UF's Student Financial Aid Funds, Research and Development Funds, Fiscal Stabilization Funds (ARRA), and Federal flow-through funding from the Florida Department of Health. This audit is in the final review stages and due to be released by March 31, 2011.
 - Phil also discussed the UF Operational audit for 2010-2011, conducted every two years. This audit reviews selected controls, processes and compliance with State rules and regulations. Preliminary fieldwork has begun and will be completed in conjunction with the 2010-2011 financial audit.
 - Phil also indicated that preliminary fieldwork for the UF Financial Statement Audit for 2010-2011 will begin before the June BOT meeting.

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- Chief Audit Executive Brian Mikell and Audit Director Joe Cannella presented three internal audit project reports that had been issued since the last Board meeting. The reports were: Interdisciplinary Center for Biotechnology Research; Personnel Actions and File Maintenance; and University Procurement Practices. The reports and summaries had been previously provided for detailed review. Each audit project was summarized and opened to questions from the committee. Messrs. Mikell and Canella also reported on the follow-up status of previously issued internal and other audits.

The committee was also provided updated information relating to audits of university affiliated organizations, noting that the only such audit report received since the last committee meeting was that of the UF Self-Insurance Program.

- Vice President and Chief Financial Officer Matt Fajack provided an update on new systems and efforts that were being implemented. Key points included:
 - The following proactive measures which are being taken to enhance controls over contract and grant reporting:
 - a. The implementation of a new effort reporting system, which was purchased from CedarCrestone; implementation is targeted for fall 2011. The system will include faculty assignment information as well as after-the-fact time and effort reporting. The committee discussed the implementation process, including the extent of campus input;
 - b. Better documentation to support valid cost transfers, which are after-the-fact adjustments of charges, especially payroll, from one contract or grant account to another. A new cost transfer policy was implemented on July 1, 2010, which centralized the approval and required documentation of all cost transfers related to contracts and grants;
 - c. Collecting, reviewing, and consolidating the varied contract and grant policies, which over time had been adjusted and altered due to specific needs of various units across campus, so that they can be reviewed, enhanced if needed, and made available in one central location;
 - d. Enhanced reports for principal investigators;
 - e. Enhanced contract and grant training to ensure that campus understands the “WHY” and not just the “HOW” related to contracts and grants reporting. A training specialist has been hired and certificate program created for principal investigators;
 - f. Enhanced monitoring of cost sharing requirements and integration with the new time and effort reporting system.
 - The continuing IRS review covering Unrelated Business Taxable Income and deferred compensation. This review is ongoing and there is no information as to when it will be completed.
 - The current financial condition of Shands, in light of the declining cash position noted at June 30, 2010. Mr. Fajack explained that the June 30 condition resulted from Alachua General Hospital losses and use of cash to complete the

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construction of the Cancer Center. Current year financial information is much improved and ahead of budget projections. Mr. Fajack and the committee recognized the leadership of Senior Vice President Guzick in helping improve the financial and operational condition of Shands.

- Chair Warrington reported that he has reviewed the status of other activities conducted by the Office of Audit and Compliance Review. These activities include advisory and investigative services. The Chair reported that these other activities were being appropriately conducted and reviewed, and he commended the auditors for their efforts.
- Chair Warrington invited Trustee Charles to share her experiences in Russia, relating to her appointment to the Open World Program, with the committee. She indicated that it was truly a “life-changing” experience.
- Chair Warrington discussed with the committee a framed resolution to be presented to Joelen Merkel at the Trustees meeting. Ms. Merkel’s distinguished service to the BOT included serving as Chair of the Audit and Operations Committee from July of 2001 through December of 2009.

The Committee on Audit and Operations Review adjourned at 10:12 a.m.