

*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, June 7, 2012, in Emerson Alumni Hall.

Trustee Members Present: Al Warrington, Chair
Charles Edwards
Juliet Roulhac
Cherie Brodeur
T J Villamil

Trustees Absent: Alan Levine

Chair Warrington called the meeting of the Committee on Audit and Operations Review to order at 12:30pm. He welcomed new trustees, Cheri Brodeur and Charles Edwards, to the committee.

- Chair Warrington called for a motion on the December 1, 2011 audit committee meeting minutes. Trustee Edwards made a motion to approve the minutes and Trustee Roulhac seconded the motion. Chair Warrington asked if there was any discussion, and hearing none, he called for a vote. The audit committee minutes from December 1, 2011 were unanimously approved.

Action Agenda Items:

Acceptance of the University of Florida's Annual Financial Report for 2010-2011

On March 19, 2012, 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, 2011. 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. Trustee Edwards made a motion to approve and trustee Brodeur seconded the motion. The audit committee unanimously accepted the report.

Acceptance of the University of Florida's Operational Audit Report for the FYE June 30, 2011

In January 2012, the State of Florida Auditor General released the operational audit report of the University of Florida for the fiscal year ended June 30, 2011. The objectives of this 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, 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

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a plan of action to address the audit recommendations. The committee reviewed the operational audit report. Trustee Roulhac made a motion to approve and Trustee Edwards seconded the motion. The committee then accepted the audit report as presented, including the planned actions to address the audit recommendations.

Discussion/Informational Agenda Items:

- Phil Ciano provided an update on the following reports, which had been released after the committee's December 1, 2011 meeting:
 - The Florida Bright Futures Scholarship Program Audit for fiscal year end 2011 was released February 22, 2012. UF received \$75 million, the largest amount of any university in the state.
 - The State of Florida Compliance and Internal Controls Over Financial Reporting and Federal Awards for fiscal year end 2011 audit was released March 20, 2012.

Phil also provided an update on current external audit activities:

- The UF Financial Statement Audit for the 2011-2012 fiscal year is currently in process and is expected to be released in late December or early January. This is significantly earlier than in prior years.
 - The UF Operational audit for the 2011-2012 fiscal year has traditionally been conducted once every two years, with a scope of reviewing selected controls, processes and compliance with State rules and regulations. The Auditor General has decided to narrow the scope of the audit and perform it on an annual basis. Fieldwork for the current audit is underway and the target release date is late in calendar year 2012, before the financial audit is completed.
 - The UF Federal Audit for the 2011-2012 fiscal year is part of a statewide audit and is conducted according to OMB Circular A-133, which includes Student Financial Aid Funds and Research and Development Funds. The audit must be completed and released by March 31, 2013.
 - The audit of the Bright Futures program has been performed on an annual basis in the past. The Auditor General's Office will begin auditing this program every other year, covering the full two year-period. The Bright Futures audit will not be conducted this year.
- Jennifer Murtha from the audit firm McGladrey presented the External Quality Assessment Report on the University of Florida's Office of Audit and Compliance Review (OACR). Internal Audit Standards require an external quality assessment, or peer review, every five years. The report concluded that the OACR generally conforms to the *Standards* and Code of Ethics of the Institute of Internal Auditors, which is the highest rating provided by the standards. McGladrey was retained to conduct the review along with peer audit professionals from Duke University, Florida State University, and

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Auburn University. Ms. Murtha discussed the highlights of the report and answered questions from the committee.

- Chief Audit Executive Brian Mikell and Audit Director Joe Cannella provided an update on internal audit activities:
 - Six internal audit projects that had been issued since the last Board meeting were presented: UAA IT General Controls, Student Government, Foundation Restricted Gifts (CY2010), Minor Construction, Laboratory Safety and Security, and Foundation Departmental Collections. The reports and summaries had been previously provided for detailed review. Each audit project was summarized and questions from the committee were answered.
 - The follow-up status of previously issued internal and other audits was presented.
 - The revised internal audit work plan for the 2012-2013 fiscal year was presented. The process of developing the internal audit work plan was briefly discussed, as well as the individual proposed projects and reasons for any changes to the plan. Questions from the committee were answered. Trustee Roulhac made a motion to approve the work plan and Trustee Edwards seconded the motion. The committee then unanimously approved the proposed work plan for the 2012-2013 fiscal year.
- Brian Mikell provided the committee with updated information relating to audits of university affiliated organizations, noting that the only reports received since the last committee meeting were for the University of Florida Leadership and Education Foundation and the University of Florida Self-Insurance Program. Neither of these audit reports indicated any significant control deficiencies.
- Chief Privacy Officer Susan Blair made a presentation to the committee on the status of the university's Identity Theft Prevention Program. In 2008, the Federal Trade Commission adopted the "Red Flags Rules" which, among other things, require the university to have an Identity Theft Prevention Program. The Board of Trustees has general oversight of the program and must recertify it every two years. Ms. Blair provided an update of the status of the program and the committee agreed that the program should continue.
- University Controller Mike McKee made a presentation to the committee on university-wide Cash Disbursement Controls. His presentation covered controls over bank accounts, fraud controls over checks and ACH transactions, wire controls, controls over petty cash funds and bank reconciliations. He also noted that internal controls for these functions, managed by Finance and Accounting core offices, are audited annually by external auditors and periodically by the OACR.

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- University Police Chief Linda Stump made a presentation on University of Florida Police Department Response to Serious Incidents Late Fall 2011-Early Spring 2012 to the committee. The presentation included the organizational structure of the University Police Department and statistical information, as well as recent measures that have been implemented to promote/enhance safety initiatives and awareness to help ensure the safety of the student body.
- CFO Matt Fajack provided an update on the external federal HHS review. The CFO reported that this review project is ongoing and the university is cooperating. The review is approximately two years old, which is not unusual for reviews of this nature. Predating and relating to this review, the university has taken proactive measures to enhance controls over contract and grant reporting in the areas of Effort Reporting, Cost Transfers, Contract and Grant Policies, Cost Sharing, and Training for research administrators and principle investigators. In addition, the new VP for Research is in the process of hiring a Research Compliance Officer.
- Student Body President T J Villamil arrived during the committee meeting. Chair Warrington welcomed the new trustee to the audit and operations review committee.
- Chair Warrington reported that he has reviewed the status of investigations conducted by the Office of Audit and Compliance Review. These activities include items that have been received on the Compliance Hotline. OACR either reviews or ensures that allegations are referred to other appropriate university offices such as Human Resources. The Chair reported that he is satisfied the investigations are being appropriately conducted and reviewed.

The Committee on Audit and Operations Review adjourned at 1:55 p.m.