A meeting of the Committee on Audit and Operations Review was held on Thursday, June 9, 2011, in Emerson Alumni Hall.

Trustee Members Present: Al Warrington, Chair  
Alan Levine  
Ben Meyers  
Scott Nygren  
Juliet Roulhac

Chair Warrington called the meeting of the Committee on Audit and Operations Review to order at 12:30 p.m. He welcomed the new trustees to the audit and operations review committee: Alan Levine, Juliet Roulhac, Faculty Senate Chair Scott Nygren, and Student Body President Ben Meyers.

- Chair Warrington called for a motion on the March 17, 2011 audit committee meeting minutes. Trustee Meyers made a motion to approve the minutes and Trustee Roulhac seconded the motion. Chair Warrington asked if there was any discussion. Hearing none, he called for a vote. The audit committee minutes from March 17, 2011 were unanimously approved.

- There were no action items for consideration by the committee.

Discussion/Informational Agenda Items:

- Phil Ciano of the Auditor General’s (AG) Office explained their role as the external auditors for the university and provided an update on external audit activities:
  - **UF Financial Statement Audit for the 2010-2011 fiscal year**: The AG will no longer publish a report separate from the university’s Annual Financial Report. Chair Warrington asked the CFO to provide copies of the June 30, 2010 Annual Financial Report to all new committee members. The AG expects to release the financial audit for the FYE June 30, 2011 in late January or early February 2012.
  - **UF Federal Audit for the 2010-2011 fiscal year**: This audit is a section of the statewide audits his office undertakes and is conducted according to OMB Circular A-133. The scope of this audit will include Student Financial Aid Funds, Research and Development Funds, Fiscal Stabilization Funds (ARRA), and Federal flow-through funding from the State of Florida. This audit is in the preliminary fieldwork stage and will be released by March 31, 2012.
  - **UF Operational audit for the 2010-2011 fiscal year**: This audit has traditionally been conducted once every two years with a scope of reviewing selected controls, processes and compliance with State rules and regulations. Recent legislation has changed this requirement to at least once every three years, and may impact the frequency of future operational audits. Fieldwork for the current audit is underway and the target release date is late 2011 calendar year.
University of Florida Board of Trustees
Committee on Audit & Operations Review

Minutes

- **UF Bright Futures audit for the 2010-2011 fiscal year:** This audit is conducted a section of the statewide audits including all universities and colleges. It has traditionally been conducted annually, but recent legislation has changed this requirement to once every two years, covering the two-year period. The expected release date for the current audit is March 2012.

- Chief Audit Executive Brian Mikell and Audit Director Joe Cannella provided an update on internal audit activities:
  - Four internal audit projects that had been issued since the last Board meeting were presented: IFAS – Family, Youth and Community Sciences Department; IFAS – Soil and Water Science Department; Foundation Asset Management; and Conflicts of Interest, Outside Activities and Financial Interests. The reports and summaries had been previously provided for detailed review. Each audit project was summarized and questions from the committee were answered.
  - The quarterly report of the status of follow-up efforts for action plans and recommendations from previously issued internal and other audits was presented.
  - The revised internal audit work plan for the 2011-2012 fiscal year was presented. The process of developing the internal audit work plan, individual proposed projects, and reasons for any changes to the plan were discussed. Questions from the committee were answered. The committee had no objections to the proposed work plan.

- The committee was provided updated information relating to audits of university affiliated organizations, noting that the only report received since the last committee meeting was the audit report of the University of Florida Leadership and Education Foundation.

- Chief Financial Officer Matt Fajack provided an update on other external review activity:
  - **HHS review:** CFO Matt Fajack provided an update on other external reviews:
    - (1) HHS review. The Committee received its periodic updates on the U.S. Department of Health and Human Services investigation of UF’s financial and accounting practices for federal awards, which began approximately 1.5 years ago, and the proactive enhancements that UF has implemented and continues to develop regarding contract and grant reporting.
      - The university has taken the following proactive measures to enhance controls over contract and grant reporting:
        a. **Cost Transfers:** Defined as after-the-fact adjustments of charges, especially payroll, from one 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 grants.
        b. **Effort Reporting:** The university currently uses a proprietary system to track and report effort in accordance with federal guidelines. A new time
and effort reporting system is planned for implementation in the fall of 2011, and will address faculty assignment information as well as after-the-fact time and effort reporting and cost sharing.

c. Contract and Grant Policies: Over time, these policies have been adjusted due to specific needs of various units across campus. An effort is underway to review, update if needed, and consolidate them and to facilitate access through a central portal.

- **Internal Revenue Service:** The CFO discussed this continuing review covering Unrelated Business Income and deferred compensation. This review is ongoing and there is no information as to when it will be completed. The university is cooperating and providing information as requested by the IRS.

- Chair Warrington reported that he reviewed the status of investigations conducted by the Office of Audit and Compliance Review, including 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 1:47pm.