

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, December 1, 2011, in Emerson Alumni Hall.

Trustee Members Present: Al Warrington, Chair
Alan Levine
Scott Nygren
Anthony Reynolds
Juliet Roulhac

Chair Warrington called the meeting of the Committee on Audit and Operations Review to order at 12:30pm. He welcomed the new trustee to the committee, Student Body President Anthony Reynolds.

- Chair Warrington called for a motion on the June 9, 2011 Committee meeting minutes. Trustee Nygren 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 Committee minutes from June 9, 2011 were unanimously approved.
- There were no consent agenda items for consideration by the Committee.

Discussion/Informational Agenda Items:

- Phil Ciano of the Auditor General's Office provided an update on external audit activities:
 - **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. Phil explained that fieldwork for the current audit is substantially completed and the delivery of preliminary and tentative findings should be no later than the 1st week of January. Once findings are delivered, the university will have 30 days to formally respond.
 - **UF Financial Statement Audit for the 2010-2011 fiscal year:** Phil discussed the audit report format. The Auditor General expects to release the financial audit for FYE June 30, 2011 in late January 2012. The University of Florida's financial information will be incorporated into the statewide Comprehensive Annual Financial Report. The Auditor General will no longer publish a report of the university's financial statements separate from the university's Annual Financial Report. The university's Annual Financial Report, once released, will be posted to the Auditor General's website.
 - **UF Federal Audit for the 2010-2011 fiscal year:** Phil explained that the audit of the university is a chapter of a statewide audit and is conducted according to OMB Circular A-133. The scope of this audit will include Student Financial Aid Funds and

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- Research and Development Funds. The Auditor General's Office anticipates delivery of tentative findings in early January, with the statewide report released in late March.
- **UF Bright Futures Audit for the 2010-2011 fiscal year:** This audit is conducted as part of a statewide audit at all universities and colleges. Phil anticipated delivery of tentative findings by the end of January. The expected release date for the current audit is early March.
 - Chief Audit Executive Brian Mikell and Audit Director Joe Cannella provided an update on internal audit activities:
 - Eight internal audit projects that had been issued since the last Board meeting were presented: UAA Cashiering and Decentralized Collections; Gator Boosters – Internal Controls; Department of Housing and Residence Education; Control Self Assessment (MAS); Integrated Student Information System (ISIS) ; Counseling and Wellness Center; Foundation Disbursements; and Purchasing Card Program. 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 mid-year revisions to the 2011-2012 internal audit work plan was presented. Changes were minor and consisted only of two projects that were added to address newly identified risks. After some questions and discussion, the Committee acknowledged the proposed revisions to audit work plan.
 - The Committee was provided information by the University Controller's Office relating to audits of university affiliated organizations, noting that the university has 27 affiliated organizations, with the majority having FYE's of June 30. Required audit reports for all but one of the organizations with the FYE of June 30 have been completed and were included in the report. Brian indicated that the information is compiled from audited financial statements by the University Controller's Financial Reporting Office. Copies of significant control deficiencies reported by the various affiliated organization auditors are included for the Committee's review.
 - Vice President and Chief Financial Officer (CFO) Matt Fajack provided an update on other external review activity:
 - **Internal Revenue Service:** This review began in November 2009 and was completed in August 2011. The focus of the review was Unrelated Business Income Tax (UBIT), controlled entities and deferred compensation. There were no findings related to the controlled entities, but the review found that some individual employees of the university had exceeded the limit of deferred compensation due to their deferring outside revenue sources that were not disclosed to the university. The review also found that some small businesses included in UBIT did not have a profit motive, and their losses were therefore

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disallowed from the UBIT calculation. This resulted in the university paying additional taxes of \$71,000 and \$5,000 in interest. The CFO indicated that the IRS review staff was very complimentary on the university's processes and the efforts of the University Controller's Office.

- **HHS/NSF review:** This review project is ongoing and the university has taken the following proactive measures to enhance controls over contract and grant accounting:
 - a. **Effort Reporting:** A new time and effort reporting system is in place and is being used to accumulate effort for the Fall semester. The system ties faculty assignment information with after-the-fact time and effort reporting.
 - b. **Cost Transfers:** Defined as after-the-fact adjustments of charges from one grant account to another. A new cost transfer policy was implemented to centralize the approval and required documentation of all cost transfers related to grants.
 - c. **Contract and Grant Policies:** An effort is underway to identify, review, consolidate and centralize these policies into one uniform policy for campus.
 - d. **Cost Sharing:** This new automated system is part of the new effort reporting system and should significantly improve monitoring and compliance of required cost sharing.
- Chair Warrington stated that the CFO will have a presentation on university-wide cash controls for the next meeting of the Committee on Audit and Operations Review.
- Chair Warrington reported that he has reviewed the status of investigations conducted by the Office of Audit and Compliance Review (OACR), 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 Resource Services. The Chair reported that he is satisfied the investigations are being appropriately conducted and reviewed.
- Brian Mikell presented a PowerPoint presentation of the highlights from the OACR's 2010-2011 Annual Report, which covered organizational changes, expenditures, analysis of time resources, projects completed, client surveys, and investigations. A copy of the annual report was provided to each Committee member and will be posted to the OACR website.

The Committee on Audit and Operations Review adjourned at 1:41pm.