



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE MINUTES**

June 8, 2017

President's Room 215c, Emerson Alumni Hall

University of Florida, Gainesville, FL

Time Convened: 12:19 p.m. EDT

Time Adjourned: 12:59 p.m. EDT

1.0 Verification of Quorum

A quorum was confirmed with all members present, except for Board Chair James W. Heavener and Trustee David M. Quillen.

Members present were:

Marsha D. Powers (Chair), W. Smith Meyers Robert G. Stern, and David M. Thomas

Others present were:

Chief Audit Executive (CAE) Brian Mikell; Audit Director Joe Cannella; Executive Associate Vice President and Chief Compliance Officer (CCO) Elizabeth Rusczyk; Senior University Counsel for Human Resources, Employment and Labor Ryan R. Fuller; Vice President and CFO Michael McKee; Assistant Vice President and University Controller Alan West; Denita Tyre, Florida Auditor General's Audit Supervisor; and RSM US LLP Sr. Director Jennifer Murtha.

2.0 Call to Order

Marsha D. Powers, Committee Chair, called the meeting to order at 12:19 p.m. EDT and welcomed all Trustees and everyone in attendance at the meeting.

3.0 Review and Approval of Minutes

The Committee Chair asked for a motion to approve the minutes of the March 16, 2017 Committee meeting, which was made by Trustee Stern, and a second, which was made by Trustee Thomas. The Committee Chair asked for further discussion, and then all in favor of the motion and any opposed, and the motion was approved unanimously.

4.0 Committee Final Action Item

AO1. 2017-2018 Office of Internal Audit Work Plan Revisions

The Office of Internal Audit (OIA) establishes its audit coverage with audit work plans that cover three fiscal years; July 2016 to June 2019 reflects the current three-year audit work plan period. Audit work plans are revised semi-annually in response to changing priorities, conditions, or audit resources.

Mr. Mikell reviewed the revised audit work plan with the committee. The Committee Chair then asked for a motion to approve Committee Final Action Item AO1, which was made by Trustee Thomas, and a second, which was made by Trustee Stern. The Committee Chair asked for further discussion, and then asked for all in favor of the motion and any opposed and the motion was approved unanimously.

The following Discussion/Informational Items were then addressed by the Committee:

5.0 Discussion/Information Items

5.1 Update on External Audits

Denita Tyre of the Auditor General's Office provided her report to Mr. Mikell, who updated the committee on external audit activity, which included the following:

- The Operational Audit of the University of Florida, covering the calendar year 2016, is almost complete. An exit conference was held with University management and Trustee Powers on May 31.
- Preliminary fieldwork for the financial statement audit of the University for the FYE June 30, 2017, will be starting soon.
- Preliminary fieldwork for the Audit of Federal Awards covering the FYE June 30, 2017 will soon begin. This audit is conducted as part of a statewide Audit of Federal Compliance, and will have a heavy emphasis on Student Financial Aid at the University.
- The Bright Futures Audit, covering the FYE June 30, 2016 and June 30, 2017 will be conducted during the upcoming year. This audit is also conducted on a statewide basis.

5.2 OIA Quality Assessment Review Report

Institute of Internal Audit (IIA) Standards require that an internal audit function must undergo an external quality assessment review at least every five years. The review is also required by new Board of Governors' Regulation 4.002.

The OIA engaged the firm RSM US LLP to conduct the assessment along with a team of chief audit executives from peer institutions. Jennifer Murtha of RSM appeared before the committee and presented the External Quality Assessment Review report of the University's Office of Internal Audit, dated May 30, 2017. Ms. Murtha explained that their report concluded that the OIA generally conforms to IIA Standards, meaning that "...policies, procedures and practices are in place to implement the standards and requirements necessary for ensuring independence, objectivity and proficiency of the internal audit function." Printed copies of the report were provided to the committee members.

5.3 Compliance Program Update

Elizabeth Ruszczuk, Executive Associate Vice President and Chief Compliance Officer (CCO), presented a report on the current status of the University's implementation of a centralized

compliance program. She explained that the CCO will report administratively to the President and functionally to the Board of Trustees through the Committee on Audit and Operations. The program is required by BOG Regulation to be in place and functional by November 2018.

5.4 Audits of Affiliated Organizations

The committee was provided information relating to audits of university affiliated organizations. This information was compiled by the general accounting and financial reporting department of the Office of the Controller. University Controller Alan West discussed the schedules and answered questions from the committee.

5.5 Audits and Other Reviews

Mr. Mikell presented the internal audit projects that have been issued since the last Committee meeting:

- 1) Emerging Pathogens Institute
- 2) Human Subject Payments
- 3) President's Business, Travel and Entertainment Expenses (July to December 2016)

The reports and summaries were previously provided to the committee for detailed review. The audits were briefly discussed and questions from the committee were answered.

5.6 Quarterly Follow-up

Audit Director Joseph Cannella reported on the follow-up status of comments and action plans from previously issued internal and other audits.

6.0 New Business

No new business was discussed.

7.0 Adjourn

After asking for any further discussion and hearing none, Committee Chair Powers adjourned the University of Florida Committee on Audit and Operations Review meeting at 12:59 p.m. EDT.



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES'
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
EXECUTIVE SUMMARY**

June 8, 2017

The Committee will be asked to act on the following Action Item:

AO1 OIA 2017-2018 Work Plan Revisions

The Committee will be asked to take final action to confirm and approve revisions to the Office of Internal Audit work plan for the 2017-2018 fiscal year.

The Committee will address the following Discussion/Informational Items:

- Denita Tyre, the local field supervisor from the Auditor General's office, will update the committee on the current external audits being conducted by her office.
- Brian Mikell, Chief Audit Executive (CAE), will discuss activities in the Office of Internal Audit (OIA) including:
 - internal audits completed and issued since the last committee meeting
 - the status of follow-up of audit comment action plans
 - revisions to the 2017-2018 OIA audit work plan
 - present the External Quality Assurance Review report for the OIA
- Executive Associate VP and Chief Compliance Officer will give an status update on the Compliance Program
- The committee will receive information from the CFO's office on the status of audits of university-affiliated support organizations



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES'
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE AGENDA**

June 8, 2017

~10:50 a.m. EDT

**President's Room 215C, Emerson Alumni Hall
University of Florida, Gainesville, FL**

Committee Members:

Marsha D. Powers (Chair), James W. Heavener, W. Smith Meyers, David M. Quillen, Robert G. Stern, David M. Thomas

- 1.0 Verification of Quorum Brian Mikell, Chief Audit Executive
- 2.0 Call to Order and Welcome Marsha D. Powers, Chair
- 3.0 Review and Approval of Minutes Marsha D. Powers, Chair
[March 16, 2017](#)
- 4.0 Action Items Marsha D. Powers, Chair
AO1 [2017-2018 OIA Work Plan Revisions](#)
- 5.0 Discussion/Informational Items Marsha D. Powers, Chair
 - 5.1 Update on External Audits Denita Tyre, Office of the Auditor General
 - 5.2 OIA Quality Assessment Review Report Office of Internal Audit
 - 5.3 Compliance Program Update (Discussion) Elizabeth Rusczyk,
Executive Associate VP and CCO
 - 5.4 [Audits of Affiliated Organizations](#) Office of the Chief Financial Officer
 - 5.5 [Audits and Other Reviews](#) Office of Internal Audit
 - 5.6 [Quarterly Follow-up](#) Office of Internal Audit
- 6.0 New Business Marsha D. Powers, Chair
- 7.0 Adjourn Marsha D. Powers, Chair



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES'
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE MINUTES**

March 16, 2017

President's Room 215C, Emerson Alumni Hall

University of Florida, Gainesville, FL

Time Convened: 2:03 p.m. EDT

Time Adjourned: 2:43 p.m. EDT

1.0 Verification of Quorum

A quorum was confirmed with all members present, except for Board Chair Heavener, who was unable to attend and Trustee Thomas, who joined via phone.

Members present were:

Marsha D. Powers (Chair), Nicole LP Stedman, Robert G. Stern, David M. Thomas (by phone) and Susan D.C. Webster

Others present were:

Chief Audit Executive (CAE) Brian Mikell, Audit Director Joe Cannella, Executive Associate Vice President and Deputy General Counsel Amy Hass, Assistant Vice President/Controller Alan West, and Executive Associate Vice President Elizabeth Ruszczyk.

2.0 Call to Order

Marsha D. Powers, Committee Chair, called the meeting to order at 2:03 p.m. EDT and welcomed all Trustees and everyone in attendance at the meeting.

3.0 Review and Approval of Minutes

The Committee Chair asked for a motion to approve the minutes of the December 1, 2016 committee meeting, which was made by Trustee Stern, and a second, which was made by Trustee Stedman. The Committee Chair asked for further discussion, and then all in favor of the motion and any opposed, and the motion was approved unanimously.

The Committee considered the one Action Item that it had to address.

4.0 Action Item

AO1. University of Florida Annual Financial Report for the Fiscal Year ended June 30, 2016.

Assistant Vice President/Controller Alan West explained that on March 8, 2017 the State of Florida Auditor General issued its report on the audit of the financial statements of the University of Florida for the fiscal year ended (FYE) June 30, 2016, which included an unmodified opinion on the financial statements. Subsequent to the release and receipt of the opinion, the university published its Annual Financial Report (AFR), on March 13, 2017, which included the Auditor General's audit report. Assistant Vice President/Controller West presented the AFR to the committee, provided a printed copy to all committee members present and demonstrated an "online version" of the report that was developed to enhance readability.

The Committee Chair asked for a motion to approve Committee Action Item AO1 for recommendation to the Board for its approval on the Consent Agenda, which was made by Trustee Stern, and a second, which was made by Trustee Stedman. The Committee Chair asked for further discussion, and then asked for all in favor of the motion and any opposed and the motion was approved unanimously.

The following Discussion/Informational Items were then addressed by the Committee:

5.0 Discussion/Information Items

5.1 Update on External Audits

Denita Tyre of the Auditor General's Office, appeared before the Committee and provided an oral report on external audit activity. Ms. Tyre report included the following:

- Discussion of Auditing Standards used in performance of external audits at the university.
- The financial statement audit report of the university for the FYE June 30, 2016, issued on March 8, will also be included as part of the State of Florida Comprehensive Annual Financial Report.
- The Operational Audit of the University of Florida, covering the calendar year 2016, is currently underway.
- Preliminary fieldwork has begun on the University of Florida Financial Statement Audit for the FYE June 30, 2017.
- Preliminary fieldwork for the Audit of Federal Awards covering the FYE June 30, 2017 will soon begin. This audit is conducted as part of a statewide Audit of Federal Compliance.
- The Bright Futures Audit, covering the FYE June 30, 2016 and 2017, will be conducted during the upcoming year. This audit is also conducted on a statewide basis.

5.2 Audits and Other Reviews

CAE Brian Mikell of the Office of Internal Audit (OIA) presented the internal audit project, College of Liberal Arts and Sciences IT Security Controls, which was issued since the last Committee meeting.

The report and summary, which had been previously provided to the Committee for detailed review, was briefly discussed and questions from the Committee were answered.

5.3 Quarterly Follow-up

Audit Director Joe Cannella of the OIA reported on the follow-up status of comments and action plans from previously issued internal and other audits. Director Cannella explained the purpose and objectives for the follow-up process.

5.4 Audits of Affiliated Organizations

The Committee was provided information relating to audits of university affiliated organizations. This information was compiled by the general accounting and financial reporting department of the Office of the Controller. Assistant Vice President/University Controller Alan West discussed the schedules and answered questions from the Committee.

5.5 Compliance Program Update

Elizabeth Ruszcyk, Executive Associate Vice President and Chief Compliance Officer, presented a report discussing the BOG regulation relative to Compliance and Ethics Programs and provided an update on the current status of the university's implementation of a centralized compliance program. The Compliance Officer will report administratively to the President and functionally to the Board of Trustees through this committee. The program should be in place and functional by November 2017.

5.6 OIA Quality Assessment Review Update

The Institute of Internal Audit (IIA) Standards require that an internal audit function must undergo an external quality assessment review (QAR) at least every five (5) years. The review is also required by new Board of Governors Regulation 4.002. CAE Brian Mikell provided an update on the upcoming OIA quality assessment review. The OIA has engaged the firm RSM US LLP to conduct the engagement along with a team of chief audit executives from peer institutions. The QAR site visit and review will be conducted in April and the subsequent report, assessing the OIA's conformance with IIA Standards, will be presented to the committee at their June meeting.

6.0 New Business

There was no new business brought before the committee.

7.0 Adjourn

After asking for any further discussion and hearing none, Committee Chair Powers asked for a motion to adjourn, which was made by Trustee Stedman, and a second, which was made by Trustee Webster. The motion was passed unanimously and the University of Florida Committee on Audit and Operations Review meeting was adjourned at 2:43 p.m. EDT.



**UNIVERSITY OF FLORIDA BOARD OF TRUSTEES'
COMMITTEE ON AUDIT AND OPERATIONS REVIEW
COMMITTEE FINAL ACTION ITEM AO1
June 8, 2017**

SUBJECT: 2017-2018 Office of Internal Audit Work Plan Revisions

BACKGROUND INFORMATION

The Office of Internal Audit establishes its audit coverage with audit work plans that cover three fiscal years. July 2016 to June 2019 reflects the current three-year audit work plan period. The audit work plans are prepared, pursuant to an audit risk assessment, with the objective of addressing key functions, activities and units of the university for the purpose of evaluating and improving the effectiveness of its risk management, internal controls and governance processes.

Audit work plans are revised semi-annually in response to changing priorities, conditions, or audit resources.

PROPOSED COMMITTEE ACTION

The Committee on Audit and Operations Review is asked to take final action to confirm and approve the revisions to the OIA work plan for the 2017-2018 fiscal year. This is the final action on this matter. Further Board of Trustees' action is not required.

ADDITIONAL COMMITTEE CONSIDERATIONS

Submission to the Board of Governors of a copy of the revised 2017-2018 Office of Internal Audit Work Plan is required, but Board of Governors approval is not required.

Supporting Documentation: [2017-2018 Annual Audit Plan Update](#)

Submitted by: Brian Mikell, Chief Audit Executive

Approved by the University of Florida Board of Trustees' Committee on Audit and Operations Review, June 8, 2017

Marsha Powers, Committee Chair

**UNIVERSITY OF FLORIDA
2017-2018
2016-2019 AUDIT PLAN – 2ND YEAR REVISIONS**

AUDITS & ADVISORY PROJECTS	NOTES
AUDITS	
Business Affairs – Facilities Planning and Construction	*
Business Affairs – ID Card Services	*
Fiscal & Financial Management – President's Business, Travel and Entertainment Expenses	*
Fiscal & Financial Management – Purchasing Card	*
Information Resource Management – Decentralized IT Security & Comp. (Engineering)	* Budget increased
Information Resource Management – Mobile and Storage Devices	* Combined - include issues as part of Decentralized IT Security audit
Information Resource Management – Research Computing	* New project based on emerging systems and external pressures
Institutional Support – Performance Based Funding	*
Institutional Support – Title IX Compliance	* Potential subject change
Other Support – UAA Academic Support Services	*
Other Support – UAA Compliance	*
Other Support – UAA Information Technology	*
Other Support – University of Florida Investment Corporation	* Postponed - based on risk assessment and available resources
Other Support – UFF Endowed Restricted Gifts	*
Other Support – UFF Non-Endowed Restricted Gifts	*
Other Support – UFF TBA	*
Research Administration – Animal Care Services	*
Research Administration – Post Award Accounting and Monitoring	* Postponed - based on risk assessment and available resources
Research Administration – Subrecipient Monitoring	*
Student Support Services – Housing Construction and Maintenance	*
MANAGEMENT ADVISORY PROJECTS	
Academic Affairs – Admission Programs	* Postponed - based on risk assessment and available resources
Health Affairs – Privacy, HIPAA, HITECH Compliance	* Postponed – consider as part of compliance project

**UNIVERSITY OF FLORIDA
2017-2018
2016-2019 AUDIT PLAN – 2ND YEAR REVISIONS**

AUDITS & ADVISORY PROJECTS	NOTES
Institutional Support – Public/Private Partnerships	*
Institutional Support – Risk Management and Prevention	*
Information Resource Management – Student Systems Implementation	*
Research Administration – Export Controls Compliance Program	*
TOTAL PROJECTS	25 21

- * Replacements/Scope Change/New
- * Projects Postponed/Canceled

UNIVERSITY OF FLORIDA
SUMMARY OF AUDIT REPORTS FOR AFFILIATED ORGANIZATIONS
Year Ended 2016

	Fiscal Year Ended	Auditors' Opinion on Financial Statements	Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters				Management Letter Comments?	
			Instances of Noncompliance?	Control Deficiencies?	Control Deficiencies Significant?	Control Deficiencies Considered Material Weaknesses?		
DIRECT-SUPPORT ORGANIZATIONS								
1. University of Florida Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
2. University of Florida Research Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
3. The University Athletic Association, Inc.	June 30, 2016	Unmodified	No	No	No	No	Yes	
4. Gator Boosters, Inc.	June 30, 2016	Unmodified	No	No	No	No	Yes	
5. The University of Florida Law Center Association, Inc.	June 30, 2016	Unmodified	No	No	No	No	Yes	
6. Florida Foundation Seed Producers, Inc.	June 30, 2016	Unmodified	No	Yes	No	Yes	Yes	
7. Florida 4-H Club Foundation, Inc.	March 31, 2016	Unmodified	No	No	No	No	Yes	
8. Southwest Florida Research and Education Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
9. Citrus Research and Education Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
10. Citrus Research and Development Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
11. University of Florida Leadership & Education Foundation, Inc.	December 31, 2015	Unmodified	No	No	No	No	No	
12. Treasure Coast Agricultural Research Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
13. University of Florida Alumni Association, Inc. (1)	June 30, 2016	(1)	(1)	(1)	(1)	(1)	(1)	
14. University of Florida Investment Corporation	June 30, 2016	Unmodified	No	No	No	No	No	
15. University of Florida Historic St. Augustine	June 30, 2016	Unmodified	No	No	No	No	No	
16. University of Florida Development Corporation	June 30, 2016	Unmodified	No	No	No	No	Yes	
17. GatorCare Health Management Corporation	June 30, 2016	Unmodified	No	No	No	No	Yes	
HEALTH SCIENCE CENTER AFFILIATES								
1. Florida Clinical Practice Association, Inc. (College of Medicine)	June 30, 2016	Unmodified	No	No	No	No	No	
2. University of Florida Jacksonville Physicians, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
3. Faculty Associates, Inc. (College of Dentistry)	June 30, 2016	Unmodified	No	No	No	No	Yes	
4. Florida Health Professions Association, Inc.	June 30, 2016	Unmodified	No	No	No	No	Yes	
5. University of Florida College of Nursing Faculty Practice Association, Inc.	June 30, 2016	Unmodified	No	No	No	No	Yes	
6. University of Florida College of Pharmacy Faculty Practice Association, Inc.	June 30, 2016	Unmodified	No	No	No	No	Yes	
7. Florida Veterinary Medicine Faculty Association, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
8. Faculty Clinic, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
OTHER AFFILIATED ORGANIZATIONS								
1. Shands Teaching Hospital and Clinics, Inc. and Subsidiaries	June 30, 2016	Unmodified	No	No	No	No	No	
2. Shands Jacksonville Healthcare, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
3. University of Florida Self-Insurance Program (Including HEIC)	June 30, 2016	Unmodified	No	No	No	No	No	
			Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Awards Program and/or State Financial Assistance Project and Schedule of Expenditures of Federal Awards (As Applicable)					
	Year Ended	Opinion	Report on Compliance - Instances of Non-Compliance?	Report on Internal Control Over Compliance - Control Deficiencies?	Report on Internal Control Over Compliance - Deficiencies Significant?	Report on Internal Control Over Compliance - Deficiencies Considered Material Weaknesses?	Other Findings and/or Questioned Costs?	
AFFILIATED ORGANIZATION								
University of Florida Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
Citrus Research and Development Foundation, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	
Shands Teaching Hospital and Clinics, Inc. and Subsidiaries	June 30, 2016	Unmodified	No	No	No	No	No	
Shands Jacksonville Healthcare, Inc.	June 30, 2016	Unmodified	No	No	No	No	No	

(1) The accounts related to the University of Florida Alumni Association, Inc. are included in the financial statements of the University of Florida Foundation, Inc. (UFF). The operating activities of the Alumni Association are presented in the notes to UFF's Financial Statements.

UNIVERSITY OF FLORIDA
SUMMARY OF AUDIT REPORTS FOR AFFILIATED ORGANIZATIONS
Year Ended 2016

	Control Deficiencies and/or Management Comments 2015?	Control Deficiencies and/or Management Comments 2016?	Repeat Finding(s) from Prior Year?	Summary of Repeat Finding(s)
DIRECT SUPPORT ORGANIZATIONS				
1. University of Florida Foundation, Inc.	No	No	N/A	
2. University of Florida Research Foundation, Inc.	No	No	N/A	
3. The University Athletic Association, Inc.	Yes	Yes	Yes	Seat contributions below required minimum
4. Gator Boosters, Inc.	Yes	Yes	Yes	Seat contributions below required minimum
5. The University of Florida Law Center Association, Inc.	No	Yes	No	
6. Florida Foundation Seed Producers, Inc.	No	Yes	No	
7. Florida 4-H Club Foundation, Inc.	Yes	Yes	No	
8. Southwest Florida Research and Education Foundation, Inc.	No	No	N/A	
9. Citrus Research and Education Foundation, Inc.	No	No	N/A	
10. Citrus Research and Development Foundation, Inc.	No	No	N/A	
11. University of Florida Leadership & Education Foundation, Inc.	No	No	N/A	
12. Treasure Coast Agricultural Research Foundation, Inc.	No	No	N/A	
13. University of Florida Alumni Association, Inc. (1)	(1)	(1)	(1)	
14. University of Florida Investment Corporation	No	No	N/A	
15. University of Florida Historic St. Augustine	No	No	N/A	
16. University of Florida Development Corporation	No	Yes	N/A	
17. GatorCare Health Management Corporation	Yes	Yes	No	
HEALTH SCIENCE CENTER AFFILIATES				
1. Florida Clinical Practice Association, Inc. (College of Medicine)	No	No	N/A	
2. University of Florida Jacksonville Physicians, Inc.	No	No	N/A	
3. Faculty Associates, Inc. (College of Dentistry)	No	Yes	No	
4. Florida Health Professions Association, Inc.	No	Yes	No	
5. University of Florida College of Nursing Faculty Practice Association, Inc.	Yes	Yes	No	
6. University of Florida College of Pharmacy Faculty Practice Association, Inc.	No	Yes	No	
7. Florida Veterinary Medicine Faculty Association, Inc.	No	No	N/A	
8. Faculty Clinic, Inc.	No	No	N/A	
OTHER AFFILIATED ORGANIZATIONS				
1. Shands Teaching Hospital and Clinics, Inc. and Subsidiaries	No	No	N/A	
2. Shands Jacksonville Healthcare, Inc.	No	No	N/A	
3. University of Florida Self-Insurance Program (Including HEIC)	No	No	N/A	

(1) The accounts related to the University of Florida Alumni Association, Inc. are included in the financial statements of the University of Florida Foundation, Inc. (UFF). The operating activities of the Alumni Association are presented in the notes to UFF's Financial Statements.

UNIVERSITY OF FLORIDA
SUMMARY OF AUDIT REPORTS FOR AFFILIATED ORGANIZATIONS
Year Ended 2016

	Fiscal Year Ended	Net Position or Fund Equity EOY per PY's FS	Net Position or Fund Equity Beginning of Year (As Restated If Applicable)	Year Ended 2016		Net Position or Fund Equity End of Year	Fiscal Year Totals		
				Total Assets and Deferred Outflows	Total Liabilities and Deferred Inflows		Total Revenues and Other Additions	Total Expenses and Other Deductions	Change in Net Position (Increase/(Decrease))
DIRECT-SUPPORT ORGANIZATIONS									
1. University of Florida Foundation, Inc.	June 30, 2016	1,763,604,612	1,763,604,612	1,799,366,703	99,206,007	1,700,160,696	130,168,794	193,612,710	(63,443,916)
2. University of Florida Research Foundation, Inc.	June 30, 2016	94,715,428	94,715,428	117,249,897	21,111,410	96,138,487	38,503,386	37,080,327	1,423,059
3. The University Athletic Association, Inc.	June 30, 2016	165,120,404	165,120,404	327,047,513	169,595,995	157,451,518	144,518,481	152,187,367	(7,668,886)
4. Gator Boosters, Inc.	June 30, 2016	1,004,729	1,004,729	7,061,516	6,040,410	1,021,106	43,082,462	43,066,085	16,377
5. The University of Florida Law Center Association, Inc.	June 30, 2016	7,168,225	7,168,225	6,405,275	28,840	6,376,435	110,402	902,192	(791,790)
6. Florida Foundation Seed Producers, Inc.	June 30, 2016	5,748,377	5,748,377	13,058,339	6,477,300	6,581,039	1,440,975	608,313	832,662
7. Florida 4-H Club Foundation, Inc.	March 31, 2016	3,192,508	3,192,508	3,082,832	60,532	3,022,300	2,316,164	2,486,372	(170,208)
8. Southwest Florida Research and Education Foundation, Inc.	June 30, 2016	118,989	118,989	126,319	1,080	125,239	59,685	53,435	6,250
9. Citrus Research and Education Foundation, Inc.	June 30, 2016	1,020,486	1,020,486	873,179	35,915	837,264	656,373	839,595	(183,222)
10. Citrus Research and Development Foundation, Inc.	June 30, 2016	1,843,813	1,843,813	6,164,863	1,099,428	5,065,435	15,238,301	12,016,679	3,221,622
11. University of Florida Leadership & Education Foundation, Inc.	December 31, 2015	1,023,772	1,023,772	1,672,602	680,794	991,808	3,635,668	3,667,632	(31,964)
12. Treasure Coast Agricultural Research Foundation, Inc.	June 30, 2016	165,005	165,005	149,495	0	149,495	2,036	17,546	(15,510)
13. University of Florida Alumni Association, Inc. (1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
14. University of Florida Investment Corporation	June 30, 2016	525,440	525,440	2,796,302	2,421,365	374,937	3,903,815	4,054,318	(150,503)
15. University of Florida Historic St. Augustine	June 30, 2016	1,749,513	1,749,513	2,192,777	132,656	2,060,121	848,740	538,132	310,608
16. University of Florida Development Corporation	June 30, 2016	12,865,173	12,865,173	12,391,193	380,414	12,010,779	1,310,033	2,164,427	(854,394)
17. GatorCare Health Management Corporation	June 30, 2016	189,724	189,724	47,883,921	47,419,832	464,089	1,253,905	979,540	274,365
HEALTH SCIENCE CENTER AFFILIATES									
1. Florida Clinical Practice Association, Inc. (College of Medicine)	June 30, 2016	129,047,086	129,047,086	189,069,851	42,660,317	146,409,534	564,633,509	547,271,061	17,362,448
2. University of Florida Jacksonville Physicians, Inc.	June 30, 2016	55,195,761	55,564,852	84,390,241	24,884,978	59,505,263	252,504,907	248,564,496	3,940,411
3. Faculty Associates, Inc. (College of Dentistry)	June 30, 2016	8,795,993	8,795,993	12,753,493	258,156	12,495,337	19,687,301	15,987,957	3,699,344
4. Florida Health Professions Association, Inc.	June 30, 2016	4,057,463	4,057,463	5,406,271	15,238	5,391,033	6,803,251	5,469,681	1,333,570
5. University of Florida College of Nursing Faculty Practice Association, Inc.	June 30, 2016	4,419,816	4,419,816	4,173,393	0	4,173,393	913,813	1,160,236	(246,423)
6. University of Florida College of Pharmacy Faculty Practice Association, Inc.	June 30, 2016	2,157,447	2,157,447	5,182,103	2,024,465	3,157,638	10,894,054	9,893,863	1,000,191
7. Florida Veterinary Medicine Faculty Association, Inc.	June 30, 2016	8,794,320	8,794,320	10,573,702	1,136,667	9,437,035	9,550,469	8,907,754	642,715
8. University of Florida Jacksonville Healthcare, Inc.	June 30, 2016	369,091	0	0	0	0	0	0	0
9. Faculty Clinic, Inc.	June 30, 2016	1,533,888	1,533,888	4,407,356	2,861,892	1,545,464	1,517,403	1,505,827	11,576
OTHER AFFILIATED ORGANIZATIONS									
1. Shands Teaching Hospital and Clinics, Inc. and Subsidiaries	June 30, 2016	870,441,000	870,441,000	2,210,023,000	1,275,585,000	934,438,000	1,391,179,000	1,327,182,000	63,997,000
2. Shands Jacksonville Healthcare, Inc.	June 30, 2016	169,213,000	169,213,000	575,313,000	383,957,000	191,356,000	692,090,000	669,947,000	22,143,000
3. University of Florida Self-Insurance Program (Including HEIC)	June 30, 2016	147,753,903	147,753,903	247,084,326	90,455,617	156,628,709	16,391,637	7,516,831	8,874,806

(1) The accounts related to the University of Florida Alumni Association, Inc. are included in the financial statements of the University of Florida Foundation, Inc. (UFF). The operating activities of the Alumni Association are presented in the notes to UFF's Financial Statements.

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

University Athletic Association, Inc.

During the audit, we discussed the following matters with management:

Booster contribution levels - During the 2016 audit, we obtained a report of seats sold for the 2016 football season. We imported this report into a data extraction software program and compared it to a schedule detailing the minimum booster contribution required for the associated seat. From this report, we extracted a listing of all instances where the minimum required per seat contribution was not met, and we reviewed our findings with Kathy Cook, Director of Internal Operations for Gator Boosters, who then followed up on these findings to collect or resolve the deficiencies. We performed the procedure and noted a total deficiency of booster contributions collected below the required minimum booster contributions of approximately \$5,000. Subsequent to our audit fieldwork, these issues have been resolved by either the Ticket Office or Gator Boosters, Inc. We have performed the procedure for several years and the deficiency has decreased from the initial amount of \$22,000 during the 2011 audit.

IT user controls - During our review of UltiPro application controls, we noted six employees have the ability to modify application workflows. Workflows are used to enforce segregation of duties within the application. This level of access allows each user to circumvent the current applications controls. We recommend that management restrict the ability to modify workflows or implement a detective control to mitigate the risk of inappropriate activity.

Source: 2016 University Athletic Association, Inc. SAS 114 Letter, Other Significant Matters, Findings or Issues

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

Gator Boosters, Inc.

During the audit, we discussed the following matter with management:

During the 2016 audit, we obtained a report of seats sold for the 2016 football season. We imported this report into a data extraction software program and compared it to a schedule detailing the minimum booster contribution required for the associated seat. From this report, we extracted a listing of all instances where the minimum required per seat contribution was not met, and we reviewed our findings with Kathy Cook, Director of Internal Operations for Gator Boosters, who then followed up on these findings to collect or resolve the deficiencies. We performed the procedure and noted a total deficiency of booster contributions collected below the required minimum booster contributions of approximately \$5,000. Subsequent to our audit fieldwork, these issues have been resolved by either the Ticket Office or Gator Boosters, Inc. We have performed the procedure for several years and the deficiency has decreased from the initial amount of \$22,000 during the 2011 audit.

Source: 2016 Gator Boosters, Inc. SAS 114 Letter, Other Significant Matters, Findings, or Issues

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

The University of Florida Law Center Association, Inc.

During our audit, we identified the following matter:

Accounting for Pledges Receivable and Transfers of Restricted Expendable Funds

Currently, pledges receivable are secured by the Association but are typically collected by the University of Florida Foundation (UFF) and then transferred to an account at the University for the benefit of the Association. During fiscal year 2016, a majority of the pledges collected by UFF were transferred to an account at the University for the benefit of the Association. The accompanying financial statements have been prepared showing these amounts as On Deposit with UF on the statement of net position.

Also during fiscal year 2016, several transfers of restricted expendable funds were made to an account at the University and UFF for the benefit of the Association. The accompanying financial statements have been prepared showing these amounts as On Deposit with UF and UFF on the statement of net position.

Significant time was expended during and after the conduct of the audit discussing the accounting for pledges receivable and transfers out with management and UFF staff as well as testing to determine that pledges receivable and transfers out had been accounted for completely and accurately. These efforts also delayed the release of the final audit report.

We recommend that the Board of Trustees, management and UFF reach a consensus about tracking and accounting for pledges receivable, including the collection, write-off and proper disposition of the funds received and transfers out of restricted expendable funds.

Source: 2016 UF Law Center Association, Inc. SAS 114 Letter, Other Significant Matters, Findings, or Issues

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

Florida Foundation Seed Producers

Finding 2016-001 Material Weakness

Finding. The Bookkeeper misposted cash receipts to the accounting records in March, 2016. This resulted in an overstatement of revenues and receivables that was not identified on a timely basis.

Recommendation. We recommend that the subsidiary record for accounts receivable be reviewed on a monthly basis by the Bookkeeper and the Business Manager.

Management's Response:

FFSP management has informed the staff to review the subsidiary record for accounts receivable on a monthly basis. Management will be following recommendations and newly implemented policies to reduce associated risks.

Source: 2016 Florida Foundation Seed Producers, Inc., Audit Report, Schedule of Findings

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

Florida 4-H Club Foundation, Inc.

In planning and performing our audit, we noted the following matter that we consider an opportunity for strengthening internal control and operating efficiency, as listed below. This recommendation does not affect our report dated June 17, 2016.

Conflict of Interest Forms - During audit work performed, we noted that signed conflict of interest forms are only required for non-University of Florida employees serving on the Board. We recommend that the Foundation develop and document in writing a policy that will include completion of forms by all Board members and review of forms for accuracy and completeness. The policy should provide for this to be performed annually and we suggest the timing coincide with board rotations. This policy will ensure that the Foundation is practicing acceptable methods of protecting itself from potential self-dealing issues.

Source: 2016 Florida 4-H Foundation, Inc. SAS 114 Letter, Comments and Recommendations

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

GatorCare Health Management, Inc.

During the audit, we discovered errors in the Florida Blue raw data file and errors in spreadsheet formulas used to calculate the estimate for IBNR. The impact of these errors was immaterial to the overall financial statements, but warrant the attention of management and those charged with governance. The proposed adjustment of \$120,107 to reduce IBNR was not adjusted by management. Management has evaluated the systemic cause for this uncorrected misstatement and has represented to us that they will be implementing checks and balances to ensure proper raw data is obtained and formulas used for the calculation of IBNR are correct. These checks and balances include formulas that will be built into the manipulated raw data file to provide for an efficient and timely review process.

Management's Response: Management concurs with the finding and has implemented internal controls to ensure the raw data file is maintained properly.

Source: 2016 GatorCare Health Management, Inc. SAS 114 Letter, Uncorrected and Corrected Mistakes

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

Faculty Associates, Inc.

Errant Billing

It was brought to our attention by management during the course of our audit fieldwork that errant medical billings in one specific clinic had been discovered during the fiscal year. These errant billings are primarily related to incorrect coding of two medical codes, over the course of six years, including the 2016 fiscal year. Prior to the start of preliminary audit fieldwork, management had issued refunds for errant billings totaling approximately \$165,000. This is believed by management to be the majority of errant billings in this clinic over the course of the six years identified; however, management is continuing to review such billings to ensure errors are identified and corrected. Management was able to refund and rebill for errant billings discovered during the 2016 fiscal year. Management also implemented additional processes and procedures to mitigate these risks going forward including the addition of a qualified medical coder to verify and enter appropriate medical charges in this clinic.

Source: 2016 Faculty Associates, Inc. SAS 114 Letter, Other Findings or Issues

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

Florida Health Professions Associations, Inc.

During our audit we identified the following matters:

Clinical and Health Psychology (CHP) Clinic Year-end Closeout

During the year we noted that activity was posted to the CHP billing system, NERVE, for prior year activity after the year was closed. Approximately \$10,000 of write-offs and/or adjustments were posted to prior years resulting in potentially overstated net income and accounts receivable in the prior year. Further, the Association performs a reconciliation of payments recorded in NERVE to actual deposits to ensure the accuracy and completeness of payments. In the current year, there was an unreconciled difference of approximately \$4,000 which appears to have resulted from timing differences. We recommend management develop controls over year-end closing procedures in the CHP department to ensure all activity is posted in the proper year on a timely basis.

Speech, Language, and Hearing (SLH) Clinic Accounts Receivable

As of June 30, 2016, exempt accounts receivable includes approximately \$82,000 due from Medicaid for SLH services under Managed Medical Assistance (MMA) plans, of which \$31,000 has not yet been billed. The MMA plan administrator, Prestige, denied payments for new hearing devices and repairs due to credentialing problems with providers. Management has been in discussions with Prestige, and believes the full amount is collectible. No allowance has been established.

Source: 2016 Florida Health Professions Associations, Inc. SAS 114 Letter, Other Audit Findings or Issues

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

University of Florida Nursing Faculty Practice Association, Inc.

In planning and performing our audit, we noted the following matter that we consider an opportunity for strengthening internal controls and operating efficiency, as listed below. This recommendation does not affect our report dated August 19, 2016.

Cross-training - In performing our audit, we noted that in general certain key positions do not have sufficient backup support. We recommend that all key responsibilities be documented and staff are cross-trained in order to facilitate personnel transitions or unexpected leave of absence. We note that staff have begun the documentation of key responsibilities for certain management positions, and recommend they continue to work towards satisfying this important management continuity tool.

Source: 2016 University of Florida Nursing Faculty Practice Association, Inc. SAS 114 Letter, Comments and Recommendations

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

University of Florida College of Pharmacy Faculty Practice Association, Inc.

In planning and performing our audit, we noted the following matter that we consider an opportunity for strengthening internal controls and operating efficiency, as listed below. This recommendation does not affect our report dated August 30, 2016.

- Recommendation

Invoice description – In performing our audit work on revenue, we noted invoices do not consistently state the service period associated with the invoice; and instead state an installment number. We recommend as a best practice that all invoices state the applicable service period to ensure reliable cutoff at year-end and also avoid any discrepancies at the end of a contract.

Management response – MTM has agreed to revise their monthly procedures to include the month of service billed (and installment number per contract) on invoices going out to their customers. This information is ultimately captured and recorded to QuickBooks.

Source: 2016 University of Florida College of Pharmacy Faculty Practice Association, Inc. SAS 114 Letter, Comments and Recommendations

**Audits of Support Organizations
Findings and Deficiencies
2015-16 Fiscal Year**

University of Florida Development Corporation

In planning and performing our audit, we noted the following matters that we consider an opportunity for strengthening internal controls and operating efficiency, as listed below. These recommendations do not affect our report dated October 27, 2016.

Property Tax Accrual—We noted that no accrual for property taxes was made for fiscal year 2016, resulting in an inconsistent treatment with the prior year and a material understatement of accrued property tax liability and property tax expense. We recommend that management develop a consistent policy for recording accrued property taxes, as this is a significant expense for the Organization.

Adjusting Entries after Close—We received several adjusting journal entries subsequent to receiving the Organization’s trial balance at the beginning of the audit, several of which were material. We recommend that management strive to reconcile all balances before the audit begins to maximize efficiency.

Source: 2016 University of Florida Development Corporation SAS 114 Letter, Comments and Recommendations

Audit Summary

CONFIDENTIAL REPORT

Emerging Pathogens Institute
As of November 30, 2016

Audit Report # UF-17-686-04
Issued May 1, 2017

Objective:

The Office of Internal Audit (OIA) conducted an audit of the EPI as of November 30, 2016. The primary objective of this audit was to evaluate the effectiveness of key operational controls specifically focusing on the control environment, safety management and building access and security.

Background:

The Emerging Pathogens Institute (EPI) was created in 2006 to provide a world-class research environment to facilitate interdisciplinary studies of the emergence and control of human, animal and plant pathogens of concern to Florida, to the nation and to the world. The EPI encompasses an 88,000 square foot building that includes biosafety level 2 and biosafety level 3 laboratories, and collaborative space for bioinformatics and mathematical modeling. The EPI administration reports directly to the Office of Research and collaborates extensively with units of the Health Science Center, Institute of Food and Agricultural Sciences, and other units across the university.

As of February 2017, EPI had recruited a total of 66 faculty from different colleges. Since 2008, over \$103 million of grant funding has been awarded to faculty utilizing the EPI from various agencies including the National Institute of Health, the United States Department of Agriculture, the Center for Disease Control and Prevention, and the National Science Foundation.

Conclusion:

We identified and evaluated the effectiveness of key operational controls at the EPI by observation, conducting employee interviews and process walkthroughs, evaluating policies and procedures, and reviewing system documentation.

Based on the results of our audit procedures, we concluded that controls over the key operational processes at the Emerging Pathogens Institute were adequate. Our conclusion indicates that there are controls in place and functioning as designed.

Audit Summary

Human Subject Payments
As of June 30, 2016

Audit Report # UF-16-675-12
Issued May 23, 2017

Objective:

The Office of Internal Audit (OIA) conducted an audit of the Human Subject Payments (HSP) system as of June 30, 2016. The primary objective of this audit was to evaluate the adequacy and effectiveness of key controls in place for the HSP system. Specifically, we focused on controls relating to payments to research participants and compliance with applicable rules and regulation.

Background:

The Human Subject Payments (HSP) system was designed with the intent of streamlining the coordination, disbursement and tracking of the payment process for subjects in university research studies. The HSP system was implemented in July 2014, as a module within the university's enterprise system that helped assure that human subjects' data was encrypted and maintained in a confidential and secure manner. The HSP system was intended to provide a flexible, secure and convenient way to pay study participants while lowering costs to the university.

The HSP system should be used for all payments to research subjects and allows for the use of prepaid VISA cards, other gift cards and cash for participant compensation. For the fiscal year ending June 30, 2016, there were approximately 1,000 studies utilizing the system and the total payments processed were over \$1,800,000.

Conclusion:

To obtain an understanding of the Human Subject Payment system controls in place, we interviewed university employees and reviewed policies and procedures, and external rules and regulations. Controls related to system access were reviewed to determine that appropriate segregation of duties existed among university staff to prevent the initiation, approval and processing of payments by a single individual. To test the effectiveness of controls, we selected a sample of studies and reviewed supporting documentation.

Based on the results of our audit procedures, we concluded that controls in place over the HSP system were adequate. Our conclusion of "adequate" indicates that there are controls in place and functioning as designed. University management and the audit team agreed on the following action plans to address noted improvement opportunities:

- ◆ Update HSP system procedures to **enhance management and oversight of studies**, including **reconciliation and timely return of unused gift cards** and/or cash.
- ◆ Take steps to **prevent payments beyond the study expiration** date.
- ◆ Revise procedures and communication efforts to **enhance departmental segregation of duties**.
- ◆ **Enhance the audit trail** within the HSP system.

Audit Summary

President's Business, Travel and Entertainment Expenses
July 1, 2016 to December 31, 2016

Audit Report # UF-17-690-08
Issued May 2017

Objective:

The Office of Internal Audit conducted an audit of the business, travel and entertainment expenses for the president and his spouse for the period July 1, 2016 through December 31, 2016. The objectives of this audit were to evaluate that expenses were appropriately documented and amounts paid were within the prescribed limits; that expenses were for official business and benefited the university; and that expenses were processed in accordance with the university directives, policies and procedures.

Background:

The president's employment agreement allows for the incurrence of reasonable business, travel and entertainment expenses for the president and his spouse, in his official capacity as President of the University of Florida. The agreement further provides that these expenses shall be reviewed at least every six months, by two members of the Board of Trustees.

To comply with the employment agreement, the Chair elected to have two Board members review the President's expenses after records supporting those expenses have been audited by the university's Office of Internal Audit. The two Board members selected for this review are the Board Vice-Chair and the Chair of the Committee on Audit and Operations Review.

Conclusion:

For the six month period reviewed, President Fuchs' incurred and the university paid business, travel and entertainment expenses totaling \$58,469.43. These expenses included commercial airfare, use of University Athletic Association planes, lodging, meals, ground transportation, and other miscellaneous expenses. We performed a detailed review of the transactions by examining the supporting documents to ascertain that the expenditures incurred were for official university business and the amounts reimbursed were in accordance with university directives and procedures.

Based on the results of our audit procedures, we concluded that Dr. Fuchs' travel and entertainment expenses, for the period of July 1, 2016 through December 31, 2016, were **reasonable, appropriate and processed in accordance with the university directives, policies and procedures**. A detailed schedule of these expenses was provided to the designated Board members, who provided **signed statements certifying that the president's expenses were reasonable** and in accordance with the university's requirements.

**University of Florida Office of Internal Audit
Follow-up Statistics as of March 31, 2017
(Third Quarter)**

Oversight by	Total	Balance	Current Quarter Statistics January 1, 2017 through March 31, 2017				
	Outstanding as of 3/31/2017	Due in Subsequent Quarters	Follow Up Due and Reviewed	Implemented	In process (extended)	Follow Up Ceased	Percent Implemented
Academic Affairs	1	1	-	-	-	-	0%
Chief Financial Officer	-	-	-	-	-	-	0%
Chief Information Officer	3	3	-	-	-	-	0%
Athletic Association	2	-	2	2	-	-	100%
UF Foundation	1	1	-	-	-	-	0%
Totals	7	5	2	2	0	2	100%