

# UNIVERSITY OF FLORIDA

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## Operational Audit



## BOARD OF TRUSTEES AND PRESIDENT

Members of the Board of Trustees and President who served during the 2010-11 fiscal year are listed below:

W. A. "Mac" McGriff, III, to 6-23-11,  
Chair (1)(4)  
Carlos J. Alfonso, Vice Chair  
C. David Brown, II  
Susan Cameron from 6-23-11  
Ashton Charles to 4-19-11 (2)  
Marshall M. Criser, III  
Roland C. Daniels to 5-05-11 (1)  
Charles B. Edwards from 6-23-11  
Dr. Mary Ann Ferguson to 5-31-11 (3)  
William M. Heekin from 5-06-11  
Alan M. Levine from 5-06-11  
Ben Meyers from 4-20-11 (2)  
Dianna F. Morgan to 5-05-11 (1)  
Dr. Scott Nygren from 6-01-11 (3)  
Cynthia F. O'Connell to 1-06-11  
S. Daniel Ponce to 5-05-11  
Carolyn K. Roberts from 1-07-11  
Juliet M. Roulhac from 5-06-11  
Dr. Steven M. Scott  
Alfred C. Warrington, IV

Dr. J. Bernard Machen, President

Notes: (1) Served beyond appointed term  
until replaced.  
(2) Student body president.  
(3) Faculty Senate chair.  
(4) Chair position remained vacant  
through June 30, 2011.

The audit was coordinated by Philip B. Ciano, CPA. The information technology portion of this audit was conducted by Bill Allbritton, CISA, and supervised by Heidi G. Burns, CPA, CISA. Please address inquiries regarding this report to James R. Stultz, CPA, Audit Manager, by e-mail at [jimstultz@aud.state.fl.us](mailto:jimstultz@aud.state.fl.us) or by telephone at (850) 922-2263.

This report and other reports prepared by the Auditor General can be obtained on our Web site at [www.myflorida.com/audgen](http://www.myflorida.com/audgen); by telephone at (850) 487-9175; or by mail at G74 Claude Pepper Building, 111 West Madison Street, Tallahassee, Florida 32399-1450.

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**UNIVERSITY OF FLORIDA**

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**SUMMARY**

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Our operational audit disclosed the following:

**EXPENSES AND DISBURSEMENTS**

**Finding No. 1:** The University needed to improve its controls over electronic payments to vendors.

**Finding No. 2:** The University's monitoring of healthcare claim payments needed improvement.

**PERSONNEL AND PAYROLL**

**Finding No. 3:** The University's procedures for documenting and monitoring alternate work location agreements needed improvement.

**Finding No. 4:** The University's monitoring of sabbatical and professional development leave needed improvement.

**STUDENT TUITION AND FEES**

**Finding No. 5:** Costs for distance learning courses were not always accurately shown in the Florida Higher Education Distance Learning Catalog.

**CONFIDENTIAL INFORMATION**

**Finding No. 6:** The University did not always provide the required written notification to individuals when their social security numbers were collected, contrary to Section 119.071(5)(a), Florida Statutes.

**INFORMATION TECHNOLOGY**

**Finding No. 7:** The University needed to establish an adequate alternate information technology (IT) processing facility.

**Finding No. 8:** The University's IT security controls related to logging and monitoring of system events needed improvement.

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**BACKGROUND**

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The University of Florida is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors. The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the Board of Governors appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The faculty senate chair and student body president also are members.

The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and Board of Governors' Regulations. The University President is selected by the Trustees and confirmed by the Board of Governors. The University President serves as the executive officer and the corporate secretary of the Trustees and is responsible for administering the policies prescribed by the Trustees for the University.

The results of our financial audit of the University for the fiscal year ended June 30, 2011, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2011, will be presented in a separate report.

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**FINDINGS AND RECOMMENDATIONS**

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**Expenses and Disbursements**

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**Finding No. 1: Electronic Payments**

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Section 1010.11, Florida Statutes, requires each university board of trustees to adopt written policies prescribing the accounting and control procedures under which funds are allowed to be moved by electronic transaction for any purpose including direct deposit, wire transfer, withdrawal, investment, or payment. The University processes various electronic funds transfers, such as employee payments, vendor payments, and investment transactions, and the University Board of Trustees (Board) has adopted a written electronic funds transfer policy. During the period July 1, 2010, through March 31, 2011, the University processed 9,434 electronic vendor payments totaling approximately \$91 million.

Our audit disclosed that controls over electronic vendor payments could be improved, as follows:

- The University's electronic funds transfer policy did not address electronic vendor payments. In response to our inquiries, University management indicated that a Board policy will be developed to include electronic vendor payments to comply with the provisions of Section 1010.11, Florida Statutes.
- Our tests of electronic vendor payments made during the period July 1, 2010, through March 31, 2011, disclosed ten duplicate invoice numbers resulting in overpayments to vendors totaling \$4,147. Four of the ten overpayments, totaling \$2,209, were previously recovered when the vendors notified the University of these overpayments. In response to our inquiries, University management indicated that vendor credits will be requested for the six remaining overpayments, totaling \$1,938, not previously recovered. In addition, University management indicated that these overpayments resulted primarily because the vendor payment system did not flag duplicate invoice numbers when, due to input errors, the corresponding invoice dates were different. University management indicated that a system upgrade was implemented in May 2011 that will flag duplicate invoice numbers, regardless of invoice dates, and should improve controls over duplicate electronic vendor payments.

While the University had established controls over electronic transactions, the lack of specific guidance in the Board's policies increases the risk that electronic transactions will not be executed in accordance with Board directives. Additionally, the lack of an independent verification of vendor payments to the supporting invoices and purchase orders increases the risk that overpayments may occur and would not be detected in a timely manner, if at all.

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**Recommendation:** The University should continue its efforts to revise its policies to address the use of electronic payments as a means of payment for University expenses, in accordance with Florida law, and should establish procedures to provide for verification of the validity of invoices supporting vendor payments prior to making the electronic payment.

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**Finding No. 2: Healthcare Claim Payments**

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The University entered into a contract with the Florida Department of Health, Children Medical Services, under which the University was to develop an integrated healthcare delivery system and provide comprehensive healthcare to children with special healthcare needs. The University contracted with a service organization to provide third-party administrator and utilization management services, including processing claim payments for services provided by University physicians and other healthcare providers. During the 2010-11 fiscal year, the University paid the service organization \$12.8 million for claims payments and \$1.4 million for related administrative costs.

Although University management had implemented procedures to reconcile individual claim payments to month-end medical expense reports from the service organization and to the bank account used for paying claim payments, the University did not perform a test of claim payments. A test of claim payments would include a determination that such payments were made for eligible clients, were for the correct amounts, and that the payments were paid to appropriate service providers. Additionally, the University did not require the service organization to provide the University a report as described in the *Statement on Auditing Standards No. 70*<sup>1</sup> as promulgated by the American Institute of Certified Public Accountants (AICPA), which is a report on the suitability of internal control policies and procedures placed in operation to achieve specified control objectives and tests of operating effectiveness for a service organization. To provide assurances that claim payments were paid for the correct amount, for eligible patients, and were valid expenses, the University should perform a test of claim payments processed by the service organization or, alternatively, require the service organization to provide a report prepared in accordance with the AICPA's *Statement on Standards for Attestation Engagements No. 16*. Obtaining such a report would provide the University with additional assurances in assessing the adequacy of the service organization's internal control over administration and claims processing.

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**Recommendation:** The University should perform tests of healthcare claim payments or obtain a report prepared in accordance with the AICPA's *Statement on Standards for Attestation Engagements No. 16* from the service organization.

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<b>Personnel and Payroll</b>
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**Finding No. 3: Alternate Work Location Agreements**

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In accordance with the University's alternate work location policy, employees may be permitted to work at locations other than University sites. The terms and conditions of such work arrangements are documented in an *Alternate Work Location Agreement* (agreement). Among other things, the agreement protects the interests of the University by requiring the employee to hold the University harmless against any and all claims, excluding workers' compensation claims, resulting from working at an alternate work location, and protects the employee, whereby the University agrees to provide workers' compensation coverage pursuant to Chapter 440, Florida Statutes. The agreement must be completed, approved, and forwarded to the University's Office of Human Resource Services (HRS), which is responsible for ensuring that such agreements are annually updated and in effect for all employees working at alternate work locations.

Our tests of records for 45 employees from 14 departments who were working at locations other than University sites during May 2011 disclosed the following:

- In 24 instances involving 5 departments, the agreements had been renewed; however, the departments failed to submit the agreements to HRS.
- In 2 instances, new agreements for the 2010-11 fiscal year were not submitted by the respective departments to HRS when new arrangements began. These agreements were submitted to HRS 267 and 329 days late.
- Agreements required the employee's signature as well as signatures of the employee's supervisor, dean or director, and appropriate vice president. In 14 instances, involving 7 departments, the vice president's

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<sup>1</sup> Effective for fiscal years beginning after June 15, 2011, the AICPA implemented the *Statement on Standards for Attestation Engagements No. 16* (SSAE 16), effectively replacing SAS 70. While many of the requirements and overall elements within SSAE 16 are essentially similar to those of SAS 70, the new statement contains certain enhancements.

signature was missing from the agreement, and 1 of the 14 agreements was also missing the signature of the dean or director.

Failure of departments to timely forward new or renewed agreements to HRS diminishes its ability to monitor compliance with the University's alternate work location policy. A similar deficiency was noted in our report No. 2010-078.

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**Recommendation:** The University should enhance its procedures for documenting and monitoring alternate work location arrangements.

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**Finding No. 4: Sabbatical and Professional Development Leave Reports**

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University of Florida Rule 6C1-1.201(20)(e)6.(vii) requires an employee returning from sabbatical or professional development leave to submit to the chair or supervisor, with a copy to the dean or director, a written report of the employee's accomplishments during the leave. In addition, the application form, which defines the terms of the leave program, requires that the employee submit the written report within 30 days of returning to work. Our review of 20 employees, from eight departments, who took such leave during the Fall 2010 term disclosed 3 employees, from three departments, who had not submitted the required report to their department chair or supervisor as of April 2011. A similar finding was noted in our report No. 2010-078. Subsequent to our inquiries, the employees filed the required reports with their department chair or supervisor in May 2011. The University indicated that new procedures would be implemented to expedite the filing of reports, such as notifications from the Provost's Office to faculty applicants as well as reminders to deans prior to the report due dates.

Delays in providing sabbatical or professional development leave reports limits management's ability to timely assess the results accomplished during the sabbatical or professional development leave to determine its impact on the University and the work expected to be produced by the employee.

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**Recommendation:** The University should enhance its monitoring procedures to ensure that sabbatical and professional development leave reports are timely submitted.

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<b>Student Tuition and Fees</b>
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**Finding No. 5: Distance Learning Course Costs**

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Section 1004.09, Florida Statutes, establishes the Florida Higher Education Distance Learning Catalog (FDLC), which is an interactive, internet-based central point-of-access to distance learning courses, degree programs, and resources offered by public postsecondary educational institutions and is intended to assist in the coordination and collaboration of articulation and access pursuant to Part II of Chapter 1007, Florida Statutes. Section 1004.09, Florida Statutes, requires participating institutions to provide in the FDLC clear, complete, and timely information concerning requirements for the distance learning courses and degree programs including: the types of required technology and technical equipment; any prerequisite courses or technology competencies and skills required; the availability of academic support services; financial aid resources; and the costs, fees, and payment information and policies.

During the 2010-11 fiscal year, the University listed approximately 289 courses in the FDLC. Our tests of the courses listed by the University in the FDLC during April and May 2011, which included reviewing the course tuition, fees, and estimated material costs for one course from each of six University departments, disclosed the following:

- Student fees (building, capital improvement, financial aid, athletic, technology, distance learning, etc.) were included in the amounts shown for tuition; however, these costs should have been shown separately as student fees.
- The total costs for College of Business course BUL 4310 (Legal Environment of Business), excluding the estimated costs of materials, were \$754.40 and \$3,724.68 for in-State and out-of-State students, respectively; however, due to miscalculations, total costs were shown as \$1,819.32 and \$2,760.84, respectively.
- The course costs shown for College of Engineering out-of-State graduate level courses CAP 6610 (Machine Learning) and ENV 6932 (Special Problems in Environmental Engineering) included a financial aid fee of \$34.51 per credit hour; however, the correct financial aid fee for out-of State students was \$53.93 per credit hour. Consequently, the amount listed in the FDLC was understated by \$19.42 per credit hour.
- The course costs shown for College of Education graduate level courses did not include a \$1.90 per credit hour athletic fee, which is assessed to all University students.

Absent accurate cost information related to attending distance learning courses, there is an increased risk that students may not have reliable cost information to make informed decisions about enrolling in such courses.

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**Recommendation:** The University should implement procedures to ensure that appropriate course fee information is provided in the FDLC.

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**Confidential Information**

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**Finding No. 6: Collection of Social Security Numbers**

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The Legislature has acknowledged in Section 119.071(5)(a), Florida Statutes, the necessity of collecting social security numbers (SSNs) for certain purposes because of its acceptance over time as a unique numeric identifier for identity verification and other legitimate purposes. The Legislature has also recognized that SSNs can be used to acquire sensitive personal information, the release of which could result in fraud against individuals or cause other financial or personal harm. Therefore, public entities are required to provide extra care in maintaining such information to ensure its confidential status.

Section 119.071(5)(a), Florida Statutes, provides that the University may not collect an individual’s SSN unless the University has stated in writing the purpose for its collection and unless it is specifically authorized by law to do so, or it is imperative for the performance of the University’s duties and responsibilities as prescribed by law. Additionally, this Section requires that if the University collects an individual’s SSN, it must provide that individual with a written statement indicating whether the collection of the SSN is authorized or mandatory under Federal or State law, and identifying the specific Federal or State law governing the collection, use, or release of SSNs for each purpose for which the SSN is collected. This Section also provides that SSNs collected by the University may not be used for any purpose other than the purpose provided in the written statement. This Section further requires that the University review whether its collection of SSNs is in compliance with the above requirements and immediately discontinue the collection of SSNs for purposes that are not in compliance.

Students may apply for admissions, or readmission, to graduate school, and post baccalaureate and professional student programs either on-line or by hard-copy submission. The on-line application for admissions provides a statement for requesting a student’s social security number, which informs the students that their SSNs are required and provides the specific purposes and statutory authorities for the collection and use of their SSNs. Although students may also submit hard-copy applications for admission, or readmission, to graduate school, and post

baccalaureate and professional student programs, these applications do not include the required information, contrary to law.

Effective controls to properly monitor the need for and use of SSNs and to ensure compliance with statutory requirements reduce the risk that SSNs may be used for unauthorized purposes.

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**Recommendation:** The University should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes.

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<b>Information Technology</b>
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**Finding No. 7: Disaster Recovery**

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Disaster recovery planning is an element of information technology (IT) controls established to manage the availability of valuable data and computer resources in the event of a processing disruption. Its main objective is to provide the organization a plan for continuing critical IT operations in the event of a disaster in which the organization's IT processing facilities become disabled.

The University's Computing and Network Services (CNS), a unit of UF Information Technology, houses and runs the central-site hardware and systems software to support major University administrative systems such as human resources and financial systems, student records and student financial affairs, document imaging, and the Florida Center for Library Automation. CNS has developed a *Multi-Hazard/Incident Preparedness Plan* that was updated in June 2011, and a *Disaster Recovery Plan* and a *Continuity of Operations Plan*, which were in the process of being updated in June 2011.

As also noted in our report No. 2010-078, although CNS has an alternate processing facility, it is located in close proximity to the primary processing facility. Additionally, the alternate processing facility does not have a backup power source to ensure continuity of operations should electrical service from the local power company be disrupted for an extended period of time. Consequently, should the primary processing facility become disabled and electrical service to the alternate processing facility be disrupted for an extended period of time, the University may have difficulty continuing IT operations.

The University has begun work on an east campus data center construction project, which will create a secondary site for enterprise systems redundancy, continuity of operations, and disaster recovery. As of June 30, 2011, University management estimated that the facility may be ready to occupy in late 2012, and take another year to achieve a fully functional secondary site.

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**Recommendation:** The University should continue its efforts to provide for an adequate alternate processing facility to help ensure continuity of IT operations.

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**Finding No. 8: Security Controls – Logging and Monitoring**

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Security controls are intended to protect the confidentiality, integrity, and availability of data and IT resources. Our audit disclosed certain University security controls related to logging and monitoring of system events that needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising University data and IT resources. However, we have notified appropriate University management of the specific issues. Without adequate security controls related to logging and monitoring, the confidentiality, integrity,

and availability of data and IT resources may be compromised, increasing the risk that University data and IT resources may be subject to improper disclosure, modification, or destruction.

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**Recommendation:** The University should improve security controls related to logging and monitoring to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

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#### PRIOR AUDIT FOLLOW-UP

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Except as discussed in the preceding paragraphs, the University had taken corrective actions for findings included in our report No. 2010-078.

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#### OBJECTIVES, SCOPE, AND METHODOLOGY

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The Auditor General conducts operational audits of governmental entities to provide the Legislature, Florida's citizens, public entity management, and other stakeholders unbiased, timely, and relevant information for use in promoting government accountability and stewardship and improving government operations.

We conducted this operational audit from January 2011 to November 2011, in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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 our report No. 2010-078. Also, pursuant to Section 11.45(7)(h), Florida Statutes, our audit may identify statutory and fiscal changes to be recommended to the Legislature.

The scope of this operational audit is described in Exhibit A. Our audit included examinations of various records and transactions (as well as events and conditions) occurring during the 2010-11 fiscal year.

Our audit methodology included obtaining an understanding of the internal controls by interviewing University personnel and, as appropriate, performing a walk-through of relevant internal controls through observation and examination of supporting documentation and records. Additional audit procedures applied to determine that internal controls were working as designed, and to determine the University's compliance with the above-noted audit objectives, are described in Exhibit A. Specific information describing the work conducted to address the audit objectives is also included in the individual findings.

**AUTHORITY**

Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.



David W. Martin, CPA  
Auditor General

**MANAGEMENT'S RESPONSE**

Management's response is included as Exhibit B.

**EXHIBIT A**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Information Technology (IT) disaster recovery plan.	Reviewed progress on construction of alternate processing facilities.
IT logical access controls and user authentication.	Reviewed selected application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
IT access privileges and separation of duties.	Reviewed procedures for maintaining and reviewing access to IT resources. Tested selected access privileges to determine appropriateness based on the employees' job functions and responsibilities and adequacy with regard to preventing the performance of incompatible duties.
IT policies and procedures.	Reviewed written policies and procedures to determine whether they addressed certain important IT control functions.
IT data loss prevention.	Reviewed written policies, procedures, and programs in effect governing the classification, management, and protection of sensitive and confidential information.
IT security incident response.	Reviewed written policies and procedures, plans, and forms related to security incident response and reporting.
IT risk management and assessment.	Reviewed the University's risk management and assessment processes and security controls intended to protect the confidentiality, integrity, and availability of data and IT resources.
Social security number requirements of Section 119.071(5)(a), Florida Statutes.	Examined supporting documentation to determine whether the University had provided individuals with a written statement of the purpose of collecting their social security numbers.
Identity theft prevention program (Red Flags Rule).	Reviewed University policies and procedures related to its identity theft prevention program for compliance with the Federal Trade Commission's Red Flags Rule.
Public Education Capital Outlay appropriations and cash management.	Reviewed reports submitted to the Florida Department of Education, Office of Educational Facilities, and determined procedures followed in preparing reports and accuracy of information reported.
Pharmaceutical inventories.	Reviewed pharmacy inventory items to determine whether the pharmacy's inventory records were accurate.
Works of art and historical treasures.	Reviewed controls over University-owned works of art and historical treasures to determine whether the University maintained proper accountability of such assets.
Florida residency determination and tuition.	Tested student registrations to determine whether the University documented Florida residency and correctly assessed tuition in compliance with Sections 1009.21, 1009.24, and 1009.286(2), Florida Statutes, and Board of Governors Regulation 7.005.

**EXHIBIT A (CONTINUED)  
AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Tuition differential fees.	Tested payments from tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
Student fees associated with distance learning fees and excess hour surcharge.	Determined whether distance learning fees and excess hour surcharges were assessed and collected as provided by Sections 1009.24(17) and 1009.286(2), Florida Statutes.
Continuing education programs.	Reviewed University policies and procedures to ensure that credit continuing education courses did not compete with, or replace, the regular on campus courses taken by degree seeking or special students.
Overtime payments.	Reviewed University policies, procedures, and supporting documentation evidencing the approval of and necessity for overtime payments.
Employee fringe benefits pool.	Examined employee fringe benefits pool procedures to determine whether the University was properly administering the pool.
Employee alternate work location agreements.	Tested alternate work location agreements with employees to determine compliance with University policy.
Sabbatical and professional development leave.	Tested employees who were granted sabbatical or professional development leave and determined if reports were completed and filed.
Wireless communication devices.	Reviewed policies and procedures to determine whether the University limited the use of, and documented the level of service for wireless communication devices.
Purchasing card transactions.	Tested transactions to determine whether purchasing cards were administered in accordance with University policies and procedures. Also, tested former employees to determine whether purchasing cards were timely cancelled upon termination of employment.
Electronic payments.	Reviewed University policies and procedures related to electronic payments and tested supporting documentation to determine if selected electronic payments were properly authorized and supported.
Construction administration.	For a selected major construction project, tested payments and supporting documentation to determine compliance with University policies and procedures and provisions of law and rules.
Service organization report.	Examined the University's procedures for requesting and obtaining service organization control reports from service organizations.

**EXHIBIT A (CONTINUED)**  
**AUDIT SCOPE AND METHODOLOGY**

Scope (Topic)	Methodology
Contractual agreements.	Tested payments for consultant’s services for compliance with contract terms and conditions.
Insuring architects and engineers.	Tested major construction projects in progress during the audit period to determine whether the University had obtained evidence of required insurance.

EXHIBIT B  
MANAGEMENT'S RESPONSE



**Office of the Vice President  
and Chief Financial Officer**

**1 Tigert Hall  
P O Box 113240  
Gainesville, FL 32611-3240  
352-392-2402 Telephone  
352-846-3546 Fax**

January 5, 2012

Mr. David W. Martin, CPA  
Auditor General  
Office of the Auditor General  
G74 Claude Pepper Building  
111 West Madison Street  
Tallahassee, FL 32399-1450

Dear Mr. Martin:

Attached are responses to the University of Florida's preliminary and tentative operational audit findings for the fiscal year ended June 30, 2011.

Your staff's assistance is greatly appreciated and their evaluation will serve to strengthen UF's operations.

Sincerely,

A handwritten signature in black ink, appearing to read "Matt Fajack".

Matt Fajack  
Vice President and Chief Financial Officer

Enclosures

Mr. Michael V. McKee, Asst. Vice President and University Controller  
Mr. Brian Mikell, Chief Audit Executive

*The Foundation for The Gator Nation*  
An Equal Opportunity Institution

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

University of Florida  
Responses to Preliminary & Tentative Audit Findings  
Operational Audit  
For the Fiscal Year Ended June 30, 2011

**Electronic Payment**

**Recommendation 1:** The University should continue its efforts to revise its policies to address the use of electronic payments as a means of payment for University expenses, in accordance with Florida law, and should establish procedures to provide for verification of the validity of invoices supporting vendor payments prior to making the electronic payment.

**University's Response:** The University will seek Board of Trustees approval of a policy that ratifies the existing system of accounting, internal controls and operational procedures for EFTs. The controls have been designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by University employees.

As a result of the recent upgrade of PeopleSoft to 9.1, UF has already implemented a new configuration of the system to better help identify possible duplicate payments. In addition, the University has contracted with an outside firm to periodically review payments for duplicates.

**Responsible Auditee:** Michael V. McKee, Assistant Vice President and University Controller

**Healthcare Claim Payments**

**Recommendation 2:** The University should perform tests of healthcare claim payments or obtain a report prepared in accordance with the AICPA's Statement on Standards for Attestation Engagements No. 16 from the service organization.

**University's Response:** Annually, the University performs reviews of the service organizations' processes. Additionally, the University reviews cash reports and balance sheets on a weekly basis.

When FDOH issues the next statewide awards, we will consider amending our subcontract to require a Statement on Standards for Attestation Engagement No. 16 report from the service organization.

**Responsible Auditee:** Tom Walsh, Director of Division of Sponsored Research

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**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

University of Florida  
Responses to Preliminary & Tentative Audit Findings  
Operational Audit  
For the Fiscal Year Ended June 30, 2011

**Alternate Work Location Agreements**

**Recommendation 3:** The University should enhance its procedures for documenting and monitoring alternate work location arrangements.

**University's Response:** Human Resource Services has communicated the requirements regarding the need to submit the Alternate Work Location Agreement forms for existing and new Alternate Work Location Agreements during the June 2011 HR Forum as well as in the monthly InfoGator and the related InfoGator versions designed for Department Administrators and another one for employees. Human Resource Services has changed the process for renewals by requiring the entire form be resubmitted with all signatures. The Alternate Work Location Agreement form no longer has a 'renewal only' page. Furthermore, the alternate work location agreement process will be communicated in Classification and Compensation Foundations training provided to campus.

**Responsible Auditee:** Paula Varnes Fussell, Vice President, Human Resource Services

**Sabbatical and Professional Development Leave Reports**

**Recommendation 4:** The University should enhance its monitoring procedures to ensure that sabbatical and professional development leave reports are timely submitted.

**University's Response:** The University will implement the following new procedures in order to expedite the filing of reports. For all in-unit college sabbatical/professional development leaves (PDLs), the annual email notice from the Provost's Office soliciting faculty applicants will now explicitly mention the need for a sabbatical/PDL report within 30 days of return from the sabbatical/PDL. In addition, the Provost's Office will issue a reminder to deans regarding this requirement on or about January 1 and May 1 each year for reports that would be due January 30 or May 30.

**Responsible Auditee:** Joe Glover, Provost and Senior Vice President for Academic Affairs

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

University of Florida  
Responses to Preliminary & Tentative Audit Findings  
Operational Audit  
For the Fiscal Year Ended June 30, 2011

**Distance Learning Course Costs**

**Recommendation 5:** The University should implement procedures to ensure that appropriate course fee information is provided in the FDLC.

**University's Response:** The Distance Learning Unit within the Office of the Associate Provost for IT, E-Learning and Distance Education has been assigned the responsibility for collecting and uploading the appropriate data into the Florida Higher Education Distance Learning Catalog and will implement procedures to reasonably ensure accurate fee information.

**Responsible Auditee:** Joe Glover, Provost and Senior Vice President for Academic Affairs

**Collection of Social Security Numbers**

**Recommendation 6:** The University should continue its efforts to ensure compliance with Section 119.071(5)(a), Florida Statutes.

**University's Response:** The University will add the following language to admission applications during the 2011-2012 admission cycle:

The Federal Privacy Act of 1974 and Section 119.071(5)(a)2, 5(a)3 and 5(a)4 of Florida Statutes authorizes the university to require the disclosure of Social Security numbers by applicants and students for the purpose of identification and verification of student records, including registration, financial aid and academic records and for verification of identity in the provision of university services.

The University does not use your Social Security Number for student identification. It is only used to assign your UF student identification number (UFID).

**Responsible Auditee:** Zina Evans, Vice President for Enrollment Management and Associate Provost

**EXHIBIT B (CONTINUED)**  
**MANAGEMENT'S RESPONSE**

University of Florida  
Responses to Preliminary & Tentative Audit Findings  
Operational Audit  
For the Fiscal Year Ended June 30, 2011

**Disaster Recovery**

**Recommendation 7:** The University should continue its efforts to provide for an adequate alternate processing facility to help ensure continuity of IT operations.

**University's Response:** Ground was broken for the new East Campus Data Center on November 29, 2011. This 15,000 square foot building will provide a second site for UF IT operations and house the High Performance Computer Center. The Data Center is scheduled for completion in November, 2012.

**Responsible Auditee:** Elias Eldayrie, Vice President and Chief Information Officer

**Security Controls – Logging and Monitoring**

**Recommendation 8:** The University should improve security controls related to logging and monitoring to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

**University's Response:** The University will implement improved security controls related to logging and monitoring to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

**Responsible Auditee:** Elias Eldayrie, Vice President and Chief Information Officer