



**Office of Internal Auditing**  
**2006 – 2007 Annual Report**

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## **EXECUTIVE SUMMARY**

On behalf of the Office of Internal Audit (OIA), I am pleased to present the 2006 – 2007 fiscal year Internal Audit Annual Report.

This year consisted of numerous unplanned investigations and management advisory services. Additionally, we provided unplanned support to other Florida Universities. This increase in unplanned activities exceeded allocated unplanned activity hours and, therefore, affected the completion of planned audits.

Major 2006 – 2007 activities can be summarized as follows:

- Received and addressed approximately 20 complaints
- Performed approximately 9 investigations
- Issued approximately 10 formal reports and/or memorandums
- Provided consultative services to 2 other universities
- Performed a Quality Assurance Review on another Florida university

The year also marked the completion of a departmental Quality Assurance Review in which had as its purpose assessing the OIA’s adherence to the Institute of Internal Auditors (IIA) auditing standards. The review resulted in a few minor recommendations, however, it was concluded that the department generally conforms to the overall IIA.

The Office of Internal Audit’s accomplishments are directly attributed to the departmental staff and the excellent support provided by the University of North Florida’s faculty and staff. We appreciate the support of the campus community as we maintain and continue to build an audit function capable of supporting one of “America’s Best Value Colleges”<sup>1</sup>

We would also like to make it known that as of July 6, 2007, the Director of Internal Audit, Marty Khan, began a temporary leave. Robert Berry was hired on June 25, 2007 and will serve as Interim Director of Audit during Dr. Khan’s absence.

Robert Berry  
Interim Director

<sup>1</sup> Princeton Review, America’s Best Value Colleges, 2008 edition.

### INTRODUCTION

The University of North Florida’s Office of Internal Auditing coordinates with various university functions to examine and evaluate university activities as a service to management.

We also assist management in promoting efficient use of university resources, a strong system of internal controls, accountability and compliance with laws and regulations.

The Office of Internal Auditing reports directly to the President of the University of North Florida and the Board of Trustees Chair of the Finance and Audit Committee. Additionally, the department operates under The International Standards for the Professional Practice of Internal Auditing developed and maintained by the Institute of Internal Auditors.

### OPERATIONS

#### Staff Training

The Office of Internal Auditing strongly encourages continuous professional

development. This ensures staff is adequately trained and allows us to keep abreast of current industry trends. Ultimately, this enables us to provide the best service possible to our clients.

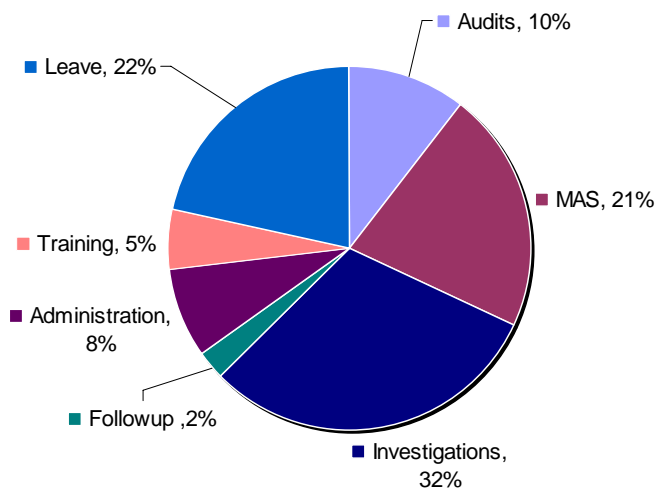
During the past year, the staff attended training sponsored by several professional organizations such as the:

- Association of University and College Auditors (ACUA)
- The Institute of Internal Auditors

#### Audit Resource Allocation

One key element in ensuring adequate audit coverage is the efficient use of resources. Therefore, the Office of Internal Auditing strives to allocate a majority of personnel hours to core services such as audits, investigations, management advisory services and follow up. The table below summarizes Audit’s effort hours by activity.

**Table 1 - Audit Resource Allocation**



Activity	Effort Percentage
Investigations	32%
MAS	21%
Audits	10%
Follow up	2%
Training	5%
Leave	22%
Administration	8%

### Quality Audits

The International Standards for the Professional Practice of Internal Auditing (Standards) as issued by the Institute of Internal Auditors (IIA) require that internal audit departments undergo a Quality Assurance Review (QAR) at least once every five years.

The UNF Office of Internal Auditing QAR was performed December 6<sup>th</sup> through 8<sup>th</sup> 2006. The overall results were that the department “GENERALLY CONFORMS” to IIA Standards. There were, however, a few recommendations that may strengthen operations. We are currently developing action plans to address the recommendations.

### INVESTIGATIONS

The Office of Internal Auditing receives complaints from a variety of different sources including internal and external hotlines, anonymous email, written correspondence and referrals from other agencies.

Each complaint receives some degree of scrutiny to determine if there is sufficient cause to warrant an investigation. These investigations may result in formal reports with recommendations for improvements of internal controls.

There were a total of nine investigations during the 2005 – 2006 year; six resulted in formal reports and three memos were issued. The following is a summary of the most significant investigations.

#### Cash Handling

The Office of Internal Auditing received an allegation that there was a misappropriation of funds in a cash intensive business function. The allegations were confirmed. Individuals involved in the matter are no longer employed with the University.

### Hiring Practices

Concerns were presented to the Office of Internal Auditing that standard hiring practices may have been circumvented in the hiring of certain personnel.

In one instance, an investigation disclosed that hiring practices were followed, using the approved and documented alternative recruiting and hiring procedures. In another instance, it was determined that standard procedures were followed and proper documentation is on file.

The investigations did result in recommendations for minor improvements to documentation collection and retention practices.

### Program Resources & Award Distributions

An allegation presented concerns that an individual within a specific university program engaged in unprofessional behavior. This allegation was confirmed and the individual is no longer employed with the University.

The allegation also expressed concerns that program resources were being abused possibly for the benefit of personnel. The investigation concluded that there was no merit to this claim.

Finally, the allegation presented concerns surrounding admittance into and scholarship awards distributed by the program. While the investigation did not disclose any malicious wrongdoing, there were recommendations to improve the processes surrounding record keeping and policy & procedure maintenance.

### Student Dismissal From Program

An allegation presented concerns that a student may have been unfairly dismissed from a university program. An investigation disclosed that the student knowingly violated written university policy and was dismissed under terms outlined in the policy. As a result of the investigation, the Office of Internal Auditing made recommendations to improve

communications, however, as previously stated the dismissal was with cause.

### AUDITS

Due to the amount of time allocated to investigations and complaints, the Office of Internal Auditing performed a limited number of traditional audits during the year. There was one “functional review” and an audit targeted at a specific process due to a defalcation.

#### Enrollment Services

The OIA performed a functional review of Enrollment Services in which the overall scope and objectives were to perform a limited assessment of the recent reorganization and consolidation of several functions.

#### Cashiering Department

The OIA performed a limited review of the cashiering function. The overall objective was to assess the internal controls surrounding cash handling procedures. As a result of the review, there were recommendations to improve controls surrounding the process.

### MANAGEMENT ADVISORY SERVICES

The Office of Internal Auditing is striving to become a key advisor to University management as it relates to risk management, internal controls, operations and compliance. As a result, we offer and provide many types of management advisory services.

These are generally more consultative in nature than an audit and almost always come at the request of management.

Additionally, the final result of these projects also differs from project to project and could include oral presentations, discussions, memos, or formal reports with conclusions, recommendations, or suggested actions.

#### Cash Handling Procedures

The Office of Internal Auditing assisted management by reviewing updated cash handling procedures and providing relevant internal control and process related input.

### AUDIT FOLLOW-UP

Following up on outstanding issues is an essential element of the audit process. The OIA performs follow-up assessments on outstanding issues to determine if management has taken corrective action to address the risks associated with issues. Corrective action may include:

- (1) Developing and implementing an action plan to address the risks
- or
- (2) Accepting the level of risk posed by the issue (i.e. low risk item, cost/reward, etc)

It is important to note that OIA’s follow-up activities also include following up on issues generated by other agencies such as the Auditor General, external accountants, etc.

During the year, we followed up on one open item originating from the Auditor General’s Operational Audit (Report No. 2006-064) regarding Faculty Activity Reporting. Management informed the OIA that an appropriate action plan has been implemented.

The table below provides a snapshot of open items and the corresponding status.

**Figure 1 - UNF - OIA Follow-up Summary**

Issue Source	Issue Status		
	Open	In Process	Grand Total
Auditor General	1		1
UNF Internal Audit	43	1	44
US Dept of Education		1	1
<b>Grand Total</b>	<b>44</b>	<b>2</b>	<b>46</b>

### ADDITIONAL ACTIVITIES

- Served on two university policy review committees.
- Received a Quality Assurance Review designed to assess the department's adherence to Institute of Internal Auditing standards.
- Provided support to Florida A & M University.
- Provided consultative services to Edward Waters College
- Performed a Quality Assurance review on Florida Atlantic University's Internal Audit function.
- Hired an Associate Director

### 2007 – 2008 GOALS

Many of the 2007 – 2008 goals will be centered on addressing concerns presented in the Quality Assurance Review (QAR). Some of the action plans include:

- Revamping the Office of Internal Audit website
- Implementing a periodic newsletter
- Periodically providing content for the Campus Update newsletter
- Soliciting formal feedback from the President (and/or his designee) and the Finance and Audit Committee Chair at least annually.

An additional 2007 – 2008 goal is to expand the amount of Information Technology audit coverage.

### CONTACT INFORMATION

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