



**Board of Trustees
University of Central Florida
Audit, Operations Review, Compliance, and Ethics Committee
December 17, 2012 Time 8:30 a.m.
Call-in number: 800-442-5794 Code: 463796**

Agenda

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| I. Opening comments and approval of minutes | Trustee Jim Atchison
<i>Chair, Audit, Operations Review,
Compliance, and Ethics
Committee</i> |
| II. Direct Support Organizations' Financial Statement
Audit Results (INFO – 1) | Amy Voelker
<i>Director, University Audit</i> |
| III. Update on external audit activities (INFO – 2) | Amy Voelker |
| IV. University Compliance, Ethics, and Risk
Management Program update | Rhonda L. Bishop
<i>Chief Compliance and Ethics
Officer</i> |
| V. Protection of Vulnerable Persons
(INFO – 3) | Rhonda L. Bishop |
| VI. Closing comments | Jim Atchison |

Minutes
Board of Trustees
Audit, Operations Review, Compliance and Ethics Committee
University of Central Florida
Live Oak Center
July 26, 2012

Trustee Jim Atchison, chair of the Audit and Operations Review Committee, called the meeting to order at 9:18 a.m. Trustees Ida Cook, Alan Florez, and Harris Rosen were present.

MINUTES

The minutes from the September 28, 2011, and January 26, 2012, meetings were approved as submitted.

NEW BUSINESS

College of Medicine Self-Insurance Program Financial Statement Audit

Amy Voelker presented the College of Medicine self-insurance program financial statement audit results to the committee. This was a clean audit with an unqualified opinion, no management letter comments, and no instances of non-compliance or control deficiencies.

2012-13 Work Plan

Amy Voelker presented the Internal Audit work plan for the fiscal year 2012-13. It is the intention of the department to cover approximately 1/3 of the 60 identified auditable units each year. In addition, advisory services and investigations will continue as needed. Reports will be provided to the trustees as they are completed. Additionally, Dr. Schell has been given access to electronic workpapers to ensure additional transparency in the workflow.

University Compliance, Ethics, and Risk Management Program update

Rhonda Bishop updated the committee on the hiring of the Director of Compliance and Risk Management. Additionally, the Federal Department of Education has been conducting an off-site compliance review of the university's compliance with the Clery Act. Materials have been provided as requested, and the university was commended for developing a comprehensive compliance and ethics program. On-campus Clery Act training is currently in progress, Clery Act Pocket Guides are being distributed, the UCF Police Department has hired a full-time Clery Coordinator, and the members of the athletics compliance office attended training and will provide education to all coaches and athletics staff.

Athletics Compliance Program update

Rhonda Bishop gave a brief update on the athletics compliance program. There is a weekly meeting with the Assistant Athletics Director of Compliance, and Rhonda is involved in the day-to-day operations. The Assistant Athletics Director and Rhonda also meet with President Hitt quarterly. The

athletics compliance office is in the process of expanding from three to five employees, and the new compliance software is in the final stages of implementation. Implementation is expected to be complete by late August and will centralize and improve monitoring. Booster brochures outlining compliance rules and regulations will be provided to all ticketholders.

Protection of Vulnerable Persons

Protection of Vulnerable Persons, House Bill 1355, is a new law signed by Governor Rick Scott in April in response to the incidents at Penn State University. The law makes changes to existing child abuse laws and reporting requirements and goes into effect on October 1. Specifically, there is a provision for higher education which imposes a fine up to \$1 million for willfully or knowingly failing to report child abuse or neglect that occurs on campus or at university sponsored events. The Office of the General Counsel has added new language to summer camp contracts.

The meeting adjourned at 9:42 a.m.

University of Central Florida
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December 17, 2012

(INFO – 1)

Summary of Fiscal Year 2011-12 External Audit Results for Direct Support Organizations

Direct Support Organizations

	UCF Athletics Association Inc.	UCF Convocation Corp.	UCF Finance Corp.	UCF Foundation Inc.	UCF Golden Knights Corp.	UCF Research Foundation	College of Medicine Self-Insurance Program
Audit Opinion	unqualified						
Instances of Non-compliance or Internal Control Deficiencies?	none						
Management Letter Comments or Financial Statement Misstatements?	Note 1	none					

Note 1 UCF Athletics Association had two internal controls identified as needing improvement.

- a. One grant-in-aid agreement was not signed by the Director of Athletics. The compliance department will review all grant-in-aid agreements to ensure required signatures are obtained.
- b. Two transactions did not have a purchase card reconciliation form, as required by the association's policy.

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Direct Support Organizations

		UCF Athletics Association Inc.	UCF Convocation Corp.	UCF Finance Corp.	UCF Foundation Inc.	UCF Golden Knights Corp.	UCF Research Foundation	College of Medicine Self-Insurance Program
Key Financial Data from Audited Financial Statements (in thousands)								
Assets	2012	\$23,107	\$221,148	\$75,928	\$244,702	\$63,127	\$20,277	\$2,340
	2011	\$21,325	\$225,283	\$71,684	\$245,947	\$64,379	\$20,030	\$1,256
Liabilities	2012	\$23,976	\$232,828	\$75,528	\$38,657	\$57,758	\$4,975	\$148
	2011	\$22,206	\$238,439	\$71,273	\$39,944	\$59,854	\$4,663	\$167
Revenues¹	2012	\$37,144	\$32,179	\$3,236	\$32,126	\$10,841	\$5,693	\$190
	2011	\$37,834	\$31,777	\$4,613	\$55,743	\$10,647	\$5,457	\$156
Expenses¹	2012	\$37,131	\$30,703	\$3,246	\$32,085	\$9,996	\$5,703	\$86
	2011	\$38,039	\$30,956	\$4,659	\$33,942	\$10,698	\$5,563	\$78
Net Assets Beginning of Year²	2012	\$(881)	\$(13,155)	\$410	\$206,003	\$4,525	\$15,367	\$1,088
	2011	\$(663)	\$(13,976)	\$456	\$184,203	\$4,576	\$15,650	\$1,010
Net Assets End of Year²	2012	\$(869)	\$(11,679)	\$400	\$206,045	\$5,369	\$15,301	\$2,192 ³
	2011	\$(881)	\$(13,155)	\$410	\$206,003	\$4,525	\$15,367	\$1,088
Change in Net Assets Increase (Decrease)²	2012	\$12	\$1,476	\$(10)	\$41	\$844	\$(66)	\$103
	2011	\$(218)	\$820	\$(46)	\$21,800	\$(51)	\$(282)	\$78

¹Includes operating and non-operating items combined, where applicable

²Includes unrestricted and restricted net assets, where applicable

³Includes \$1 million capital contribution

University of Central Florida
Board of Trustees
Audit, Operations Review, Compliance and Ethics Committee
December 17, 2012

McGladrey and Pullen, LLP
Engagement Summary
as of June 22, 2012

Quantified Actual Cost Savings / Recovery											
Category											
Project Description	Engagement Type	Labor Burden	Fee	Insurance / Bonds	General Conditions	IT	Trade Costs (Subs)	Arch. Fees	Initial Identified Benefit	Final Negotiated Benefit	Total Cost to UCF (McGladrey fees)
1 Parking Garage VI	Cost Recovery	9,918	11,288		4,067	1,443	484		27,200	27,200	30,000
2 Greek Life Housing	Proposal Review	50,477		1,506				39,000	90,983	90,983	15,172
3 Millican Hall 2nd Floor	Proposal Review		1,447						1,447	1,447	3,900
4 Millican Hall 3rd Floor (A)	Proposal Review		105	598					703	703	3,708
5 Millican Hall 3rd Floor (B)	Proposal Review										3,774
6 Visual Arts - HVAC Renovation	Proposal Review		28,015	2,831	70,000				100,846	4,247	7,660
7 Classroom II	Proposal Review	68,110			6,080	10,659			84,849	84,849	15,062
8 Pegasus RCO	Proposal Review										6,154
9 Academic II - SH	Proposal Review	158,488	37,117	18,559	59,427	1,180			274,771	85,229	11,567
10 Academic II - SH Phase II	Proposal Review			80,000					80,000	80,000	8,576
11 North End Fitness Facility	Proposal Review		3,000	669					3,669	3,669	5,890
12 Burnett Roof	Hard Bid Evaluation										3,915
Cost Recovery Totals		\$ 286,993	\$ 80,972	\$ 104,163	\$ 139,574	\$ 13,282	\$ 484	\$ 39,000	\$ 664,468	\$ 378,327	\$ 115,378
										Net Financial Benefit	\$ 262,949

Quantified Potential Future Savings (via Contractual Modification)		
Engagement Type	Potential Benefit to UCF	Total Cost to UCF
Cost Avoidance ²	3.5 - 7%	\$ 125,925
		\$ 125,925

Project Description

- 13- Contract Review, Industry
- 19 Benchmarking, Negotiations 1, 2,3

Statement of Work (SOW) Descriptions:

- SOW #1 * To perform Construction Cost Recovery Reviews and provide Cost Avoidance identification for the Parking Garage VI and Biomed projects
- SOW #2 * To assist in the contract, fee, pricing, and cost proposal negotiations to facilitate cost savings and avoidance
- * To review cost proposals for reasonableness and consistency with contract terms and standards of the industry
- SOW #3 * To provide recommended language to the University's Vendor Handbook to ensure it remains in line with the contract redlines, industry standards, and best practices
- * To provide recommended contract language to incorporate industry standards and to enhance and better facilitate effective cost recovery in the event of identification of disallowable or unsupported costs
- SOW #4 * To perform cost and fee analysis; review and participate in negotiation of the various Contractor and Vendor proposals, contracts, bids, GMP, etc.; and provide various observations and recommendations regarding contract language changes and the Cost proposal and GMP negotiation process to assist UCF in its cost savings or avoidance and cost recovery efforts as a good steward of public and private funds for various projects as requested by UCF

² Quantified future avoidance value obtained by the University can be tied to the Cost Avoidance findings for the Parking Garage VI and Biomed projects.

3.002 Penalties for Failure to Report Child Abuse

(1) Definitions.

(a) For purposes of this regulation, the terms “abuse”, “abandonment”, “neglect”, and “caregiver” are defined as set forth in section 39.01, Florida Statutes.

(b) For purposes of this regulation, the term “administrator” means the following high level personnel who have been assigned the responsibilities of university-wide academic or administrative functions: university president, provost, senior/executive vice presidents, vice presidents, associate vice presidents, associate/vice provosts, deans, chief of police, equal opportunity programs director, intercollegiate athletics director, internal audit director, Title IX coordinator and university compliance officer.

(c) For purposes of this regulation, the term “law enforcement agency” means the campus police department established by each university. The chief of police is the reporting individual for each campus police department.

(2) Reporting Obligation.

(a) Each administrator who receives information from university faculty, staff or other employees of known or suspected child abuse, abandonment, or neglect committed on the property of the university or during an event or function sponsored by the university is required to report such information to the Florida Department of Children and Family Services.

(b) Each law enforcement agency that receives information of known or suspected child abuse, abandonment, or neglect committed on the property of the university or during an event or function sponsored by the university is required to report such information to the Florida Department of Children and Family Services.

(3) Penalties for Failure to Report.

(a) A fine of \$1 million shall be assessed against a university in the event the Board determines that a university administrator knowingly and willfully failed to report known or suspected child abuse, abandonment, or neglect to the Florida Department of Children and Family Services as set forth in paragraph (2)(a), or knowingly and willfully prevented another person from doing so.

(b) A fine of \$1 million shall be assessed against a university in the event the Board determines that a university law enforcement agency knowingly and willfully failed to report known or suspected child abuse, abandonment, or neglect to the Florida Department of Children and Family Services as set forth in paragraph (2)(b).

(4) Proceedings prior to Determination.

(a) Upon receipt of a credible allegation that a university administrator or law enforcement agency willfully and knowingly failed to report information of known or suspected child abuse, abandonment, or neglect as required by this regulation, the Board of Governors’ Office of Inspector General shall, in conjunction with an external

qualified investigative firm, conduct an investigation to determine if sufficient evidence exists to support the allegation and the assessment of a fine as set forth in paragraph (3). The Inspector General shall submit the investigatory findings to the Chair of the university's Board of Trustees or the Chair's designee, which shall have twenty (20) working days to submit a written response after receipt of such findings. The Inspector General shall provide a rebuttal, if any, to the university within twenty (20) working days after receipt of the university's response. The university's response and the Inspector General's rebuttal to the response, if any, shall be included in the final investigative report presented to the Board's Audit and Compliance Committee and the Chair of the university's Board of Trustees.

(b) The Board's Audit and Compliance Committee shall make a recommendation to the Board as to any action it deems appropriate based upon the results of the investigation.

(5) Additional Proceedings.

A university may challenge the Board's determination that there was a knowing and willful failure by a university administrator or law enforcement agency to report known or suspected child abuse, abandonment, or neglect in an administrative hearing conducted pursuant to section 120.57, Florida Statutes, within thirty (30) days of the date of the Board's determination.

Authority: Section 7(d), Art. IX, Fla. Const.; Section 39.205, F.S. New -- 11-08-12.