



**Board of Trustees
University of Central Florida
Audit, Operations Review, Compliance, and Ethics Committee
June 21, 2013 Time 1:00 p.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. Report on search for Chief Audit Executive (INFO-1) | Rick Schell
<i>Vice President and Chief of Staff</i> |
| III. University Audit update <ul style="list-style-type: none">• Work Plan update (INFO-2)• Florida Statutes update (INFO-3) | Amy Voelker
<i>Chief Audit Executive</i> |
| IV. University Compliance, Ethics, and Risk Management Program update <ul style="list-style-type: none">• Open searches• Department of Education review• Athletics Compliance Program update | Rhonda L. Bishop
<i>Chief Compliance and Ethics
Officer</i> |
| V. Closing comments | Jim Atchison |



Board of Trustees
Audit, Operations Review, Compliance, and Ethics Committee Meeting
December 17, 2012
President's Boardroom, Millican Hall, 3rd Floor

MINUTES

CALL TO ORDER

Trustee Jim Atchison, chair of the Audit, Operations Review, Compliance, and Ethics Committee, called the meeting to order at 8:30 a.m. via teleconference. Committee member Ida Cook was present. Committee member Harris Rosen attended via teleconference. Board of Trustee member Ray Gilley attended via teleconference.

OLD BUSINESS

Minutes

Atchison called for approval of the July 26, 2012, Audit, Operations Review, Compliance, and Ethics Committee meeting minutes, which were approved as written.

NEW BUSINESS

Direct Support Organizations' Audit Results

Amy Voelker, Director of University Audit, provided the results of the Direct Support Organizations' (DSO) external audits of the financial statements for fiscal year 2011-12. All of the DSOs had unqualified opinions and no incidents of non-compliance or significant internal control deficits. Athletics had two minor internal control issues, and both have been rectified.

External Audit Activities

Voelker reported on the status of the Auditor General's audit reports and the outcome of a construction audit.

The Auditor General will send three reports to the trustees. The first is the 2011-12 audited financial statements of the university. The preliminary findings were presented to the Finance and Facilities Committee in October, and the final report is expected in the spring. The second report is the 2011-12 federal financial audit report with two findings. The first recommendation is for Student Financial Assistance to address minor technology-access issues. The other recommendation concerns an impasse with the Auditor General on the issue of the federal guidelines for cost-accounting standards on federal grants. The federal Department of Health and

Human Services agrees with the methodology the university uses, but the Auditor General does not. University Audit awaits further federal guidance.

Construction Audit

Voelker discussed the need for a construction audit, and Lee Kernek, Associate Vice President for Administration and Finance, outlined the results of the audit. The firm of McGladrey and Pullen was retained to provide an audit for two projects: the Burnett Biomedical Building and Parking Garage VI. The firm was also asked to review other areas of savings, including cost avoidance measures and contract changes. Kernek detailed the Quantified Actual Savings and Recovery Chart, and she confirmed that all projects are scrutinized by her office for expenses.

University Compliance, Ethics, and Risk Management Program update

Rhonda Bishop, Chief Compliance and Ethics Officer, provided an update on the University Compliance, Ethics, and Risk Management program. She introduced Mr. James Jacobs, the new Director of Compliance and Risk Management, who will assist in the development of the compliance program and the enterprise risk management program.

Bishop updated the committee on an off-site review by the U.S. Department of Education on the university's compliance with the Clery Act. The completion of the review by the Department of Education is delayed due to the Penn State investigation, and a report may not be provided for one to two years.

Athletic Compliance Program


Bishop reported on improvements to the athletics compliance office, which is now staffed with five full-time employees and one part-time employee. The implementation of compliance monitoring software is complete, and all coaches and staff members are trained.

In September, the preliminary compliance report, statistical report, and financial penalty report were submitted to the NCAA as required. The annual compliance report is due January 15, 2013, and will be due each year on January 15th until the end of the probation period in February 2017. The report documents the athletics compliance program, the status of compliance with NCAA sanctions, and improvements to the program.

Protection of Vulnerable Persons

Bishop discussed the new state requirement for university administrators and police to report child abuse occurring on campus or at university-sponsored events. She also detailed the efforts of the University Compliance and Ethics Office and the General Counsel's Office to develop training for this requirement. The Florida Board of Governors regulation 3.002 Penalties for Failure to Report Child Abuse, approved by the board in November, defines penalties and identifies those university personnel who are obligated to report violations of the law.

Chair Atchison adjourned the Audit, Operations Review, Compliance, and Ethics Committee meeting at 9:08 a.m.

Respectfully submitted: 
Amy Voelker
Chief Audit Executive

6/7/13
Date

Respectfully submitted: 
Rhonda L. Bishop
Chief Compliance and Ethics Officer

6/7/2013
Date

**University of Central Florida
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UNIVERSITY OF CENTRAL FLORIDA

The University of Central Florida (www.ucf.edu) celebrating its 50th anniversary in 2013 is the second-largest university in the nation with over 50,000 undergraduate and 8,500 graduate students representing all 50 states and 145 countries. UCF is one of the most dynamic universities in the country and is committed to world-class research with local, national, and international impact; innovative partnerships; and the integration of technology and learning. *U.S. News & World Report* lists UCF as the No.5 “up-and-coming” school in the nation, and the Carnegie Foundation rates UCF as a “very high research activity” institution, the top designation that Carnegie gives. Located in Orlando, UCF is part of a major metropolitan area in sunny Central Florida. UCF’s 1,415-acre main campus includes 600 acres set aside for lakes, woods, and an arboretum. The University supports 10 regional campuses that are located throughout Central Florida.

THE POSITION

The Chief Audit Executive (CAE) is responsible for the conduct and operations of all internal audit activities, for coordinating external audits, and for supporting the system of internal controls and risk management across the University. This position reports to the University President through the Vice President and Chief of Staff and interacts directly with the Audit, Operations Review, Compliance, and Ethics Committee of the UCF Board of Trustees. The CAE will be responsible for developing and implementing a proactive, collaborative strategy of objective assurance and consulting on best practices to assist management in identifying, avoiding, and mitigating business risk; add value to operational decisions; and help improve operations.

The CAE provides a leadership role in presenting independent, objective evaluations of management’s implementation of regulations, rules, policies, procedures, operations and controls, using a formal audit risk assessment plan. The CAE leads and manages the internal audit team of five professional staff members and an administrative assistant, providing the professional development and support to create and maintain a collaborative and customer-service oriented staff, committed to fulfilling the needs of the University.

The CAE develops a strategic framework for an effective audit function at the institutional level that stratifies risk and sets priorities regarding core mission-critical functions. In addition, the CAE will provide the audit committee and president with an independent assessment about business risks and exposures that might adversely affect UCF’s performance and will recommend improvements of management policies, controls, procedures, and records to provide reasonable assurance that operations are effective and efficient, assets are safeguarded, and

financial information is reliable. The audit office currently follows The International Professional Practices Framework of The Institute of Internal Auditors.

RESPONSIBILITIES

Working with and through others, the CAE has the following responsibilities.

- Develop and execute a comprehensive audit program for evaluation of management controls provided over university activities.
- Review and evaluate internal controls as well as Federal and University regulations relating to the program to ensure fiscal accountability and develop and direct the University's follow up program of internal and legislative audit recommendations.
- Report to the President and Board of Trustees the results of all University internal audits and also inform them of significant frauds, abuses, and deficiencies related to programs and operations within the University.
- Initiate, conduct, supervise, and coordinate investigations designed to detect, deter, prevent, and eradicate fraud, waste, mismanagement, misconduct, and other abuses within the University in accordance with Florida Statutes.
- Increase organizational value through managing risk, prioritizing goals, promoting change, improving processes, and reducing costs by eliminating complexity and redundancy.
- Identify internal audit priorities through communications with senior leadership, resolving problems encountered during the performance of regular assignments, and monitoring compliance and controls issues.
- Lead and develop the staff of University Audit to assure high quality, effective audits as well as strong consulting relationships. Direct a program of management advisory services.

QUALIFICATIONS

Minimum Qualifications

- Master's degree in an appropriate area of specialization and six years of appropriate experience or a bachelor's degree in an appropriate area of specialization and eight years of appropriate experience.

- Active Certified Public Accountant (CPA) or Certified Internal Auditor (CIA) certificate is required.

Strongly Preferred

- A minimum of six years of progressively responsible auditing experience in the University, health care, or public sector environment, with at least three years in a supervisory capacity.
- Knowledge of generally accepted accounting and auditing procedures, along with federal and state regulations.
- Experience working effectively with boards, executives, operational personnel, and external auditors.
- Unquestioned integrity and moral character; an individual who can be trusted without reservation to represent institutional values.
- Analytical, legal, regulatory, and financial acumen.
- Ability to concisely define and delineate the scope of audit related processes while simultaneously considering the complexity and broader context of the institution.

Preferred

- A well-organized and self-directed individual who can relate to people at all levels of the organization.
- A decisive, energetic, unbiased individual who possesses a “big picture” perspective.
- Excellent communication and interpersonal skills.
- Strong writing and editing skills.
- Demonstrated coaching and people-management skills.
- Ability to operate independently rendering the impartial and unbiased judgments essential to the proper conduct of audits.

ORLANDO

Orlando is one of the world's fastest-growing cities. It is among Florida's major cities and is a center for digital media and biomedicine. The metro area has a \$13 billion technology industry and is a nationally recognized cluster of innovation in digital media, agricultural technology,

aviation, aerospace, and software design. More than 150 international companies, representing approximately 20 countries, have facilities in Metro Orlando.

Orlando has the sixth largest research park in the country, Central Florida Research Park, with over 1,025 acres. It is home to over 120 companies, employs more than 8,500 people, and is the hub of the nation's military simulation and training programs. Metro Orlando is home to the simulation procurement commands for the U.S. Army, Navy, Air Force, Marines and Coast Guard.

A world-renowned vacation destination, Orlando is home to Walt Disney World, Universal Studios Florida, SeaWorld Orlando and many others. It boasts of the ninth busiest airport in the nation, which is also one of the most user-friendly in the world. It also beckons with world-class resorts, all-season golf courses, and over 2,000 lakes in the Greater Orlando area. Less known but equally inviting are the downtown sections of Orlando itself and many nearby towns in Central Florida, places that celebrate public art and take pride in offering a myriad of cultural opportunities.

For more information or to send applications and nominations please contact:

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2012-13 Work Plan update

Fifteen internal audits planned

- Six audits completed
 - Experiential Learning
 - Regional Campuses
 - Federal Property
 - College of Business Administration
 - College of Engineering and Computer Science
 - College of Health and Public Affairs

 - Two in progress
 - Parking and Transportation Services
 - UCF Athletics Association Compliance (books purchased for athletes' courses)

 - One eliminated (SDES hired an external firm to perform certain information technology reviews that eliminated the need for an internal audit at this point.)

 - Six audits delayed
 - Rosen College of Hospitality Management
 - UCF Convocation Corporation
 - Technology Transfer
 - Central Distribution and Surplus Property
 - Registrar's Office
 - Undergraduate Admissions
- Causes:
- Staff turnover – one senior auditor left, six months to hire a replacement; 48% of work year lost
 - Increased leave usage – 9% over budget
 - Increased audit findings in larger colleges

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Florida Statutes update

Title III Legislative Branch; Commissions

Chapter 11 Legislative Organization, Procedures, and Staffing

Section 11.45 Definitions; duties; authorities; reports; rules.—

7. (j) The Auditor General shall notify the Legislative Auditing Committee of any financial or operational audit report prepared pursuant to this section which indicates that a state university or Florida College System institution has failed to take full corrective action in response to a recommendation that was included in the two preceding financial or operational audit reports.

1. The committee may direct the governing body of the state university or Florida College System institution to provide a written statement to the committee explaining why full corrective action has not been taken or, if the governing body intends to take full corrective action, describing the corrective action to be taken and when it will occur.
2. If the committee determines that the written statement is not sufficient, the committee may require the chair of the governing body of the state university or Florida College System institution, or the chair's designee, to appear before the committee.
3. If the committee determines that the state university or Florida College System institution has failed to take full corrective action for which there is no justifiable reason or has failed to comply with committee requests made pursuant to this section, the committee may proceed in accordance with s. 11.40(2).

11.40 Legislative Auditing Committee.—

(1) The Legislative Auditing Committee may take under investigation any matter within the scope of an audit, review, or examination either completed or then being conducted by the Auditor General or the Office of Program Policy Analysis and Government Accountability, and, in connection with such investigation, may exercise the powers of subpoena by law vested in a standing committee of the Legislature.

(2) Following notification by the Auditor General, the Department of Financial Services, or the Division of Bond Finance of the State Board of Administration of the failure of a local governmental entity, district school board, charter school, or charter technical career center to comply with the applicable provisions within s. 11.45(5)-(7), s. 218.32(1), or s. 218.38, the Legislative Auditing Committee may schedule a hearing to determine if the entity should be subject to further state action.