



UNIVERSITY OF CENTRAL FLORIDA

**Board of Trustees  
Audit and Compliance Committee  
April 23, 2019 4:00 p.m.  
President's Board Room  
Conference Call-In Phone #1-800-442-5794, passcode 463796**

**AGENDA**

- |  |   |
|--|---|
| <b>I. CALL TO ORDER</b>  | Beverly Seay<br><i>Chair, Audit and Compliance Committee</i>  |
| <b>II. ROLL CALL</b>   | Margaret Melli<br><i>Executive Administrative Assistant of<br/>University Compliance, Ethics, and Risk</i>                |
| <b>III. MEETING MINUTES</b>  |   |
| <ul style="list-style-type: none"><li>• <a href="#">Approval of the January 24, 2019</a>, Audit and Compliance Committee meeting minutes</li></ul> | Chair Seay  |
| <b>IV. NEW BUSINESS</b>  | Chair Seay  |
| <ul style="list-style-type: none"><li>• Compliance Accountability (<a href="#">INFO-1</a>)</li></ul>   | Christina L. Serra<br><i>Director of Compliance and Ethics<br/>and Interim Chief Compliance, Ethics,<br/>Risk Officer</i> |
| <ul style="list-style-type: none"><li>• IntegrityLine and Whistle-blower Program (<a href="#">INFO-2</a>)</li></ul>                                | Christina L. Serra<br>Robert Taft<br><i>Chief Audit Executive</i>   |
| <ul style="list-style-type: none"><li>• University Audit Report (<a href="#">INFO-3</a>)</li></ul>   | Robert Taft   |
| <ul style="list-style-type: none"><li>• Crowe LLP Proposal (<a href="#">INFO-4</a>)</li></ul>  | Robert Taft   |
| <ul style="list-style-type: none"><li>• Florida Auditor General Financial Audit Report (<a href="#">INFO-5</a>)</li></ul>                          | Robert Taft   |
| <b>V. CLOSING COMMENTS</b>   | Chair Seay  |



UNIVERSITY OF CENTRAL FLORIDA

**Board of Trustees  
Audit and Compliance Committee Meeting  
January 24, 2019  
UCF Rosen College of Hospitality Management**

**MINUTES**

**CALL TO ORDER**

Trustee Beverly Seay, chair of the Audit and Compliance Committee, called the meeting to order at 9:15 a.m. Committee members Kenneth Bradley and Bill Yeargin were present. Committee member Dave Walsh attended by teleconference call. Chairman Marcos Marchena, Trustees Joshua Bolona, Joseph Conte, Robert Garvy, John Lord, and Alex Martins were present.

**MINUTES APPROVAL**

The minutes from the November 30, 2018, meeting were approved unanimously.

**NEW BUSINESS**

**Acceptance of the Board of Governors' Performance-based Funding Data Integrity Certification Audit Report (AUDC-1)**

Robert Taft, Chief Audit Executive, provided an outline of the Board of Governors' Performance-based Funding Data Integrity Certification Audit Report and the process involved for acceptance. The report was accepted unanimously by the Committee.

**Approval of the Performance-based Data Integrity Certification Form (AUDC-2)**

Taft gave an update on the Performance-based Data Integrity Certification Form Audit Plan. The plan was approved unanimously by the Committee.

Chair Seay adjourned the Audit and Compliance Committee meeting at 9:25 a.m.

Reviewed by:

\_\_\_\_\_

Beverly Seay  
Chair, Audit and Compliance Committee

\_\_\_\_\_ Date

Respectfully submitted:

\_\_\_\_\_

Grant J. Heston  
Associate Corporate Secretary

\_\_\_\_\_ Date

**ITEM: INFO-1**

**UCF BOARD OF TRUSTEES  
Audit and Compliance Committee  
April 23, 2019**

**Title:** Compliance Accountability

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**Background:**

The UCF Audit and Compliance Committee Charter (<https://compliance.ucf.edu/files/2017/03/Approved-1.13.17-UCF-BOT-Audit-and-Compliance-Committee-Charter.pdf>) requires that the committee meet at least three times as year. A standard agenda item for these meetings include a status update from University Compliance, Ethics, and Risk on the office's activities. In light of recent events and discussions regarding responsibilities for compliance at the university, and, at the request of Committee Chair Seay, the office is providing this overview of the UCF Compliance and Ethics Program Plan, specifically the section that relates to roles and responsibilities for compliance accountability in place of the usual status update.

**Issues to be Considered:**

The material in this presentation is a summary of one section contained in the UCF Compliance and Ethics Program Plan. The UCF Compliance and Ethics Program Plan was previously approved by the Audit and Compliance Committee on October 11, 2017, by the full Board of Trustees on October 26, 2017, and was submitted to the Board of Governors as required by BOG Regulation 4.003. There are no issues for the committee to consider, rather this presentation serves as a reminder and educational tool.

**Alternatives to Decision:**

No decision is required.

**Fiscal Impact and Source of Funding:**

As no decision is required, there is no anticipated fiscal impact. Should a discussion regarding the structure of the compliance and ethics program lead to a proposed change to move from a decentralized to a more centralized model, there will be a fiscal impact. However, the committee is not being asked to evaluate the structure at this time.

**Recommended Action:**

There is no recommended committee action. This presentation serves as a reminder of the existing compliance and ethics program, specifically, the roles and responsibilities for compliance and ethics at the university contained in the UCF Compliance and Ethics Program Plan previously approved by the committee and full board.

**Authority for Board of Trustees Action:**

UCF Audit and Compliance Committee Charter (<https://compliance.ucf.edu/files/2017/03/Approved-1.13.17-UCF-BOT-Audit-and-Compliance-Committee-Charter.pdf>).

**Committee Chair or Chairman of the Board approval:**

Committee Chair Beverly Seay approved the agenda and all supporting documentation.

**Submitted by:**

Christina L. Serra, Director of Compliance and Ethics and interim Chief Compliance, Ethics, and Risk Officer

**Supporting Documentation:**

Attachment A: Compliance Accountability

**Facilitators/Presenters:**

Christina L. Serra, Director of Compliance and Ethics and interim Chief Compliance, Ethics, and Risk Officer

Attachment A

# Compliance Accountability

Audit and Compliance Committee Meeting

April 23, 2019



# UCF Compliance and Ethics Program Plan



- ✓ Documents UCF's Compliance and Ethics Program
- ✓ Communicates roles and responsibilities
- ✓ Board of Governors Regulation 4.003 requires approval by UCF Board of Trustees and copy submitted to the Board of Governors
- ✓ Plan approved by:
  - Audit and Compliance Committee on October 11, 2017
  - Board of Trustees on October 26, 2017
- ✓ Submitted to the Board of Governors





# UCF's Compliance and Ethics Program

Developed consistent with:

- Code of Ethics for Public Officers and Employees contained in Part III, Chapter 112, Florida Statutes
- Federal Sentencing Guidelines Manual, Chapter 8, Part B, Section 2.1

As required by Florida Board of Governors Regulation 4.003 State University System Compliance and Ethics Programs



# UCF's Compliance and Ethics Program

Based on Elements of an Effective Program:

- **Element I – Oversight of Compliance and Ethics and Related Activities**
- Element II – Standards of Conduct, Policies and Procedures
- Element III – Effective Training and Education
- Element IV – Effective Lines of Communication
- Element V – Routine Monitoring, Auditing, and Identification of Risks
- Element VI – Respond Promptly to Detected Problems and Undertake Corrective Action
- Element VII – Enforce and Promote Standards through Appropriate Incentives and Disciplinary Guidelines
- Element VIII – Measure Compliance Program Effectiveness



# Oversight of Compliance and Ethics and Related Activities

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UCF Audit and Compliance Committee

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UCF President

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Vice Presidents and Senior Leadership

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Chief Compliance and Ethics Officer

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University Compliance, Ethics, and Risk Office

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Compliance and Ethics Advisory Committee

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Compliance Partners

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Faculty, Staff, and Students

# Audit and Compliance Committee

Appointed by the UCF Board of Trustees

Assists the board in discharging its oversight responsibilities

Specifically oversees the following for UCF and its direct support organizations:

- internal control structure
- independence and performance of internal and external audits and corrective actions plans
- integrity of information technology infrastructure and data governance
- independence and effectiveness of the compliance and ethics program
- compliance with applicable laws and regulations
- standards for ethical conduct
- risk mitigation
- internal investigation processes

The full charge and responsibilities of the committee is communicated in the committee's charter

# President

Must be knowledgeable about the Program and shall exercise oversight with respect to its implementation and effectiveness

In coordination with the Board of Trustees, designates a senior-level administrator as the chief compliance and ethics officer

Responsible for ensuring that:

- the chief compliance and ethics officer has the independence and objectivity to perform the responsibilities of the position
- the chief compliance and ethics officer has the adequate resources and appropriate authority
- any imposed restriction or barrier that may impede the function of the chief compliance and ethics officer is removed

## Vice Presidents and Senior Leadership

Responsible for fostering a culture of ethical conduct and compliance at UCF

Responsible for performing their roles in compliance with all applicable federal and state laws and regulations, as well as the policies and procedures of the university

Responsible for ensuring that:

- any compliance programs under their area of supervision have adequate resources and are appropriately positioned to be effective
- the function of the program is not impeded
- any imposed barriers to an effective Program are removed

# Chief Compliance and Ethics Officer

Assigned overall responsibility for the compliance and ethics program

Oversees the University Compliance, Ethics, and Risk office

Responsible for developing the Program as required by this Plan, specifically:

- maintaining a professional staff with sufficient size, knowledge, skills, experience, and professional certifications
- utilizing third-party resources as appropriate to supplement the department's efforts
- performing assessments of the program and making appropriate changes and improvements
- routinely communicating to the Board of Trustees Audit and Compliance Committee and president on the effectiveness of the compliance and ethics program
- developing and updating this Plan

Reports functionally to the Audit and Compliance Committee of the Board of Trustees and administratively to the president

Full responsibilities detailed in the University Compliance, Ethics, and Risk Charter

Led by the chief compliance and ethics officer

Charged with implementing and sustaining the Program including:

- ongoing development of effective policies and procedures
- education and training
- monitoring
- communication
- risk assessments
- responding to reported issues

Partners with the responsible university personnel to monitor compliance and ensure appropriate corrective actions when necessary

## University Compliance, Ethics, and Risk Office

## Compliance and Ethics Advisory Committee

Advises the chief compliance and ethics officer on the development of a comprehensive compliance and ethics program and the mitigation of compliance and ethical risks at UCF

Comprised of subject matter experts who are responsible for compliance in their respective areas, as well as representatives from

- Faculty Senate
- Staff Council
- Office of the Provost
- Office of the General Counsel
- University Audit

Committee purpose is to ensure consistent communication and development of compliance and ethics programs across the university and to ensure that the elements of the Plan are implemented at all levels of the institution

Members charged with promoting a culture of ethics, accountability, and compliance at UCF



## Compliance Partners

Play an important role in ensuring the Program is effectively implemented and that risks are mitigated

Required to report incidents of noncompliance or unethical conduct, external requests related to compliance and ethics activities, or any imposed restriction or barrier to the effectiveness of their function or the Program to the chief compliance and ethics officer

Annually report the effectiveness of compliance and ethics initiatives within their area of responsibility to the University Compliance, Ethics, and Risk office

Dotted line responsibility to the chief compliance and ethics officer

Accountability Matrix identifies the compliance and ethics requirements, the individuals responsible for those areas, and the vice president accountable for compliance and ethical conduct and ensuring that those areas are appropriately staffed and supported

# Compliance and Ethics Accountability Matrix

| University Of Central Florida<br>Compliance and Ethics Accountability Matrix |   |  |  |  |   |   |
|--|---|--|--|--|---|---|
| Compliance Area  | Vice President  | Responsible Individual(s)                              | Compliance Partner   | Compliance Activities                      |   |   |
| Pre Award  | Provost and Vice President<br><br>Vice President for Research and<br>Dean of the College of Graduate<br>Studies | Associate Vice President for<br>Research & Scholarship | Director, Office of Compliance*<br>Office of Research and<br>Commercialization | Sponsored Awards                           | Pre-award Requirements  | Committed Effort Reporting                    |
|  |   |  |  | Subrecipient Awards                        | Performance Reporting   |   |
| Post Award   |   |  |  | Effort Reporting                           | Responsible Conduct   | Export Compliance                             |
|  |   |  |  | Cost Sharing                               | Allowable Costs   | Indirect Cost                                 |
| Research   |   |  |  | Animal Research Required Training          | Required Monitoring, Review and<br>Oversight<br>Conflicts of Interest | Human Subjects Research Required<br>Training  |
| Animal Subjects Research   |   |  |  | Animal Welfare                             | Animal Protocols  | Controlled Substances (in animal<br>research) |
|  |   |  |  | IACUC Operations                           | Documentation   |   |
| Human Subjects Research  | Identification of Covered Research  | Protocol Review  | Adverse Event and Other Reporting  |  |   |   |
|  | Approvals and Certification   | IRB Operations<br>Documentation                        |  | Subject Recruiting and Informed<br>Consent |   |   |
| Technology Transfer  | Invention Disclosure  | Patents  | Contract Performance   |  |   |   |
|  | Disposition   | Marketing  | Contracting  |  |   |   |

# Compliance and Ethics Accountability Matrix

| University Of Central Florida<br>Compliance and Ethics Accountability Matrix |  |   |   |  |   |                               |
|--|--|---|---|--|---|-------------------------------|
| Compliance Area  | Vice President   | Responsible Individual(s)                         | Compliance Partner  | Compliance Activities                            |   |                               |
| Records & Registration/<br>Privacy (not HIPAA)/FERPA                         |  | Associate Vice President                          | Director*<br>Registrar's Office   | Student Records                                  | Required Record Keeping                   | Training<br>Reporting         |
|  |  |   | Assistant Vice President*<br>Learning Support Services  | Student-athlete Advising                         | Student Disability Services               |                               |
| Students   | Provost and Vice President<br>Vice President for Student<br>Development and Enrollment<br>Services | Associate Vice President and Dean<br>of Students* | Associate Vice President and Dean of<br>Students*<br>Student Development and Enrollment<br>Services | Student Rights and Responsibilities:             | Clery Reporting                           | Student Records               |
|  |  |   |   | Student Conduct                                  | Student Title IX                          | Drug Free Campus Act<br>FERPA |
|  |  |   | Health & Counseling Centers:<br>Billing Compliance<br>Quality                                       | Privacy<br>Stark, Anti-Kickback<br>Accreditation | Risk Management<br>HIPAA<br>Credentialing |                               |
|  |  |   | Director, Integrity and Ethical<br>Development*<br>Office of Student Rights &<br>Responsibilities   | Student Integrity and Ethical Development        |   | Training                      |



# Compliance and Ethics Accountability Matrix

| University Of Central Florida<br>Compliance and Ethics Accountability Matrix |  |   |   |  |                                  |                                 |
|--|--|---|---|--|----------------------------------|---------------------------------|
| Compliance Area  | Vice President   | Responsible Individual(s)   | Compliance Partner  | Compliance Activities                      |                                  |                                 |
| Financial Aid  | Provost and Vice President<br>Vice President for Student Development and Enrollment Services                 | Associate Vice President  | Director, Student Financial Assistance<br>Office of Student Financial Assistance  | Institutional Eligibility                  | Student Eligibility              | Awards and Disbursements        |
| Admissions   |  |   | Associate Vice President*<br>Enrollment Services                                  | Undergraduate Admissions                   | Student Financial Assistance     | Student Outreach Services       |
| Pegasus Health and College of Medicine                                       | Vice President and General Counsel<br>Vice President for Medical Affairs and Dean of the College of Medicine | Chief Legal Officer and Associate<br>Vice President for Medical Affairs | Associate General Counsel, HIPAA<br>Privacy Officer*<br>College of Medicine       | HIPAA                                      | Privacy                          |                                 |
|  |  |   | Manager, Legal Affairs and Health Care<br>Compliance*<br>College of Medicine      | Billing Compliance<br>Stark, Anti-kickback | Quality, Risk Management, Safety | Credentialing and Accreditation |
| Faculty Relations  | Provost and Vice President<br>Vice President and General Counsel   | Associate General Counsel,<br>Associate Provost                         | Associate Provost and Chief of Staff for<br>Academic Affairs*<br>Academic Affairs | Discipline/Faculty Concerns                | Collective Bargaining            | Textbook Compliance Issues      |

# Compliance and Ethics Accountability Matrix

| University Of Central Florida<br>Compliance and Ethics Accountability Matrix |  |   |   |  |                               |                                      |
|--|--|---|---|--|-------------------------------|--------------------------------------|
| Compliance Area  | Vice President   | Responsible Individual(s)   | Compliance Partner  | Compliance Activities  |                               |                                      |
| Immigration (Taxes & SEVIS)  | Provost and Vice President<br>Vice President for Information Technologies and Resources and UCF IT Security Operations | Vice Provost for Faculty Excellence   | Assistant Vice President*<br>UCF Global   | Student Visa Regulations                                     | SEVIS Reporting Obligations   | Employee Visa Obligations            |
| Technology Services  |  | Associate Vice President & Chief Operating Officer                              | Associate Vice President and Information Security Officer*<br>Information Security Office | Computer Use   | Networking                    | Records Management                   |
| Information Security   |  |   |   | Web Publishing   | Telecomm                      | IT Project Management                |
|  |  |   |   | Information Security (for Hardcopy and Electronic Materials) |                               | People Soft and Blackboard Security  |
| Human Resources  | Vice President for Administration and Finance and Chief Financial Officer  | Associate Vice President for Human Resources and Chief HR Officer*              | Associate Vice President for Human Resources and Chief HR Officer*<br>Human Resources     | Classification and Compensation                              | Recruiting                    | Employee Relations                   |
| Copyright and Licensing  |  | Associate Vice President Debt and Revenue Management                            | Associate Vice President Debt and Revenue Management                                      | Personnel Transactions                                       | Payroll                       | Training and Development             |
| Dining Services Vendor Agreements  |  |   |   | Granting Permissions   | UCF Card                      | Obtaining Permissions                |
| Procurement  |  | Assistant Vice President, UCF Procurement Services*<br>UCF Procurement Services | Assistant Vice President, UCF Procurement Services*<br>UCF Procurement Services           | Protecting University Rights                                 | University License Agreements | Required Oversight or Notices        |
|  |  |   |   | Food Acquisition   | Food Handling                 | Required Certifications and Licenses |
|  |  |   |   | Food Storage   | Staffing Controls             |                                      |
|  |  |   |   |  | Solicitation of Bids          | Diversity in Contracts               |



# Compliance and Ethics Accountability Matrix

| University Of Central Florida<br>Compliance and Ethics Accountability Matrix |                |  |   |                                       |  |   |
|--|----------------|--|---|---------------------------------------|--|---|
| Compliance Area  | Vice President | Responsible Individual(s)  | Compliance Partner  | Compliance Activities                 |  |   |
| Financial Reporting  |                | Associate Provost for Budget, Planning and Administration and Associate Vice President for Finance, Controller | Associate Provost for Budget, Planning and Administration and Associate Vice President for Finance, Controller<br><i>Finance and Accounting</i> | Financial Reporting                   | Fixed Assets                                       | General Accounting                            |
| Accounts Payable/Receivable  |                |  |   | Collections                           | Debt and Investments                               |   |
| Student Accounting   |                |  |   | Disbursements                         | Cashiering   | Purchase and Travel Cards                     |
| Post Award Grants & Contracts  |                |  |   | Student Tuition and Fee Assessment    | Travel   |   |
| Taxes  |                |  | Associate Controller*<br><i>Finance and Accounting</i>  | Post-award Requirements               | Student Billing and Collection                     | Refunding<br>Red Flags                        |
| Financial Services   |                | Associate Vice President for Debt Management*  | Associate Vice President for Debt Management*<br><i>Debt Management/Financial Services</i>  | Disbursements                         | Subrecipients<br>Record Retention                  | Financial Reporting<br>Receivables Management |
|  |                |  |   | Golden Knights Corp, UCF Finance Corp | Property and Inventory Control<br>Cash Application | Taxes   |
|  |                |  |   |                                       | Debt Management                                    | UCF Convocation Corporation                   |



# Compliance and Ethics Accountability Matrix

| University Of Central Florida<br>Compliance and Ethics Accountability Matrix |   |  |   |                                     |                                       |                                    |
|--|---|--|---|-------------------------------------|---------------------------------------|------------------------------------|
| Compliance Area  | Vice President  | Responsible Individual(s)                              | Compliance Partner  | Compliance Activities               |                                       |                                    |
| Facilities Planning & Construction   | Vice President for Administration and Finance and Chief Financial Officer |  | Director, Resource Management<br>Facilities Operations                            | Real Estate Acquisitions and Leases | Construction Contracts                | Management of Real Estate Holdings |
| Hazard Risk Management   |   |  |   | Property and Liability Insurance    | Physical Risk Control                 | Workers' Comp                      |
| Radiation Safety   |   | Associate Vice President for<br>Facilities and Safety* | Director, Environmental Health and<br>Safety**<br>Environmental Health and Safety | Radioactive Materials               | Waste Management                      | Radiation Safety                   |
| Chemical/Biological Safety   |   |  |   | Radiation Producing Devices         | Hazmat Requirements                   | Lab Safety                         |
|  |   |  |   | Laser Safety                        | Employee's Right to Know<br>Statement | Personal Protective Equipment      |
| Fire & Occupational Safety   |   |  |   | Select Agents and Toxins            | Air Quality                           | Export Controlled Materials        |
|  |   |  |   | Chemical Management                 | Artificial Gene Transfer              | Recombinant DNA                    |
|  |   |  |   | Biological Safety                   | IBC Operations and<br>Recordkeeping   | Controlled Substances              |
|  |   |  |   | Building and Fire Codes             | Ergonomics                            | EM Safety                          |



# Compliance and Ethics Accountability Matrix

| University Of Central Florida<br>Compliance and Ethics Accountability Matrix |                                    |   |  |  |   |                                       |
|--|------------------------------------|---|--|--|---|---------------------------------------|
| Compliance Area  | Vice President                     | Responsible Individual(s)                                     | Compliance Partner   | Compliance Activities                              |   |                                       |
| Campus Safety and Police   |                                    | Associate Vice President and Chief of Police*                 | Associate Vice President and Chief of Police*<br>Police Department                         | Crime Prevention                                   | Campus Safety   | Internet Crime                        |
| Workplace Safety   |                                    |   |  | Workplace Violence & Threat Assessment             | Drugs & Alcohol Violations  | Weapons Violations                    |
| Emergency Management   |                                    |   | Director, Security and Emergency Management<br>Office of Security and Emergency Management | Emergency Response and Preparedness                | Continuity of Operations  | Homeland Security Compliance          |
| Office of Institutional Equity (OIE)   | Vice President and Chief of Staff  | Director, OIE*  | Director, OIE*<br>Office of Institutional Equity   | Affirmative Action Plan Maintenance and Compliance | Discrimination Grievance Handling                                   | Recordkeeping & Reporting Obligations |
|  |                                    |   |  | Compliance with Title IX Requirements              | Responding to External Complaints of Discrimination and Retaliation | Access/Disability Accommodations      |
| Conflict of Interest Process   | Vice President and General Counsel | Chief Compliance and Ethics Officer*                          | Director of Compliance and Ethics*<br>University Compliance, Ethics, and Risk              | Training Reporting                                 | Institutional Conflicts Oversight and Monitoring                    | Required Record Keeping               |
| Athletics  |                                    | Chief Compliance and Ethics Officer*<br>Director of Athletics | Senior Associate Athletics Director for Compliance*<br>Athletics Compliance                | Rules Compliance Monitoring                        | Documentation Eligibility   | Education Financial Aid               |





## Faculty, Staff, and Students

The responsibility for compliance with laws, regulations, policies, procedures, and standards of conduct rests with every member of the UCF community

This expectation is communicated to employees through the UCF Employee Code of Conduct and to students through *The Golden Rule*



# University Compliance, Ethics, and Risk – Annual Reporting

- Began publishing an annual report in 2017
- Included program building activities and oversight of the office
- Incorporated section on compliance and ethics activities of all Compliance Partners



## HISTORY

In May 2011, the University of Central Florida formed the University Compliance, Ethics, and Risk Office and appointed Ms. Rhonda Bishop as the university's first Chief Compliance and Ethics Officer. The office was charged with developing and implementing a comprehensive compliance and ethics program based on key elements of the Federal Sentencing Guidelines, Chapter 8, Part B, Section 112, Florida Code of Ethics for Public Officers and Employees contained in Florida Statutes, and the Florida Code of Ethics for Public Officers and Employees contained in Florida Statutes, 112. The Board of Governors passed Regulation 4.003 State University System Compliance Programs, requiring all state universities to have compliance programs built on the same 19 measured regulatory components. UCF was proud to report having 16 components.



## PURPOSE

The office provides centralized and coordinated oversight of the university's compliance and risk mitigation efforts through the ongoing development of effective policies, education and training, monitoring, communication, risk assessment and reporting. It also established the Compliance and Ethics Advisory Committee in the development of the comprehensive compliance and ethics program, identifies compliance and ethics risks at UCF, and works with a team of compliance partners to implement targeted compliance programs across the university.

## STRUCTURE



# 2018 Annual Report

**UCF** University Compliance, Ethics, and Risk Office  
UNIVERSITY OF CENTRAL FLORIDA  
Annual Report 2018

Word cloud terms include: POLICY, CONTINUITY, AUDIT, LAWS, BACKUP, PRACTICES, process, SCOPE, COMPLIANCE, SECURITY, ETHICS, RISK, HONESTY, CONDUCT, AUDIT report, meeting, access, financial, organization, governance, SYSTEM, rules, integrity, ETHICS, findings, RISK, recovery, information, strategy, standards, procedures, HONESTY, strategy, information, CONDUCT.

**HISTORY**  
In May 2011, the University of Central Florida formed the University Compliance, Ethics, and Risk (UCER) office and appointed the university's first Chief Compliance and Ethics Officer charged with developing and implementing a comprehensive compliance and ethics program based on key elements of the Federal Sentencing Guidelines, Chapter 8, Part B, Section 2.1(b) and the Florida Code of Ethics for Public Officers and Employees contained in Florida Statutes, Part XI, Chapter 112. The Board of Governors passed Regulation 4.003 State University System Compliance and Ethics Programs, requiring all state universities to have compliance programs built on the same standards. Of the 19 measured regulatory components, UCF was proud to report having all 19 components in place during the 2017-2018 fiscal year.

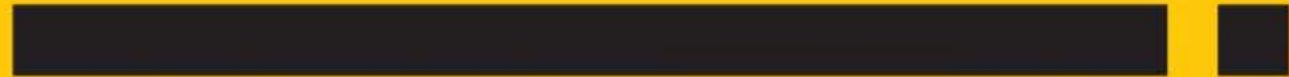
**PURPOSE**  
The office provides centralized and coordinated oversight of the university's compliance, ethics, and risk mitigation efforts through the ongoing development of effective policies and procedures, education and training, monitoring, communication, risk assessment, and response to reported issues. It also established the Compliance and Ethics Advisory Committee, tasked with assisting in the development of the comprehensive compliance and ethics program and mitigating the compliance and ethics risks at UCF, and works with a team of compliance partners who lead the targeted compliance programs across the university.

**STRUCTURE**

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    graph TD
      Board[Board of Trustees  
Audit and Compliance Committee] --> President[President]
      Board --> VP[VP President and General Counsel]
      Board --> VP[VP President and Director of Athletics]
      President --> Chief[Chief Compliance, Ethics, and Risk Officer]
      Chief --> DirComp[Christina Sims  
Director of Compliance and Ethics]
      Chief --> DirComp[Georgiana DeBoer  
Senior Compliance Analyst]
      Chief --> DirComp[Carla Marks  
Compliance Analyst]
      Chief --> DirEth[Vacant  
Senior Assoc. Ethics Director of Compliance]
      Chief --> DirEth[Cameron Walker  
Assistant Ethics Director of Compliance]
      DirEth --> Paul[Paul Kilgan  
Assistant Director]
      DirEth --> Fran[Francesca Wood  
Assistant Director]
      DirEth --> Adam[Adam Gyms  
Director]
      DirComp --> CompPartners[Compliance and Ethics Advisory Committee]
      DirComp --> CompPartners[Compliance Partners]
  
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# Comprehensive Compliance, Ethics, and Risk Report



The following is a summary of UCF's comprehensive compliance, ethics, and risk program accomplishments, to include compliance partner reports from July 1, 2017, to June 30, 2018.



**MEMBER OF THE BOARD OF GOVERNORS AND ADVISORY COMMITTEES**

- Served as the advisor to the Golden Rule Review Committee, which is a committee established for the purpose of responding to the changing needs of the state body with regard to the policies, procedures, and regulations for students. The office is responsible for assembly, dissemination and continuing education to faculty, staff and students for the Golden Rule Student Handbook and UCF Code.
- Ensured that the student conduct review process and Rules of Conduct are in sync with Board of Governors student discipline sections.
- Coordinated investigations of housing allegations through the university's fair protest.
- Provided oversight of the admission clearance process which involved reviewing applicants seeking admission to UCF with a prior criminal background or disciplinary history. Florida Board of Governors Regulation 6.0011 authorizes the review of admission to applicants due to past records. In addition, oversight of the discipline clearance process for students seeking admission to the university, including appeals, speaking to the bar, having a background check, and employment with the federal government, teaching to a license or

**REGULATORY COMPLIANCE OFFICER**

- Sent multiple notifications to the university on regulatory updates and to update departmental regulations, approval authority of compliance with established policies and procedures.

**QUALITY MANAGEMENT OFFICER**

- Conducted compliance assessments to gain control of quality management findings (QMF) were

**ADVISORY COMMITTEES**

- Maintained effective oversight of employment laws, and AFSCME and bargaining agreements.

Supported and provided assistance and research efforts associated with the Office of Institutional Equity, University Compliance and University Audit.

**INFORMATION SECURITY OFFICER**

- Provided compliance guidelines on PCI DSS to FBA and to the UCF.
- Communicated information security best practices through the Information and Resources quarterly newsletters, which was published in April, February 2018, and May 2018. Articles focused on information security and awareness, the university's vendor risk management

Information sessions for the international community to learn of these updated outreach to university partners via email and in-person meetings related immigration regulations.

aims to include updated immigration compliance for students.

and/or compliance partners served as members on the following committees or working groups:

|   |   |
|---|---|
| <ul style="list-style-type: none"> <li>Finance and Ethics Advisory Committee</li> <li>Business and Procedures Committee</li> <li>Workgroup</li> <li>Advisory Council</li> <li>Youth Protection Program Committee</li> <li>Diversity and Inclusion Working Group</li> <li>Resident Advisory Staff Council</li> <li>Bias Incident Communications Group</li> <li>Security Incident Response Team</li> <li>Security Assessment Committee</li> <li>University Records Management Advisory Committee</li> </ul> | <ul style="list-style-type: none"> <li>Merchant Services Committee for Payment Card Industry Data Security Standards (PCI) Compliance</li> <li>Federal Trade Commissions Red Flags Compliance Committee</li> <li>University Tax Peer Group</li> <li>University Assessment Committee</li> <li>University Financial Conflict of Interest Committee</li> </ul> |
| <ul style="list-style-type: none"> <li>University Institutional Review Board</li> <li>Health Services HIPAA Collaborative Group</li> <li>University Institutional Safety Council</li> </ul>   | <ul style="list-style-type: none"> <li>University I&amp;S Safety Council</li> <li>University Laboratory Safety</li> <li>University Radiation Safety /</li> <li>University Institutional Animal Care and Use Committee</li> </ul>  |

oversight, vendor relations, sponsorships, university partnerships with retail tenants, and human resources. These discussions included the University partners and/or DSO: Administration and Finance Division, Business Services, Transportation Services, and the UCF Convocation Corporation.

**SECURITY AND EMERGENCY MANAGEMENT:**

the Continuity of Operations Space Planning and Allocations Committee.

monthly staff meetings to communicate compliance and ethics topics relevant to the department.

**ENVIRONMENTAL HEALTH & SAFETY:**

staff were registered members and/or participated in the following non-university compliance related organizations: American Biological Safety Association, Environmental Management Association (member of the Board of Trustees), attended the 2017 Campus Safety Health and Environmental Management Association annual conference, Florida State University System Environmental Health and Safety Directors' Roundtable, Local Emergency Planning Committee, Risk Management Society, Southeastern Biological Safety Association, University Risk Management and Insurance Association.

Participated in the following campus outreach events to promote awareness of EHS compliance programs: Faculty Center for Teaching and Learning new faculty orientation, faculty meetings, Human Resources benefits fair, KnightShare Expo, and new employee orientation.

**FACILITIES OPERATIONS:**

- Communicated compliance and ethics matters with staff via email and regularly scheduled staff

# Compliance and Ethics Program Development

## Developing and sustaining an effective compliance and ethics culture.

### Program Development. Developing compliance and ethics culture.

**/ RISK:**

- UCF Employee Code of Conduct and training.
- Partners on compliance efforts with NIST.

Produced four editions of the compliance and ethics newsletter, *IntegrityStrike*. Articles are below:

October 2017  
Featured articles on Compliance and Ethics Week 2017, the release of the Employee Code of Conduct with a cartoon, and an article on the UCF IntegrityLine cases on civility.

March 2018  
Featured articles on the second annual compliance and ethics culture survey, youth protection program, gifts and honoraria with an informative video and cartoon, and the Let's Be Clear campaign.

June 2018  
Featured safety, by partner Police, Security, and Mary Abou...  
Addressed the Health Sciences HIPAA collaborative efforts with other parts of the university. Provided guidance to partners with regards to HIPAA related questions. Managed HIPAA related incident investigations.

Continued to chair the Florida State University System Compliance and Ethics Advisory Committee meetings and provide Employee Code of Conduct, annual report, overview of the Department of Rights complaints against the university, and discussed the development Program.

Continued to serve on the Security Incident and Response Team and the Finance associated with federal and state privacy and data breach requirements. Met with vice presidents, key administrators, and compliance part in compliance and ethics initiatives and respond to any concerns or issues.

Continued to chair the Florida State University System Compliance and Ethics Advisory Committee meetings and provide Employee Code of Conduct, annual report, overview of the Department of Rights complaints against the university, and discussed the development Program.

Chaired the Youth Protection Program committee charged with the Youth Protection Program.

**ACADEMIC SERVICES FOR STUDENT ATHLETES:**

- Participated in biweekly staff meetings with the UCF Athletics "It's Cool to Know the Rules" campaign.

and partner Police, Security and Mary Abou...  
and vendor relations.

Academic Industry Relations Committee. The Committee is part of the Projects department.

Health Compliance Liaison for the College of Medicine. The Clinical Services Compliance Program is intended to be an university-wide compliance program by focusing on areas that impact health care practice by UCF clinicians. The Program applies to health care related issues that involve services through the College of Medicine faculty practice, relationships and agreements for the UCF College of Medicine program applies to all UCF employees and trainees who are involved in clinical care or services through the College of Medicine health; involved in the support, administration or oversight of all care or services; or involved in the negotiation or approval of agreements for the College of Medicine or UCF Medical Affairs. Led the Clinical Services Compliance Program Committee.

Reviewed the university's annual conflict of interest disclosure reviews.

Addressed the Health Sciences HIPAA collaborative efforts with other parts of the university. Provided guidance to partners with regards to HIPAA related questions. Managed HIPAA related incident investigations.

**/ NON-DISCRIMINATION:**

HR is reviewing the processes related to employees' leaves of absence and requests for accommodations to ensure compliance with the ADA; assisted the Faculty Equity Study Working Group in reviewing the salaries of tenured/tenure-earning faculty based on gender and ethnicity; and assisted the Ad Hoc Committee on Freedom of Expression for the Faculty Senate in its review of faculty's role in freedom of expression, the impact of Senate Bill 4, First Amendment protections, and harassment.

Provided multiple university communications on the rights and obligations contained in the university's nondiscrimination policy via the office's website, the Shield website from July 2017 - December 2017, the Let's Be Clear website from January 2018 - present, and the president's office.

CODE OF CONDUCT AND THE 2018 507 FRI ANNUAL NOTICE BOOKS, THE FRI ANNUAL NOTICE BOOKLET contains important information for all employees such as the President's Statement Regarding Equal Opportunity and Affirmative Action, Notice of Drug-Free Schools and the Drug-Free Workplace policy, 403(b) Plan Notice of Retirement Eligibility, Eligibility for Deferred Compensation, Earned Income Tax Credit, Public Service Loan Forgiveness Program, Information Security for Faculty & Staff, FDLE - Florida Sexual Offenders and Predators Notification, and university contact information. The Annual Notice Booklet was also distributed to current employees as well.

- Classification & Compensation team held 28 meetings with vice presidents and deans to educate and gain support on the current redesigning of UCF's compensation structure to promote consistent pay practices and job-classifications.
- Employment Services & Records presented 60 employees with a compliance webinar regarding I-9E-verify compliance requirements.
- Talent Acquisition presented "Interviewer Certification Workshop" to over 130 employees. This workshop covers UCF policies, state and federal regulations outlining free of bias discrimination hiring, and state statutes regarding Florida Veterans' Preference.
- Leave Administration provided over 100 employees with training sessions covering university's parental leave program and Family and Medical Leave Act (FMLA).
- Employee Relations created an Employee Resources Guide as a single communication to distribute to new and current employees and list on the IV as an effort to educate employees on the various offices across campus and if they provide, including education on the university's IntegrityLine, Employee and Learning & Organizational Effectiveness facilitated training to over 130 covering Performance Management and Supervisory Performance Appraisal.
- Departmental HR labors were presented with university partner's following topics: FBA training on Composite Fringe Benefits Rate, UCF G Visa Sponsorship for UCF International Faculty & Staff, UCER training / Code of Conduct, Health Advocate training on Disrespect vs. Harass Through Stereotypical and Changing Times, UCF Police Department training.

**INTEGRITY AND ETHICS EDUCATION:**

- Facilitated 75 workshops reaching a total of 5,688 individuals on "Fit and Beyond" for incoming graduate students through a partner Graduate Studies, and facilitated workshops for students also skills, such as issues of academic misconduct, how to avoid plagiarism, academic misconduct, and developing personal ethical standard.



**ATHLETIC COMPLIANCE:**

Conducted new employee orientation/monosaching staff educational tour and the Athletics Compliance Office Rules Education, which included 7 student-athletes, coaches, athletics staff, boosters, alumni, fans, and parent.

**TRAINING ON SECURITY AND EMERGENCY MANAGEMENT:**

- Provided 124 employees with training on Incident Command System/ to ICS for Higher Education, Expanding Incidents in ICS, National Incident Response Framework, and provided "Shots for Employees."

**ENVIRONMENTAL HEALTH & SAFETY:**

- 110 Workplace Safety team facilitated training for 3,931 individuals on blood borne pathogens, aerial lifts, confined spaces, electrical hearing conservation, lock out/tag out, fall protection, and other.

**PROCURMENT SERVICES:**

Presented to a UCF-wide general forum attended by 116 staff on procurement procedures that would, when adhered to, prevent unauthorized procurement process. The training also included the competitive solicitation process, exemption process, proper review and approval of contracts, supplier input/expedient, cost effective, and legally sufficient buying.

Facilitated two customized training sessions for 39 employees on procurement procedures, authorized contractual actions, vendors writing specifications, and competition waivers, etc.

**FERPA:**

Facilitated FERPA Training for faculty, staff, and students via in person and online. Number of individuals trained: 2,882.

**ACCESSIBILITY SERVICES:**

Facilitated various training sessions on accessibility and inclusion. New sessions have been created, modified and removed to meet the needs of the campus community. During this academic year, the following were facilitated: Disability Rights, Responsibilities and You, Disability in Media, Bar Room, and Digital Media Training.

**GLOBAL:**

Implemented an online "Optional Practical Training (OPT) Applicant" to provide clear instructions to improve efficiency, transparent immigration regulations.

- Hosted a "Question and Answer" session for the International

staff provided training to 113 employees on the Student of Concern education about Mandated Assessment procedures for involuntary reporting procedures for the Student of Concern process.

Person training on the new university policy on Gifts and Honoraria to 103 medicine faculty and staff.

n-person HIPAA training to UCF Health staff.

**RESEARCH INTEGRITY COMPLIANCE:**

Facilitated a list of all UCF CITI training courses and training requirements for research integrity and compliance programs was linked to the Research Integrity & Compliance website. CITI training completion reports were made available for Office of Research staff access to ARGIS.

Communicated with central and departmental administrators of sponsored programs. Ten investigators were notified of submitted proposals that had not yet completed the required conflict of interest CITI training for award set-up.

Delivered research compliance training for university departments and unit administrators for compliance updates and changes as needed at the monthly EXCIT meetings.

Provided one-on-one training to new effort coordinators regarding time and effort reporting (ECRT).

Conducted faculty training on Federal Programs Award Management from October 2017 through February 2018, as well as export control training for faculty and students for research projects requiring a technology control plan or data management plan.

# Education and Training

Educating the UCF community about compliance responsibilities, regulatory obligations, and the university's compliance and ethics program.

Facilitated leadership training for the Leadership Development Program in Human Resources Leadership and UCF Advancement Leadership and UCF Human Resources Leadership.

Facilitated delivered in-person customized Gifts and Honoraria training for faculty and staff at the College of Medicine in September and October 2017.

Facilitated training events for new faculty during orientation in August 2017 and for all employees at the employee benefits fair in October 2017, offering materials and guidance on topics of interest and commitment, the UCF IntegrityLine, and the *IntegrityStar* newsletter. Distributed UCER pamphlets to all new faculty and employees during their first employee orientations.

Facilitated and launched the Employee Code of Conduct training in October 2017 for existing employees. Worked with HR to implement mandatory training for all new employees beginning November 2017. Announced and promoted the new training in the October 2017 edition of the *IntegrityStar*, as well as added the online training module to the UCER website. Total number of employees trained: 865.

Customized "Know the Code" mini courses on the following topics: Communications with the Public and Media, Conflicts of Interest, Fraud, Gifts and Honoraria, Harassment in the Workplace, Reporting Violations, Sexual Harassment, and University Resources and posted the courses to the UCER website.

Promoted the "Know the Code" mini course Gifts and Honoraria in the March 2018 edition of the *IntegrityStar*, and "Maintaining a Safe and Secure Workplace" in the June 2018 edition.

- Promoted the office's web courses titled Potential Conflicts – Florida Code of Ethics for Public Officers and Employees, and Gifts and Honoraria (118 employees trained) in the July 2017 and the March 2018 edition of the *Integrity Star*. Distributed an all employee email in

**Government Reporting and Regulatory Activities.**  
Supporting reports and activities related to government and regulatory agencies.

**UNIVERSITY COMPLIANCE, ETHICS, AND RISK**

- Completed the 2017 State University System Enterprise Risk Management Survey and submitted report to the Board of Governors.
- Documented UCF's completion of all 19 regulation components in compliance with BOG Regulation 4.003 State University System Compliance and Ethics Programs and provided response to the BOG in their request for a status update.
- Coordinated with the Office of Institutional Equity the collection of documents and the final response to the Department of Education Office for Civil Rights on two open cases.
- On behalf of the president and Board of Trustees, prepared the annual research exemption report and submitted it to the governor and legislature as required by state statute.

**DEPARTMENT OF SECURITY AND EMERGENCY MANAGEMENT**

- The office conducts a self-review each year as a part of the Emergency Management Accreditation Program. In addition, they monitor and review the status of the required UCF COOP plans to be accurate and submitted to the state within the annual deadline.

**ENVIRONMENTAL HEALTH & SAFETY**

- In support of OSHA's Laboratory Standards (29 CFR 1910.1450) and Prudent Practice in the Laboratory Handling and Management of Chemical Hazards, EHS completed 105 laboratory inspections.
- Conducted a university-wide inventory of all high-powered lasers to ensure compliance with state laws and regulations.
- Applied for, and was issued, a new radioactive materials license from the Nuclear Regulatory Commission for the Aecibo Observatory in Puerto Rico.
- Completed an annual audit of the UCF broad scope radiation license 4187-1.
- Conducted inspections of fire extinguishers, conducted fire drills, issued hot work permits, and corrected violations noted by the State Fire Marshal.

**FINANCE & ACCOUNTING**

- Monitored and reviewed the annual Self-Assessment Questionnaire for all departments processing credit cards in order to maintain PCI DSS compliance.

**INFORMATION SECURITY OFFICE**

- Processed 129 Digital Millennium Copyright Act (DMCA) violations in accordance with the requirements of the Higher Education Opportunity Act (HEOA).
- With continued improvements with SIEM, implemented better tracking of security incidents and potential compliance violations.

**OFFICE OF RESEARCH, RESEARCH INTEGRITY COMPLIANCE**

- Completed the U.S. Department of Commerce survey "BIS Critical Facilities Assessment."

**LANDSCAPE & NATURAL RESOURCES**

- Received a final report on the assessment of the university's storm sewer system, and initiated a project to address critical problems identified in the report.
- Worked with the Florida Department of Environmental Protection on the 5-year update of the university's National Pollution Discharge and Elimination System (NPDES) permit for UCF's municipal separate storm sewer system.

**OFFICE OF INSTITUTIONAL EQUITY**

- Collaborated with an external resource and UCF Human Resources to prepare the annual affirmative action plans for the university in compliance with OFCCP regulations.

**STUDENT ACCESSIBILITY SERVICES**

- The office responded to a complaint filed with the Department of Education Office of Civil Rights (OCR) in July 2017, alleging discrimination on the basis of disability as well as retaliation. OCR determined there was insufficient evidence to establish that the university violated Section 504 and Title II as alleged. The office continued to review its policies and procedures as a follow up to determine how to ensure that UCF remains as fully accessible as can be for students with disabilities.

**STUDENT FINANCIAL ASSISTANCE**

- Conducted periodic quality control reviews of processes to ensure compliance with federal, state, and institutional financial aid processes. The university also undergoes a state audit of federal and state financial aid programs and processes.
- It was determined from the 2017 Florida Statewide Audit that out of 65 checks selected, UCF had 25 outstanding student checks and EFTs containing Title IV funds determined as unclaimed and not returned to the respective Title IV program in a timely manner. Finance and Accounting revised their processes to ensure the unclaimed checks are returned within the federal parameters. SFA now sends recorded messages advising students to either cash the check or contact Finance and Accounting for a re-issue of the check. These corrective actions have fully corrected this problem.



**STUDENT HEALTH SERVICES**

- Internal audits were conducted for HIPAA, to include access and authorization audit, user access audit, and a provider sign-off audit.
- Followed the Florida Board of Pharmacy, F.S. 465.0155, Rule 64B16-27.300, to ensure the control and safe dispensing of drugs. The requirements are that each pharmacy establish a CDJ program and committee. The CDJ committee met quarterly and conducted a review of quality related events (QRE-medication errors). The pharmacy assured that, following a QRE, all reasonably necessary steps had been taken to remedy any problem for the patient. The review also considered the effects on quality of the pharmacy system due to staffing levels, workflow, and technological support.

**UCF GLOBAL**

- International Student and Scholar Services (ISSS) executed regular SEVIS and PeopleSoft reports ensuring students are in good immigration standing in accordance with federal laws.
- Responded promptly to the crisis situation involving an international student who purchased high-powered firearms. Following standard procedures related to SEVIS recordkeeping facilitated the quick resolution of the issue.

**SPRINKLER AND ENERGY SERVICES**

- Continued to trend data from the Combined Heat and Power Plant's operator station to ensure exhaust gas temperatures and flow rates for emissions are within permit parameters. This data is submitted annually to Orange County's Department of Environmental Protection to support UCF's air permit documentation and compliance testing.
- Quarterly environmental meetings were held to review regulatory requirements to verify all systems were being maintained at or better than the federal, state, and local requirements.

# Government Reporting and Regulatory Activities



**STUDENT ACCESSIBILITY SERVICES:**

- Influenced by the Department of Justice, and in consultation with the Office of Institutional Equity and General Counsel, SAs shared the following policy stating students seeking accommodations: Emotional support animals or other non-service animals are not considered a reasonable accommodation on campus in places of university housing. Student Accessibility Services can explore other means of accommodations with the student instead of a non-service animal unless it presents concerns about attendance in the classroom or elsewhere on campus only animal with any enrollment in your building space would be a service to support a person in a specific way.

**STUDENT FINANCIAL ASSISTANCE:**

- Updated the Student Financial Assistance Policy and Procedures Manual overall administration of federal, state, and institutional financial aid is updated as an as needed basis depending upon changes to federal institutional financial aid programs.

**STUDENT HEALTH SERVICES:**

- Maintained 24 policies and procedures in support of compliance of the International Student and Scholar Services Team establish practical training UCF's policy and procedures, as well as any operating procedure guides for most major processes & consistency.

Policy Review and Development. Ensuring policies reflect UCF's commitment to ethical conduct and compliance with applicable laws and regulations.

**UNIVERSITY COMPLIANCE, ETHICS, AND RISK:**

- Served as chair of the University Policies and Procedures / coordination of the committee and management of the onl Manual.
- Reviewed policies and procedures prior to submission for

Non-unit Faculty and Administrative and Professional Staff Members; UCF's City Closures; UCF-3.040 Benefits and Hours of Work.

Administration reviewed and enhanced the telecommuting manual and A.

Developed a memorandum of understanding paid parental leave to educate leadership on leave practice. Additionally, in collaboration with SDES and Parking Services, HR reviewed to review and support UCF's Expecting Mother parking.

**INFORMATION SECURITY OFFICE:**

Developed and published the following new policies: UCF Policy 4-016 Email Provisioning, 2-provisioning, and Use, and UCF Policy 4-017 Enterprise Directory Governance.

Enhanced the Vendor Risk Management (VRM) program procedures and processes.

In collaboration with campus covered entities, drafted HIPAA security policies (e.g., Authentication/Authorization, PHI Access Control, Password Controls, Encryption/Decryption, etc.) Standards Development (<https://infosec.ucf.edu/policiesandstandards/>).

**LANDSCAPE & NATURAL RESOURCES:**

Developed and updated 26 standard operating procedures to standardize processes and improve consistency and efficiency of operations.

**LEGAL AFFAIRS AND HEALTH CARE COMPLIANCE - COLLEGE OF MEDICINE:**

Obtained Board of Trustee approval to update regulations UCF-3.001, UCF-3.0134, and ensure consistency between the Nondiscrimination Policy and Regulations, re-named the office name change from the Equal Employment Opportunity & Action Programs Office to the Office of Institutional Equity.

Assisted with the development of a Facilities & Safety Workplace Language Policy, assisted with updates to Housing and Residence Life's Emotional Support Animal Policy and procedures, assisted with UCF's Police Department's Light Duty Policy that is currently in development, and assisted with the development of an employee threat assessment procedure.

Assisted with the development of the Pregnancy and Parental Status Policy committee, which began development of a university-wide policy.

**STUDENT RIGHTS AND RESPONSIBILITIES:**

Reviewed regulation UCF-5.006: Student Rights and Responsibilities.

Updated parental notification procedure.

Updated program verification form for UCF Policy 4-401.1.

**PROCUREMENT AND BUSINESS SERVICES:**

Revised the UCF procurement manual, section 8.D.1.f to correlate with changes to Board of Governors' Procurement Regulation 18.001.

Initiated a procedure to retain all emails pertinent to ITBs and ITNs in a PDF format on a server. This will ensure the emails are archived, which in turn will ensure dialog/conversations will be available for any legal need.

# Policy Review and Development

Ensuring policies and procedures reflect UCF's commitment to ethical conduct and compliance with applicable laws and regulations.



**Athletics Compliance.** Providing oversight and management of the athletics compliance program.

**UNIVERSITY COMPLIANCE, ETHICS, AND RISK & THE ATHLETICS COMPLIANCE OFFICE:**

- Provided quarterly updates to the president and to the vice president and executive chief of staff.
- Participated in and provided oversight of compliance with regard to the UCFAA at the following meetings: UCF Board of Directors meetings, Athletics Directors Town Hall meeting, NCAA Compliance Liaison meetings, and American Athletic Conference Compliance Administrators meetings.
- Served as members of the National Association for Athletics Compliance, as well as attended the organization's annual conference.
- Assigned compliance advisors to every sport, holding regular meetings with each group.
- Worked with Undergraduate Admissions to support and implement admissions policies and procedures for student athletes.
- Distributed compliance brochures to all UCF boosters and season ticket holders.
- Revised Bylaws 11-17 of the policies and procedures manual based on meetings with involved departments.
- Revised the Athletics Department JumpForward Policy.
- Worked with the NCAA to provide waivers for several UCF student-athletes under varying circumstances in order for those student-athletes to maintain NCAA eligibility. All waivers were granted.
- Participated in an external audit of the Telephone Monitoring policy, as well as conducted internal monitoring on admissions, recruiting, financial aid, and playing and practice seasons.
- Conducted student-athlete exit interviews and an athletics department effectiveness survey.
- Investigated and reported all claims of NCAA violations.

**REGISTRAR'S OFFICE:**

- Calculated and submitted the university's Academic Progress Report (APR) and the Graduate Success Rate report to the NCAA.



**UCF IntegrityLine and Investigations.** Responding to detected problems and undertaking corrective action.

**UNIVERSITY COMPLIANCE, ETHICS, AND RISK:**

- Provided administration and oversight of the UCF IntegrityLine to include review and tracking of all reports until completion, data compilation, trend review, and reporting. Received 164 reports through the UCF IntegrityLine alleging misconduct (an increase of 65 cases from 99 last year).
- Coordinated triage of reports with University Audit and the Office of Institutional Equity. When appropriate, reports were referred to a compliance partner or University Audit for review or investigation. During this time, 90 cases were investigated and closed.
- Received 25 allegations of misconduct directly to University Compliance, Ethics, and Risk (up one from 24 last year) and when appropriate, conducted investigations and provided recommendations for corrective actions and improvement of ethical conduct. Sixteen of these cases were closed.
- Continued to provide recommendations for corrective actions and improvements of ethical conduct to the appropriate authorities following investigations or requests for guidance.

**Conflict of Interest and Commitment.** Ensuring compliance with state and federal requirements on disclosing and managing conflicts of interest and commitment.

**UNIVERSITY COMPLIANCE, ETHICS, AND RISK:**

- Developed and issued the annual conflict of interest and commitment report dated October 2017, to the Board of Trustees Audit and Compliance Committee covering the officer's activities from August 8, 2016, to August 7, 2017.
- In preparation for the 2017-18 conflict of interest and commitment disclosure process, revised seven training modules to reflect updates from the previous year and provided the trainings to faculty and staff members as an online resource.
- Implemented a communication plan for the 2017-18 conflict of interest and commitment online disclosure process and launched the new disclosure year on August 14, 2017.
- Distributed communications, monitored online disclosure submissions, conducted reviews, and worked with faculty and administrators to resolve potential conflicts. Tracked compliance rates and worked with Academic Affairs to address noncompliance.

Notified 2,586 employees by email to submit an online disclosure and 2,545 submitted within the deadline (extended by two weeks due to Hurricane Irma), achieving a 98.4 percent compliance rate with employee submissions prior to the deadline.

- Identified a steady increase in the office's review and mitigation of potential conflicts. This year, the office reviewed 1,116 online disclosures (a slight increase from the 1,056 last year), with potential conflicts identified in 121 requiring a monitoring plan (an increase from 100 last year). Completed 262 online reviews for the employment of relatives (an increase of 20 from 242 last year).
- Conflict of Interest reviews outside the online system were also tracked and included 147 requests for review of potential conflicts and guidance provided to employees and departments (an increase of 22 from 125 last year).
- Received and completed 133 reviews of potential conflicts of interest associated with the attendance at conferences or events sponsored by vendors (an increase of 15 requests from 118 last year).
- Provided additional support to employees who meet the state definition of a reporting individual to include: coordinating efforts with Human Resources to identify and notify reporting individuals of their mandatory filing requirements and monitoring the delinquent list posted on the Commission on Ethics' website and providing support until all forms were submitted to prevent employees from accruing fines.

**OFFICE OF RESEARCH-RESEARCH INTEGRITY COMPLIANCE:**

- Reviewed Conflict of Interest Disclosure Forms related to research, as well as reviewed Significant Financial Interest disclosures related to research proposals.
- Developed and reviewed Monitoring Plans for identified conflicts of interest related to research.
- Conducted an annual review conflicts of interest under Monitoring Plans.
- Submitted the Research Conflict of Interest Committee Charter to the provost for approval.

# Athletics Compliance, Conflicts of Interest and Commitment, UCF IntegrityLine and Investigations

# Research Compliance

## Clery, VAWA, and Title IX Compliance

Research Compliance. Supporting the university's research compliance program.

#### UNIVERSITY COMPLIANCE, ETHICS, AND INTEGRITY

- Reviewed and provided feedback on 22 research exemption requests prior to coordinating with the provost, president, and chair of the Board of Trustees for approval as required by state statute. Developed the report in partnership with the Research Integrity Compliance Office and submitted the report in February 2018.
- Served as a point of contact and source for guidance to research compliance on issues related to award management, scientific misconduct, export controls, conflict of interests, and development of policies and procedures.
- Developed and provided grant and contracts award administration training sessions to faculty and administrators within the college of Nursing, College of Arts and Humanities, and the College of Health and Public Affairs. This is an ongoing training effort with the Office of Research, Research Integrity Compliance Office to ensure all research faculty receive training in federal compliance requirements.

#### ENVIRONMENTAL HEALTH & SAFETY

- EHS Research Safety Team trained individuals in mandatory research safety topics such as, lab safety, biosafety, radiation safety, laser safety, blood borne pathogens, and PI training, as well as provided training to individual laboratory groups.

#### OFFICE OF RESEARCH, RESEARCH INTEGRITY COMPLIANCE

- Revised the non-resident alien export control review process in coordination with UCF Global.
- Processed self-disclosures of faculty violations of the EAR/ITAR, specifically faculty ITAR exports to China.
- Implemented a process to run a monthly report that identifies SFI disclosures at proposal. When reviewing prior months, it was determined that a disclosure of a Significant Financial Interest (SFI) related to a research proposal was not reviewed prior to award. A retrospective review was conducted, the investigator's existing Monitoring Plan was deemed appropriate as written, and the report was submitted to the funding agency.
- Monitored time and effort certification statements. Monitored financial bi-annual reconciliation for service center rates and rate renewal proposals.
- Conducted research misconduct assessments, inquiries, and investigations.
- Conducted an internal audit of randomly selected IRB approved human subject research protocols by non-IRB staff. Results were submitted to the IRB for program evaluation.



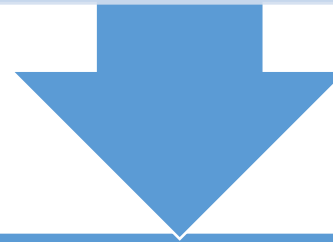
Clery, VAWA, and Title IX Compliance. Mitigating one of the university's most significant compliance risks.

- UCER conducted in-person Clery Act training for coaches and administrators in Athletics, law enforcement personnel, the Student Government Association Cabinet members, resident assistants with Housing and Residence Life, and all staff in the Office of Institutional Equity.
- UCER provided guidance and support to the Title IX coordinator and served on and provided compliance guidance to the Title IX workgroup and Title IX policy committee.
- The July 2017 edition of the IntegrityStar featured an article titled "University Policies on Amorous Relationships and Employment of Relatives" that highlighted UCF Policy 2-004 Prohibition of Discrimination, Harassment and Related Interpersonal Violence.
- The director of OIE served as chair and coordinated meetings with the university's Title IX Advisory Council, which met on a quarterly basis. OIE also continued to oversee periodic meetings with the Title IX Advisory Council's subcommittees (Athletics Subcommittee, Data Analysis Subcommittee, Marketing Subcommittee, Outreach & Prevention Subcommittee, and Policy Subcommittee).
- OIE provided in-person training highlighting UCF's Let's Be Clear campaign and informing employees of the university Policy 2-004.1 Prohibition of Discrimination, Harassment and Related Interpersonal Violence. The office was also asked to provide this training to several offices within SDES, as well as was invited to present at the 8th annual SDES Institute. OIE presented Title IX training at the 2017 New Faculty Orientation and the 2018 Summer Faculty Development Conference, as well as for athletics staff. Title IX training was also presented to supervisors during HR's Leadership Development Series.
- OIE oversaw and managed the implementation of required online Title IX training for all entering undergraduate and graduate students during 2017-18. Launched the on-line training for graduate students in 2017-18 (Haven Plus). Total number of students trained: 21,575. The follow-up survey was completed by 11,288 of those students trained.
- OSRR delivered Title IX trainings, prevention and outreach to student organizations and student leaders, and provided annual training to additional SDES staff on Title IX Compliance. Participants included 21,041 students and 358 staff members.

# Discussion Points

Compliance and Ethics  
Organizational Structure

Centralized Oversight with Decentralized  
Implementation



Five-Year Review under BOG  
Regulation 4.003

# Questions?



ITEM: INFO-2

**UCF BOARD OF TRUSTEES**  
**Audit and Compliance Committee**  
**April 23, 2019**

**Title:** IntegrityLine and Whistleblower Program

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**Background:** This agenda item was scheduled based on a motion made and approved at the January 24, 2019, Board of Trustees meeting. This motion stated the Audit and Compliance Committee would review the existing whistleblower determination and IntegrityLine programs and provide an update to the full board along with any identified program recommendations.

**Issues to be Considered:**

Are these programs well publicized, are they being adequately monitored for performance, are they adequately resourced, do they appear to be consistent with existing regulatory requirements?

**Alternatives to Decision:**

N/A

**Fiscal Impact and Source of Funding:**

Potential recommendation for additional staffing, training resources, or marketing efforts.

**Recommended Action:**

No specific recommendations.

**Authority for Board of Trustees Action:**

Florida Statute Sections 112.3187 - 112.31895; UCF Policy 2-010 Whistle-blower Determination and Investigation; UCF Policy 2-700 Reporting Misconduct and Protection from Retaliation; UCF Audit and Compliance Committee Charter.

**Committee Chair or Chairman of the Board approval:**

Committee Chair Beverly Seay approved the agenda and all supporting documentation.

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**Submitted by:**

Christina L. Serra, Director of Compliance and Ethics and  
Interim Chief Compliance, Ethics, and Risk Officer  
Robert Taft, Chief Audit Executive

**Supporting Documentation:**

Attachment A: IntegrityLine and Whistleblower Program

**Facilitators/Presenters:**

Christina L. Serra, Director of Compliance and Ethics and  
Interim Chief Compliance, Ethics, and Risk Officer  
Robert Taft, Chief Audit Executive

Attachment A

# UCF IntegrityLine and Whistle-blower Program

Audit and Compliance Committee Meeting

April 23, 2019



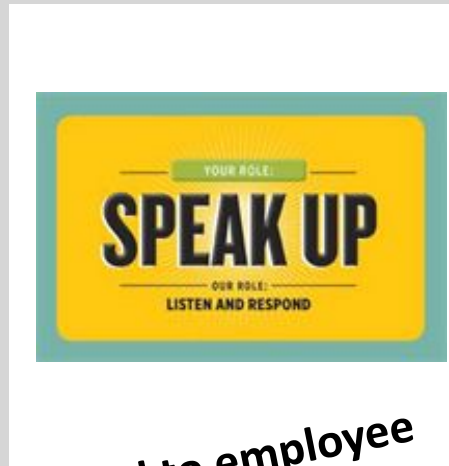
# Agenda



UCF IntegrityLine

Whistle-blower  
Program

# UCF IntegrityLine



**UCF IntegrityLine packets mailed to employee home addresses September 29, 2014**



**INTEGRITYLINE:** [ucfintegrityline.com](http://ucfintegrityline.com)  
**1-855-877-6049**  
(Toll-free within the U.S., Guam, Puerto Rico and Canada)

If you have ethical concerns about

- policy or regulation violations
- conflicts of interest or commitment
- financial matters
- research misconduct
- other questionable or unethical activity

The IntegrityLine allows you to confidentially report these concerns without the fear of retaliation.

**24/7. SECURE. ANONYMOUS.**

## INTEGRITYLINE Communication Plan

**Pre-Launch**

- Presentation to the Compliance and Ethics Advisory Committee
  - May 15, 2014 ☑
- Present Reporting Misconduct and Protection from Retaliation Policy to Policy Committee
  - August 20, 2014 ☑
- Presentation to the Audit, Operations Review, Compliance and Ethics Committee
  - August 22, 2014 ☑
- Presentation to university vice presidents
  - August 26, 2014 ☑
- Poster distribution through UCF Building Coordinators & Publish IntegrityLine webpage on the University Compliance, Ethics, and Risk website
  - September 15, 2014 ☑

**Launch - September 29, 2014 ☑**

- Direct mailing to all faculty and staff home addresses
  - Dr. Hitt "Tone from the Top" Letter
  - Reporting Misconduct and Protection from Retaliation Policy
  - FAQs
  - Wallet card

**Post-Launch**

- Wallet cards included in all new hire packets during HR orientation
  - October 2014 ☑
- Added to ongoing Ethics training
  - Fall 2014 ☑
- UCF At Work employee newsletter articles and All-employee email announcements
  - Fall 2014 ☑
  - Feb 20, 2015 - HR Time Reporting E-mail ☑
  - Fall 2015 (provided article to News & Info) ☑
- Work with Compliance Partners to get IntegrityLine image on their websites |
  - Spring 2015 ☑
- Distributed additional IntegrityLine Posters
  - April 1, 2015 UCF incubator sites ☑
  - April 7, 2015 NSC ☑
- Tabling Events
  - New Faculty Orientation - August 2015 (custom brochures, earbuds, and IL cards) ☑
  - Benefits Fair - October 2015 (distributed over 1000 IL earbuds) ☑
- Compliance and Ethics Week
  - October 28, 2015 all employee email ☑
  - November 2015 - Meet n' greet, handed out UCER candy jars, scavenger hunt ☑





# UCF 2-700 Reporting Misconduct and Protection from Retaliation Policy

## Policy statement

- UCF is committed to a culture of integrity, compliance, and accountability that encourages the highest standards of ethical behavior.
- Members of the university community are expected to conduct all university activities and business in an honest, ethical, and lawful manner.
- When members of the university community become aware of or have reason to suspect university activities and business are not conducted according to these expectations, UCF expects and encourages members of the university community to make good faith reports of suspected misconduct.

UCF 2-700 Reporting  
Misconduct and  
Protection from  
Retaliation Policy

## When to Report

Individuals, who in good faith believe that a violation of law, regulation, statute, UCF regulation, policy, procedure, guideline, and/or standard of conduct has occurred, or will occur, are expected and encouraged to promptly make a report of such suspected misconduct.

## Where to Report

Individuals may choose to report suspected misconduct to their supervisors, through central or administrative offices, to the UCF IntegrityLine, or directly to the University Compliance, Ethics, and Risk Office.

UCF 2-700 Reporting  
Misconduct and  
Protection from  
Retaliation Policy

## Reporting Options

### 1. *Supervisors*

Reports of suspected misconduct should normally be raised first with an individual's supervisor, or appropriate college, department, or unit administrator. Colleges and departments usually are most familiar with the issues and personnel involved and, therefore, may be best suited to address a concern. Supervisors receiving reports of potential fraud should contact University Audit for guidance and investigation.

## UCF 2-700 Reporting Misconduct and Protection from Retaliation Policy

### **2. Central Offices**

In some cases, an individual may feel uncomfortable raising a report of misconduct at the college or department or other similar administrative unit level due to the nature of the subject matter or because of other legitimate considerations that suggest an alternative reporting process may be more appropriate. In such instances, the individual may report suspected misconduct through a central university office having specialized expertise relating to the concern, such as:

- Office of the Provost (noncompliance with academic regulations)
- Human Resources (A&P, USPS, and OPS employee relations issues)
- Faculty Relations (faculty, including adjunct faculty noncompliance)
- University Audit (potential fraud and internal control issues)
- Athletics Compliance (NCAA violations)
- Research Ethics and Compliance (falsification, fabrication, plagiarism in research)
- Office of Institutional Equity, Title IX coordinator (discrimination, sexual harassment)

UCF 2-700 Reporting  
Misconduct and  
Protection from  
Retaliation Policy

**3. University Compliance, Ethics, and Risk Office**

Individuals may also report suspected misconduct by contacting the University Compliance, Ethics, and Risk Office directly by calling the chief compliance and ethics officer at 407-823-6263, by email to [complianceandethics@ucf.edu](mailto:complianceandethics@ucf.edu), by mail to 4365 Andromeda Loop N., MH 328, Orlando, Florida, 32816, or in person at Millican Hall #328.

**4. UCF IntegrityLine**

Individuals reluctant to report suspected misconduct directly to their supervisors or through university administrative or central offices are encouraged to use the UCF IntegrityLine. The UCF IntegrityLine is administered by a third-party vendor, NAVEX Global, and offers individuals the option to report anonymously.

The IntegrityLine is operated 24 hours a day, 365 days a year, and can be reached by using the secure Web Reporting System located at: [www.ucfintegrityline.com](http://www.ucfintegrityline.com), or by calling 1-855-877-6049 toll-free. IntegrityLine reports will be processed by EthicsPoint and sent to the University Compliance, Ethics, and Risk Office to address appropriately.

# UCF 2-700 Reporting Misconduct and Protection from Retaliation Policy

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## Protection from Retaliation

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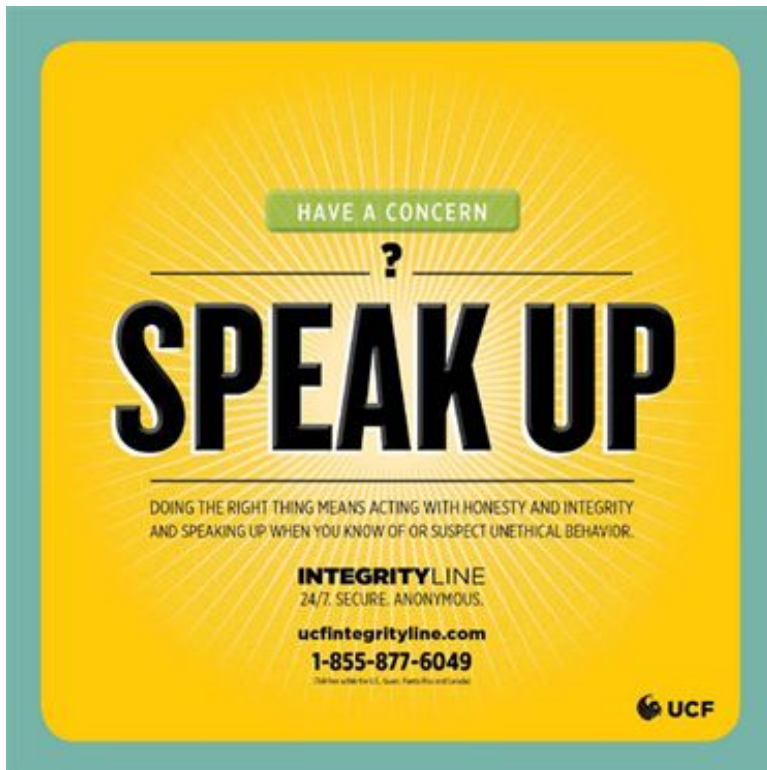
Retaliation against anyone who, in good faith, reports misconduct, or who participates in an investigation of misconduct, is strictly prohibited. The university will take all reasonable and necessary actions to protect members of the university community who have filed good faith reports of misconduct. Disciplinary action resulting from self-reported misconduct is not considered to be an act of retaliation.

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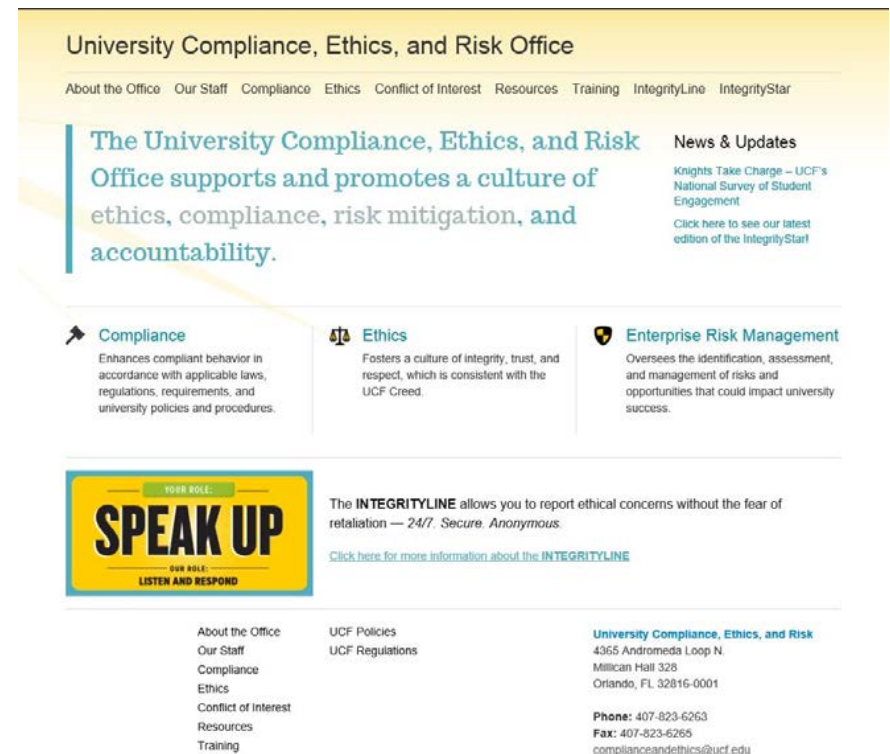
Individuals who believe they have been subjected to acts of retaliation may file a written or verbal complaint with the University Compliance and Ethics Officer or through the UCF IntegrityLine. The University Compliance, Ethics, and Risk Office is responsible for conducting an investigation and/or contacting the appropriate university offices for review and disposition of the report per applicable university policy or the Collective Bargaining Agreement.



# UCF IntegrityLine



- Speak Up posters placed in all employee common areas



- Speak Up hyperlink placed on websites





UCF AT WORK

OCTOBER 2014

## IntegrityLine Provides Outlet for Reporting Ethical Misconduct

UCF employees can use a new independent, anonymous system to report suspected or actual misconduct or ethical concerns. The university set up the system proactively as part of its commitment to a culture of integrity, compliance and accountability that encourages the highest standards of ethical behavior.

When members of the university community become aware of or have reason to suspect university activities and business are not conducted according to these standards, UCF expects and encourages members of the university community to make good-faith reports of suspected misconduct.

UCF worked with NAVEX Global to set up the UCF IntegrityLine. Employees can report either through the secure Web system at [ucfintegrityline.com](http://ucfintegrityline.com) or by calling 1-855-877-6049



toll-free. The system is not a 911 or emergency service to report immediate threat to life or property.

The Internet portal does not identify visitors and deletes the Internet address so confidentiality is maintained. Calls are not recorded or traced. IntegrityLine information will be processed and sent to the Compliance, Ethics, and Risk Office to address.

Employees continue to have the options of reporting misconduct or ethical concerns to their supervisor or other appropriate office as outlined in UCF's new policy, Reporting Misconduct and Protection from Retaliation, which is available at <http://policies.ucf.edu>.

The university expects all reports of misconduct to be made in good faith, and retaliation against anyone who reports or participates in an investigation is prohibited.

For any questions about the UCF IntegrityLine, reporting misconduct or ethical concerns, contact University Compliance, Ethics, and Risk at 407-823-6263 or [complianceandethics@ucf.edu](mailto:complianceandethics@ucf.edu) or use the UCF IntegrityLine at [www.ucfintegrityline.com](http://www.ucfintegrityline.com).

- Article published in UCF employee newsletter
- New hire packets – IntegrityLine wallet cards and office brochure





ucfintegrityline.com

University Compliance, Ethics, and Risk Office

About the Office Our Staff Compliance Ethics Conflict of Interest Resources Training IntegrityLine IntegrityStar

**The University Compliance, Ethics, and Risk Office supports and promotes a culture of ethics, compliance, risk mitigation, and accountability.**

**News & Updates**  
 Knights Take Charge – UCF's National Survey of Student Engagement  
 Click here to see our latest edition of the IntegrityStar!

**Compliance**  
 Enhances compliant behavior in accordance with applicable laws, regulations, requirements, and university policies and procedures

**Ethics**  
 Fosters a culture of integrity, trust, and respect, which is consistent with the UCF Creed

**Enterprise Risk Management**  
 Oversees the identification, assessment, and management of risks and opportunities that could impact university success.

**THE INTEGRITYLINE**  
 The INTEGRITYLINE allows you to report ethical concerns without the fear of retaliation — 24/7. Secure. Anonymous.  
 Click here for more information about the INTEGRITYLINE

**SPEAK UP**  
 ON SITE LISTEN AND RESPOND

About the Office  
 Our Staff  
 Compliance  
 Ethics  
 Conflict of Interest  
 Resources  
 Training

UCF Policies  
 UCF Regulations

University Compliance, Ethics, and Risk  
 4356 Andromeda Loop N.  
 Mican Hall 203  
 Orlando, FL 32816-0001  
 Phone: 407-823-4263  
 Fax: 407-823-0265  
 ucfcampus@ucf.edu

University Compliance, Ethics, and Risk Office

About the Office Our Staff Compliance Ethics Enterprise Risk Management Conflict of Interest Resources Training IntegrityLine IntegrityStar Youth-Protection Program UCF Policies UCF Regulations

**UCF IntegrityLine**  
 Doing the right thing because caring with honesty, integrity and speaking up when you have an urgent concern!

**Get Engaged**

The UCF IntegrityLine is a secure reporting system administered by an independent firm, NAVEX Global. The IntegrityLine is available 24 hours a day, 365 days a year, and is available at [www.ucfintegrityline.com](http://www.ucfintegrityline.com) or by calling 1-855-877-6049. You may report your concerns through our case management system. IntegrityLine provides individuals who wish to report without revealing their identity a secure and secure the report address or that integrity is preserved. Callers are not traced or tracked.

IntegrityLine reports are processed by the University Compliance, Ethics, and Risk Office in strict accordance with applicable laws, regulations, requirements, and university policies and procedures. All reports will be reviewed, investigated, and responded to as accurately and promptly as possible.

**THE INTEGRITYLINE IS NOT A 911 OR EMERGENCY SERVICE**  
 Reports submitted through the UCF IntegrityLine may not receive an immediate response. If you require emergency assistance, please contact your local authorities or call 911.  
 Please do not use the IntegrityLine to report:  
 • Traffic Violations - Report these violations to the UCF Police Department  
 • Criminal Activity - Report this type of activity to the UCF Police Department  
 • Complaints about Grades/Transcripts - Discuss these types of complaints with the professor/departments/instructors or use the grade appeal process  
 • Issues with Bus/Busline Service - Report these issues to UCF Parking Services

**Make a Report**

**Our Commitment**  
 The University of Central Florida is committed to a culture of integrity, compliance, and accountability that encourages the highest standards of ethical behavior. Students of the university consistently are expected to conduct all university activities and transactions in an honest, ethical, and lawful manner. When members of the university community become aware of a concern related to student, university activities and business and are not comfortable reporting to those responsible, UCF respects and encourages members of the university community to speak up.

**Primary and Secondary**  
 You have the option to remain anonymous when submitting an IntegrityLine report. IntegrityLine will not collect personally identifying information and actions are not recorded or tracked. IntegrityLine does not generate or maintain any internal communication logs with IP addresses and deletes the internet address on all reports submitted.

If you decide to provide your identity, every effort will be made by the University Compliance, Ethics, and Risk Office to keep your identity confidential. The university will not tolerate retaliation. If you file a report and feel that you are experiencing retaliation as a result, contact the University Compliance, Ethics, and Risk Office immediately.

**Follow-up**  
 After submitting your report, IntegrityLine will issue you a unique code referred to as a "Report Key." This key will allow you to track the progress of your concern through the website or telephone in 24 business hours. This allows you the opportunity to receive follow-up questions, submit more information about the incident, or receive a status update.

1-855-877-6049

University of Central Florida

Home » Follow-up on a Report » The UCF Creed » UCF Policies and Procedures » UCF Regulations » University Compliance » FAQs

**ATTENTION:** This webpage is hosted on EthicsPoint's secure servers and is not part of the University of Central Florida website or intranet.

**Our Commitment**

The University of Central Florida is committed to providing members of the university community with a safe working and learning environment that promotes ethical conduct and compliance with applicable laws. It takes all of us working together to ensure a positive environment at UCF. Our expectation is that as a member of the UCF community, you will report incidents of suspected unethical, noncompliant, criminal, or inappropriate behavior through the appropriate channels.

UCF has partnered with NAVEX Global, a third party provider, to offer the EthicsPoint reporting system to our faculty, staff, and student employees who may make anonymous reports to good faith. Students wanting to report potential misconduct by a UCF employee, instructor, or agent may use this system, but should refer to the provisions in the Golden Rule Student Handbook for all other concerns.

The University of Central Florida strives for an environment where open, honest communications are the expectation, not the exception. We want you to feel comfortable in approaching your supervisor or management to address your concerns. The UCF IntegrityLine is not intended to replace any existing reporting methods available at the university, but is available in instances where you feel uncomfortable using these channels.

In situations where you prefer to place an anonymous report, you are encouraged to use the UCF IntegrityLine to submit reports or ask for guidance. Your concerns and partnership in addressing issues is important to us. All reports will be reviewed, investigated, and responded to as accurately and promptly as possible.

IntegrityLine will need the information you provide to the University Compliance, Ethics, and Risk Office on an anonymous basis if you should choose. However, please understand that incidents related to alleged discrimination or harassment are difficult to investigate when you remain anonymous. We encourage you to use established university channels whenever possible.

See the EthicsPoint FAQs for more information.

**To Make a Report**

**Online**  
 Select the location in which the violation took place:  
 [ Select ]

**By Phone**  
 Did not file, within the United States, Guam, Puerto Rico and Canada: 855-877-6049  
 After you complete your report you will be assigned a unique code called a "report key." Write down your report key and password and keep them in a safe place. After a 4-business days, use your report key and password to check your report for feedback or questions.

**EthicsPoint is NOT a 911 or Emergency Service**  
 Do not use this site to report events presenting an immediate threat to life or property. Reports submitted through this service may not receive an immediate response. If you require emergency assistance, please contact your local authorities.

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UCF IntegrityLine



# IntegrityStar Newsletter

Inaugural edition, April 2016 – IntegrityLine Investigations Article  
 July 2016 – Reporting Misconduct Policy Article



## Reporting Suspected Violations

Did you know that as an employee of UCF, you have an obligation to report any known or suspected violations of laws and UCF policies? University Compliance, Ethics, and Risk provides you with many avenues to report a situation or ask questions about a situation. We encourage you to discuss the situation with your manager, but if you do not feel comfortable doing this then you may report anonymously at [www.ucfintegrityline.com](http://www.ucfintegrityline.com) or call 1-855-877-6049.

# UCF Employee Code of Conduct



## INTEGRITYLINE

Employees are encouraged to report suspected misconduct to their supervisors or through university administrative or central offices are encouraged to use UCF IntegrityLine.

UCF IntegrityLine is a secure reporting system owned by an independent third-party. The UCF Line is available 24 hours a day, 365 days a year and is available at UCF integrityline.com or by 1-855-877-6949 toll-free. Individuals who are reluctant to report suspected misconduct through university administrative or central office may report with complete anonymity.

UCF Line reports are processed by the third party and sent to University Compliance, Ethics and Risk to address appropriately. All reports will be investigated and responded to as quickly and thoroughly as possible.

## RISK

### Can I really remain anonymous when reporting through the UCF IntegrityLine?

Yes. The third-party does not generate or maintain any internal connection logs with IP addresses, so no information linking your PC is available. If you call in your report, an interviewer will simply type your responses into the website for you. Callers are not tracked or recorded.

After submitting your report, you will receive a unique code referred to as a "report key." You will use this report key along with the password of your choosing to check in using the website or telephone. This allows you the opportunity to review follow-up questions, submit more information about the incident, or receive a status update.



## ASKING QUESTIONS, RAISING CONCERNS

### Speak Up

Believing in our own actions is often the most effective way to maintain high standards of professional and ethical behavior. However, there may come a time when you will witness an employee acting contrary to the Employee Code of Conduct. Doing the right thing means acting with honesty and integrity and speaking up when you know of or suspect unethical behavior.

Employees, who in good faith believe that a violation of law, regulation, statute, UCF regulation, policy, procedure, guideline, or standard of conduct has occurred, or will occur, are expected and encouraged to promptly make a report of such suspected misconduct. Employees do not need to have details of the law or policy be suspected misconduct. It is better to report the suspected misconduct than to remain silent. Management has a special duty to recognize and report misconduct without reasonable delay.

### Where to Report - Options

There are several options for reporting concerns. You may choose to report:

- to your supervisor
- through central or administrative offices having specialized expertise relating to the concern
- to the UCF IntegrityLine
- or directly to University Compliance, Ethics, and Risk

Concerns related to potential fraud should be reported directly to University Audit, Tax or Gender-based discrimination or harassment, sexual harassment, sexual assault, sexual exploitation, relationship violence, or stalking involving a student must immediately be reported to the Office of Institutional Equity or the Title IX Coordinator (if you are not a confidential employee). More information on the mandatory reporting requirement and contact information is available on the Let's Go Clear website.



## Reporting Through IntegrityLine

UCF IntegrityLine is a secure reporting system owned by an independent third-party. The UCF Line is available 24 hours a day, 365 days a year and is available at UCF integrityline.com or by 1-855-877-6949 toll-free. Individuals who are reluctant to report suspected misconduct through university administrative or central office may report with complete anonymity.

### Can I really remain anonymous when reporting through the UCF IntegrityLine?

Yes. The third-party does not generate or maintain any internal connection logs with IP addresses, so no information linking your PC is available. If you call in your report, an interviewer will simply type your responses into the website for you. Callers are not tracked or recorded.

After submitting your report, you will receive a unique code referred to as a "report key." You will use this report key along with the password of your choosing to check in using the website or telephone. This allows you the opportunity to review follow-up questions, submit more information about the incident, or receive a status update.

Clearly read the Employee Code of Conduct, including the UCF Ethical Standards, and the UCF Ombuds. These resources will help you to identify the right course of action for most situations.

- If you are unsure of the right action to take, ask yourself:**
- Is it legal?
  - Does it align with UCF standards and values?
  - Would it violate UCF regulations or policies?
  - Could it affect you, financially or provide a personal benefit to you?



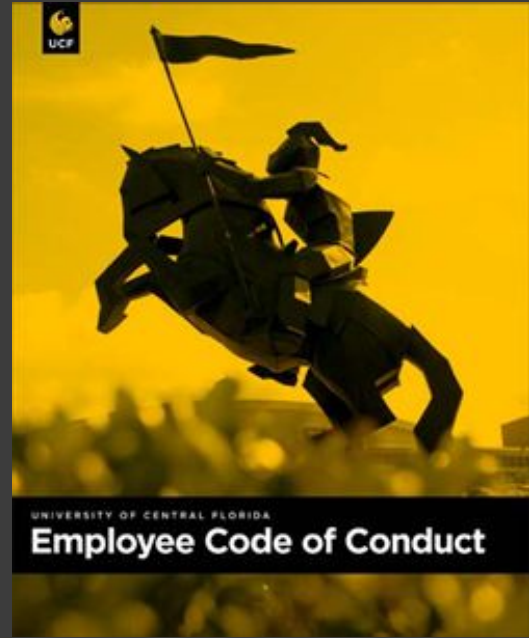
If you are still uncertain of the right thing to do in a given situation and need more assistance, consult with your supervisor, compliance partner of the second conference area (University Compliance, Ethics, and Risk), or submit an inquiry through the UCF IntegrityLine. For more guidance on making the right decision, refer to the Ethical Decision-Making section of this Code of Conduct.

### Supervisors and managers have the added responsibility of:

- Leading by example
- Setting clear expectations
- Supporting a respectful and professional work environment
- Promoting a culture where employees feel comfortable asking questions and raising concerns



Discuss expectations with your employees and provide them with the resources they need to follow the Employee Code of Conduct. Support an environment where employees feel empowered to ask questions and voice concerns. Always remember that employees raising concerns in good faith must never be retaliated against.



- Launched October 2017
- Speak Up, Reporting Options, UCF IntegrityLine, Protection from Retaliation



# UCF Employee Code of Conduct

## ETHICAL DECISION-MAKING

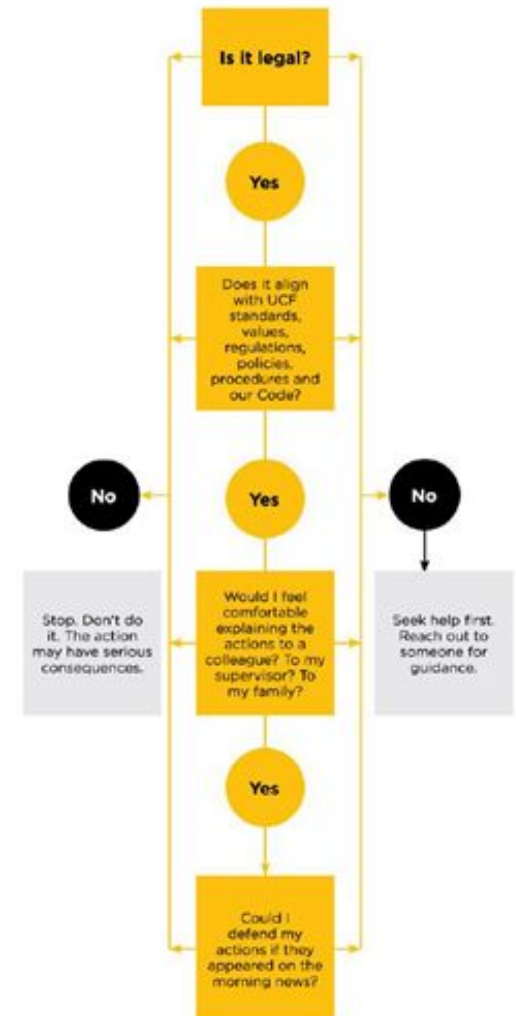
Following our UCF Ethical Standards, ask yourself - will the decision I make demonstrate:

- 1. Honesty and Integrity**  
Am I being fair and honest, avoiding actual or perceived conflicts of interests or commitments?  
Am I being transparent?
- 2. Respect**  
Am I being respectful to the ideas of others, embracing and valuing diversity and ensuring that I am not taking advantage of others?
- 3. Responsibility and Accountability**  
Am I certain that this action is legal and ethically sound?
- 4. Stewardship**  
Am I using the university's resources to carry out my responsibilities to the university, or will this use provide me some personal benefit?

For more guidance, refer to the Framework for Ethical Decision Making.

If you are still uncertain of the right thing to do in a given situation and need more assistance, consult with your supervisor, compliance partner of the related compliance area, University Compliance, Ethics, and Risk, or submit an inquiry through the UCF IntegrityLine.

## If unsure, ask yourself:

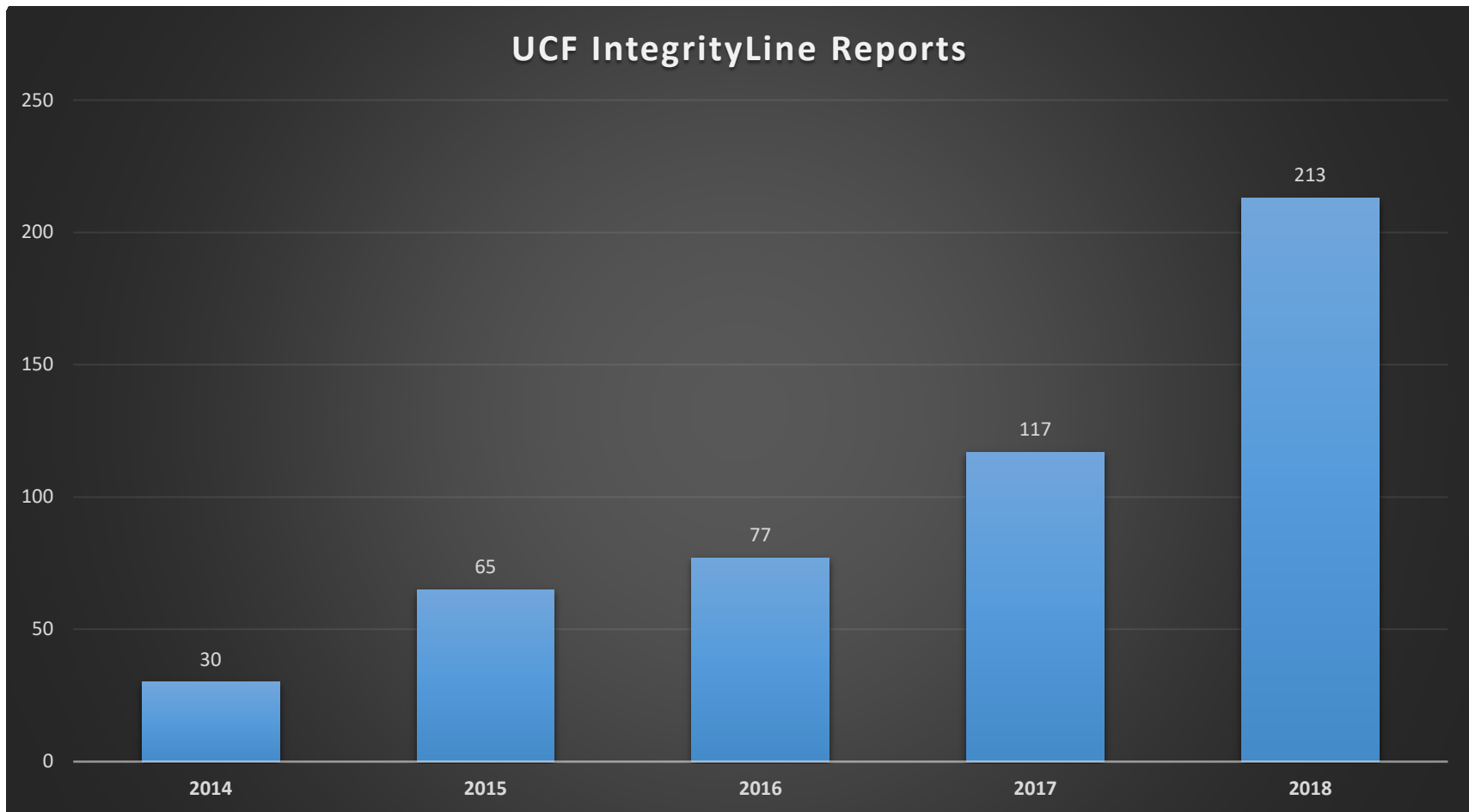


# Speak Up! Bus



# UCF IntegrityLine Reports

## 2014-2018



# UCF IntegrityLine

National Compliance and Ethics Week

 **University Compliance,  
Ethics, and Risk Office**

**2018 National Compliance and Ethics Week**  
(Click the image below to access the training module)

 **Know the Code**

Know the Code-UCF  
Reporting Violations



**Know the Code  
Reporting Violations**  
*in 3 minutes*

## Retaliation Awareness



# Compliance and Ethics Culture Survey 2016 - 2018

| To what extent do you agree or disagree with the statement:   | 2016           |         | 2018  |         | Trend (2018 - 2016) |
|---|----------------|---------|-------|---------|---------------------|
|   | Count          | % Agree | Count | % Agree |                     |
| I feel comfortable reporting incidents or concerns of noncompliance to my supervisors.  | 1,457          | 69%     | 1,191 | 71%     | 2%                  |
| I feel that I would be protected from retaliation if I report a suspected compliance violation to my supervisor.  | 1,341          | 64%     | 1,106 | 66%     | 3%                  |
| I feel that I would be protected from retaliation if I report a suspected compliance violation to a central office (e.g. Human Resources, OIE, Procurement, etc.) | 1,332          | 63%     | 1,103 | 66%     | 3%                  |
| I feel that I would be protected from retaliation if I report a suspected compliance violation through UCF IntegrityLine.   | 1,301          | 62%     | 1,128 | 67%     | 6%                  |
| I believe that most UCF employees know the laws, regulations, and policies that they are required to follow.  | Not applicable |         | 1,038 | 62%     | -                   |

% Agree includes responses of "Strongly Agree", "Agree" or "Somewhat Agree"

- 71% employees reported comfortable speaking up to supervisors (up 2%)
- 66%-67% employees feel protected from retaliation when speaking up (up 3%-6%)

| How familiar are you with...  | 2016           |            | 2018  |            | Trend (2018 - 2016) |
|---|----------------|------------|-------|------------|---------------------|
|   | Count          | % Familiar | Count | % Familiar |                     |
| University Compliance, Ethics and Risk office                               | 1,003          | 47%        | 1,162 | 69%        | 22%                 |
| UCF Creed   | 1,676          | 80%        | 1,410 | 84%        | 5%                  |
| UCF's policy for reporting Misconduct and Protection from Retaliation       | 1,278          | 61%        | 1,249 | 75%        | 14%                 |
| UCF IntegrityLine for anonymously reporting compliance and ethical concerns | 945            | 45%        | 1,117 | 67%        | 22%                 |
| UCF Employee Code of Conduct  | Not applicable |            | 1,450 | 86%        | -                   |

% Familiar includes responses of "Very Familiar", "Familiar" or "Somewhat Familiar"

- 67% employees reported familiar with the UCF IntegrityLine (up 22%)
- 75% familiar with Policy on Reporting Misconduct and Protection from Retaliation (up 14%)





INTEGRITYSTAR – OCTOBER 2018 | SEE PREVIOUS EDITIONS

# IntegrityStar

UCF Compliance & Ethics Newsletter

## 2018 Compliance and Ethics Culture Survey

### Background

In 2016, University Compliance, Ethics, and Risk conducted a compliance and ethics culture survey to evaluate the compliance and ethics culture at UCF. The results of the survey were extremely positive, with a few opportunities for improvement, such as a relatively low employee familiarity with University Compliance, Ethics, and Risk, the UCF IntegrityLine, and UCF's policy for reporting Misconduct and Protection from Retaliation. To increase employee awareness and education about the office, the UCF IntegrityLine, UCF policies and regulations, and compliance and ethics topics, the office implemented a number of initiatives such as the new UCF Employee Code of Conduct, three online web trainings titled *Gifts and Honoraria*, *Potential Conflicts*, and the *UCF Employee Code of Conduct*, and the compliance and ethics newsletter, the *IntegrityStar*. Annual Compliance & Ethics Week awareness campaigns were held each November and the office hosted tabling events for faculty during orientation and for staff during the benefits fair each year. All new employees also began receiving information about the office, the UCF IntegrityLine, and the UCF Employee Code of Conduct.

[READ MORE](#)

## Code of Conduct: The Code and the Road

You're driving to a wedding. You thought the directions to the address were clear but suddenly nothing looks familiar. You drive in circles, turning the directions over and over in your mind as you anxiously watch the hands of the clock. Finally, in a moment of clarity, you remember the road map in your glove box. Quickly, you re-orient yourself to your current location and arrive breathlessly just as the ceremony begins.

[READ MORE](#)

## When to Blow the Whistle

The whistle-blower term comes from the expression "blow the whistle" and refers to a sports official who calls a foul during the game. When university wrongdoing occurs, calling foul as soon as possible can save the university millions in fines and legal fees and preserve a priceless reputation.



## A message from University Compliance, Ethics, and Risk

In August 2018, Christina Serra, Director of Compliance and Ethics and Interim Chief Compliance and Ethics Officer presented to the Board of Trustees Audit and Compliance Committee the positive results of our second Compliance and Ethics Culture Survey.

[READ MORE](#)

## In the Spotlight

This edition of the *IntegrityStar* highlights a relatively new but very important policy, UCF 2-010, *Whistle-blower Determination and Investigation Policy*.

[READ MORE](#)

## Recognition

See who is being recognized for outstanding efforts in compliance.

[READ MORE](#)

## New or Updated UCF Policies and Regulations

Read about the new or updated UCF policies and regulations that were recently approved.

[READ MORE](#)

## FAQs

In each *IntegrityStar* edition, we highlight some frequently asked questions. In this ninth edition, we provide questions and answers related to the topic of reporting.

[READ MORE](#)

## In Our Next Edition

Our tenth edition will be out in the spring of 2019.

# UCF IntegrityStar

October 2018

Articles:

- C&E Culture Survey Results
- Code of Conduct
- Whistle-blower Policy
- When to Blow the Whistle



# Whistle-blower Program

- a) University Audit is authorized by FL statute (Sections 112.3187 – 112.31895 aka Whistle-blower's Act) and Board Of Governors' regulation (4.002 SUS Chief Audit Executives) to perform this role for the university.
  
- b) The BOG regulation designates the Chief Audit Executive to act as the Inspector General for the Whistle-blower's Act.

University policy 2-010 (Whistle-blower Determination and Investigation) was created to support compliance with the statutes and BOG regulations.



UNIVERSITY OF CENTRAL FLORIDA  
Office of the President

|   |                             |                         |
|---|-----------------------------|-------------------------|
| SUBJECT:<br>Whistle-blower Determination and Investigation Policy | Effective Date:<br>6/8/2018 | Policy Number:<br>2-010 |
|   | Supersedes:                 | Page<br>1               |
|   | Of<br>6                     |                         |
| Responsible Authority:<br>Chief Audit Executive                   |                             |                         |

**APPLICABILITY/ACCOUNTABILITY**

This policy applies to all members of the university community, including direct support organizations (DSOs), who are current or former university employees or applicants for employment, as well as current or former employees of a university contractor.

**POLICY STATEMENT**

The university is committed to identifying and protecting whistle-blowers in accordance with the Whistle-blower’s Act (Sections 112.3187-112.31895, Florida Statutes). It is the intent of the Whistle-blower’s Act to prevent agencies or independent contractors from taking retaliatory or adverse personnel action against an employee who reports violations of law which create a substantial and specific danger to the public’s health, safety, or welfare, or relate to gross waste of public funds, gross mismanagement, malfeasance, misfeasance, Medicaid fraud or abuse, or gross neglect of duty committed by an employee or agent of an agency or independent contractor.

All university and DSO employees are responsible for promptly referring any potential whistle-blower complaints they receive from a known individual to University Audit for determination of whistle-blower status. Although anonymous complaints do not qualify for whistle-blower status, any anonymous complaints alleging fraudulent activity as outlined in university policy 2-800.1, Fraud Prevention and Detection, should also be promptly referred to University Audit for disposition.

When a whistle-blower investigation is necessary, University Audit is responsible for performing the investigation into the whistle-blower complaint and will refer other claims

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An Equal Opportunity and Affirmative Action Institution



## Key Point # 1

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Whistle-blower determinations are performed by University Audit regardless of the source (sources extend beyond IntegrityLine)

You cannot request or claim whistle-blower status if you make an anonymous complaint.

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You must identify yourself to University Audit to be eligible for whistle-blower status.

You may accidentally or inadvertently identify yourself to University Audit via submitted documentation. In this case, a whistle-blower determination will be performed.

Key Point  
# 2

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You cannot obtain whistle-blower status if you have participated in any illegal or inappropriate activity that you reported or alleged has occurred.

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## Key Point # 3

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Whistle-blower status typically provides the following protections:

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Affords the complainant permanent anonymity. Complainant's identity is exempted from public record even after the investigation is closed.

Provides the complainant protection from retaliatory acts and or adverse personnel actions.

Allows the complainant to pursue administrative remedies and or bring civil action.

Outlines/defines requirements for providing relief to the complainant, where retaliation has occurred.

## Key Point # 4

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The whistle-blower determination is made on information provided by the complainant prior to the start of the investigation not on the results of the investigation.

---

Once an investigation has been initiated, whistle-blower status cannot typically be provided.

Key Point  
# 5

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Whistle-blower status is rarely granted based on the definitions within the Florida statute.

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For example:

“Gross mismanagement” means a continuous pattern of managerial abuses, wrongful or arbitrary and capricious actions, or fraudulent or criminal conduct which may have a substantial adverse economic impact.



## Key Point # 6

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As required by statute, University Audit is required to complete the whistle-blower determination within 20 calendar days of receipt of the complaint. The date of “receipt” by University Audit varies based on the source.

Regardless of the issues involved, complaints from named individuals coming to other UCF departments from known complainants need to be forwarded to University Audit as quickly as possible.

---

Extensions can be granted by the Governor’s Office if additional time is required to interview the complainant and/or review evidence provided prior to the start of any investigation.

A report on the investigation shall be submitted to the Chief Inspector General (Governor’s Office) and the complainant within 60 days. This time period may be extended in writing by the Chief Inspector General for good cause shown.

Key Point  
# 7

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The complainant is directly notified of their whistle-blower status in writing by University Audit. There is no appeals process.

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If the same or other complaints are submitted by a named individual to the Governors Inspector General office and/or the Board of Governors' Inspector General, they are routinely forwarded to University Audit for additional whistle-blower determination activities as appropriate.

## Key Point # 8

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A whistle-blower related investigation does not have to be performed by University Audit and may be performed by individuals that are not university employees.

---

However, per statute, University Audit is responsible for overseeing the investigation, ensuring standards are followed, and coordinating all activities of the whistle-blower investigation. This includes distribution of investigation findings to the complainant, and applicable parties such as the Board of Governors, Board of Trustees, and management.

Key Point  
# 9

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Even if whistle-blower status is not granted to the complainant, an investigation may still take place based on the information provided. This investigation can be performed by internal or external parties.

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If whistle-blower status is not provided, the complainant(s) is still covered by UCF anti-retaliation policy (2-700 Reporting Misconduct and Protection from Retaliation).

## Key Point # 10

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Per discussion with the Board of Governors' Inspector General, we have been informed that either a Board of Trustee member or direct support organization (DSO) would not be eligible for whistle-blower status. This issue is currently being researched.

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If a whistle-blower complaint is made against a Board of Trustee member, the investigation would potentially be escalated to the Board of Governors' Inspector General to avoid potential conflict of interest issues.

## Key Point # 11

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There are circumstances where a whistle-blower could be publicly identified including:

When “the disclosure of the individual’s identity is necessary to prevent a substantial and specific danger to the public’s health, safety, or welfare or to prevent the imminent commission of a crime; or the disclosure is unavoidable and absolutely necessary during the course of the audit, evaluation, or investigation.”

When the complainant provides written consent to release their name or identity.

If there is a criminal prosecution associated with the investigation.

---

## Calibrate

Language between various UCF policies for clarity and consistency

## Execute

### Additional Training

- Mandatory on-line training for all employees on the UCF IntegrityLine and whistle-blower program
- Increase awareness of whistle-blower program and policy to potential complainants
- Training to key departments on handling and escalating named complaints for whistle-blower determination

## Monitor

Changes to Florida Statutes

## Incorporate

The volume of whistle-blower investigation activities into department staffing model

## Leverage

Results from culture survey to evaluate further improvements to the program

# Next Steps

# Questions?





**ITEM: INFO-3**

**UCF BOARD OF TRUSTEES  
Audit and Compliance Committee  
April 23, 2019**

**Title:** University Audit Report

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**Background:**

The UCF Audit and Compliance Committee Charter (<https://compliance.ucf.edu/files/2017/03/Approved-1.13.17-UCF-BOT-Audit-and-Compliance-Committee-Charter.pdf>) requires that the committee meet at least three times as year. A standard agenda item for these meetings is to have University Audit to provide a status update on their activities to the committee.

In addition, the Institute of Internal Auditors standard 1111 (Direct Interaction with the Board) states that "The chief audit executive must communicate and interact directly with the board."

**Issues to be Considered:**

While no formal approval or acceptance of this report is required, the committee is encouraged to use this material to assist in providing a recommendation to the full UCF Board of Trustees on the potential use of external audit services which has been discussed in prior board meetings. Also, any thoughts on areas of interest for future committee training or projects for inclusion on the audit plan should be provided as well.

**Alternatives to Decision:**

No decision is required to accept or approve this report.

**Fiscal Impact and Source of Funding:**

If a decision is made to acquire external audit services, there will be the need for the committee or full board to make decisions on the maximum budget for these services, the selection process for these services, the appropriate source(s) of funding and cost centers, the frequency of these services, and how the results of these services will be used.

**Recommended Action:**

University Audit would recommend the committee focus any suggestions to the full Board of Trustees on a targeted use of external audit services to coordinate with current Florida Auditor General activities along with supplementing any additional audit department staff that would work entirely on financial statement control development and monitoring activities.

**Authority for Board of Trustees Action:**

UCF Audit and Compliance Committee Charter.

**Committee Chair or Chairman of the Board approval:**

Committee Chair Beverly Seay approved the agenda and all supporting documentation.

**Submitted by:**

Robert Taft, Chief Audit Executive

**Supporting Documentation:**

Attachment A: University Audit Report

**Facilitators/Presenters:**

Robert Taft, Chief Audit Executive

Attachment A

# University Audit Presentation

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UCF BOT Audit and Compliance Committee  
April 23, 2019

## Agenda

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- Update on L3 lease per Trustee Walsh's request
- Ongoing and upcoming projects
- Governance models and the potential role of external auditors
- Staffing update
- Technology update
- AGB 2018 trustee index

## L3 Lease Update

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1. Lease agreement was approved by the Board of Trustees on November 15, 2018.
2. Lease agreement has been signed with the UCF Real Estate Foundation for a five year period initially starting on December 3, 2018.
3. Source of funds is distance learning fees (auxiliary funds not E&G funds).
4. No requirements that this funding source would ever need to be reverted to the state.
5. Lease payments will be made on a monthly basis and no prepayment of lease is required or anticipated.
6. Building will be shared by UCF's Digital Learning Center and UCF's Continuing Education.
7. Expected move-in date will be December 2019 at the earliest with IT and facility renovation currently taking place.
8. Unrelated recommendation to have approval of BOT and committee meeting minutes be performed by acting chair if the permanent chair is not present.

## Ongoing Projects

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- Capital projects-Roth Athletic Center
- Downtown campus project status review
- Disaster recovery/business continuity review
- Purchasing card transaction analysis/Power BI
- Admissions process and procedures
- 36 active investigations

## Planned Projects

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- Budget model review (audit was deferred on our plan per management request)
- Enhancement of automated PeopleSoft financial transaction and reporting controls (including transfer of funds)
- Memorandum of understanding (MOU) gap analysis
- Additional capital projects as approved by BOT
- UCF Global/Shorelight management request
- Use of e-signatures and automated forms

## Staffing Update

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- Currently at 6 professional FTE
- Senior Auditor search
- Eventual return of Kathy Mitchell to full time audit role
- Use of part time staff and student interns for investigations
- Evaluation of staffing model and needs
- Search committee responsibilities

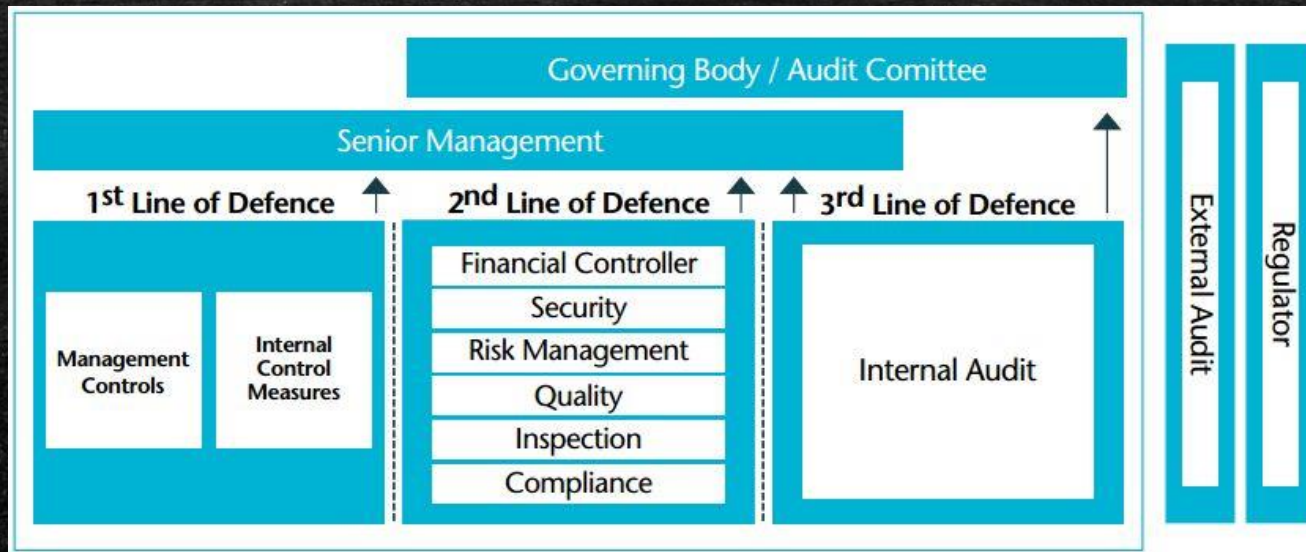


## Technology Update

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- MKI audit management software
- IT strategic governance committee
- Student success technology initiatives
- PeopleSoft query inventory
- Facilities technology recommendations

# Traditional Three Lines of Defense



# Additional Lines of Defense



## What is our role?

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- “I believe the #1 priority for both risk functions and internal audit should be to strengthen the motivation and capability of management to assess, manage, and reliably report on uncertainty linked to top value creation and preservation objectives.”
- “Priority #2 for internal audit and risk functions should be to report to their boards an opinion on how well management is doing on that.”

Tim Leech

Managing Director-Risk Oversight Services

10

# Florida Auditor General

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- The Constitution of the State of Florida provides for the Legislature to appoint an auditor who shall audit the public records and perform related duties as prescribed by law or concurrent resolution. Section 11.42, Florida Statutes, designates the constitutional auditor as the Auditor General and Sections 11.42 through 11.47, Florida Statutes, set forth her general authority and duties.
- As the state's independent external auditor, the Auditor General provides unbiased, timely, and relevant information that the Legislature, Florida's citizens, public entity management, and other stakeholders can use to promote government accountability and stewardship and improve government operations.
- Over 300 employees organized into three divisions: the Information Technology Audits Division, the Educational Entities and Local Government Audits Division, and the State Government Audits Division.
- Supported by a general counsel and quality control group.

## Florida Auditor General--Duties

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- Conduct financial audits of the accounts and records of state government, state universities, state colleges, and school districts.
- Conduct operational and performance audits of public programs, activities, and functions and information technology systems.
- Federal Audits
- Subject to peer review to verify they conform to Government Auditing Standards and have high quality and professional staff.

# Comparison of Florida Auditor General to “Big 4”

## Auditor General

1. Completely independent from UCF
2. Perform their own risk assessment for audit scope determination
3. Conduct audits in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States.
4. Provide written reports
5. No direct compensation from UCF
6. No RFP/ITN requirement
7. Cannot be removed by UCF

## Big 4

1. Completely independent from UCF
2. Perform their own risk assessment for audit scope determination
3. Conduct audits in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in Government Auditing Standards, issued by the Comptroller General of the United States.
4. Provide written reports
5. Would require direct compensation from UCF unless performing pro bono work
6. Would require RFP/ITN on periodic basis
7. Could be removed by UCF

## External versus Internal Auditor focus

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### External Auditors

- External auditors' primary responsibility is to examine the financial records and issue an opinion regarding the financial statements of the organization.
- Can perform other types of services such as operational audits (potential conflict of interest for public accounting firms but not for Auditor General)
- Look for fraud and investigate as appropriate

### Internal Auditors

- Internal auditors will typically examine issues related to the organization's objectives, business practices and related risks
- Can perform financial records/processes work as part of their role or can assist the external auditors with their annual financial statement audit.
- Look for fraud and investigate as appropriate



# Potential scope of external auditor services

| Specific "one-off" projects  | Continuous co-sourcing  | Concurrent external audit  |
|--|---|--|
| <ul style="list-style-type: none"> <li>• System implementation or enhancement</li> <li>• Process design/redesign</li> <li>• Regulatory compliance support</li> <li>• Consulting services</li> <li>• Investigations</li> <li>• Reports typically issued independently with follow-up performed by Internal Audit</li> </ul> | <ul style="list-style-type: none"> <li>• Serve as full time IT,SOX, construction, medical claims, etc. internal audit resource for the organization</li> <li>• Audit plan developed for them by Internal Audit</li> <li>• Audit scope and activities managed by Internal Audit</li> <li>• Reports would be issued through Internal Audit office where follow-up would be coordinated</li> </ul> | <ul style="list-style-type: none"> <li>• Would replicate the work performed by the Auditor General during their annual Financial Audit</li> <li>• Would issue an opinion in separate report or be incorporated into annual Auditor General report</li> </ul> |

# AGB 2018 Trustee Index Report

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## Areas of focus that Trustees across the nation are thinking about:

1. Public's perception of higher education
2. Cost of higher education and impact of student loans
3. Free speech on campus
4. Role and cost of athletic programs
5. Title IX/sexual assault
6. Budget, funding and pricing models (is the university built to last?)
7. Academic programs (reduction of non-performing programs and approval of experimental programs)
8. Student retention, graduation rates, and post-graduation outcomes

# AGB 2018 Trustee Index Report

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## Key questions for Boards

1. Could any of these issues be a fatal blow to your institution?
2. Is the Board getting the right level of information to make decisions on these initiatives?
3. Does the Board have enough time to analyze and discuss this information to make sound decisions?
4. Does the current committee structure meet these needs and priorities?
5. Which projects related to these issues should be selected for funding (or defunded) and why?
6. How can the Board serve as public advocates for higher education?

ITEM: INFO-4

**UCF BOARD OF TRUSTEES**  
**Audit and Compliance Committee**  
**April 23, 2019**

**Title:** Crowe LLP Proposal

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**Background:**

The Florida Board of Governors is evaluating a proposal to have an external accounting firm perform an Internal Management Accounting Control and Business Process Review for the entire State University System. The attached document is Crowe's proposal to provide this work.

**Issues to be Considered:**

Does this document impact any actions by the committee including any potential requests for external auditor services being considered by the Audit and Compliance Committee for recommendation to the full board? How does the committee anticipate leveraging any reports from this project as part of their overall governance responsibilities?

**Alternatives to Decision:**

It appears that participation in the Board of Governors project will be mandatory.

**Fiscal Impact and Source of Funding:**

It is anticipated that each university will be asked to contribute to the cost of the review with each university's share to be determined. The total fees for service was quoted as \$549,920.

**Recommended Action:**

The Audit and Compliance Committee should be prepared to participate in this project as requested by Crowe and to include any reports from the project as an agenda item for a future committee meeting.

**Authority for Board of Trustees Action:**

Section 5 of the Audit and Compliance Committee charter.

**Committee Chair or Chairman of the Board approval:**

Committee Chair Beverly Seay approved the agenda and all supporting documentation.

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**Submitted by:**

Robert Taft, Chief Audit Executive

**Supporting Documentation:**

Attachment A: Crowe LLP Proposal

**Facilitators/Presenters:**

Robert Taft, Chief Audit Executive

Attachment A



# Proposal to Provide Internal Management and Accounting Control and Business Process Review

January 11, 2019

**Submitted to:**  
Rosey Murton, CPPO, CPPB  
Chief Procurement Officer  
State University System (SUS) of Florida Board of Governors  
325 West Gaines Street, Suite 1614  
Tallahassee, Florida 32399-0400

**Submitted by:**  
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January 11, 2018

Rosey Murton, CPPO, CPPB  
Chief Procurement Officer  
State University System (SUS) of Florida Board of Governors  
325 West Gaines Street, Suite 1614  
Tallahassee, Florida 32399-0400

Dear Board of Governors:

Crowe LLP appreciates the opportunity to present our proposal to provide Internal Management and Accounting Control and Business Process Review services to the State University System of Florida Board of Governors ("SUS" or "Board"). We understand, based on your RFQ that SUS is seeking an experienced, professional firm with proven experiences in business process internal control systems to perform, as needed, an evaluation and risk assessment of SUS's internal controls systems over operations, reporting and compliance. I believe that our approach to risk assessments of internal controls systems fits well with SUS's objectives, specifically as it pertains to identifying and responding to risks that threaten assets, services, reputation, and strategic initiatives.

Crowe is a public accounting, consulting, and technology firm with offices throughout the United States and around the world. Our vision is built on deep specialization and a focus on our clients, our people, and the hallmarks of our profession: integrity, objectivity, and independence. We forge each relationship with the intention of delivering exceptional client service while upholding our firm's core values and strong professional standards. Crowe has delivered value to our clients for decades by listening to their needs and developing a comprehensive understanding of their businesses and would appreciate the opportunity to do the same for you. Crowe will be strategically teaming with Huron Consulting Group (Huron) for this project.

I believe our firm's experience and expertise in risk management services puts us in a position to form a valuable professional relationship with the SUS.

- **Risk Management (RM) Expertise** - consulting services is one of our key service offerings within our Public Sector Services practice. We have several professionals, whom we have included on our proposed team roster, who specialize in RM specifically for public sector organizations. Examples of the types of clients for whom we have provided these types of RM assessments include higher education institutions, not-for-profit organizations, governmental agencies, and transit authorities. We also are very active in thought leadership on ERM in the public sector, and have led various training sessions, webinars, and have presented at several professional speaking events on this topic.
- **Strategic View on Risk** - While we understand that the focus of this engagement will be on assessing risks to the SUS, I believe that tying those risks back to the University's and the SUS' mission, vision, and strategic initiatives will create tremendous value. I have included a brief synopsis of the ways in which our approach would provide value to the SUS by tying strategy with risk and performance in order to evaluate strengths and gaps, and make recommendations for improving your risk management practices.
- **Strong public sector consulting practice.** Professionals throughout our firm who devote their efforts to serving more than 800 not-for-profit organization clients. This commitment to specialization allows us to develop and retain personnel who are very familiar with the not-for-profit environment, work with diverse organizational and governance structures, and participate in understanding, developing and implementing best practices with our clients.

Rosey Murton, CPPO, CPPB  
Chief Procurement Officer  
Page ii

- We have also made a long-term investment in developing our higher-education practice. We have more than 170 professionals throughout our firm who devote their efforts to serving more than 150 colleges and universities. This commitment to specialization allows us to develop and retain personnel who are very familiar with the higher education environment, work with diverse organizational and governance structures, and participate in understanding, developing and implementing best practices with our clients.
- **Client Service Experience.** We want to build strong relationships with our clients and dedicate ourselves to understanding ways in which we can ensure the services and experience we are providing are in alignment with their needs and expectations. We believe it is important to strive for continuous improvement in the ways we interact with and deliver those services to clients. We do this, in part, through our client service model and seeking feedback on our performance from our clients.
- **We Collaborate and Provide Knowledge Transfer.** Our approach to your needs will be flexible and provide value added ideas and solutions to issues that arise during the project. We are well positioned to serve as a partner who is results oriented to help execute your plans, and to provide ways to meet your objectives. We will serve many of your requirements with our team, and because we operate a national practice, we will be able to pull expertise from many parts of the firm to review your needs.

We welcome the opportunity to discuss this further with you. Should there be any questions with regard to our response, please do not hesitate to contact me via telephone at 630.990.4410 or via email at [mark.maraccini@crowe.com](mailto:mark.maraccini@crowe.com). We look forward to the opportunity to discuss our response and welcome the opportunity to demonstrate our service capabilities

Thank you for taking the time to consider Crowe. We are looking forward to demonstrating why Crowe is the best firm to exceed your expectations.

Sincerely,



Mark Maraccini  
Partner (IL CPA)

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## Company Overview



## Organizational Structure

### Crowe: Building Lasting Value

Crowe is a public accounting, consulting, and technology firm that combines deep industry and specialized expertise with innovation. By listening to our clients, we learn about their businesses and the challenges they face. Our dedicated teams strive to deliver exceptional client service while upholding our core values and strong professional standards. We invest in tomorrow because we know smart decisions build lasting value for our clients, people, and profession.

Headquartered in Chicago, Illinois, Crowe is a global accounting, consulting, and technology firm with U.S. locations across the nation. The firm's CEO is responsible for directing the ongoing management of the firm. The CEO appoints people and committees to assist with firm management and recommends initiatives for strategy, policies, and direction to the Board of Directors, which is the Firm's governing body. The firm's CEO is a CPA.

The Board of Directors function is responsible for approving the strategic direction of the firm and top-level governance. It approves long-range strategies, business plans, performance goals, and major transactions that could significantly affect the firm's business and partners. Its authority includes firm management and structure, election of the CEO, approval of the firm's capital policies, adjustments in the firm's allocation of income to partners, and general oversight of partnership operations. All voting members of the Board of Directors are CPAs.

Founded in 1942 as Crowe Chizek, Crowe provides a wide variety of high-quality services, including audit and accounting, tax, technology, and advisory services. The firm has been providing auditing services for 75 years and has more than 4,100 personnel.

### National Reputation and Global Reach

Given today's rapid globalization and increasingly competitive markets, business leaders are expressing needs we can help fulfill with our deep specialization and industry-focused audit, tax, advisory, risk, and performance services. At Crowe, we use the comprehensive knowledge we gain through a global network to offer timely, accurate, and cost-effective services no matter where your business is located. We can help sort through the complexities for U.S. companies with operations abroad and for global companies doing business in the United States.



*"Our vision is built on deep specialization, which allows us to deliver value to our clients and people."*

**James Powers**  
Chief Executive  
Officer  
Crowe LLP

### Deep Specialization

Our vision is built on deep specialization and a "One Crowe" approach – a focus on our clients, our people, and the hallmarks of our profession: integrity, objectivity, and independence. By aligning our specialists along industry lines, we bring deeper and broader knowledge to our services. This industry specialization gives us a better view to understand your business and the unique challenges you face. You can trust us to help you with your market and business challenges because of our proven reputation and track record for credibility among key industry players, including lenders and professional organizations.

### Technology-Driven Solutions

At Crowe, innovation is part of our culture. Our accomplished software development team works in conjunction with our firm's thought leaders and industry specialists to cultivate original, practical solutions that help address our clients' most pressing challenges. Connecting deep industry knowledge with innovative technology, we help clients streamline and effectively manage complex processes.

### Exceptional Client Experience

Our professionals are committed to maintaining the firm's reputation for technical excellence, team effectiveness, and high-quality service. The Crowe client relationship model provides the framework for delivering exceptional service and client satisfaction while upholding the industry's strong professional ethics and standards. These high expectations are articulated in our client experience strategy. We hold ourselves accountable to the standards of superior performance by monitoring our service through feedback tools to track client satisfaction, engagement value, and timely issue resolution.

## Risk Practice Overview

Crowe has provided risk solutions to over 600 organizations. Our Risk Services practice consists of approximately 1,100 professionals internationally who provide governance and risk consulting services to clients on a dedicated, full-time, year-round basis. Our industry coverage is broad and includes higher education, not-for-profit, government, energy, manufacturing, construction, financial services, healthcare, insurance, real estate, services and technology.

| Risk Process and Internal Audit  | Technology Risk and Security   |
|--|--|
| <ul style="list-style-type: none"> <li>Enterprise Risk Management</li> <li>Corporate Governance</li> <li>Data Analytics</li> <li>Process Re-engineering</li> <li>Operations Performance</li> <li>Internal Audit</li> <li>SOX 404</li> <li>Forensic Accounting and Auditing</li> <li>Fraud, Ethics, and Anti-corruption</li> <li>Policies and Procedures</li> </ul> | <ul style="list-style-type: none"> <li>Technology Risk</li> <li>System Implementations</li> <li>Application Controls</li> <li>IT Audit</li> <li>Information Security</li> <li>Information Privacy</li> <li>e-Discovery and Forensic Technology</li> <li>Penetration Testing</li> <li>Business Continuity &amp; Disaster Recovery</li> <li>SSAE 16 / SOC Reports</li> </ul> |

We believe in bringing practical "hands-on" experience to clients to provide value-added versus reliance on younger, less experienced professionals. Our services focus on internal audit, IT audit, corporate governance, third-party risk, enterprise risk management, security & privacy, FCPA and Sarbanes-Oxley services. We help clients identify, source, assess, and audit their business risks.

Risk Consulting is also unique in that it is organized and functions as a Global practice as Crowe Risk Consulting. This firm wide global structure allows us to provide consistent risk and audit services across the country and globe, as well as be flexible and responsive to our client's needs leveraging local resources where possible. The Crowe team serving SUS will include professionals who have devoted their careers to assisting clients with their needs. We assemble the most qualified team of industry experts to work on each engagement, rather than simply limiting our team to only the local geography. This approach will provide the SUS with a team of dedicated professionals who understand the issues effecting higher education institutions, and thus will be able to focus on adding value and exceeding your expectations immediately.

## National Government Practice

Crowe has diverse, in-depth governmental experience that delivers insight and a clear understanding of the challenges and solutions of public sector agencies. Crowe has been serving the needs of government organizations for **more than 50 years**. We work with many different types of government organizations, including public transportation organizations, counties, municipalities, special service districts, school districts, library districts, State agencies, and quasi-governmental entities.

Crowe's Government Services Team is comprised of 200 professionals, across many of our disciplines and has worked with hundreds of public sector clients on thousands of engagements throughout the United States to streamline systems and processes, optimize revenue, and enable entities to meet reporting and compliance requirements. Our approach is to bring the best experience to the client to serve the needs of the client best. In today's environment, specialized skills are needed and our team spends their time serving clients in the public sector so that the clients receive the best expertise the firm has to offer.

Crowe solutions help address the financial and operational issues most critical to governments in challenging economic times. Our diverse skills sets – business process, technology, finance, accounting, fraud investigation, risk consulting, economic development, and performance - allows us to deliver effective, cost-efficient services and provides your audit team with an in-depth understanding of the unique needs of a local government.

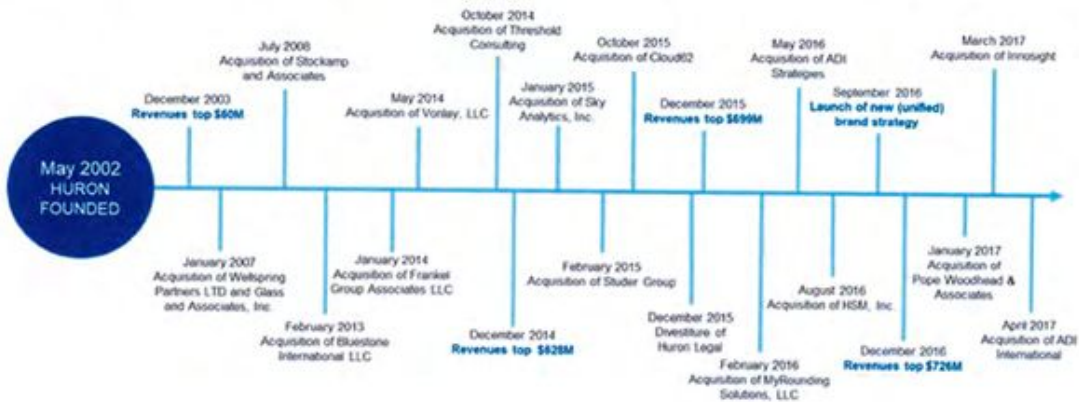
## Huron Consulting Group Background

### About Huron

Huron is a global consultancy that helps our clients drive growth, enhance performance and sustain leadership in the markets they serve. We partner with them to develop strategies and implement solutions that enable the transformative change our clients need to own their future. Learn more at [www.huronconsultinggroup.com](http://www.huronconsultinggroup.com).

### HURON HISTORY AND STRUCTURE

Huron was founded in 2002 with 200 employees and has over 3,000 full-time employees today



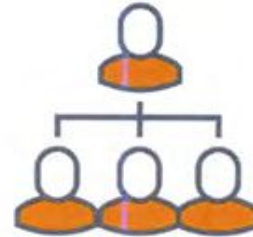


### Engagement Team Overview

Crowe has built its reputation on close senior level involvement and maintaining strong client relationships. The ultimate success of our client relationships is largely attributable to one key component – our people. The proposed engagement team is well qualified to provide quality, timely, and personalized services to you.

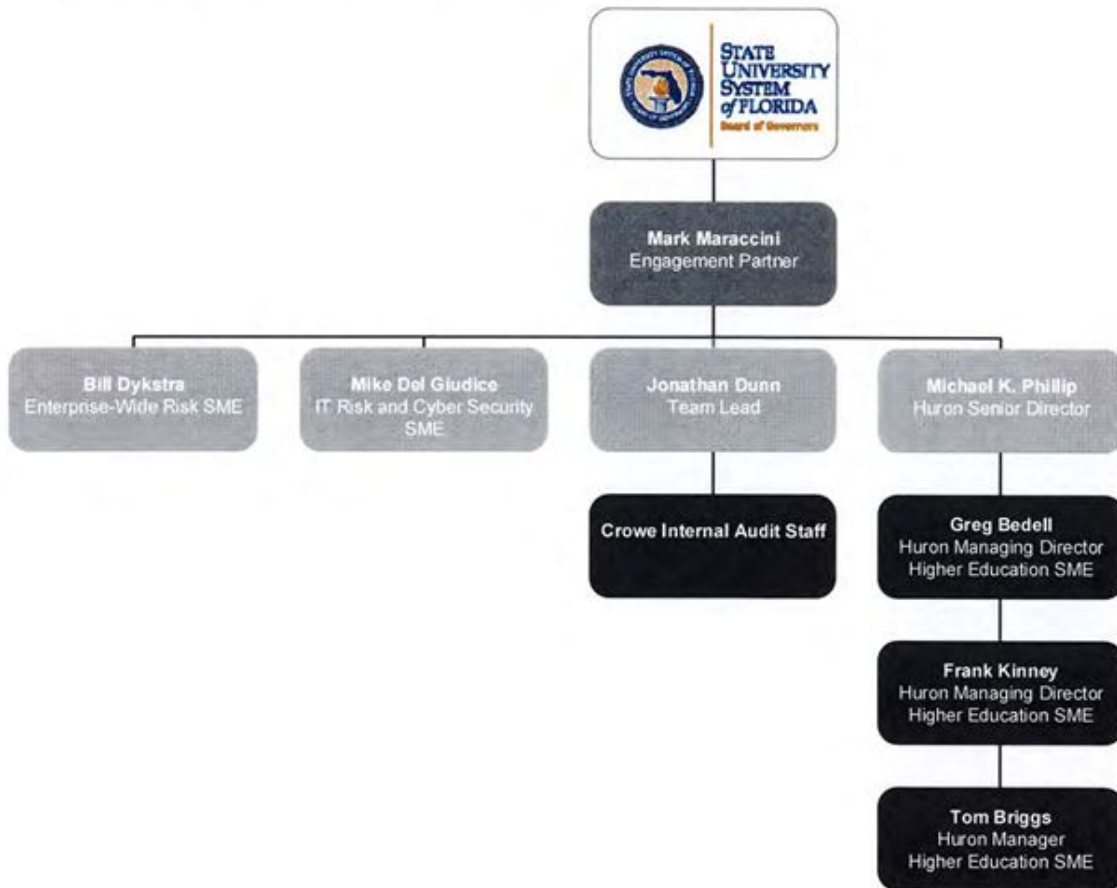
In assigning staff to engagements, we place high importance on maintaining continuity of staff throughout the assessment. This is important from a client service as well as an engagement efficiency perspective.

Your proposed engagement team is well qualified to provide SUS with quality, timely, and personalized service. Your engagement team includes members from Crowe and Huron that will work seamlessly together to exceed your expectations. This strategic alignment brings the SUS the industry experts in all facets of Higher Education along with public sector risk and control experts to bring you a team



### Engagement Team

We believe that a successful audit begins with creating the right engagement team. We propose to structure our team as follows.



Brief summaries outlining background, relevant experience, and industry credentials are provided below for the executive and scope area leaders named for this engagement.

| Key Personnel   | Company | Background and Experience   |
|---|---------|---|
| <b>Mark Maraccini</b><br>Engagement Partner               | Crowe   | Over the past 18 years, Mark has worked extensively with institutions of higher education conducting risk and internal control assessments. Mark has also conducted numerous single and compliance audits, which helped lay the foundation for understanding internal controls and risks surrounding financial reporting and federal compliance. Mr. Maraccini has also recently presented to the National Grants Management Association on Risk Management and is slated to speak at the IIA International Conference in 2019 on Enterprise Risk Management (ERM) in the public sector. Furthermore, Mark served on an expert panel for the IIA and AGA related to risks surrounding public sector internal audit divisions.                             |
| <b>Michael K Phillips</b><br>Senior Director              | Huron   | Michael is a Senior Director in Huron Consulting Group's Higher Education practice. He has over thirty years of experience assisting higher education and healthcare clients with establishing or improving their business operations and infrastructures. His primary expertise is in financial systems and technology. He also has extensive experience working with clients in developing business strategies, formulating policies, improving processes and implementing solutions.   |
| <b>Greg Bedell</b><br>Managing Director                   | Huron   | Greg has worked in the higher education, healthcare, government, and not-for-profit environments for more than 23 years. He has specialized in assisting universities and research institutions with strategic efficiency and effectiveness assessments, cost reduction, organizational redesign, operational improvement, process reengineering, systems selection, research administration management and compliance, and the implementation of effort reporting solutions.   |
| <b>Frank Kinney</b><br>Director                           | Huron   | Frank is an experienced professional with a broad range of financial and management knowledge and experience. His roles with colleges and universities have included serving in several administrative staff positions, as a management consultant, and as an independent auditor. As a project leader in Huron's higher education practice, Frank's previous engagement types include organizational studies, business process improvement, administrative systems enhancement, research compliance, cost containment, and interim roles such as controller and director of financial reporting.   |
| <b>Mike Del Giudice</b><br>IT Risk and Cyber Security SME | Crowe   | Mr. Del Giudice has 16 years of experience in the areas of information security and data privacy. He is a security and privacy thought leader, leading Crowe's IT Risk Management and Security Assessment solutions, while providing security services to a broad range of Fortune 500 organizations across industries. Mr. Del Giudice evaluates and develops solutions to improve IT capability, maturity, and governance. He is experienced in critical infrastructure environments, including insurance, financial institutions, energy, transportation, healthcare, and government sectors. Mr. Del Giudice assists management in the execution of security strategies, including the solution design, requirements gathering, and vendor selection. |
| <b>Bill Dykstra</b><br>Enterprise-Wide Risk SME           | Crowe   | Mr. Dykstra specializes in enterprise risk management in Crowe's Risk - Public Sector Services. He is an experienced project manager and has an internal audit background with 16 years of experience serving public and not-for-profit organizations. During his career, Mr. Dykstra has provided internal audit and risk consulting services to public and private educational institutions, transportation agencies, and a various not-for-profit service organizations and membership associations.   |

| Key Personnel                     | Company | Background and Experience   |
|-----------------------------------|---------|---|
| <b>Jonathan Dunn</b><br>Team Lead | Crowe   | Mr. Dunn has several years of professional experience, specializing on the Office of Management and Budget (OMB) Circular No. A-123. Mr. Dunn performed testing on the OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, for federal agencies. Mr. Dunn has performed A-123 testing on business processes including but not limited to; Financial Reporting, Grants Management, Budget, and Cash Management.   |
| <b>Tom Briggs</b><br>Manager      | Huron   | Tom is a Manager in our Strategy and Operations (S&O) group focusing on strategic planning, university operating budget assessment, organizational restructuring and capital planning. Tom has assisted universities with organizational alignment studies, financial reporting and management, internal control and process reviews, and financial analysis connected to strategic and capital investments. In addition, Tom is a licensed CPA with prior experience in financial reporting compliance, internal control assessment, and financial analysis. |

## Resumes

We have provided resumes of the key individuals listed above in **Appendix A** of our proposal. The resumes provide biographies that include relevant experience as well as years of experience, licenses and certifications, professional affiliations and educational background.



## Proposed Project Schedule

### Project Delivery Timeline

We have provided below a tentative schedule for performing key phases of the project and the time expected to be at each University to complete each phase of the risk assessments. The schedule below assumes an award date of March 1, 2019. Because of the inherent overlap between the Universities, some of the tasks can be performed concurrently between schools. Universities were grouped by undergraduate enrollment to maximize the likely similarities in business processes and risk factors. It is estimated that Task Number 2, 3, and 4 will take two weeks per University to complete and these tasks cannot be performed simultaneously with other Universities.

#### Group One: UCF, FIU, UF, FSU

| Activities / Task   | Timeline   |           |
|---|------------|-----------|
|   | Start Date | End Date  |
| 1. Planning   | 3/4/2019   | 3/9/2019  |
| 2. Initial Assessment                                       | 3/11/2019  | 5/4/2019  |
| 3. Risk Assessment  | 3/11/2019  | 5/4/2019  |
| 4. Internal Control Review and Business Process Improvement | 3/11/2019  | 5/4/2019  |
| 5. Presentations  | 5/6/2019   | 5/11/2019 |
| 6. Reporting  | 5/6/2019   | 5/11/2019 |

#### Group Two: USF, FAU, FGCU, UNF

| Activities / Task   | Timeline   |           |
|---|------------|-----------|
|   | Start Date | End Date  |
| 1. Planning   | 5/13/2019  | 5/18/2019 |
| 2. Initial Assessment                                       | 5/20/2019  | 7/13/2019 |
| 3. Risk Assessment  | 5/20/2019  | 7/13/2019 |
| 4. Internal Control Review and Business Process Improvement | 5/20/2019  | 7/13/2019 |
| 5. Presentations  | 7/15/2019  | 7/20/2019 |
| 6. Reporting  | 7/15/2019  | 7/20/2019 |

#### Group Three: UWF, FAMU, FPU, NCF

| Activities / Task   | Timeline   |           |
|---|------------|-----------|
|   | Start Date | End Date  |
| 1. Planning   | 7/22/2019  | 7/27/2019 |
| 2. Initial Assessment                                       | 7/29/2019  | 9/21/2019 |
| 3. Risk Assessment  | 7/29/2019  | 9/21/2019 |
| 4. Internal Control Review and Business Process Improvement | 7/29/2019  | 9/21/2019 |
| 5. Presentations  | 9/23/2019  | 9/28/2018 |
| 6. Reporting  | 9/23/2019  | 9/28/2018 |



## Fee Summary

Our goal in setting fees is simple: to provide long-term, cost-effective pricing for our clients. We are confident that we can work together to achieve an optimized plan for internal audit services.

We are committed to working with you to make sure the scope of our proposal is appropriate. While we experience cost increases throughout our relationships with our clients, we make every effort to structure an engagement fee arrangement, which will meet your needs while providing us with sufficient resources to perform the expected work.

### Description

Task #1: Initial Assessment – Business Process Review

Task #2: Risk Assessment

Task #3: Review, comment on, and recommend improvements of business and operational structural elements.

Task #4: Presentations to Committees and Individuals

Task #5: Facilitate a "Project Evaluation/Lessons Learned" Session at the end of the project and create a report of the findings.

**Total Fees for Services: \$549,920\***

\* Travel and out-of-pocket expenses for the scheduled services outlined in this response are included in the fee quote above.

## Fee Assumptions

- **NO ADDITIONAL CHARGE** for access to our thought leadership e-communications, webinars and literature.
- **NO ADDITIONAL CHARGE** for use of our secure information-sharing tool (CiRT) to gather and track audit requests or for additional data analytics tools that we incorporate into our audits
- Fees include professional time for work associated with on-site and off-site performance and documentation of procedures, preparation of written drafts and final reports, and presentation of results.
- Our policy is to bill for reasonable actual out-of-pocket expenses incurred.
- We will not surprise you with additional fees that have not been agreed to by all parties in advance. We will not charge for routine telephone calls, which are considered to be part of the basic services. If a question results in significant research or additional work or if we are requested to perform a consulting project, such effort is billed separately. We will provide you with an estimate of fees for such services and obtain management approval before proceeding.

## Fees for Additional Services

Professional fees for special projects outside of the agreed-upon scope will be determined based on project factors, such as type of project, subject matter experience required, scope, and resource requirements. Prior to commencing additional services, we will obtain your approval and agreement on the scoping and pricing.



## Services Delivery Plan

## Our Understanding of your Needs

Crowe understands that SUS is seeking an internal management and financial controls review to evaluate the strength of existing internal controls, and additionally, a review of business processes to identify any areas of risk for the SUS. Crowe understands the importance of having proper controls surrounding Florida's twelve universities, with current enrollment of more than 350,000 students, 60,000 faculty and staff, and an annual operating budget of more than \$14 billion, efficient operations and risk mitigation should be of paramount importance. In the orange boxes below, Crowe listed the core requirements sought by SUS and in the proceeding paragraphs, Crowe identified how our methodology is wholly capable of providing quality deliverables that are specifically tailored to meet your needs.

1

### Initial Assessment – Business Process Review

**Core Requirement:** Review of key documentation including regulations, business policies, procedures and processes and business requirements.

**Deliverable:** Initial report, to the BOG Office indicating that reviews are complete and provide an initial recommendation for scope of services.

2

### Risk Assessment

**Core Requirement:** Prepare a risk assessment that includes risks arising from Contractor's review of regulations, business policies, procedures and processes and business requirements. Contractor shall consider other critical project processes and other sources of possible risk. As part of the Risk Assessment, Contractor will also prepare an alignment and business process readiness review that assesses how well the SUS is aligned with State and Board regulation and policy/procedures.

Contractor shall include, but is not limited to, the following items in the Risk Assessment:

- A description of each risk and its risk level (i.e. green, yellow, red). Include explanation of the criteria used to determine the risk level;
- Recommend responses such as mitigation, contingency, and avoidance strategies.

**Deliverables:** Risk Assessment Report and Alignment and Business Process Readiness Review

3

**Business Process Improvements**

**Core Requirement:** Review, comment on, and recommend improvements of business and operational structural elements, including the following:

- Estimated budget and schedule review;
- Business processes and workflow structure;
- Accounting and financial controls;
- Detailed risk assessment;
- Initial solution requirements analysis;
- Perform an analysis of selected electronic data on a limited basis for anomalies or unusual transactions; and

**Deliverable:** Report Commenting On and Recommending Improvements of Business Processes. The report should identify recommended changes of business processes.

4

**Presentations to Committees and Individuals**

At the request of Board prepare and deliver presentations to committees and individuals about status of the project and Contractor's work on the project requests, dates, times, and locations shall be sent and confirmed, via email, to Contractor.

5

**Reporting**

**Core Requirement:** Facilitate a "Project Evaluation/Lessons Learned" Session at the end of the project and create a report of the findings.

**Deliverable:** Lessons Learned Report

**Crowes Methodology****Risk Assessment Approach**

In completing the objectives established by SUS, Crowe will use a phased approach in its risk assessment to compile and evaluate existing internal controls and business processes in place. The outcome is an impactful message to SUS's leadership on key organizational risks and how SUS is currently prepared to respond to them. This information will allow SUS to strengthen its internal control environment and withstand any for unforeseen business challenges. In the following paragraphs, we have provided our risk-based methodology for developing our internal control review, which has proven successful on our many other higher education clients. However, we realize that each organization is unique and has distinct ways of conducting business. Therefore, please note that our primary goal is to serve your specific needs and we will adapt our approach at your direction.

### Phase 1: Initial Planning

In preparation for this engagement, we will conduct our due diligence to gain an understanding of the mission, vision, and values of the SUS. We will inquire at a high-level as to the existence and maturity of any risk management practices, policies, and frameworks. This understanding must not only be specific to the assessment of risks, but also provide a broader perspective of the organization's approach toward risk management. We will meet with the leadership team to identify key participants and stakeholders and to discuss the SUS approach to risk management. We will also conduct an entrance conference to confirm project roles and responsibilities (both from Crowe and from SUS personnel), project milestones, timelines for completion, and final deliverables.

### Phase 2: Risk Identification

Early on in the engagement, we will request documentation on strategic plans, risk management policies, business continuity/disaster recovery practices, organizational charts, audited financial statements, internal audit reports, annual reports and other available documentation to begin developing a risk register, or inventory of risks. From the understanding gained by Crowe, we will draft an initial report, to the BOG Office indicating that reviews are complete and provide an initial recommendation for scope of services to complete **Deliverable #1**.

We will also use this initial research as a basis for documenting interview questions for management, and identifying potential gaps or opportunities to improve the risk management structure.

To further Crowe's understanding of the risks surrounding SUS a list of focused questions will be compiled. They will be used to conduct interviews with participants and varying stakeholders to gain perspectives on risks, their potential to occur, and their impact on the integrity of SUS internal management and financial controls. Individual and group interviews will be carefully planned and conducted and will likely cover specific areas including:

- Governance, Culture, and Capabilities: Understanding managerial tone, employee accountability, risk management training, risk terminology and the frequency and venue of risk-based discussions.
- Risk Strategy / Strategic Plan: Understanding SUS strategic mission, its framework for measuring and managing risk, its operating policies and procedures and its risk tolerance or appetite.
- Risk Management Activities: Examining the integration of a variety of risk management activities with a focus toward resource optimization. This may also include formal methods of communication, risk escalation sequence and parameters of accountability. It will also focus on examining the strength of the internal control structure at a high level.
- Technology / Tools: Analyzing SUS utilization of risk monitoring tools, risk modeling and quantification techniques, and performance metrics.

After completion of the interviews and analysis of the information, Crowe will compile a high-level assessment of key control objectives, risks, control mechanisms, and identify any "gaps" that may leave a significant level of residual risk to a control objective. The outcome of this phase will serve as the preliminary risk assessment.

### Phase 3: Risk Assessment

We will use the preliminary risk assessment developed in Phase 2 as a tool to facilitate our independent risk assessment. The Crowe team will assign measures to risks through the use of our common terminology and scoring methodology, which we will demonstrate in advance. We will rank risks according to likelihood of occurrence and potential impact on achieving related goals and objectives. The result will be a clear, concise view of SUS risks, which will help inform management decisions on further action. After we have rated each risk, we will create graphical displays of the risks based on criticality.

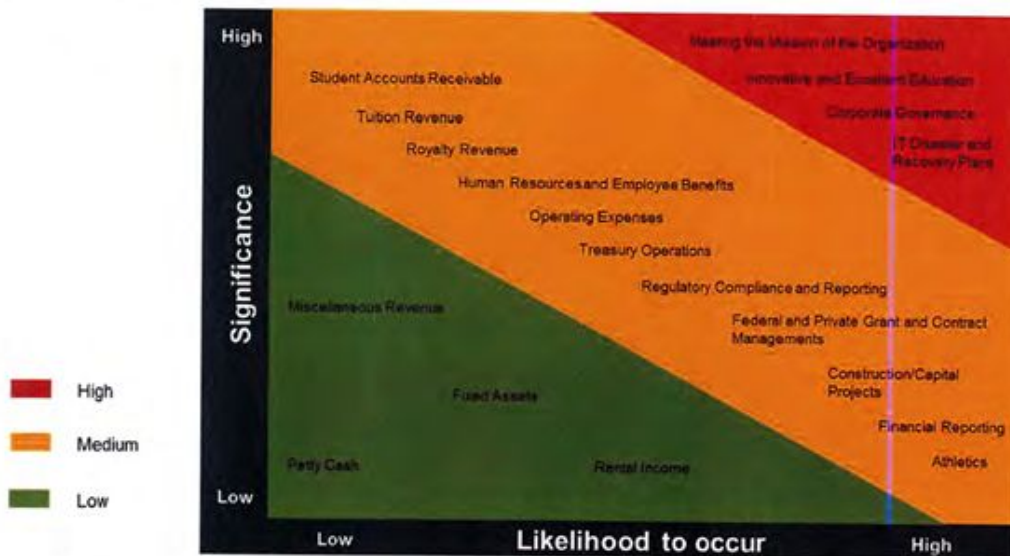
This initial assessment will be based on the SUS' inherent risk, which means risk in the context of the SUS' environment regardless of mitigating tactics and controls. The inherent risk assessment is used to develop the risk profile, and as a baseline for the next phase of our approach, where we assess the "residual" risk, which is essentially the risk that remains after considering mitigating tactics and internal controls.

We will conclude Phase 3 by presenting our risk assessment to management with specific areas to explore further along with our recommend approach such as such as mitigation, contingency, and avoidance strategies to address the first component of **Deliverable #2**. The results are delivered in a comprehensive reporting package that will enable the Board and management to make key decisions regarding their focus and investment in risk management and mitigation efforts. We will customize the reporting package based on SUS' needs, but a typical package will include the following:

- Executive Summary Report
- Observations and Recommendations Summary
- Risk Profile
- Risk Heat Map

We have included examples of what several of these reports could look like on the following pages; however please note that we have significant reporting capabilities to customize reports to meet your specifications.

Example Sample Risk Heat Map



**Phase 4: Control Assessment**

We will confirm with management the greatest risk areas upon which to perform our control assessment. In this phase, we will focus on clarifying and evaluating the various mitigating tactics and controls that were previously identified, as well as any additional measures to provide a thorough assessment of these high-risk areas.

Our first task for this phase is to conduct detailed process interviews with staff involved in the mitigating tactic or control being analyzed, and perform walkthroughs to observe how the activity actually occurs. Interviews will be comprehensive in nature and will incorporate as many staff involved in the process as possible to get input on the process from as many employees as feasible. We will analyze the information communicated to us and compare to the other interviews for this process and to the walkthroughs to ensure a consistent process is being communicated. We will note any inconsistencies between the interviews and between our interviews and our walkthrough. We may also request additional documentation to substantiate managements' explanation and our understanding, as deemed necessary.



In order to enhance our understanding of the current processes and internal controls of the processes, we will analyze the documentation, which may include but is not limited to written policies and procedures, forms, checklists, and other items used to assist staff with the process. These documents will be analyzed for proper controls and compared to the information provided during our interviews and our walkthroughs to determine any differences between the documented process and the actual process being performed. The documentation obtained will also be compared to industry best practice. Based upon the results of our documentation analysis, we may require limited follow-up interviews to verify information compiled during the documentation analysis stage of the project. We will develop observations and recommendations based on any gaps or inefficiencies noted during our assessment and use them to assess further the current business processes used by SUS.

#### **Phase 5: Business Process Improvement**

Based on the results of the risk and control assessments Crowe will consolidate the relevant information concerning SUS business processes to formulate observations and recommendations addressing any noted gaps between leading best practices and SUS's current business processes to address the second component of **Deliverable #2**. Additionally the Business Process Improvement report used to address **Deliverable #3** will highlight inconsistencies in internal controls and business process designs between the varying Universities and the SUS. Specifically, Crowe's recommendations will focus on ways to strengthen businesses process in the SUS and between Universities in the following areas:

- Estimated budget and schedule review;
- Business processes and workflow structure;
- Accounting and financial controls;
- Detailed risk assessment;
- Initial solution requirements analysis;
- Perform an analysis of selected electronic data on a limited basis for anomalies or unusual transactions

#### **Phase 6: Presentations and Reporting**

To ensure the engagement is as successful as possible consistent communication is key. Crowe will present any information discovered during or at the completion of our work to any committees or individuals involved to satisfy the requirements of **Deliverable #4**. Additionally, on top of the reports that were mentioned previously, Crowe will provide a report documenting the lessons that we learned throughout the engagement in completion of **Deliverable #5**. The purpose of providing this information is to allow future project teams, whether Crowe employees or not, to work as efficient and effective as possible with the most recent information.



## Technology and Innovation

Our firm's success is built on quality, innovation, and specialization. Nourishing a culture of innovation allows us to advance our tools and processes constantly to provide exceptional service delivery.

It also contributes to our ability to attract and retain some of the best and brightest minds in our profession. Crowe provides the deep industry and functional specialization of an accounting and consulting firm, coupled with the ability to drive continuous improvement through technology.



In fact, we are one of the first large accounting and consulting firms to focus an entire business unit on data science research. This dedicated team of software engineers and data scientists combines the firm's data analytics functions, infrastructure and governance, and machine learning capabilities to build software powered by artificial intelligence.

While many firms have established data analytics groups, it is rare to see these capabilities integrated into software products outside of very large tech companies. The technology we use is highly systematized and scalable and enables us to place more focus on higher-risk areas.

## Project Management and Research Tools

### Data Analytics

Audit Control Language (ACL) is a data manipulation utility, which allows the auditor to interpret data from virtually any type of data file format. Because of the speed and storage capabilities of such tools, our auditors can electronically examine a much higher percentage of original data and can identify ways to use the examination request data to perform automated testing in additional areas of the organization.



### The CiRT® solution

Our secure, Web-based interface, facilitates timely communication and effective project management. This proprietary tool is designed to help manage the many requests for information necessary to conduct an audit more efficiently.

### Client benefits:

- Produces an effective workflow and exchange of information
- Streamlines the data and document collection process
- Reports project updates through a main dashboard with easy-to-use navigation
- Centralizes communication and information sharing
- Documents and tracks requests and historical records

A screenshot of CIRT is provided on the following page:

**ABC Company Inc 12/31/2018** REQUEST STATUS CROWE CONTACT

My Project Sites: ABC Company Inc 01/01/18 - 12/31/2018

Welcome Lego, Linda (ABC Company Inc 01/01/18 - 12/31/2018)

My Requests (60) All Requests (63)

| Request  | Owner                   | Preparer  | Due Date         | Status   |
|--|-------------------------|-----------|------------------|----------|
| Year End 31 2018 Bonus Payment Support             | Maggie Legor            |           | 3/31/2018        |          |
| Year End 09 Accounts Payable Aging                 | Bob Smith               |           | 3/31/2018        | ✓        |
| Year End 08.1 Accounts Payable Confirmations       | Bob Smith               | Bob Smith | 3/31/2018        |          |
| Year End 04.1 Accounts Receivable Confirmations    | Cosmo Controller        |           | 3/31/2018        |          |
| Year End 32 Accrued Payroll Liabilities            | Cosmo Controller        |           | 3/31/2018        |          |
| Year End 23 Activity by Part Number                | Cosmo Controller        |           | 3/31/2018        |          |
| <b>Year End 00 Allowance for Doubtful Accounts</b> | <b>Cosmo Controller</b> |           | <b>3/31/2018</b> | <b>→</b> |
| Year End 10.1 AP Open Invoice Selections           | Cosmo Controller        |           | 3/31/2018        |          |
| Year End 04 AR Aging                               | Cosmo Controller        |           | 3/31/2018        |          |
| Year End 04.2 AR Confirm Support Documentation     | Cosmo Controller        |           | 3/31/2018        |          |
| General YE 04 Balance Sheet                        | Cosmo Controller        |           | 3/31/2018        |          |

**Documentation Request**

Request ID: Year End 00  
 Request Name: Allowance for Doubtful Accounts  
 Requested By: Lego, Linda  
 Due Date: 3/31/2018  
 Status: Submitted  
 Period: 12/31/2018  
 Owner: Cosmo Controller  
 Preparer:  
 Phase: Year End 1  
 Cycle: Revenue  
 Category: 3  
 Entity:  
 Email requestor when response submitted:

**Instructions**

Please provide the calculation supporting the balance in the allowance for doubtful accounts as of year end.

**Response**

Response Documents Uploaded: 1  
 Allowance for 2018.docx

**Questions: 1 of 1**

Cosmo Controller asked Graham, Coleen 2/7/2018 9:46:23 AM (ET)  
 Do you want the report for all entities? Do you want report for all localities or just Corporate?

Jackson, Brian 2/7/2018 9:47:33 AM (ET)  
 Yes, as of year end

## Data Security

We fully appreciate that technology brings risk as well as rewards. Consequently, our firm has made significant and ongoing investments in systems and resources focused on the protection of our client and employee data. We employ a variety of security specialists and systems as part of a comprehensive security program that uses both industry best practices and technology guidance on an ongoing basis. Our security program includes resources and functions focused on information security management, security architecture, security administration, data protection and encryption, and security awareness and training. The security program, and its related documentation, is built on the ISO 27000 series of standards.

Crowe fully understands its responsibilities regarding client confidentiality, as well as the dynamic nature of security threats, so our systems and processes are regularly reinforced, updated, and tested to help protect the security and confidentiality of client records and information.



Relevant  
Experience

## National Practice

We have highlighted key components of our national practice and have included examples of a few of our education clients in order to demonstrate the key services that Crowe has to offer. These services range from internal audit to process improvement initiatives and special focus reviews, to school district audits. As demonstrated below, our national practice has provided a wide range of audit and advisory services to our education clients particularly in the Midwest, Southern, and Western United States.

We have highlighted a few recent examples of clients we have, and continue to serve in performing risk assessment and consulting services within our Public Sector Services practices. While these engagements were structured in a variety of ways in order to meet the specific needs of our clients, the services were all conducted using our proven methodology for managing projects and conducting risk assessments. This consistency has enabled us to achieve high level of client satisfaction, as well as process improvement as we continue to learn and enhance our skills with each engagement.

## Higher Education Experience

Crowe has served over 600 exempt organizations, including more than 150 colleges and universities, and has more than 200 people fully dedicated to serving the needs of our public sector clients. We bring an in-depth knowledge of internal/external audit, risk assessment, and tax expertise, as well as the industry best practices, implementation methods, and governance/standards disciplines required to be successful.

Below is a representative listing of select clients (\*\* denotes clients in which we provided internal audit or risk management services)

- Augustana College
- Aurora University
- Belmont University
- Bennington College
- Berea College
- Bloomfield College
- Centre College
- City Colleges of Chicago
- Columbia University
- Contra Costa Community College District
- Eastern Kentucky University
- Franciscan Missionaries of Our Lady University\*\*
- Frontier Nursing University
- Illinois Institute of Technology
- KCTCS
- Kentucky Institute for International Studies
- Lumina Foundation for Education
- Manhattan School of Music
- Mills College
- Mount Saint Mary College
- National Collegiate Athletic Association
- Northwestern University
- Ohio Dominican University
- Purdue University Research Foundation\*\*
- San Mateo Community College District
- Sinclair Community College\*\*
- Southern Baptist Theological Seminary
- Southern Illinois University\*\*
- Spalding University
- St. John's University\*\*
- Trinity College\*\*
- Tulane University
- Tulsa Community College
- University of California, Davis\*\*
- University of Chico, CU
- University of Dayton\*\*
- University of Illinois\*\*
- University of Louisville\*\*
- University of San Diego
- University of Toronto
- University of Wisconsin Foundation
- Vanderbilt University
- Western Kentucky University
- Wright State University, Foundation and Applied Research Corporation
- Over 150 colleges and universities across the country

In addition to the higher education list above, we have included below some recent relevant internal audit projects in the public sector industry.

### **Franciscan Missionaries of Our Lady University, Baton Rouge, Louisiana**

Crowe developed a comprehensive risk assessment and internal audit plan for this newly formed university. The timing of this project came at a critical time, since it was scheduled directly in advance of the university's state accreditation review process. The project included interviews with the university's leadership team as well as senior managers in its parent company, a healthcare provider in the Baton Rouge area. In addition to an internal audit plan, the outcome of this initiative provided leaders and key stakeholders with a comprehensive, independent view of the risks facing the university that would benefit from enhanced, structured action plans prior to the accreditation review.

### **University of Illinois, Champaign, Illinois**

The University has a very diverse leadership structure overseeing schools, hospitals, research facilities, dormitories, athletics, real estate, endowments, and all manner of operations. The University desired to understand their risk culture better and appetite for risk taking.

In concert with the University's strategic planning process, Crowe developed a web-based survey to collect perspectives on risk culture and risk appetite from the diverse leadership teams across the organization. This information was helpful in framing and discussing the risk appetite and tolerance direction of the University as established by the board of directors.

### **Trinity College, Hartford, Connecticut**

Crowe conduct an enterprise risk assessment and develop a three-year internal audit plan for Trinity College. The project included interviewing 32 members of the college leadership and management team, developing a risk universe, facilitating a risk assessment and voting session, and presenting the results to the President, President's leadership team, and the Audit Committee of the Board of Trustees.

### **Washington Metropolitan Area Transit Authority, Washington D.C.**

Crowe is currently assisting with the Enterprise Resource Management (ERM) initiative undertaken by Washington Metropolitan Area Transit Authority (WMATA). As part of the ERM efforts, we assisted with the development of the ERM framework and policies and procedures, compiling the risk register and assessing risks and with facilitating management interviews and workshops. We are also leading the implementation of the RSA Archer GRC platform technology to support the ERM program from a technology standpoint.

Crowe is also working directly with the WMATA team to complete internal management audits including cash collection audits, labor audits, paratransit service audits, procurement audits and indirect costs audits. As part of these audits, our team is developing audit programs, conducting control assessments, substantive testing, and drafting audit reports.

### **Chicago Public Schools, Chicago, Illinois**

We have assisted the internal audit function of one of the largest school districts in the nation for the past three years. This arrangement has included co-sourcing as well as audits led solely by the Crowe team. During this time, we have developed a strong relationship with the chief audit executive and the district's leadership. Our internal audit and consulting support has helped them effectively respond to risks in an increasingly fast-paced and high profile environment.

### **Ivy Tech Foundation, Inc., Indianapolis, Indiana**

Crowe assisted the Ivy Tech Foundation of the Ivy Tech Community College in 2016 in developing a robust Enterprise Risk Management (ERM) process. Crowe worked with key stakeholders of the Foundation to educate them on ERM and the associated benefits ERM could bring to the Foundation. In addition, various workshops were held to assist the Foundation in establishing an ERM process, which aligned with the goals, objectives, and strategic plan of the Foundation. The final step in the process was to conduct a live risk response workshop with key stakeholders and provide the Foundation with the tools needed to continue working toward embedding ERM into their culture.

### **Illinois Institute of Technology (IIT), Chicago, Illinois**

Crowe has provided outsourced Internal Audit services to IIT since 2012. This includes both business process and IT audit projects. The audits include a variety of different departments and processes. Audits completed to date include IT internal audits and risk assessments, Cash Management, Grants and Donor Gifts, Payroll and Human Resources, and an IT penetration study. The audit plan at IIT also includes NCAA Compliance, Construction Contracts and Procurement, to name a few.

**HURON'S HIGHER EDUCATION CLIENTS: AAU AND TOP 100 COMPREHENSIVE RESEARCH INSTITUTIONS**

- Arizona State University
- Baylor College of Medicine
- Brandeis University
- Boston University
- Brown University
- California Institute of Technology
- Carnegie Mellon University
- Case Western Reserve University
- Colorado State University, Fort Collins
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Florida State University
- Georgia Institute of Technology
- Harvard University
- Icahn School of Medicine at Mount Sinai
- Indiana University Bloomington
- Iowa State University
- Johns Hopkins University
- Massachusetts Institute of Technology
- McGill University
- Medical College of Wisconsin
- Medical University of South Carolina
- Michigan State University
- New York University
- North Carolina State University
- Northwestern University
- Oregon Health & Science University
- Oregon State University
- Penn State Milton S Hershey Medical Center
- Pennsylvania State University
- Princeton University
- Purdue University
- Rice University
- Rutgers University, The State University of New Jersey
- Stanford University
- Stony Brook University, State University of New York Temple University
- Texas A&M Health Science Center
- Texas A&M University
- The George Washington University
- The Ohio State University
- The Scripps Research Institute
- The University of Alabama at Birmingham
- The University of North Carolina at Chapel Hill
- The University of Texas at Austin
- The University of Texas Health Science Center at Houston
- Tufts University
- Tulane University
- University at Buffalo, SUNY
- University of Arizona
- University of California Berkeley
- University of California Davis
- University of California Irvine
- University of California Los Angeles
- University of California San Diego
- University of California San Francisco
- University of California Santa Barbara
- University of Chicago
- University of Cincinnati
- University of Colorado Anschutz Medical Campus
- University of Colorado - Boulder
- University of Colorado - Denver
- University of Connecticut
- University of Dayton
- University of Delaware
- University of Florida
- University of Georgia
- University of Hawaii
- University of Illinois at Chicago
- University of Illinois at Urbana-Champaign
- University of Iowa
- University of Kansas
- University of Kentucky
- University of Maryland - Baltimore
- University of Maryland - College Park
- University of Massachusetts - Amherst
- University of Massachusetts - Medical School Worcester
- University of Miami
- University of Michigan
- University of Minnesota
- University of Missouri - Columbia
- University of New Mexico
- University of Oklahoma
- University of Oklahoma Health Sciences Center
- University of Oregon
- University of Pennsylvania
- University of Pittsburgh
- University of Rochester
- University of South Florida
- University of Southern California
- University of Tennessee - Knoxville
- University of Texas MD Anderson Cancer Center
- University of Texas Southwestern Medical Center
- University of Utah
- University of Virginia
- University of Washington
- University of Wisconsin - Madison
- Utah State University
- Vanderbilt University
- Virginia Commonwealth University
- Virginia Tech
- Wake Forest University
- Washington State University, Pullman, WA
- Washington University in St. Louis
- Wayne State University
- Yale University



## References

### Crowe References

Quality work, based upon strong competency and directed towards our client's needs, is the core element of creating value for our clients. Quality service involves prompt and efficient service delivery and effective communications with clients. Business relationships involve gaining trust and respect by listening to our client's needs and developing a comprehensive understanding of their business and vision for the future before providing advice. We have delivered high value to our clients for decades and we feel that we are well suited to help SUS.

Our clients are the best judges of our ability to exceed your expectations. Please feel free to contact any of the individuals listed below for an appraisal of our work.

| Washington Metropolitan Area Transit Authority (WMATA) |  |
|--|--|
| <b>Contact Name and Title</b>                          | Elizabeth Sullivan, Chief Risk and Audit Officer   |
| <b>Email Address</b>                                   | <a href="mailto:EOSullivan@WMATA.com">EOSullivan@WMATA.com</a>   |
| <b>Phone Number</b>                                    | 202.962.1671   |
| <b>Description of Services</b>                         | Crowe was engaged to assist with the Enterprise Resource Management (ERM) initiative undertaken by WMATA. As part of the ERM efforts, Crowe assisted WMATA with the development of the ERM framework and policies and procedures, compiling the risk register and assessing risks by facilitating management interviews and workshops. |

| Batter City Park Authority (BCPA) |  |
|-----------------------------------|--|
| <b>Contact Name and Title</b>     | Eric Munson, Chief Operating Officer   |
| <b>Email Address</b>              | <a href="mailto:eric.munson@bpca.ny.gov">eric.munson@bpca.ny.gov</a>   |
| <b>Phone Number</b>               | 212.417.4155   |
| <b>Description of Services</b>    | Batter City Park Authority engaged Crowe to develop an authority-wide risk assessment to use as the basis for a three-year, risk-based internal audit plan. Crowe utilized a phased approach which included risk identification, risk evaluation and internal audit plan development. Crowe conducted 20+ interviews with BCPA employees and performed independent research to identify all risks, which were summarized into 40 risk statement. Crowe utilized this information to establish a risk universe and conduct a risk workshop with BCPA employees where each risk was ranked by likelihood and impact. Finally, Crowe analyzed the risks and created a risk-based three-year audit plan. |

| Chicago Public Schools         |   |
|--------------------------------|---|
| <b>Contact Name and Title</b>  | Melinda Gildart, Controller   |
| <b>Email Address</b>           | <a href="mailto:mgildart@cps.edu">mgildart@cps.edu</a>  |
| <b>Phone Number</b>            | 773.553.2747  |
| <b>Description of Services</b> | Crowe teams completed a business process redesign and internal control assessment over 6 major functions at CPS. One of the six functions included in this assessment was the purchasing and procurement process for CPS. As part of this process, process flow diagrams were created including risk/control matrixes to identify major risks and key controls over the procurement function. Any risks that were not mitigated were listed as gaps and a recommendation was provided to CPS to help mitigate the risk. |

## Huron References

| Arkansas State University System |  |
|----------------------------------|--|
| <b>Contact Name and Title</b>    | Julie Bates, Executive Vice President<br>Dr. Charles L. Welch, President   |
| <b>Email Address</b>             | <a href="mailto:jbates@aussystem.edu">jbates@aussystem.edu</a><br><a href="mailto:cwelch@asusystem.edu">cwelch@asusystem.edu</a>   |
| <b>Phone Number</b>              | 501.660.1002 – Julie Bates<br>501.660.1000 – Dr. Charles L. Welch  |
| <b>Description of Services</b>   | Huron completed five unique academic program portfolio models that assessed each campuses investment in selected course components to include course compensation, academic unit expense, and financial aid. Upon completion of the assessment, Huron provided four broad System level opportunities to include improved collaboration, resource alignment, faculty effort protocols, and curricular support. Each campus was provided with an additional, customized list of opportunities based on the assessment results. As a result of the project, the ASU System leadership collaborated with Campus leadership to create a Vice President for Strategic Research position to assure these opportunities are implemented. |

| University System of Georgia   |  |
|--------------------------------|--|
| <b>Contact Name and Title</b>  | John Fuchko, Vice Chancellor for Organizational Assessment<br>Dr. Kyle Marrero, President  |
| <b>Email Address</b>           | <a href="mailto:john.fuchko@usg.edu">john.fuchko@usg.edu</a><br><a href="mailto:kmarrero@usg.edu">kmarrero@usg.edu</a>   |
| <b>Phone Number</b>            | 404.962.3025 – John Fuchko<br>678.839.6442 – Dr. Charles L. Welch  |
| <b>Description of Services</b> | Huron delivered a set of localized opportunities for each institution for further review and implementation in support of efficiency and effectiveness. Each institution is responsible for working with the System Office to finalize and implement recommendations to reduce costs or enhance revenues, ultimately supporting teaching, research, service, and/or patient care; these efforts are still in progress. The system-wide report, including recommendations for process redesign, restructuring, service delivery optimization, and other opportunities, is expected to be delivered in January 2019. |

## Appendix A: Resumes

We have provided resumes for the proposed engagement team on the following pages.

## Crowe Team



**Mark Maraccini, CPA**  
Engagement Partner

### Profile

Mr. Maraccini has over 18 years' experience working with educational institutions. Mr. Maraccini has also recently presented to the National Grants Management Association on Risk Management and is slated to speak at the IIA International Conference in 2019 on Enterprise Risk Management (ERM) in the public sector. Furthermore, Mark served on an expert panel for the IIA and AGA related to risks surrounding public sector internal audit divisions.

### Professional and Industry Experience

Over the past 18 years, Mark has worked extensively with institutions of higher education conducting risk and internal control assessments. Mark has also conducted numerous single and compliance audits which helped lay the foundation for understanding internal controls and risks surrounding financial reporting and federal compliance. Over the past 7 years, Mark continued to expand his breadth over risk assessments with a focus on Enterprise Risk Management.

### Education & Certifications

- Bachelor of Arts, Accounting
  - DePaul University | Chicago, Illinois
- Certified Public Accountant (CPA)

### Client Focus

#### Services:

- Enterprise Risk Management
- Internal Control Reviews
- Internal Audits
- Regulatory Compliance
- Accounting Assistance
- Performance Audits
- Examinations
- Audit Readiness
- Finding Mitigation

#### Industries:

- Government
- Higher Education
- Not-for-Profit

### Publications and Speaking Engagements

- Speaker, Illinois Institute of Internal Auditors
- Speaker, Illinois CPA Society
- Speaker, National Grants Management Association
- Speaker, Association of Local Government Auditors

### Professional Affiliations:

- Member, Illinois CPA Society
- Member, American Institute of Certified Public Accountants

## Client Listing

### Chicago Public Schools

Mr. Maraccini is serving as a partner on a project with the Chicago Public Schools to assist with the completion of their 2015 – 2017 CAFRs and Single Audit reports including providing assistance with the audit process. As part of this project, Mark lead a team to complete a business process redesign and internal control assessment over 6 major functions at CPS. One of the six functions included in this assessment was the purchasing and procurement process for CPS. As part of this process, process flow diagrams were created including risk/control matrixes to identify major risks and key controls over the procurement function. Any risks that were not mitigated were listed as gaps and a recommendation was provided to CPS to help mitigate the risk.

### Mount Prospect School District 57

Mr. Maraccini lead a team in conducting a risk and control assessment for the Treasury function at Mount Prospect School District 57. This assessment involved conducting interviews with various staff and management of the District and reviewing relevant documentation including reconciliations to Gain an understanding of each process, identify major risks over each process, identify key controls in-place for each process, identify any gaps in each process and provide recommendations for improvement.

### Washington Metropolitan Area Transit Authority

Mr. Maraccini is serving as a partner on an internal audit co-sourcing project for the Washington Metropolitan Area Transit Authority (WMATA). This project entails working directly with the WMATA team to complete internal management audits including cash collection audits, labor audits, paratransit service audits, procurement audits and indirect costs audits. As part of these audits, our team is developing audit programs, conducting control assessments, performing substantive testing, and drafting audit reports. In addition to the aforementioned audits, we are assisting with the Enterprise Resource Management (ERM) initiative undertaken by WMATA. As part of the ERM efforts, we assisted WMATA with the development of the ERM framework and policies and procedures, compiling the risk register and assessing risks and with facilitating management interviews and workshops.

### Franciscan Missionaries of Our Lady University, Baton Rouge, Louisiana

Mr. Maraccini was the partner on a project where Crowe developed a comprehensive risk assessment and internal audit plan for this newly formed university. The timing of this project came at a critical time, since it was scheduled directly in advance of the university's state accreditation review process. The project included interviews with the university's leadership team as well as senior managers in its parent company, a healthcare provider in the Baton Rouge area. In addition to an internal audit plan, the outcome of this initiative provided leaders and key stakeholders with a comprehensive, independent view of the risks facing the university that would benefit from enhanced, structured action plans prior to the accreditation review.

### ISO New England, Inc.

Mark is currently working on an engagement to executed on-site risk assessments of subrecipient transmission owners for compliance with the Cyber Security Plan as well as Federal regulations and accounting matters, and completed pre-audit assessment procedures for the Company to help identify any potential gaps between Federal compliance requirements and existing policies and procedures. Mark also assisted the Company with research and analysis related to grant compliance matters on an as-needed basis.

**Texas Department of Transportation**

Mark served on an engagement with the Texas Department of Transportation (TxDOT) to perform internal audit services related to conducting a SOX light assessment over the entities' internal control over financial reporting. As part of this engagement, Mark developed a Risk Assessment Tool. This tool was utilized by Crowe to calculate a financial control level materiality, Identify specific financial statement accounts for each Opinion Unit, map financial statement accounts to relevant accounting assertions, cycles, and major processes and conduct a risk assessment for each process. Once, the high-risk processes were determined, Crowe completed an internal control assessment over the high-risk processes including documentation of the major controls. Upon completion of the control assessment, Mark assisted in conducting training for TxDOT and provided templates and tools so that TxDOT could perform this process on a go forward basis.

**Hamilton County, Ohio**

Mark served as a senior manager on a project with the Hamilton County, Ohio's Department of Jobs and Family Services (HCJFS) to provide analysis and recommendations to improve financial and operational processes, procedures, and internal controls related to the administration of state and federal programs. HCJFS was alleged to have improperly documented spending of over \$1.9 billion during a three-year period from 2001 to 2004 as part of a state agency limited review.

Crowe was hired to assist the HCJFS in addressing issues noted in the limited review findings and recommending improvements for HCJFS (and the County) to mitigate findings, to undertake measures to improve efficiency in operations, and to generally bring the organization closer to a state of readiness for its OMB Circular A-133 audit. Our engagement involved documenting the current state related to the administration of federal and state programs, documenting and diagramming the process flows and then recommending improvements in the processes, including necessary controls. The scope of our engagement included the following state programs: Job and Family Services, Children Services and Child Support Enforcement. In addition, our work involved recommending improvements to the administration of the following federal programs: TANF (Title IV-A), Food Stamps, Medicaid, Disability Assistance, Title XX, Child Support (Title IV-D), and Foster Care (Title IV-E). We worked with HCJFS and the County on substantial issues including, but not limited to, the following: i) coding of financial transactions, including inter-fund transfers; ii) matching fund requirements and documentation; iii) cost pools allocations; iv) shared costs support and documentation; v) procurement and contract administration; and vi) ProtectOhio accounting (e.g. related to capitated payments, match, unused/leftover/residual funds, and allowability issues regarding uses of the funds).



**Michael J. Del Giudice**  
 CISSP, CRISC – Senior Manager

### Profile

Mr. Del Giudice has 16 years of experience in the areas of information security and data privacy. He is a security and privacy thought leader, leading Crowe's IT Risk Management and Security Assessment solutions, while providing security services to a broad range of Fortune 500 organizations across industries.

### Professional and Industry Experience

Mr. Del Giudice evaluates and develops solutions to improve IT capability, maturity, and governance. He is experienced in critical infrastructure environments, including insurance, financial institutions, energy, transportation, healthcare, and government sectors. Mr. Del Giudice assists management in the execution of security strategies, including the solution design, requirements gathering, and vendor selection.

He also designs and implements customized cybersecurity frameworks addressing confidentiality, integrity, and availability requirements. Mr. Del Giudice has experience with data security, including data classification and inventory, control framework design and implementation, and data strategies.

He designs and implements Business Impact Assessments, Business Continuity Plans, and Disaster Recovery Programs. Mr. Del Giudice understands Intellectual Property (IP) protection procedures addressing logical, physical, and business controls; and he has experience with multiple regulatory requirements, such as GLBA, HIPAA, NERC CIP, and FTC Safeguards Rule, as well as security frameworks such as NIST 800-53, NIST Cybersecurity, and ISO.

### Education & Certifications

- Bachelor of Science, Computer Engineering
  - University of Illinois | Champaign, Illinois
- Certified Information Systems Security Professional (CISSP)
- Certified in Risk and Information System Control (CRISC)
- Certified E Rail Safe

### Client Focus

#### Services:

- IT Risk Management
- Data Security and Privacy
- Security and Maturity Assessments
- Security Consulting

### Publications and Speaking Engagements

- FSA Times, "Have You Conducted a Data Protection Audit Lately?"
- EUCI NERC Fundamentals course, "NERC CIP Compliance" and "NERC CIP Compliance"
- Trained the Office of the Comptroller of the Currency (OCC) on IT security
- IIA Chicago's annual seminar
- NADA national conference, "Manage your IT Risk and Improve your Bottom Line."
- IIA, "Mobile Device Risk in an Increasingly Connected World."
- NADA national conference, "Technical Security – Protecting your Dealerships Information Assets."
- WI Automobile & Truck Association, the VT Automobile Dealers Association, and the Chicago Automobile Trade Association
- Dealer Magazine and Digital Dealer, FTC's Safeguards Rule.
- IIA IT Fraud seminar
- OH Information Security Conference, "Security Strategy: Planning the Next 3 to 5 Years."
- IL Banker's Association, Community Bankers Association of IL, IN Credit Union League, MI Banker's Association, and ACBA
- BAI Institute, Auditing Technology Risks Instructor

### Professional Affiliations

- Institute of Internal Auditors
- Chicago Chapter of ISACA

### Client Listing

- Performed a maturity assessment of a large insurance provider's vulnerability management program and developed a roadmap to improve capabilities.
- Assisted a large, multi-state insurance provider in designing and establishing an IT Risk Management Program, aligning the program with existing Enterprise Risk Management initiatives, executing an Enterprise IT Risk Assessment, assessing controls to mitigate risks, and designing strategies to treat risks.
- Assisted a large government agency in addressing an executive order due to a data breach, which included performing a data inventory, classifying and stratifying data repositories, defining a cybersecurity framework, assessing controls, and defining a long-term security roadmap.
- Assisted a State agency in designing and implementing an Enterprise Risk Management Program, developed tools to support execution of the assessment, and trained personnel to manage the program on an ongoing basis.
- Assisted an international hospitality company in designing and establishing an IT Risk Management Program, defined IT risk, risk appetite and risk tolerance, developed tools to support the risk management processes, assist with the integration of the process into the existing GRC platform, and helped with the integration of supporting risk management programs into the overall program.
- Assisted a large insurance provider in assessing information security across the organization, including through application specific assessments of critical portals leveraged for claims management with members.
- Assisted a large, multi-state insurance provider in developing a physical security strategy, including security guards, cameras, and ingress/egress doors to more effectively and efficiently manage physical security risks.
- Assisted a large municipal utility by performing a mock audit against NERC's Critical Infrastructure Protection standards.
- Assisted an electric and natural gas provider by conducting a mock audit against NERC's Critical Infrastructure Protection standards and performing penetration testing to identify organizational gaps, with follow-up procedures to help design and implement controls.
- Assisted an Independent System Operator (ISO) deploying smart grid technology by designing a cybersecurity framework allowing them to oversee providers implementing the technology.
- Assisted a large financial institution in developing a Business Continuity Program, including the performance of a business impact analysis, documentation of Business Continuity procedures, and development of test plans.
- Assisted a university healthcare provider in evaluating existing disaster recovery procedures of key organizational applications and providing recommendations to address existing gaps.
- Assisted an international manufacturing organization protect their intellectual property, particularly within new facilities and third party vendors located overseas, by helping define an information security framework and roadmap to address security gaps within the organization.
- Assisted a large insurance provider by evaluating the maturity of the IT Security function, identified the organizations desired future state based on industry benchmark and organizational tolerances, and developed a roadmap to achieve desired organizational capability and maturity levels.
- Assisted a large automotive retailer by assessing the maturity of the IT organization, provided recommendations to address identified organizational gaps, and providing ongoing support and guidance on strategic IT initiatives.
- Assisted an automotive retailer in responding to an inquiry from the Federal Trade Commission, including a review ensuring they appropriately addressed the FTC Safeguards Rule.
- Assisted an automotive retailer by evaluating physical and logical security controls in place to protect customer information and to satisfy regulatory requirements.
- Assisted a large transportation organization in assessing security within their critical infrastructure technologies, including an analysis of the security controls and practices within their primary data center and signaling environments.





**Bill Dykstra, CRMA, CIA**  
Risk Management SME

### Profile

Mr. Dykstra specializes in enterprise risk management in Crowe's Risk - Public Sector Services. He is an experienced project manager and has an internal audit background with 16 years of experience serving public and not-for-profit organizations. During his career, Mr. Dykstra has provided internal audit and risk consulting services to public and private educational institutions, transportation agencies, and a various not-for-profit service organizations and membership associations.

### Professional and Industry Experience

Since joining Crowe in May 2016, Mr. Dykstra has focused on promoting ERM and internal control best practices in not-for-profit, government, and higher education organizations. This has included leading several enterprise risk assessment workshops at colleges and universities. It also involved development of ERM training materials for a professional association in Washington D.C. which promotes ERM and provides related professional development for federal agencies. Currently, he supports an enterprise risk assessment initiative at a major transit authority in Washington D.C., and is assisting their leadership in identifying and responding to the major risks to their organization.

In prior years, Mr. Dykstra was responsible for developing a tailored ERM framework for an international not-for-profit service organization and participated in its initial implementation. He has been an internal audit manager, enterprise project track leader, and business intelligence department manager.

Mr. Dykstra spends a substantial amount of time focusing on thought leadership activities in ERM and internal controls best practices. He has performed several recent speaking engagements for both internal and external training events, on the topic of ERM and internal control best practices specific to governmental entities, not-for-profit organizations, and institutions of higher education.

### Professional Affiliations:

- Institute of Internal Auditors
- Association of Federal Enterprise Risk Managers

### Client Focus

#### Services:

- Enterprise Risk Management
- Risk Consulting
- Internal Audit
- Process Redesign

#### Industries:

- Not-for-Profit
- Government
- Higher Education

### Community Involvement:

- Goodwill Industries of Denver | Volunteer
- Junior Achievement | Volunteer Trainer
- Greater Chicago Food Depository | Volunteer

### Publications and Speaking Engagements:

- 2018 Crowe Not-For-Profit and Higher Education Webinar Series, "How Failure to Manage Risk Could Threaten Your Mission"
- 2017 Crowe Risk Summit, OMB Circular A-123 Update
- 2017 Florida Government Finance Officers Association Annual Conference, Enterprise Risk Management Overview
- 2017 Illinois CPA Society, Not-for-Profit Advanced Accounting & Uniform Guidance Conference, Internal Controls for Not-for-Profit Organizations – Best Practices and Common Deficiencies
- 2016 Crowe Risk New Hire Orientation engagement, Public Sector Risk Overview

### Education & Certifications

- M.A., Non-profit Management
  - DePaul University | Chicago, Illinois
- B.S., Accounting
  - Saint Xavier University | Chicago, Illinois
- Certified Internal Auditor (CIA)
- Certification in Risk Management Assurance (CRMA)

### Client Listing

#### **Washington Metropolitan Area Transit Authority | Washington, D.C.**

Mr. Dykstra is currently supporting WMATA's ERM program implementation. He has facilitated an enterprise-level risk assessment workshop with the WMATA executive management team and guided them through the assessment of 24 major risks to the organizations. The results of the assessment were used to develop a robust reporting package for the executive team, and for management to use in developing business plans to address each risk. Prior to the workshop, Mr. Dykstra worked with the Internal Audit team to prepare the information and technology needed to execute a successful session.

#### **Association for Federal Enterprise Risk Management | Washington, D.C.**

Mr. Dykstra managed an initiative to develop training materials for a professional certification exam in development by this not-for-profit organization. This certification is intended to be sought after by professionals working for U.S. federal government agencies, who are required by law to establish a sustainable enterprise risk management within their organization. The training materials covered a broad range of topics including but not limited to 1) Facilitating an ERM workshop; 2) Developing a risk appetite statement; and 3) Documenting the risk portfolio.

#### **Franciscan Missionaries of Our Lady University | Baton Rouge, Louisiana**

Mr. Dykstra developed a comprehensive risk assessment and proposed internal audit plan for this newly formed university. The timing of this project came at a critical time, since it was scheduled directly in advance of the university's state accreditation review process. The project included interviews with the university's leadership team as well as senior managers in its parent company, a healthcare provider in the Baton Rouge area. In addition to an internal audit plan, the outcome of this initiative provided leaders and key stakeholders with a comprehensive, independent view of the risks facing the university that would benefit from enhanced, structured action plans prior to the accreditation review.

#### **Reno-Tahoe Airport Authority | Reno, Nevada**

Mr. Dykstra led a project in June 2018 to provide Reno-Tahoe Airport Authority (RTAA or the Authority) leadership with an assessment of the various skillsets that may be needed to establish an Internal Audit (IA) function capable of working in areas of the higher risk to the Authority. This project involved close collaboration with RTAA leadership to develop an enterprise-level perspective of significant risks to RTAA. This knowledge was leveraged in order to determine which risks would best be addressed by IA function and IA skillsets to implement the audit plan. The basis for determining risks were within context of the RTAA's mission and strategic goals, and included risks from a strategic, compliance, operations, and financial reporting perspective. The project involved conducting research on internal audit best practices and industry trends. It also involved interviewing key members of management to compile major risks and identify related skillsets needed for adequate audit coverage. The results of the assessment and recommendations were very well received by RTAA.

#### **Trinity College | Hartford, Connecticut**

Mr. Dykstra managed a project to conduct an enterprise risk assessment and develop a three-year internal audit plan for Trinity College. The project included interviewing 32 members of the college leadership and management team, developing a risk universe, facilitating a risk assessment and voting session, and presenting the results to the President, President's leadership team, and the Audit Committee of the Board of Trustees.

#### **Young Men's Christian Association – USA | Chicago, Illinois**

Mr. Dykstra has managed the internal audit engagement for the YMCA of the USA since 2017. In his role, he has provided support to the Audit Committee and supported delivery of various audits and projects included in the annual audit plan. Some examples include an evaluation of system and process controls over associate members' annual financial reporting, dues calculation, and preparation of IRS Form 990. It also included a compliance audit of leadership expense reimbursement, and an assessment of internal controls over payroll processing involving a third party service provider.

**Chicago Public Schools (CPS) | Chicago, Illinois**

Mr. Dykstra has assisted Chicago Public Schools with the completion of their Comprehensive Annual Financial Report (CAFR) and Single Audit report, including providing assistance with the financial audit process. He coordinated activities onsite among a team of accountants and consultants in the preparation of the CAFR and Single Audit report. Mr. Dykstra managed communications and updates with CPS' Controller, and assisted with completion of grant roll-forwards and fund reconciliations. He also assisted with the mitigation and corrective actions for prior year audit findings.

**City of Birmingham | Birmingham, Alabama**

Mr. Dykstra led the financial analysis component of an engagement with the City to develop a high-level review of key strategic areas for the recently elected Mayor. The project focused on analyzing revenue and expenditure trends, annual operating and capital budget preparation practices, pension and OPEB plan management, and various other financial management practices. The results of the review helped inform the Mayor and his "Transition Team's" priorities and the strategic plan for addressing various financial and operational concerns that had plagued the City for years.

**Civic Consulting Alliance | Chicago, Illinois**

Mr. Dykstra worked in collaboration with the Civic Consulting Alliance (CCA) and developed a framework for a new quality assurance and improvement (QA/I) department for the Civilian Office of Police Accountability (COPA), which oversees investigations of both routine and major cases for the Chicago Police Department. This framework included a departmental charter and a comprehensive operating policies and procedures manual. Mr. Dykstra also developed a project plan for the newly hired department manager to use as a "roadmap" in operationalizing the QA/I Department.

**Jonathan Dunn , CPA**  
Team Lead

### Profile

Mr. Dunn has several years of professional experience, specializing on the Office of Management and Budget (OMB) Circular No. A-123. Prior to joining Crowe, Mr. Dunn performed testing on the OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, for federal agencies. Mr. Dunn has performed A-123 testing on business processes including but not limited to; Financial Reporting, Grants Management, Budget, and Cash Management.

### Client Focus

#### Services:

- Regulatory Compliance Consulting
- Internal Audit
- Government Audit

#### Industries:

- Public Sector

### Professional and Industry Experience

Prior to joining Crowe, Mr. Dunn performed testing on the OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, for federal agencies. Mr. Dunn has performed A-123 testing on business processes including but not limited to; Financial Reporting, Grants Management, Budget, and Cash Management.

### Education & Certifications

- Masters, Accountancy
  - George Washington University | Washington D.C.
- Bachelor of Science, Finance and Analytics, Economics
  - Le Moyne College | Syracuse, NY
- Certified Public Accountant (CPA)

## Client Listing

### Federal Agencies

- **United States Department of Transportation (DOT) Federal Transit Administration (FTA)**
  - Compiled the FTA's qualitative process level risk assessment to determine which areas are in scope for the year
  - Evaluated entity level internal controls for the DOT Office of the Secretary (OST) based on the five components of internal control per the COSO integrated framework for a government environment
  - Assessed process level internal controls by reviewing and updating the FTA's process narratives, process flow diagrams, risk and control matrices, and by conducting walkthrough meetings with process owners
  - Determined the operating effectiveness of key controls at the transaction level by selecting a sample of transactions from populations provided by business process owners and testing them accordingly
  - Communicated control deficiencies identified in the Appendix A assessments to the DOT OST
  - Developed and monitored Corrective Action Plans for the control deficiencies identified
- **Corporation for National and Community Service (CNCS)**
  - Worked with CNCS management to address financial control issues and gaps
  - Inspected relevant standard operating procedures and authoritative guidance concerning CNCS operations to create process narratives, process flow diagrams and risk and control matrices for the CNCS Internal Controls department
- **United States Agency for International Development (USAID)**
  - Evaluated the contractor's internal controls related to the USAID-funded program
  - Performed tests to determine whether the contractor complied with the USAID contract terms
- **Centers for Medicare & Medicaid Services (CMS)**
  - Inspected CMS contractors to determine their standing with CMS Compliance requirements

## Huron Team

We have provided resumes for the Huron engagement team members on the following pages.



**Michael K. Phillips**

Senior Director

P 312-583-8746

F 312-880-0428

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Michael is a Senior Director in Huron Consulting Group's Higher Education practice. He has over thirty years of experience assisting higher education and healthcare clients with establishing or improving their business operations and infrastructures. His primary expertise is in financial systems and technology. He also has extensive experience working with clients in developing business strategies, formulating policies, improving processes and implementing solutions.

**Recent Professional Experience**

- Supervised numerous implementation projects to support cost reduction efforts at a large public research university including:
  - Reorganization and consolidation of Facilities Management Operations;
  - Creation of Shared Service Centers to support finance and HR operations;
  - All funds budgeting and financial reporting;
  - HR process redesign;
  - Centralization of IT resources;
  - Research Administration process redesign;
- Supervised several comprehensive cost reduction studies for a universities covering the areas of enrollment management, financial aid, Finance, HR, IT, Academic Affairs, Student Services, Facilities, Research Administration and Advancement.
- Served as interim Associate Vice President for Financial Management at a large private university.
- Performed an assessment of internal controls and compliance with NCAA rules within the athletics department of a private college.
- Reviewed internal controls procedures within Finance, Treasury, Accounts Payable, Payroll, and Sponsored Research Accounting at a medical college.
- Supervised an audit of Financial Aid practices at a large university medical center.
- Performed a process improvement study/ internal controls assessment of procurement and accounts payable at a large research university.
- Implemented a system to support full revenue and cost allocation across schools and major departments of a large university allowing detailed margin analysis for all university operations.

- Directed the implementation of Huron's ECRT effort reporting and certification software at seven large universities.
- Performed an operational assessment of the IT department at a large research university covering the areas of organization structure, funding, staffing levels, governance, and procurement.
- Designed and implemented a financial data warehouse and decision support system for a large university and medical school.
- Supervised the bi-annual inventory of fixed assets at a large research university.
- Supervised the design and implementation of a system to support medicare time capture at a large university health system.

**Recent Clients**

- Princeton University
- University of Kansas
- Seton Hall University
- University of Illinois
- Duke University
- Washington University in St. Louis
- University of Texas at Austin
- George Washington University
- University of Miami
- Rush University Medical Center
- Virginia Commonwealth University
- University of Wisconsin
- University of Texas Medical Branch
- MD Andersen Cancer Center

**Education & Certifications**

Michael received his Bachelor of Science Business Administration degree in Accounting from Kansas State University. He is a Certified Public Accountant (CPA) licensed in the state of Missouri, and Certified Information Systems Auditor (CISA).



## Greg Bedell

Managing Director

913-593-4439

[gbedell@huronconsultinggroup.com](mailto:gbedell@huronconsultinggroup.com)

Greg has worked in the higher education, healthcare, government, and not-for-profit environments for more than 23 years. He has specialized in assisting universities and research institutions with strategic efficiency and effectiveness assessments, cost reduction, organizational redesign, operational improvement, process reengineering, systems selection, research administration management and

compliance, and the implementation of effort reporting solutions.

### PROFESSIONAL EXPERIENCE

#### Higher Education

- + Worked with a large research university over two-years to restructure and improve the research administration function, identify opportunities for efficiency through shared services within central vice chancellor units and distributed academic units, redesign the budget / resource allocation process, and perform efficiency and effectiveness assessments in human resources, information technology, finance and administration, and procurement / sourcing.
- + Worked with a large private university to identify opportunities for cost reduction in the areas of central fiscal units, facilities management, procurement and sourcing, and research administration.
- + Worked with two public universities with program management, shared services assessment, and classification / compensation alignment as these organizations merged.
- + Worked with an institution to assess opportunities for improvement and cost reduction in the areas of information technology, assessed post enterprise resource planning (ERP) challenges, student services, procurement, and several specific business areas of the institution.
- + Led the development of Huron's eert compliance technology, including the beta testing at a large public research institution and the subsequent development of the commercial package, including two subsequent upgrades.
- + Worked with a private research university to implement a 100 day program of process, compliance, and education delivery following government intervention at the institution.
- + Worked with a variety of institutions to draft various research related policies, obtain institutional approval, and build stakeholder consensus.
- + Worked with a private research institution to identify opportunities for improvement in its administrative services area following a period of major organizational transition.
- + Worked with a state system of higher education to assess the feasibility of moving the system's several institutions to a common ERP.
- + Developed a "corrective action plan" for a large, public research university.
- + Participated in a two day retreat with a research center's senior management to reorganize the center's administrative functions.
- + Conducted an assessment of the organizational reporting within the finance division of a medium-sized private university.
- + Worked with mid-sized public institution to perform a business process redesign pilot program.
- + Developed a strategic plan for the administrative operations of a \$2.2 billion higher education system.
- + Conducted an eight week assessment of the administrative operations of a major public research university with a \$1.6 billion budget. The assessment provided the university with insights into needed changes within the organization to achieve an optimal level of customer service, as well as operational cost efficiency, particularly as it related to the university's recent ERP implementation.
- + Conducted a comprehensive process reengineering of a major university's financial, student services, human resources, information technology, research, physical plant, and auxiliary business processes, as a precursor to the implementation of an ERP system.

#### Healthcare

- + Developed an enterprise-wide reporting strategy for a Midwest medium-sized health maintenance organization (HMO).
- + Conducted an operational reporting gap analysis for an HMO which was preparing to replace its existing claims, enrollment, and medical management systems with advanced technologies.
- + Conducted a feasibility assessment for the school of medicine at a major public research university regarding the design and development of a financial and management reporting system.

### EDUCATION AND CERTIFICATIONS

- + **Master of Business Administration, University of Illinois**
- + **Bachelor of Science, Accountancy, University of Illinois**

### SPEAKING ENGAGEMENTS

- + Frequent speaker at National Council of University Research Administrators (NCURA) and the Society of Research Administrators (SRA) conferences.
- + Frequent speaker at National Association of College and University Business Officers (NACUBO) conferences.







## Frank Kinney

### Director

312-489-1749 | fkinney@huronconsultinggroup.com

Frank is an experienced professional with a broad range of financial and management knowledge and experience. His roles with colleges and universities have included serving in several administrative staff positions, as a management consultant, and as an independent auditor. As a project leader in Huron's higher education practice, Frank's previous engagement types include organizational studies, business process improvement, administrative systems enhancement, research compliance, cost containment, and interim roles such as controller and director of financial reporting.

#### Professional Experience

Prior to joining Huron Frank held the following positions:

- Director, Financial Analysis and Operations, the University of Chicago
- Partner, Reese Partners, Chicago, IL
- Executive Vice President, Appraisal Institute, Chicago, IL
- Partner, KPMG, Chicago, IL

While working as a member of the finance staff at the University of Chicago, Frank was responsible for conducting a series of special projects in strategic initiatives, construction project management, planning and budget, cash forecasting, and facilities services. Specific accomplishments include:

- Refined and enhanced a 10-year financial model to support University and Hospitals strategic planning, present to the board of trustees, and facilitate debt issuance.
- Reviewed facilities management; formulated, presented, and enacted needed changes, including justifying an increase in the operating budget and acting as interim financial officer.
- Worked with internal team to design, configure, test, and implement an automated time and attendance system and a travel and expense management system.
- In response to economic climate, planned and implemented significant cost reduction in controller's office.
- Served as director of new purchasing and payment services unit while search for a director was concluded.
- Implemented a major version upgrade of the expense management system, working on outsourcing payments and digitizing check requests.

#### Signature Engagements

Frank has served as interim controller, and as the director of financial reporting, at a large public research university. While there, he:

- Helped complete the system conversion to PeopleSoft and development of financial reports.
- Put in place accounting/business process improvements and developed reports in areas such as investments reporting methodology, cash classification, and leave liability.
- Led the annual general ledger close, financial statement preparation, external audit, and trustee reporting
- Participated in the hiring and onboarding of permanent university staff.
- Developed interim management reporting and Trustee presentation development.

#### Education and Certification

- Master of Business Administration, Keller Graduate School of Management, Chicago, Illinois
- Bachelor of Arts, Lawrence University, Appleton, Wisconsin
- Certified Public Accountant, Illinois

#### Professional Associations

- Member, American Institute of Certified Public Accountants
- Member, Illinois CPA Society
- Member, National Association of College and University Business Officers



## Tom Briggs

### Manager

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Tom is a Manager in our Strategy and Operations (S&O) group focusing on strategic planning, university operating budget assessment, organizational restructuring and capital planning. Tom has assisted universities with organizational alignment studies, financial reporting and management, internal control and process reviews, and financial analysis connected to strategic and capital investments. In addition, Tom is a licensed CPA with prior experience in financial reporting compliance, internal control assessment, and financial analysis.

#### Professional experience

- Provided financial reporting and management support in an interim role at a leading public research university:
  - Assisted with preparation of year-end journal entries required for financial statement preparation
  - Led development of quarterly interim financial statement reporting and review process
- Led budget model redesign at large public university:
  - Developed an incentive-based budget model that devolved central revenues to operating units
  - Helped drive consensus for model adoption across university stakeholders
- Conducted an organizational review of an operating unit within a leading research university system:
  - Conducted market analysis, regulatory reviews and competitor profiling to assess the organization's external environment.
  - Conducted an organizational review that outlined the organization's current state and facilitated the development of future state strategic recommendations.
  - Reviewed internal controls, processes and procedures and identified opportunities to strengthen operating procedures across the organization.

Prior to joining Huron, Tom worked as a CPA and acquired a broad range of auditing experience that includes work with government, non-profit and commercial clientele. In addition to public accounting, Tom also has experience in commercial banking and asset based lending. Relevant aspects of Tom's prior professional experience include:

- Internal control audits at several New York State governmental agencies:
  - Interviewed agency stakeholders to formulate understanding of internal control processes.
  - Conducted walkthroughs, observations and substantive testing of agency's internal controls.
  - Assessed the adequacy of agency's internal controls, highlighted weaknesses and prescribed recommendations to strengthen agency's internal control environment.
- Led several governmental audit and attestation engagements:
  - Led audit team fieldwork at area community college and local school district audits.
  - Presented findings and recommended adjusting journal entries to college CFO.
  - Prepared and consolidated government-wide fund financial statements.
  - Assisted with federal single-audit activities for compliance with federal funding guidelines.

#### Education

- Master of Business Administration, Mendoza School of Business, University of Notre Dame
- Bachelor of Science: Accounting, State University of New York at Fredonia

#### Certifications

- Certified Public Accountant, New York State Society of CPA's

**ITEM: INFO-5**

**UCF BOARD OF TRUSTEES  
Audit and Compliance Committee  
April 23, 2019**

**Title: Florida Auditor General Financial Audit Report**

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**Background:**

Section 1010.30 of the 2018 Florida Statutes states:

“If an audit contains a significant finding, the district school board, the Florida College System institution board of trustees, or the university board of trustees shall conduct an audit overview during a public meeting.”

The Florida Auditor General issued their Financial Audit report on UCF in March of 2019 (report number 2019-168).

This report contained a material weakness stating that “University controls were ineffective to prevent, or timely detect and correct, the unallowable use of the legislatively appropriated carryforward funds for construction activities.”

**Issues to be Considered:**

No action is required. Management’s response to this issue was included in the Auditor General’s operational audit report 2019-095. The corrective actions taken and to be taken were provided in that report’s response and a timeline is being developed by management for full implementation of the stated corrective actions.

**Alternatives to Decision:**

For information only.

**Fiscal Impact and Source of Funding:**

No funding impact.

**Recommended Action:**

Include this topic in the committee’s update to the full UCF Board of Trustees at their next board meeting.

**Authority for Board of Trustees Action:**

Section 1010.30 of the 2018 Florida Statutes.

**Committee Chair or Chairman of the Board approval:**

Committee Chair Beverly Seay approved the agenda and all supporting documentation.

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**Submitted by:**

Robert Taft, Chief Audit Executive

**Supporting Documentation:**

Attachment A: Florida Auditor General Financial Audit Report

**Facilitators/Presenters:**

Robert Taft, Chief Audit Executive

Attachment A

Report No. 2019-168  
March 2019

**STATE OF FLORIDA AUDITOR GENERAL**

Financial Audit

**UNIVERSITY OF CENTRAL FLORIDA**

For the Fiscal Year Ended  
June 30, 2018



Sherrill F. Norman, CPA  
Auditor General

### Board of Trustees and President

During the 2017-18 fiscal year, Dr. John C. Hitt served as President of the University of Central Florida and the following individuals served as Members of the Board of Trustees:

|   |   |
|---|---|
| Marcos R. Marchena, Chair                     | Nicholas Larkins through 5-23-18 <sup>a</sup> |
| Robert A. Garvy, Vice Chair                   | John Lord                                     |
| Joshua Boloña from 5-24-18 <sup>a</sup>       | Alex Martins                                  |
| Kenneth Bradley                               | Beverly J. Seay                               |
| Clarence H. Brown III, M.D.<br>through 2-1-18 | Dr. William Self <sup>b</sup>                 |
| Joseph D. Conte                               | John R. Sprouls                               |
| Danny Gaekwad from 2-2-18                     | David Walsh                                   |
|   | William E. Yeargin                            |

<sup>a</sup> Student Body President.

<sup>b</sup> Faculty Senate Chair.

The Auditor General conducts 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.

The team leader was James H. Cole, CPA, and the audit was supervised by Brenda C. Racis, CPA.

Please address inquiries regarding this report to Jaime N. Hoelscher, CPA, Audit Manager, by e-mail at [jaimehoelscher@aud.state.fl.us](mailto:jaimehoelscher@aud.state.fl.us) or by telephone at (850) 412-2868.

This report and other reports prepared by the Auditor General are available at:

[FLAuditor.gov](http://FLAuditor.gov)

Printed copies of our reports may be requested by contacting us at:

**State of Florida Auditor General**

**Claude Pepper Building, Suite G74 • 111 West Madison Street • Tallahassee, FL 32399-1450 • (850) 412-2722**

**UNIVERSITY OF CENTRAL FLORIDA  
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## SUMMARY

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### SUMMARY OF REPORT ON FINANCIAL STATEMENTS

Our audit disclosed that the basic financial statements of the University of Central Florida (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.

### SUMMARY OF REPORT ON INTERNAL CONTROL AND COMPLIANCE

We noted a certain matter involving the University's internal control over financial reporting and its operation that we consider to be a material weakness as discussed in Finding No. 2018-001.

The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, as discussed in Finding No. 2018-001.

### AUDIT OBJECTIVES AND SCOPE

Our audit objectives were to determine whether the University of Central Florida and its officers with administrative and stewardship responsibilities for University operations had:

- Presented the University's basic financial statements in accordance with generally accepted accounting principles;
- Established and implemented internal control over financial reporting and compliance with requirements that could have a direct and material effect on the financial statements; and
- Complied with the various provisions of laws, rules, regulations, contracts, and grant agreements that are material to the financial statements.

The scope of this audit included an examination of the University's basic financial statements as of and for the fiscal year ended June 30, 2018. We obtained an understanding of the University's environment, including its internal control, and assessed the risk of material misstatement necessary to plan the audit of the basic financial statements. We also examined various transactions to determine whether they were executed, in both manner and substance, in accordance with governing provisions of laws, rules, regulations, contracts, and grant agreements.

### AUDIT METHODOLOGY

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.





Sherrill F. Norman, CPA  
Auditor General

# AUDITOR GENERAL STATE OF FLORIDA

Claude Denson Pepper Building, Suite G74  
111 West Madison Street  
Tallahassee, Florida 32399-1450



Phone: (850) 412-2722  
Fax: (850) 488-6975

The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## INDEPENDENT AUDITOR'S REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the blended component units, which represent 0.5 percent, 7.3 percent, 0.5 percent and 0.02 percent, respectively, of the assets, liabilities, net position, and revenues reported for the University of Central Florida. In addition, we did not audit the financial statements of the aggregate discretely presented component units, which represent 100 percent of the transactions and account balances of the discretely presented component units columns. The financial statements for the blended and aggregate discretely presented component units were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for those financial statements, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of

the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University of Central Florida and of its aggregate discretely presented component units as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 2. to the financial statements, the University implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. This affects the comparability of amounts reported in the 2017-18 fiscal year with the amounts reported for the 2016-17 fiscal year. Our opinion is not modified with respect to this matter.

### ***Other Matter***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that **MANAGEMENT'S DISCUSSION AND ANALYSIS**, the **Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**, **Schedule of University Contributions – Florida Retirement System Pension Plan**, **Schedule of the University's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Pension Plan**, **Schedule of University Contributions – Health Insurance Subsidy Pension Plan**, and **Notes to Required Supplementary Information**, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of

financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, on our consideration of the University of Central Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements and other matters included under the heading **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University of Central Florida's internal control over financial reporting and compliance.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 20, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Management's discussion and analysis (MD&A) provides an overview of the financial position and activities of the University for the fiscal year ended June 30, 2018, and should be read in conjunction with the financial statements and notes thereto. The MD&A, and financial statements and notes thereto, are the responsibility of University management. The MD&A contains financial activity of the University for the fiscal years ended June 30, 2018, and June 30, 2017.

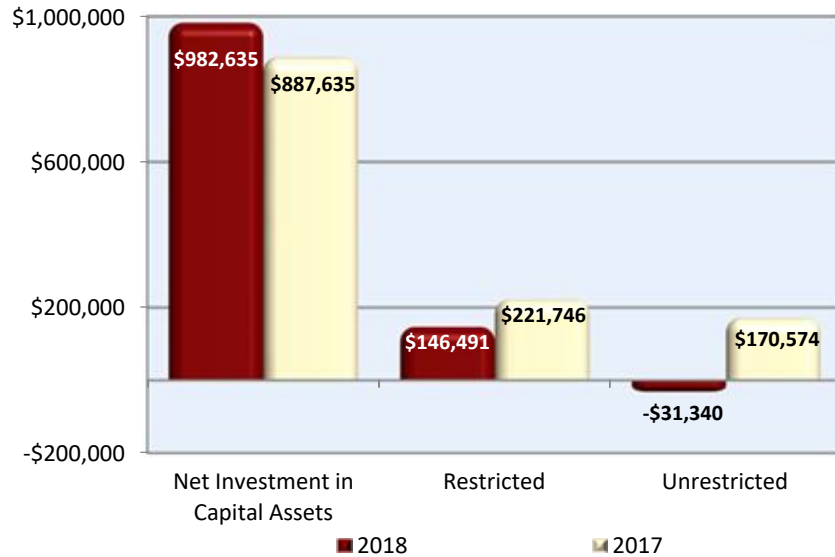
### FINANCIAL HIGHLIGHTS

The University's assets and deferred outflows of resources totaled \$2 billion at June 30, 2018. This balance reflects a \$106.5 million, or 5.5 percent, increase as compared to June 30, 2017, primarily from higher construction activity. Liabilities and deferred inflows of resources increased by \$288.7 million, or 44.6 percent, totaling \$936.1 million at June 30, 2018. As a result, the University's net position decreased by \$182.2 million, resulting in a year-end balance of \$1.1 billion. The increases in liabilities and deferred inflows of resources, and decrease in net position were largely impacted by the adoption of Governmental Accounting Standards Board's (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This accounting standard requires the University, as a participating employer in the State Group Health Insurance Program, to recognize its proportionate share of the net other postemployment benefits liability of the State Group Health Insurance Program cost-sharing multiple employer defined benefit plans. Changes in liabilities are recognized through the Statement of Revenues, Expenses, and Changes in Net Position, or reported as deferred inflows or outflows of resources on the Statement of Net Position, depending on the nature of the change. The initial adoption also resulted in a decrease to beginning net position of \$220.5 million.

The University's operating revenues totaled \$550.3 million for the 2017-18 fiscal year, representing a 5.2 percent increase compared to the 2016-17 fiscal year due mainly to increases in grants and contracts and auxiliary revenues. Operating expenses totaled \$1.1 billion for the 2017-18 fiscal year, representing an increase of 8.5 percent as compared to the 2016-17 fiscal year due mainly to increases in compensation and employee benefits and scholarships, fellowships, and waivers.

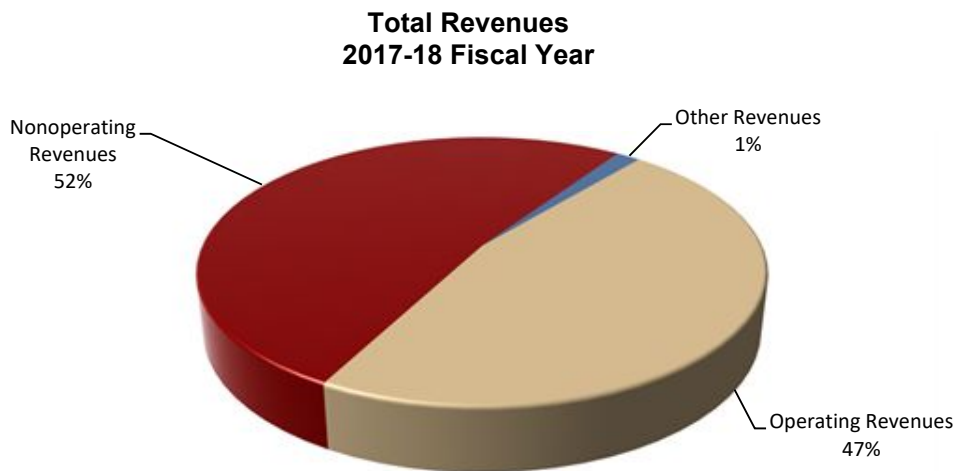
Net position represents the residual interest in the University's assets and deferred outflows of resources after deducting liabilities and deferred inflows of resources. The University's comparative total net position by category for the fiscal years ended June 30, 2018, and June 30, 2017, is shown in the following graph:

**Net Position  
(In Thousands)**



The deficit unrestricted net position for 2018 can be attributed primarily to the full recognition of certain long-term liabilities (i.e., compensated absences payable, other postemployment benefits payable and net pension liabilities) in the current unrestricted funds that are expected to be paid over time. Additional information about the University’s deficit net position in individual funds is presented in Note 4. in the accompanying notes to financial statements.

The following chart provides a graphical presentation of University revenues by category for the 2017-18 fiscal year:



|   |
|---|
| <b>OVERVIEW OF FINANCIAL STATEMENTS</b> |
|---|

Pursuant to GASB Statement No. 35, the University's financial report consists of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. The financial statements, and notes thereto, encompass the University and its component units. These component units include:

- Blended Component Units:
  - UCF Finance Corporation
  - University of Central Florida College of Medicine Self-Insurance Program
- Discretely Presented Component Units:
  - University of Central Florida Foundation, Inc.
  - University of Central Florida Research Foundation, Inc.
  - UCF Athletics Association, Inc.
  - UCF Convocation Corporation
  - UCF Stadium Corporation
  - Central Florida Clinical Practice Organization, Inc.

Information regarding these component units, including summaries of the blended and discretely presented component units' separately issued financial statements, is presented in the notes to financial statements. This MD&A focuses on the University, excluding the discretely presented component units. For those component units reporting under GASB standards, MD&A information is included in their separately issued audit reports.

### **The Statement of Net Position**

The statement of net position reflects the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the University, using the accrual basis of accounting, and presents the financial position of the University at a specified time. Assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position, which is one indicator of the University's current financial condition. The changes in net position that occur over time indicate improvement or deterioration in the University's financial condition.

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at June 30:

**Condensed Statement of Net Position at June 30**  
(In Thousands)

|                                       | <u>2018</u>         | <u>2017</u>         |
|---------------------------------------|---------------------|---------------------|
| <b>Assets</b>                         |                     |                     |
| Current Assets                        | \$ 628,594          | \$ 602,302          |
| Capital Assets, Net                   | 1,147,334           | 1,058,909           |
| Other Noncurrent Assets               | 106,460             | 144,896             |
| <b>Total Assets</b>                   | <u>1,882,388</u>    | <u>1,806,107</u>    |
| <b>Deferred Outflows of Resources</b> | <u>151,467</u>      | <u>121,206</u>      |
| <b>Liabilities</b>                    |                     |                     |
| Current Liabilities                   | 123,159             | 111,498             |
| Noncurrent Liabilities                | 760,062             | 534,411             |
| <b>Total Liabilities</b>              | <u>883,221</u>      | <u>645,909</u>      |
| <b>Deferred Inflows of Resources</b>  | <u>52,848</u>       | <u>1,449</u>        |
| <b>Net Position</b>                   |                     |                     |
| Net Investment in Capital Assets      | 982,635             | 887,635             |
| Restricted                            | 146,491             | 221,746             |
| Unrestricted                          | (31,340)            | 170,574             |
| <b>Total Net Position</b>             | <u>\$ 1,097,786</u> | <u>\$ 1,279,955</u> |

Total assets as of June 30, 2018, increased by \$76.3 million, or 4.2 percent. This increase is primarily due to higher capital related activity including building construction, acquisitions, and donations of capital assets. Major capital projects include research, academic and partnership facilities, the development of a downtown campus, and renovations and modernization of the library.

Total liabilities as of June 30, 2018, increased by \$237.3 million or 36.7 percent, deferred inflows and outflows of resources increased by \$51.4 million and \$30.3 million, respectively, and total net position decreased \$182.2 million. These changes were primarily related to annual changes in actuarial determined amounts for other postemployment benefits and pensions.

**The Statement of Revenues, Expenses, and Changes in Net Position**

The statement of revenues, expenses, and changes in net position presents the University's revenue and expense activity, categorized as operating and nonoperating. Revenues and expenses are recognized when earned or incurred, regardless of when cash is received or paid.

The following summarizes the University's activity for the 2017-18 and 2016-17 fiscal years:

**Condensed Statement of Revenues, Expenses, and Changes in Net Position  
For the Fiscal Years**

(In Thousands)

|   | <u>2017-18</u>      | <u>2016-17</u>      |
|---|---------------------|---------------------|
| Operating Revenues                                  | \$ 550,334          | \$ 523,006          |
| Less, Operating Expenses                            | <u>1,100,003</u>    | <u>1,013,825</u>    |
| <b>Operating Loss</b>                               | (549,669)           | (490,819)           |
| Net Nonoperating Revenues                           | <u>568,965</u>      | <u>485,568</u>      |
| <b>Income (Loss) Before Other Revenues</b>          | 19,296              | (5,251)             |
| Other Revenues                                      | <u>18,988</u>       | <u>60,633</u>       |
| <b>Net Increase In Net Position</b>                 | <u>38,284</u>       | <u>55,382</u>       |
| Net Position, Beginning of Year                     | 1,279,955           | 1,224,573           |
| Adjustment to Beginning Net Position (1)            | <u>(220,453)</u>    | <u>-</u>            |
| <b>Net Position, Beginning of Year, as Restated</b> | <u>1,059,502</u>    | <u>1,224,573</u>    |
| <b>Net Position, End of Year</b>                    | <u>\$ 1,097,786</u> | <u>\$ 1,279,955</u> |

(1) As discussed in Notes 2. and 3. of the financial statements, the University's beginning net position was decreased in conjunction with the implementation of GASB Statement No. 75.

**Operating Revenues**

GASB Statement No. 35 categorizes revenues as either operating or nonoperating. Operating revenues generally result from exchange transactions where each of the parties to the transaction either gives or receives something of equal or similar value.

The following summarizes the operating revenues by source that were used to fund operating activities for the 2017-18 and 2016-17 fiscal years:

**Operating Revenues  
For the Fiscal Years**

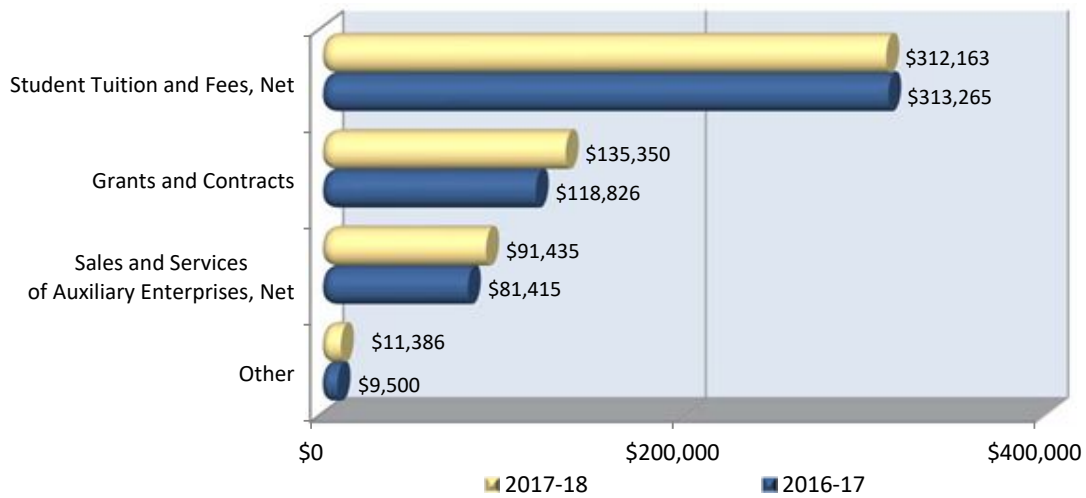
(In Thousands)

|  | <u>2017-18</u>    | <u>2016-17</u>    |
|--|-------------------|-------------------|
| Student Tuition and Fees, Net                    | \$ 312,163        | \$ 313,265        |
| Grants and Contracts                             | 135,350           | 118,826           |
| Sales and Services of Auxiliary Enterprises, Net | 91,435            | 81,415            |
| Other  | <u>11,386</u>     | <u>9,500</u>      |
| <b>Total Operating Revenues</b>                  | <u>\$ 550,334</u> | <u>\$ 523,006</u> |

The following chart presents the University's operating revenues for the 2017-18 and 2016-17 fiscal years:



**Operating Revenues**  
(In Thousands)



Total operating revenues increased by \$27.3 million, or 5.2 percent. Grants and contracts increased by \$16.5 million, or 13.9 percent, primarily related to increases in Federal and private grants. Net sales and services of auxiliary enterprises increased by \$10 million, or 12.3 percent, and was primarily due to higher revenues from the College of Medicine residency program.

**Operating Expenses**

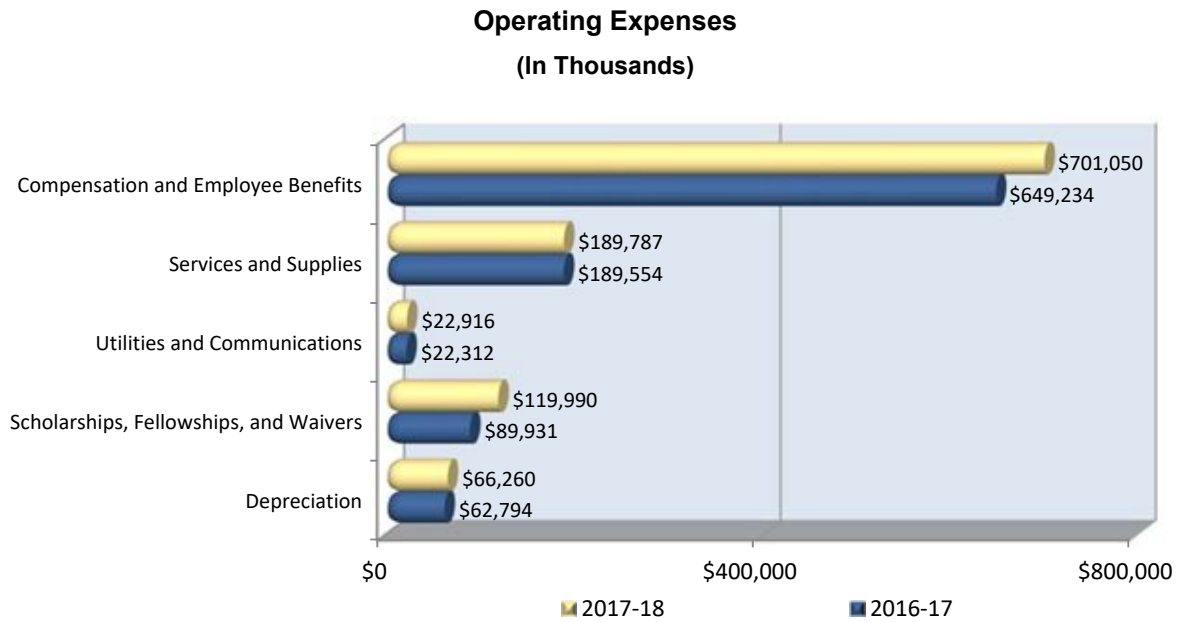
Expenses are categorized as operating or nonoperating. The majority of the University’s expenses are operating expenses as defined by GASB Statement No. 35. GASB gives financial reporting entities the choice of reporting operating expenses in the functional or natural classifications. The University has chosen to report the expenses in their natural classification on the statement of revenues, expenses, and changes in net position and has displayed the functional classification in the notes to financial statements.

The following summarizes operating expenses by natural classification for the 2017-18 and 2016-17 fiscal years:

**Operating Expenses**  
**For the Fiscal Years**  
(In Thousands)

|  | <u>2017-18</u>             | <u>2016-17</u>             |
|--|----------------------------|----------------------------|
| Compensation and Employee Benefits     | \$ 701,050                 | \$ 649,234                 |
| Services and Supplies                  | 189,787                    | 189,554                    |
| Utilities and Communications           | 22,916                     | 22,312                     |
| Scholarships, Fellowships, and Waivers | 119,990                    | 89,931                     |
| Depreciation                           | 66,260                     | 62,794                     |
| <b>Total Operating Expenses</b>        | <b><u>\$ 1,100,003</u></b> | <b><u>\$ 1,013,825</u></b> |

The following chart presents the University's operating expenses for the 2017-18 and 2016-17 fiscal years:



Operating expenses increased \$86.2 million, or 8.5 percent, over the 2016-17 fiscal year. Compensation and employee benefits increased by \$51.8 million. Salaries increased \$35.8 million due to investments in the University faculty hiring plan including support personnel, growth in post-doctoral medical resident programs, and annual salary increases. Retirement expenses including actuarial determined pension expenses increased \$12.5 million. Scholarships, fellowships, and waivers increased by \$30.1 million, resulting from increased awards for the Florida Bright Futures Scholarship Program, Federal Pell Grants, and Florida Student Assistance Grants.

**Nonoperating Revenues and Expenses**

Certain revenue sources that the University relies on to provide funding for operations, including State noncapital appropriations, Federal and State student financial aid, and investment income, are defined by GASB as nonoperating. Nonoperating expenses include capital financing costs and other costs related to capital assets. The following summarizes the University's nonoperating revenues and expenses for the 2017-18 and 2016-17 fiscal years:

**Nonoperating Revenues (Expenses)  
For the Fiscal Years**

(In Thousands)

|   | <b>2017-18</b>    | <b>2016-17</b>    |
|---|-------------------|-------------------|
| State Noncapital Appropriations         | \$ 375,458        | \$ 360,532        |
| Federal and State Student Financial Aid | 192,728           | 140,560           |
| Investment Income                       | 15,592            | 12,998            |
| Other Nonoperating Revenues             | 25,766            | 17,694            |
| Loss on Disposal of Capital Assets      | (79)              | (502)             |
| Interest on Capital Asset-Related Debt  | (7,534)           | (8,014)           |
| Other Nonoperating Expenses             | (32,966)          | (37,700)          |
| <b>Net Nonoperating Revenues</b>        | <b>\$ 568,965</b> | <b>\$ 485,568</b> |

Net nonoperating revenues increased by \$83.4 million, or 17.2 percent, primarily due to an increase in Federal and State student financial aid of \$52.2 million. The University received additional funds for the Florida Bright Futures Scholarship Program, Federal Pell Grants, and Florida Student Assistance Grants in the 2017-18 fiscal year. State noncapital appropriations increased by \$14.9 million due to additional emerging pre-eminence funding and other appropriations supporting new faculty, doctoral assistantships, and scholarships.

**Other Revenues**

This category is composed of State capital appropriations, capital grants, contracts, donations, and fees. The following summarizes the University's other revenues for the 2017-18 and 2016-17 fiscal years:

**Other Revenues  
For the Fiscal Years**

(In Thousands)

|  | <b>2017-18</b>   | <b>2016-17</b>   |
|--|------------------|------------------|
| State Capital Appropriations                   | \$ 12,472        | \$ 45,552        |
| Capital Grants, Contracts, Donations, and Fees | 6,516            | 15,081           |
| <b>Total</b>                                   | <b>\$ 18,988</b> | <b>\$ 60,633</b> |

Other revenues decreased \$41.6 million, or 68.7 percent, primarily due to a decrease in State capital appropriations.

**The Statement of Cash Flows**

The statement of cash flows provides information about the University's financial results by reporting the major sources and uses of cash and cash equivalents. This statement will assist in evaluating the University's ability to generate net cash flows, its ability to meet its financial obligations as they come due, and its need for external financing. Cash flows from operating activities show the net cash used by the operating activities of the University. Cash flows from capital financing activities include all plant funds and related long-term debt activities. Cash flows from investing activities show the net source and

use of cash related to purchasing or selling investments, and earning income on those investments. Cash flows from noncapital financing activities include those activities not covered in other sections.

The following summarizes cash flows for the 2017-18 and 2016-17 fiscal years:

**Condensed Statement of Cash Flows  
For the Fiscal Years**

(In Thousands)

|   | 2017-18          | 2016-17          |
|---|------------------|------------------|
| Cash Provided (Used) by:                                    |                  |                  |
| Operating Activities  | \$ (440,992)     | \$ (389,998)     |
| Noncapital Financing Activities                             | 554,407          | 483,367          |
| Capital and Related Financing Activities                    | (110,880)        | (106,644)        |
| Investing Activities  | 4,226            | (16,020)         |
| <b>Net Increase (Decrease) in Cash and Cash Equivalents</b> | 6,761            | (29,295)         |
| Cash and Cash Equivalents, Beginning of Year                | 19,023           | 48,318           |
| <b>Cash and Cash Equivalents, End of Year</b>               | <b>\$ 25,784</b> | <b>\$ 19,023</b> |

Cash and cash equivalents increased \$6.8 million. Cash used by operating activities increased by \$51 million compared to the 2016-17 fiscal year primarily due to an increase in cash payments to and on behalf of employees for compensation and benefits. Cash inflows from noncapital financing activities increased by \$71 million primarily due to an increase in cash received from Federal and State student financial aid and State appropriations net of pass-through disbursements. Cash provided by investing activities increased by \$20.2 million primarily due to prior year purchases of long-term fixed income investments from proceeds received from liquidations of cash equivalent money-market investments.

Major sources of funds came from State noncapital appropriations (\$375.5 million), net student tuition and fees (\$310.2 million), Federal and State student financial aid (\$193 million), grants and contracts (\$135.2 million), and net sales and services of auxiliary enterprises (\$93.6 million). Major uses of funds were for payments made to and on behalf of employees (\$660.4 million), payments to suppliers (\$210.6 million), payments related to the purchase or construction of capital assets (\$144.9 million), and payments to students for scholarships and fellowships (\$120 million).

**CAPITAL ASSETS, CAPITAL EXPENSES AND COMMITMENTS,  
AND DEBT ADMINISTRATION**

**Capital Assets**

At June 30, 2018, the University had \$2 billion in capital assets, less accumulated depreciation of \$836.1 million, for net capital assets of \$1.1 billion. Depreciation charges for the current fiscal year totaled \$66.3 million. The following table summarizes the University's capital assets, net of accumulated depreciation, at June 30:

**Capital Assets, Net at June 30**

(In Thousands)

|                                       | <u>2018</u>               | <u>2017</u>               |
|---------------------------------------|---------------------------|---------------------------|
| Land                                  | \$ 42,742                 | \$ 36,159                 |
| Construction in Progress              | 90,060                    | 81,061                    |
| Buildings                             | 902,373                   | 838,249                   |
| Infrastructure and Other Improvements | 37,358                    | 31,994                    |
| Furniture and Equipment               | 40,909                    | 40,482                    |
| Library Resources                     | 26,082                    | 24,155                    |
| Leasehold Improvements                | 7,163                     | 6,088                     |
| Works of Art and Historical Treasures | 647                       | 721                       |
| <b>Capital Assets, Net</b>            | <b><u>\$1,147,334</u></b> | <b><u>\$1,058,909</u></b> |

Additional information about the University's capital assets is presented in the notes to financial statements.

**Capital Expenses and Commitments**

Major capital expenses through June 30, 2018, were incurred on projects completed: the UCF Interdisciplinary Research and Incubator Facility and Partnership IV Phase II, and projects currently in progress: the UCF Downtown Academic Building, John C. Hitt Library Renovations, and Trevor Colbourn Hall. The University's major construction commitments at June 30, 2018, are as follows:

|                          | <b><u>Amount</u></b><br><b><u>(In Thousands)</u></b> |
|--------------------------|--|
| Total Committed          | \$ 173,872   |
| Completed to Date        | <u>(90,060)</u>                                      |
| <b>Balance Committed</b> | <b><u>\$ 83,812</u></b>                              |

Additional information about the University's construction commitments is presented in the notes to financial statements.

**Debt Administration**

As of June 30, 2018, the University had \$180.6 million in outstanding capital improvement debt payable, and loans and notes payable, representing an increase of \$3.6 million, or 2 percent, from the prior fiscal year. The following table summarizes the outstanding long-term debt by type for the fiscal years ended June 30:

**Long-Term Debt at June 30**

(In Thousands)

|                                  | <u>2018</u>       | <u>2017</u>       |
|----------------------------------|-------------------|-------------------|
| Capital Improvement Debt Payable | \$ 117,242        | \$ 125,664        |
| Bonds Payable                    | -                 | 51,315            |
| Loans and Notes Payable          | 63,359            | -                 |
| <b>Total</b>                     | <u>\$ 180,601</u> | <u>\$ 176,979</u> |

Additional information about the University’s long-term debt is presented in the notes to financial statements.

**ECONOMIC FACTORS THAT WILL AFFECT THE FUTURE**

The University’s economic condition is closely tied to that of the State of Florida. Because of limited economic growth and increased demand for State resources, only a modest increase in State funding is anticipated in the 2018-19 fiscal year. The University manages this through the continual efficient and strategic use of resources and entrepreneurial efforts by academic, administrative, and auxiliary departments. The budget that the Florida Legislature adopted for the 2018-19 fiscal year provided a 2 percent increase for State universities, including \$20 million in new recurring performance-based funding, plus \$30 million specifically aimed at meeting the State’s performance goals. The University received a total of \$6 million of this new funding.

The Florida Legislature also provided \$20 million in new funding for institutions that meet emerging pre-eminence and pre-eminence metrics aimed to advance the State’s national reputation for higher education. The University of Central Florida qualified for emerging pre-eminence status and received \$1.5 million of this new funding, which will be invested in initiatives to enhance the University’s reputation as a global research institution and advance toward pre-eminence status.

In addition to State funding, the University relies on other revenue streams to maintain the open access to and high quality of its academic programs. Net tuition and fee revenue remained steady from the 2016-17 fiscal year to the 2017-18 fiscal year. Overall, enrollment increased 2.9 percent with a student count of approximately 66,180. The University continues to invest in recruitment, retention, and academic advising initiatives to manage enrollment and support students’ success.

**REQUESTS FOR INFORMATION**

Questions concerning information provided in the MD&A or other required supplemental information, and financial statements and notes thereto, or requests for additional financial information should be addressed to the University Controller, University of Central Florida, 12424 Research Parkway, Suite 300, Orlando, Florida 32826-3249.

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## BASIC FINANCIAL STATEMENTS

**UNIVERSITY OF CENTRAL FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Net Position**

June 30, 2018

|   | University           | Component<br>Units |
|---|----------------------|--------------------|
| <b>ASSETS</b>                               |                      |                    |
| Current Assets:                             |                      |                    |
| Cash and Cash Equivalents                   | \$ 15,035,677        | \$ 23,148,532      |
| Restricted Cash and Cash Equivalents        | 3,259,264            | 14,409,735         |
| Investments                                 | 482,654,905          | -                  |
| Accounts Receivable, Net                    | 63,673,249           | 18,718,120         |
| Loans and Notes Receivable, Net             | 1,328,258            | -                  |
| Due from State                              | 54,725,914           | -                  |
| Due from Component Units                    | 1,128,037            | 416,904            |
| Due from University                         | -                    | 18,549,356         |
| Inventories                                 | 2,518,321            | 34,783             |
| Other Current Assets                        | 4,270,526            | 1,777,311          |
| <b>Total Current Assets</b>                 | <b>628,594,151</b>   | <b>77,054,741</b>  |
| Noncurrent Assets:                          |                      |                    |
| Restricted Cash and Cash Equivalents        | 7,489,055            | 2,989,201          |
| Restricted Investments                      | 86,045,062           | 212,992,971        |
| Loans and Notes Receivable, Net             | 4,927,741            | 18,894,977         |
| Depreciable Capital Assets, Net             | 1,014,313,741        | 116,844,051        |
| Nondepreciable Capital Assets               | 133,019,996          | 60,003,940         |
| Due from Component Units                    | 5,800,498            | -                  |
| Other Noncurrent Assets                     | 2,198,226            | 3,008,507          |
| <b>Total Noncurrent Assets</b>              | <b>1,253,794,319</b> | <b>414,733,647</b> |
| <b>Total Assets</b>                         | <b>1,882,388,470</b> | <b>491,788,388</b> |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>       |                      |                    |
| Other Postemployment Benefits               | 7,544,000            | -                  |
| Pensions                                    | 130,985,600          | -                  |
| Deferred Amount on Debt Refundings          | 12,936,932           | 5,133,159          |
| <b>Total Deferred Outflows of Resources</b> | <b>151,466,532</b>   | <b>5,133,159</b>   |
| <b>LIABILITIES</b>                          |                      |                    |
| Current Liabilities:                        |                      |                    |
| Accounts Payable                            | 15,423,789           | 6,554,905          |
| Construction Contracts Payable              | 15,029,921           | -                  |
| Salary and Wages Payable                    | 24,792,352           | -                  |
| Deposits Payable                            | 11,253,542           | -                  |
| Due to Component Units                      | 18,549,356           | 416,904            |
| Due to University                           | -                    | 1,128,037          |
| Unearned Revenue                            | 15,858,633           | 13,657,058         |
| Other Current Liabilities                   | 2,430,622            | 2,514,854          |
| Long-Term Liabilities - Current Portion:    |                      |                    |
| Capital Improvement Debt Payable            | 8,270,000            | -                  |
| Bonds Payable                               | -                    | 4,881,000          |
| Loans and Notes Payable                     | 2,498,000            | 2,737,000          |
| Certificates of Participation Payable       | -                    | 4,355,000          |
| Compensated Absences Payable                | 4,014,061            | 77,500             |
| Other Postemployment Benefits Payable       | 3,446,000            | -                  |
| Net Pension Liability                       | 1,592,767            | -                  |
| <b>Total Current Liabilities</b>            | <b>123,159,043</b>   | <b>36,322,258</b>  |



**UNIVERSITY OF CENTRAL FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Net Position (Continued)**

June 30, 2018

|  | <b>University</b>       | <b>Component<br/>Units</b> |
|--|-------------------------|----------------------------|
| <b>LIABILITIES (Continued)</b>             |                         |                            |
| Noncurrent Liabilities:                    |                         |                            |
| Capital Improvement Debt Payable           | 108,972,210             | -                          |
| Bonds Payable                              | -                       | 118,823,072                |
| Loans and Notes Payable                    | 60,861,000              | 22,992,999                 |
| Certificates of Participation Payable      | -                       | 100,040,000                |
| Compensated Absences Payable               | 53,329,664              | 691,558                    |
| Other Postemployment Benefits Payable      | 297,066,000             | -                          |
| Net Pension Liability                      | 231,550,093             | -                          |
| Unearned Revenues                          | -                       | 27,140                     |
| Due to University                          | -                       | 5,800,498                  |
| Other Noncurrent Liabilities               | 8,283,443               | 373,968                    |
| <b>Total Noncurrent Liabilities</b>        | <b>760,062,410</b>      | <b>248,749,235</b>         |
| <b>Total Liabilities</b>                   | <b>883,221,453</b>      | <b>285,071,493</b>         |
| <b>DEFERRED INFLOWS OF RESOURCES</b>       |                         |                            |
| Other Postemployment Benefits              | 42,480,000              | -                          |
| Pensions                                   | 10,367,486              | -                          |
| <b>Total Deferred Inflows of Resources</b> | <b>52,847,486</b>       | <b>-</b>                   |
| <b>NET POSITION</b>                        |                         |                            |
| Net Investment in Capital Assets           | 982,635,149             | (71,227,921)               |
| Restricted for Nonexpendable:              |                         |                            |
| Endowment                                  | -                       | 136,083,134                |
| Restricted for Expendable:                 |                         |                            |
| Debt Service                               | 1,418,562               | -                          |
| Loans                                      | 3,224,757               | -                          |
| Capital Projects                           | 128,591,852             | 693,884                    |
| Other                                      | 13,255,701              | 118,996,395                |
| Unrestricted                               | (31,339,958)            | 27,304,562                 |
| <b>TOTAL NET POSITION</b>                  | <b>\$ 1,097,786,063</b> | <b>\$ 211,850,054</b>      |

The accompanying notes to financial statements are an integral part of this statement.

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**UNIVERSITY OF CENTRAL FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**For the Fiscal Year Ended June 30, 2018**

|   | <b>University</b>       | <b>Component Units</b> |
|---|-------------------------|------------------------|
| <b>REVENUES</b>   |                         |                        |
| Operating Revenues:   |                         |                        |
| Student Tuition and Fees, Net of Scholarship Allowances of \$169,884,143 (Pledged for Capital Improvement Debt: \$17,518,614 for Student Health and \$14,706,584 for Parking) | \$ 312,163,236          | \$ -                   |
| Federal Grants and Contracts  | 100,966,565             | -                      |
| State and Local Grants and Contracts  | 8,979,649               | -                      |
| Nongovernmental Grants and Contracts  | 25,404,197              | -                      |
| Sales and Services of Auxiliary Enterprises, Net (Pledged for Capital Improvement Debt: \$29,521,514 for Housing and \$6,280,813 for Parking)                                 | 91,434,807              | -                      |
| Gifts and Donations   | -                       | 44,158,583             |
| Interest on Loans and Notes Receivable  | 114,405                 | -                      |
| Other Operating Revenues: (Pledged for Capital Improvement Debt: \$399,474 for Housing and \$1,129,249 for Parking)   | 11,271,405              | 126,134,388            |
| <b>Total Operating Revenues</b>   | <b>550,334,264</b>      | <b>170,292,971</b>     |
| <b>EXPENSES</b>   |                         |                        |
| Operating Expenses:   |                         |                        |
| Compensation and Employee Benefits  | 701,049,970             | 19,389,015             |
| Services and Supplies   | 189,786,518             | 115,585,159            |
| Utilities and Communications  | 22,916,333              | -                      |
| Scholarships, Fellowships, and Waivers  | 119,990,341             | -                      |
| Depreciation  | 66,259,952              | 5,674,815              |
| <b>Total Operating Expenses</b>   | <b>1,100,003,114</b>    | <b>140,648,989</b>     |
| <b>Operating Income (Loss)</b>  | <b>(549,668,850)</b>    | <b>29,643,982</b>      |
| <b>NONOPERATING REVENUES (EXPENSES)</b>   |                         |                        |
| State Noncapital Appropriations   | 375,457,594             | -                      |
| Federal and State Student Financial Aid   | 192,727,881             | -                      |
| Investment Income   | 15,591,848              | 407,291                |
| Other Nonoperating Revenues   | 25,766,297              | 14,033,750             |
| Loss on Disposal of Capital Assets  | (78,755)                | -                      |
| Interest on Capital Asset-Related Debt  | (7,534,030)             | (9,368,779)            |
| Other Nonoperating Expenses   | (32,966,232)            | (2,898,347)            |
| <b>Net Nonoperating Revenues</b>  | <b>568,964,603</b>      | <b>2,173,915</b>       |
| <b>Income Before Other Revenues</b>   | <b>19,295,753</b>       | <b>31,817,897</b>      |
| State Capital Appropriations  | 12,472,073              | -                      |
| Capital Grants, Contracts, Donations, and Fees  | 6,516,188               | -                      |
| Additions to Permanent Endowments   | -                       | 5,693,092              |
| <b>Increase in Net Position</b>   | <b>38,284,014</b>       | <b>37,510,989</b>      |
| Net Position, Beginning of Year   | 1,279,955,049           | 169,386,134            |
| Adjustment to Beginning Net Position  | (220,453,000)           | 4,952,931              |
| <b>Net Position, Beginning of Year, as Restated</b>   | <b>1,059,502,049</b>    | <b>174,339,065</b>     |
| <b>Net Position, End of Year</b>  | <b>\$ 1,097,786,063</b> | <b>\$ 211,850,054</b>  |

The accompanying notes to financial statements are an integral part of this statement.

**UNIVERSITY OF CENTRAL FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2018**

|   | <b>University</b>  |
|---|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                     |  |
| Student Tuition and Fees, Net                                   | \$ 310,232,223   |
| Grants and Contracts  | 135,189,532  |
| Sales and Services of Auxiliary Enterprises, Net                | 93,628,755   |
| Interest on Loans and Notes Receivable                          | 107,116  |
| Payments to Employees   | (660,449,757)  |
| Payments to Suppliers for Goods and Services                    | (210,561,501)  |
| Payments to Students for Scholarships and Fellowships           | (119,990,340)  |
| Loans Issued to Students  | (321,005)  |
| Collection on Loans to Students                                 | 1,034,355  |
| Other Operating Receipts  | 10,138,651   |
|   | <b>Net Cash Used by Operating Activities</b>                     |
|   | (440,991,971)  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>          |  |
| State Noncapital Appropriations                                 | 375,457,594  |
| Federal and State Student Financial Aid                         | 193,009,852  |
| Federal Direct Loan Program Receipts                            | 252,634,150  |
| Federal Direct Loan Program Disbursements                       | (252,634,150)  |
| Net Change in Funds Held for Others                             | (2,048,956)  |
| Other Nonoperating Disbursements                                | (12,011,011)   |
|   | <b>Net Cash Provided by Noncapital Financing Activities</b>      |
|   | 554,407,479  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b> |  |
| Proceeds from Capital Debt                                      | 95,059,505   |
| State Capital Appropriations                                    | 45,969,360   |
| Other Receipts for Capital Projects                             | 5,408,897  |
| Purchase or Construction of Capital Assets                      | (144,900,911)  |
| Principal Paid on Capital Debt and Leases                       | (91,960,493)   |
| Interest Paid on Capital Debt and Leases                        | (20,456,632)   |
|   | <b>Net Cash Used by Capital and Related Financing Activities</b> |
|   | (110,880,274)  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |  |
| Proceeds from Sales and Maturities of Investments               | 827,249,101  |
| Purchases of Investments  | (834,196,711)  |
| Investment Income   | 11,173,837   |
|   | <b>Net Cash Provided by Investing Activities</b>                 |
|   | 4,226,227  |
|   | <b>Net Increase in Cash and Cash Equivalents</b>                 |
|   | 6,761,461  |
|   | Cash and Cash Equivalents, Beginning of Year                     |
|   | 19,022,535   |
|   | <b>Cash and Cash Equivalents, End of Year</b>                    |
|   | \$ 25,783,996  |

**UNIVERSITY OF CENTRAL FLORIDA**  
**A Component Unit of the State of Florida**  
**Statement of Cash Flows (Continued)**  
**For the Fiscal Year Ended June 30, 2018**

|   | <u>University</u>       |
|---|-------------------------|
| <b>RECONCILIATION OF OPERATING LOSS</b>   |                         |
| <b>TO NET CASH USED BY OPERATING ACTIVITIES</b>   |                         |
| Operating Loss  | \$ (549,668,850)        |
| Adjustments to Reconcile Operating Loss<br>to Net Cash Used by Operating Activities:  |                         |
| Depreciation Expense  | 66,259,952              |
| Changes in Assets, Liabilities, Deferred Outflows of Resources,<br>and Deferred Inflows of Resources:   |                         |
| Receivables, Net  | (3,911,636)             |
| Inventories   | (197,195)               |
| Other Assets  | (523,345)               |
| Accounts Payable  | 1,829,061               |
| Salaries and Wages Payable  | 1,561,362               |
| Deposits Payable  | 65,730                  |
| Compensated Absences Payable  | 2,639,883               |
| Unearned Revenue  | 3,592,790               |
| Other Liabilities   | 961,308                 |
| Other Postemployment Benefits Payable   | (21,716,000)            |
| Net Pension Liability   | 33,539,407              |
| Deferred Outflows of Resources Related to Other Postemployment Benefits   | (4,493,000)             |
| Deferred Inflows of Resources Related to Other Postemployment Benefits  | 42,480,000              |
| Deferred Outflows of Resources Related to Pensions  | (22,330,064)            |
| Deferred Inflows of Resources Related to Pensions   | 8,918,626               |
| <b>NET CASH USED BY OPERATING ACTIVITIES</b>  | <b>\$ (440,991,971)</b> |
| <b>SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING AND<br/>CAPITAL FINANCING ACTIVITIES</b>  |                         |
| Unrealized gains on investments were recognized as an increase to investment<br>income on the statement of revenues, expenses, and changes in net position, but<br>are not cash transactions for the statement of cash flows. | \$ 4,185,671            |
| Losses from the disposal of capital assets were recognized on the statement of<br>revenues, expenses, and changes in net position, but are not cash transactions<br>for the statement of cash flows.                          | \$ (78,755)             |
| A donation of capital assets were recognized on the statement of revenues,<br>expenses, and changes in net position, but are not cash transactions for the<br>statement of cash flows.  | \$ 5,525,000            |

The accompanying notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

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### **1. Summary of Significant Accounting Policies**

**Reporting Entity.** The University is a separate public instrumentality that 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 5 years. The chair of the faculty senate and the president of the student body of the University are also members. The Board of Governors establishes the powers and duties of the Trustees. The Trustees are responsible for setting policies for the University, which provide governance in accordance with State law and Board of Governors' Regulations, and selecting the University President. 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.

Criteria for defining the reporting entity are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. These criteria were used to evaluate potential component units for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the primary government's financial statements to be misleading. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activities are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

**Blended Component Units.** Based on the application of the criteria for determining component units, the UCF Finance Corporation (Corporation) and the University of Central Florida College of Medicine Self-Insurance Program (Program) are included within the University's reporting entity as blended component units, and are therefore reported as if they are part of the University. The Corporation's purpose is to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. The Program's purpose is to provide comprehensive general liability and professional liability coverage for the University's Trustees and students for claims and actions arising from clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health Professions and Sciences (previously included in the College of Health and Public Affairs), and the Central Florida Clinical Practice Organization, Inc., faculty, staff, and resident physicians. Condensed financial statements for the University's blended component units are shown in a subsequent note. The condensed financial statements are reported net of eliminations.

**Discretely Presented Component Units.** Based on the application of the criteria for determining component units, the following direct-support organizations (as provided for in Section 1004.28, Florida Statutes, and Board of Governors Regulation 9.011) and the Central Florida Clinical Practice Organization, Inc. (an affiliated organization), are included within the University reporting entity as discretely presented component units. These legally separate, not-for-profit, corporations are organized and operated to assist the University to achieve excellence by providing supplemental resources from private gifts and bequests, and valuable education support services and are governed by separate

boards. The Statutes authorize these organizations to receive, hold, invest, and administer property and to make expenditures to or for the benefit of the University. These organizations and their purposes are explained as follows:

- University of Central Florida Foundation, Inc. is a not-for-profit Florida corporation whose principal function is to provide charitable and educational aid to the University.
- University of Central Florida Research Foundation, Inc. was organized to promote and encourage as well as assist in, the research activities of the University's faculty, staff, and students.
- UCF Athletics Association, Inc. was organized to promote intercollegiate athletics to benefit the University and surrounding communities.
- UCF Convocation Corporation was created to finance and construct a convocation center, and to manage the Towers student housing and its related retail space on the north side of campus.
- UCF Stadium Corporation was created to finance, build, and administer an on-campus football stadium.
- Central Florida Clinical Practice Organization, Inc. is an affiliated organization component unit of the University and was formed for the purpose of supporting the medical educational program and clinical faculty within the College of Medicine.
- Limbitless Solutions, Inc. is a not-for-profit Florida corporation whose purpose is to develop affordable open source 3D printed bionic solutions for individuals with disabilities, increase accessibility with art infused bionics, and to promote access and engagement in STEM/STEAM education. Financial activities of this component unit are not included in the University's financial statements as the total assets related to this component unit represent less than one percent of the total aggregate component units' assets.

An annual audit of each organization's financial statements is conducted by independent certified public accountants. The annual reports are submitted to the Auditor General and the University Board of Trustees. Additional information on the University's discretely presented component units, including copies of audit reports, is available by contacting the University Controller. Condensed financial statements for the University's discretely presented component units are shown in a subsequent note.

**Basis of Presentation.** The University's accounting policies conform with accounting principles generally accepted in the United States of America applicable to public colleges and universities as prescribed by GASB. The National Association of College and University Business Officers (NACUBO) also provides the University with recommendations prescribed in accordance with generally accepted accounting principles promulgated by GASB and the Financial Accounting Standards Board (FASB). GASB allows public universities various reporting options. The University has elected to report as an entity engaged in only business-type activities. This election requires the adoption of the accrual basis of accounting and entitywide reporting including the following components:

- Management's Discussion and Analysis
- Basic Financial Statements:
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Net Position
  - Statement of Cash Flows
  - Notes to Financial Statements

- Other Required Supplementary Information

**Measurement Focus and Basis of Accounting.** Basis of accounting refers to when revenues, expenses, and related assets, deferred outflows of resources, liabilities, and deferred inflows of resources, are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied. The University's financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met. The University follows GASB standards of accounting and financial reporting.

The University's discretely presented component units use the economic resources measurement focus and the accrual basis of accounting, and follow GASB standards of accounting and financial reporting.

Significant interdepartmental sales between auxiliary service departments and other institutional departments have been accounted for as reductions of expenses and not revenues of those departments.

The University's principal operating activities consist of instruction, research, and public service. Operating revenues and expenses generally include all fiscal transactions directly related to these activities as well as administration, operation and maintenance of capital assets, and depreciation of capital assets. Nonoperating revenues include State noncapital appropriations, Federal and State student financial aid, and investment income (net of unrealized gains or losses on investments). Interest on capital asset-related debt is a nonoperating expense. Other revenues generally include revenues for capital construction projects.

The statement of net position is presented in a classified format to distinguish between current and noncurrent assets and liabilities. When both restricted and unrestricted resources are available to fund certain programs, it is the University's policy to first apply the restricted resources to such programs, followed by the use of the unrestricted resources.

The statement of revenues, expenses, and changes in net position is presented by major sources and is reported net of tuition scholarship allowances. Tuition scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is actually paid by the student or the third party making payment on behalf of the student. The University applied the "Alternate Method" as prescribed in NACUBO Advisory Report 2000-05 to determine the reported net tuition scholarship allowances. Under this method, the University computes these amounts by allocating the cash payments to students, excluding payments for services, using a ratio of total aid to aid not considered third-party aid.

The statement of cash flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*.



**Cash and Cash Equivalents.** Cash and cash equivalents consist of cash on hand and cash in demand accounts, money market funds, and investments with original maturities of 3 months or less. University cash deposits are held in banks qualified as public depositories under Florida law. All such deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool required by Chapter 280, Florida Statutes. The University also holds \$11,956,951 in money market funds and short-term investments. The money market funds and investments are permissible under the current investment policy; the primary portion of these investments are held in Rule 2a-7 mutual funds and securities rated AAA (or its equivalent) by a nationally recognized statistical rating organization. The Corporation, a blended component unit, holds \$3,259,264 in money market funds. The money market funds are uninsured, but collateralized by securities held by the financial institutions, not in the name of the Corporation. Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other restricted assets, are classified as restricted.

**Cash and Cash Equivalents – Discretely Presented Component Units.** Cash and cash equivalents for the University's discretely presented component units are reported as follows:

| <u>Component Unit</u>                                   | <u>Cash in Bank</u>  | <u>Money Market Funds</u> | <u>Total</u>         |
|---|----------------------|---------------------------|----------------------|
| University of Central Florida Foundation, Inc.          | \$ 15,142,906        | \$ 1,510,127              | \$ 16,653,033        |
| University of Central Florida Research Foundation, Inc. | 372,116              | -                         | 372,116              |
| UCF Athletics Association, Inc.                         | 469,491              | -                         | 469,491              |
| UCF Convocation Corporation                             | 598,134              | 15,285,558                | 15,883,692           |
| UCF Stadium Corporation                                 | -                    | 603,251                   | 603,251              |
| Central Florida Clinical Practice Organization, Inc.    | 6,565,885            | -                         | 6,565,885            |
| <b>Total Component Units</b>                            | <u>\$ 23,148,532</u> | <u>\$ 17,398,936</u>      | <u>\$ 40,547,468</u> |

The University holds certain cash balances for various discretely presented component units. Cash amounts held for University of Central Florida Research Foundation, Inc., UCF Convocation Corporation, and UCF Stadium Corporation were \$11,180,760, \$4,563,495, and \$2,125,986, respectively.

*Custodial Credit Risk:* Custodial credit risk for deposits is the risk that, in the event of failure of a depository financial institution, the component unit will not be able to recover deposits.

- **University of Central Florida Foundation, Inc.** – Cash deposits consist of non-interest-bearing demand deposits, money market accounts, and cash deposits. At June 30, 2018, approximately \$15,601,453 in cash deposits were not insured by Federal deposit insurance and were not collateralized.
- **UCF Athletics Association, Inc.** – The Association does not have a deposit policy for custodial credit risk, although all demand deposits with banks are insured up to the Federal Deposit Insurance Corporation (FDIC) limits. As of June 30, 2018, \$133,483 of the Association's bank balance was exposed to custodial credit risk as uninsured and uncollateralized.

- **UCF Convocation Corporation** – At June 30, 2018, the Convocation Corporation held \$15,285,558 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **UCF Stadium Corporation** – At June 30, 2018, the Stadium Corporation held \$603,251 in a government money market fund. Money market funds are uninsured and collateralized by securities held by the institution, not in the Corporation's name.
- **Central Florida Clinical Practice Organization, Inc.** – At June 30, 2018, the Central Florida Clinical Practice Organization, Inc. had deposits in banking institutions. A portion of the deposits, totaling \$6,352,327, were in excess of the Federal deposit insurance limit as of June 30, 2018.

**Capital Assets.** University capital assets consist of land, construction in progress, buildings, infrastructure and other improvements, furniture and equipment, library resources, leasehold improvements, works of art and historical treasures, and computer software and other capital assets. These assets are capitalized and recorded at cost at the date of acquisition or at acquisition value at the date received in the case of gifts and purchases of State surplus property. Additions, improvements, and other outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The University has a capitalization threshold of \$4 million for intangible assets, which includes computer software, \$5,000 for tangible personal property, and \$250 for library resources. New buildings and improvements have a \$100,000 capitalization threshold. Depreciation is computed on the straight-line basis over the following estimated useful lives:

- Buildings – 20 to 50 years
- Infrastructure and Other Improvements – 12 to 50 years
- Furniture and Equipment – 5 to 10 years
- Library Resources – 10 years
- Leasehold Improvements – the lesser of the remaining lease term, or the estimated useful life of the improvement
- Works of Art and Historical Treasures – 5 to 15 years
- Computer Software – 5 to 10 years

**Noncurrent Liabilities.** Noncurrent liabilities include capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, net pension liabilities, and other noncurrent liabilities that are not scheduled to be paid within the next fiscal year. Capital improvement debt is reported net of unamortized premium or discount. The University amortizes debt premiums and discounts over the life of the debt using the straight-line method.

**Pensions.** For purposes of measuring the net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and HIS fiduciary net positions have been determined on the same basis as they are reported by the FRS and the HIS plans. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

## 2. Reporting Change

**Governmental Accounting Standards Board Statement No. 75.** The University implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended. This statement addresses accounting and financial reporting for postemployment benefits other than pensions (OPEB) provided to employees of state and local government employers; establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses; requires governments to report a liability, deferred outflows of resources, deferred inflows of resources, and expenses on the face of the financial statement for the OPEB they provide; and requires more extensive note disclosures and supplementary information about a government's OPEB liability.

## 3. Adjustments to Beginning Net Position

The beginning net position of the University was decreased by \$220,453,000 due to implementation of GASB Statement No. 75. The University's total OPEB liability reported at June 30, 2017, increased by \$223,504,000 to \$322,228,000 and the beginning balance for deferred outflows of resources was established at \$3,051,000 as of July 1, 2017, due to the transition in the valuation methods under GASB Statement No. 45 to GASB Statement No. 75.

The beginning net position of the discretely presented UCF Convocation Corporation and UCF Stadium Corporation were increased by \$4,304,506 and \$648,425, respectively, due to the implementation of GASB Statement No. 86, *Certain Debt Extinguishment Issues*. Each component unit removed the impact of previous write-offs of unamortized prepaid bond insurance costs associated with debt refundings and recalculated each deferred loss on refunding amount.

## 4. Deficit Net Position in Individual Funds

The University reported an unrestricted net position which included a deficit in the current funds – unrestricted as shown below:

| <u>Fund</u>                  | <u>Net Position</u>           |
|------------------------------|-------------------------------|
| Current Funds - Unrestricted | \$ (155,532,914)              |
| Auxiliary Funds              | <u>124,192,956</u>            |
| <b>Total</b>                 | <b><u>\$ (31,339,958)</u></b> |

As shown in the following schedule, this deficit can be attributed primarily to the full recognition of certain long-term liabilities (i.e., compensated absences payable, OPEB payable, and net pension liabilities) in the current unrestricted funds that are expected to be paid over time:

|  | <u>Amount</u>                 |
|--|-------------------------------|
| Total Unrestricted Net Position Before Recognition of Certain Long-Term Liabilities, Deferred Outflows and Deferred Inflows of Resources | <u>\$ 473,976,513</u>         |
| Amount Expected to be Paid in Future Years:  |                               |
| Compensated Absences Payable   | 57,343,725                    |
| Other Post Employment Benefits Payable and Related Deferred Outflows and Deferred Inflows of Resources                                   | 335,448,000                   |
| Net Pension Liability and Related Deferred Outflows and Deferred Inflows of Resources  | <u>112,524,746</u>            |
| Total Amount Expected to be Paid in Future Years   | <u>505,316,471</u>            |
| <b>Total Unrestricted Net Position</b>   | <u><u>\$ (31,339,958)</u></u> |

## 5. Investments

Section 1011.42(5), Florida Statutes, authorizes universities to invest funds with the State Treasury and State Board of Administration (SBA) and requires that universities comply with the statutory requirements governing investment of public funds by local governments. Accordingly, universities are subject to the requirements of Chapter 218, Part IV, Florida Statutes. The Board of Trustees has adopted a written investment policy providing that surplus funds of the University shall be invested in those institutions and instruments permitted under the provisions of Florida Statutes. Pursuant to Section 218.415(16), Florida Statutes, the University is authorized to invest in the Florida PRIME investment pool administered by the SBA; Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined in Section 280.02, Florida Statutes; direct obligations of the United States Treasury; obligations of Federal agencies and instrumentalities; securities of, or interests in, certain open end or closed end management type investment companies; and other investments approved by the Board of Trustees as authorized by law. Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

The University categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs.

All of the University's recurring fair value measurements as of June 30, 2018, are valued using quoted market prices (Level 1 inputs), with the exception of corporate, municipal and other bonds, certain Federal agency obligations and certificates of deposit which are valued using matrix pricing models which may consider quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets in markets that are not active, and inputs other than quoted prices that are observable (Level 2 inputs) and investments with the State Treasury which are valued based on the University's share of the pool (Level 3 inputs).

The University's investments at June 30, 2018, are reported as follows:

| Investments by fair value level                                  | Amount                | Fair Value Measurements Using  |   |  |
|--|-----------------------|--|---|--|
|  |                       | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| External Investment Pool:  |                       |  |   |  |
| State Treasury Special Purpose Investment Account                | \$ 297,957,515        | \$ -   | \$ -  | \$ 297,957,515                                     |
| SBA Debt Service Accounts  | 1,323,706             | 1,323,706  | -   | -  |
| Certificates of Deposit  | 1,461,927             | -  | 1,461,927   | -  |
| United States Government<br>and Federally-Guaranteed Obligations | 38,823,044            | 38,823,044   | -   | -  |
| Federal Agency Obligations                                       | 27,317,998            | 461,493  | 26,856,505  | -  |
| Bonds and Notes  | 96,177,016            | -  | 96,177,016  | -  |
| Mutual Funds   |                       |  |   |  |
| Equities   | 92,898,939            | 92,898,939   | -   | -  |
| Bonds  | 12,739,822            | 12,739,822   | -   | -  |
| <b>Total investments by fair value level</b>                     | <b>\$ 568,699,967</b> | <b>\$ 146,247,004</b>  | <b>\$ 124,495,448</b>                                     | <b>\$ 297,957,515</b>                              |

Investments held by the University's component units at June 30, 2018, are reported as follows:

| Investments by fair value level                          | University of<br>Central Florida<br>Foundation, Inc. | University of<br>Central Florida<br>Research<br>Foundation, Inc. | Total                 | Fair Value Measurements Using  |   |  |
|--|--|--|-----------------------|--|---|--|
|  |  |  |                       | Quoted Prices<br>in Active<br>Markets for<br>Identical Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Equity - Domestic  | \$ 5,220,769   | \$ 399,220   | \$ 5,619,989          | \$ 5,551,591   | \$ 68,398   | \$ -   |
| Equity - International                                   | 27,405,051   | -  | 27,405,051            | 27,405,051   | -   | -  |
| Domestic - Fixed Income                                  | 36,824,207   | -  | 36,824,207            | 36,824,207   | -   | -  |
| Global All Assets  | 14,575,447   | -  | 14,575,447            | 14,575,447   | -   | -  |
| Real Assets  | 4,073,225  | -  | 4,073,225             | 473,225  | -   | 3,600,000  |
| <b>Total investments by fair value level</b>             | <b>88,098,699</b>                                    | <b>399,220</b>   | <b>88,497,919</b>     | <b>\$ 84,829,521</b>   | <b>\$ 68,398</b>  | <b>\$ 3,600,000</b>                                |
| <b>Investments measured at the net asset value (NAV)</b> |  |  |                       |  |   |  |
| Equity - Domestic  | 7,425,643  | -  | 7,425,643             |  |   |  |
| Equity - International                                   | 45,655,944   | -  | 45,655,944            |  |   |  |
| Domestic - Fixed Income                                  | 4,377,176  | -  | 4,377,176             |  |   |  |
| International Fixed Income                               | 21,325,906   | -  | 21,325,906            |  |   |  |
| Global All Assets  | 8,549,709  | -  | 8,549,709             |  |   |  |
| Private Equity Funds                                     | 7,208,893  | -  | 7,208,893             |  |   |  |
| Private Debt Funds                                       | 1,662,464  | -  | 1,662,464             |  |   |  |
| Hedge Funds:   |  |  |                       |  |   |  |
| Credit   | 7,686,794  | -  | 7,686,794             |  |   |  |
| Event Driven   | 6,563,227  | -  | 6,563,227             |  |   |  |
| Global Macro   | 5,185,778  | -  | 5,185,778             |  |   |  |
| Long Short   | 2,230,741  | -  | 2,230,741             |  |   |  |
| Long Short Credit  | 2,211,562  | -  | 2,211,562             |  |   |  |
| Equity Linked  | 4,116,965  | -  | 4,116,965             |  |   |  |
| Real Assets  | 294,250  | -  | 294,250               |  |   |  |
| <b>Total investments measured at the NAV</b>             | <b>124,495,052</b>                                   | <b>-</b>   | <b>124,495,052</b>    |  |   |  |
| <b>Total investments</b>                                 | <b>\$ 212,593,751</b>                                | <b>\$ 399,220</b>  | <b>\$ 212,992,971</b> |  |   |  |

All of the University's component units' recurring fair value measurements as of June 30, 2018, are valued using quoted market prices (Level 1 inputs), with the exception of equity investments valued quarterly by respective fund managers (Level 2 inputs) and real assets valued based on an appraisal utilizing recent sale and property comparisons of like assets (Level 3 inputs).

For the University's component units, the valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table:

| Investments measured at the net asset value (NAV) | University of Central Florida Foundation, Inc. | Unfunded Commitments | Redemption Frequency (if Currently Eligible) | Redemption Notice Period |
|---|--|----------------------|--|--------------------------|
| Equity - Domestic                                 | \$ 7,425,643                                   | \$ -                 | Immediate                                    |                          |
| Equity - International                            | 45,655,944                                     | -                    | Immediate                                    |                          |
| Domestic - Fixed Income                           | 4,377,176                                      | -                    | Immediate                                    |                          |
| International Fixed Income                        | 21,325,906                                     | -                    | Monthly/Immediate                            | 30 Days                  |
| Global All Assets                                 | 8,549,709                                      | -                    | Immediate                                    |                          |
| Private Equity Funds                              | 7,208,893                                      | 10,626,424           |  |                          |
| Private Debt Funds                                | 1,662,464                                      | 4,062,135            |  |                          |
| Hedge Funds:                                      |  |                      |  |                          |
| Credit  | 7,686,794                                      | -                    | Monthly/Quarterly                            | 30-90 Days               |
| Event Driven                                      | 6,563,227                                      | -                    | Quarterly                                    | 60-90 Days               |
| Global Macro                                      | 5,185,778                                      | -                    | Monthly/Quarterly                            | 30-62 Days               |
| Long Short  | 2,230,741                                      | -                    | Monthly                                      | 30 Days                  |
| Long Short Credit                                 | 2,211,562                                      | -                    | Monthly                                      | 30 Days                  |
| Equity Linked                                     | 4,116,965                                      | -                    | Monthly/Quarterly                            | 30-60 Days               |
| Real Assets                                       | 294,250  | 2,775,706            |  |                          |
| <b>Total investments measured at the NAV</b>      | <b>\$ 124,495,052</b>                          | <b>\$ 17,464,265</b> |  |                          |

**Net Asset Value.**

GASB Statement No. 72, *Fair Value Measurement and Application*, permits the fair value of certain equity and debt investments that do not have readily determinable fair values to be based on their net asset value (NAV) per share. The investments held at net asset value reflect:

*Domestic Equity and International Equity:* These funds are operated by money managers and can be actively managed or passively managed to an index. These funds are privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of both funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

*Domestic Fixed Income:* The fund is operated by a money manager and is passively managed to an index. The fund is privately placed, and its fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair value of the fund is provided by the money manager which uses a quoted price in the active markets for the underlying assets.

*International Fixed Income:* Two of the funds invest in fixed income bonds ranging in credit ratings focused on domestic and international investments. One fund utilizes a focus on credit driven strategies for the underlying investments and can contain both domestic and international investments in the portfolio. These funds are privately placed and the fair value cannot be observed through observable inputs through an exchange for the overall fund. The fair values of the three funds are provided by the money managers which use a quoted price in active markets for the underlying assets.

*Global All Assets:* The fund invests in a global strategy including domestic, international, and global companies and is privately placed, and the fair value cannot be observed through observable inputs

through an exchange for the overall fund. The fair value of this fund is provided by the money manager which uses a quoted price in active markets for the underlying assets.

*Private Equity and Private Debt Funds:* Private equity and private debt includes distinct limited partnerships or limited liability companies. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Private equity and private debt are not traded on a public, primary exchange. Private equity can include equity rights to private companies, capital lent to companies, or other privately held securities. Private equity commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. Private debt funds aim to take advantage of structural imbalances between demand and supply of credit for consumers, small and medium enterprises, and trade finance consisting of private notes and bonds with equity components. In this portfolio, private equity capital and private debt are invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

*Credit and Long/Short Credit Hedge Funds:* The credit linked class of hedge funds seeks to profit from the mispricing of related debt securities. Returns are not generally dependent on the general direction of market movements. This strategy utilizes quantitative and qualitative analysis to identify securities or spreads between securities that deviate from their fair value and/or historical norms. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

*Event Driven Hedge Funds:* The event driven hedge funds class includes investments in hedge funds that invest across the capital structure in equity and debt securities. Managers invest in situations with the expectation that a near term event will act as a catalyst changing the market's perception of a company, thereby increasing or decreasing the value of its equity or debt. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

*Global Macro Hedge Funds:* The global macro hedge fund class includes hedge funds that trade highly liquid instruments, long and short, including currencies, commodities, fixed income instruments and equity indices. Two types of strategies are employed in this portfolio: discretionary strategies that employ broad analysis of economic, financial and political data to identify themes, and systematic strategies that use algorithmic models to analyze historical data, both technical and fundamental. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

*Long/Short Hedge Funds:* The equity long/short hedge fund class includes investments in hedge funds that invest both long and short stocks and equity indices. Management of the hedge funds has the ability to shift investments across a variety of stocks, equity indices, and to a lesser extent other securities from a net long position to a net short position. In this portfolio, the managers are focused primarily on the United States, Europe, and Asia. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

*Equity Linked Hedge Funds:* The equity linked class of hedge funds includes investments in debt instruments and options on equities. The equities options provide investors with principle protection while

providing exposure to equities. Returns are dependent on performance of the equities options. The fair values of the investments in this class have been estimated using the net asset value per share of the investments.

*Real Assets:* Real assets include one investment vehicle consisting of a distinct limited liability company. The investments can never be redeemed with these funds. Instead, the nature of the investments in this type is that distributions are received through the liquidation of the underlying assets or notes of the fund. Real assets consist of capital not traded on a public, primary exchange. For purposes of this portfolio, real assets include private holdings in domestic and international real estate. Real asset commitments are not drawn immediately, therefore the capital deployed at any one time is likely less than the total contractual commitment. In this portfolio, real assets capital is invested with general partners of a legally formed limited partnership, whereby several investors pool their capital as limited partners. The fair values of the investments in this type have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments.

### **External Investment Pools.**

The University reported investments at fair value totaling \$297,957,515 at June 30, 2018, in the State Treasury Special Purpose Investment Account (SPIA) investment pool, representing ownership of a share of the pool, not the underlying securities. Pooled investments with the State Treasury are not registered with the Securities and Exchange Commission. Oversight of the pooled investments with the State Treasury is provided by the Treasury Investment Committee per Section 17.575, Florida Statutes. The authorized investment types are set forth in Section 17.57, Florida Statutes. The State Treasury SPIA investment pool carried a credit rating of A+f by Standard & Poor's, had an effective duration of 3 years, and fair value factor of 0.9872 at June 30, 2018. Participants contribute to the State Treasury SPIA investment pool on a dollar basis. These funds are commingled and a fair value of the pool is determined from the individual values of the securities. The fair value of the securities is summed and a total pool fair value is determined. A fair value factor is calculated by dividing the pool's total fair value by the pool participant's total cash balances. The fair value factor is the ratio used to determine the fair value of an individual participant's pool balance. The University relies on policies developed by the State Treasury for managing interest rate risk or credit risk for this investment pool. Disclosures for the State Treasury investment pool are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.

### **State Board of Administration Debt Service Accounts.**

The University reported investments totaling \$1,323,706 at June 30, 2018, in the SBA Debt Service Accounts. These investments are used to make debt service payments on bonds issued by the State Board of Education for the benefit of the University. The University's investments consist of United States Treasury securities, with maturity dates of 6 months or less, and are reported at fair value. The University relies on policies developed by the SBA for managing interest rate risk and credit risk for these accounts. Disclosures for the Debt Service Accounts are included in the notes to financial statements of the State's Comprehensive Annual Financial Report.



**Other Investments.**

The University and its discretely presented component units invested in various debt and equity securities, mutual funds, and certificates of deposit. The following risks apply to the University's and its discretely presented component units' investments other than external investment pools.

*Interest Rate Risk:* Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Pursuant to Section 218.415(16), Florida Statutes, the University's investments in securities must provide sufficient liquidity to pay obligations as they come due. Investments of the University and its component units in debt securities, bond mutual funds, and debt related hedge funds, and their future maturities at June 30, 2018, are as follows:

**University Debt Investments Maturities**

| <b>Investment Type</b>  | <b>Fair Value</b>     | <b>Investments Maturities (In Years)</b> |                       |                      |
|---|-----------------------|--|-----------------------|----------------------|
|   |                       | <b>Less Than 1</b>                       | <b>1 - 5</b>          | <b>More Than 5</b>   |
| United States Government and Federally-Guaranteed Obligations | \$ 38,823,044         | \$ 8,132,949                             | \$ 29,754,027         | \$ 936,068           |
| Federal Agency Obligations                                    | 27,317,998            | 161,358                                  | 11,598,556            | 15,558,084           |
| Bonds and Notes   | 96,177,016            | 10,314,503                               | 67,677,669            | 18,184,844           |
| Mutual Funds - Bonds  | 12,739,822            | 512,849                                  | 5,625,716             | 6,601,257            |
| <b>Total</b>  | <b>\$ 175,057,880</b> | <b>\$ 19,121,659</b>                     | <b>\$ 114,655,968</b> | <b>\$ 41,280,253</b> |

**Component Units' Debt Investments Maturities**

| <b>Investment Type</b>     | <b>Fair Value</b>     | <b>Less Than 1</b> | <b>Investments Maturities (In Years)</b> |                     |                      | <b>Investments Not Directly Subject To Interest Rate Risk (1)</b> |
|----------------------------|-----------------------|--------------------|--|---------------------|----------------------|---|
|                            |                       |                    | <b>1 - 5</b>                             | <b>More Than 5</b>  |                      |   |
| Domestic Fixed Income      | \$ 41,201,383         | \$ -               | \$ 31,707,453                            | \$ 5,116,754        | \$ 4,377,176         |   |
| International Fixed Income | 21,325,906            | -                  | -  | -                   | 21,325,906           |   |
| Global All Assets          | 23,125,156            | -                  | -  | -                   | 23,125,156           |   |
| Private Debt               | 1,662,464             | -                  | -  | -                   | 1,662,464            |   |
| Hedge Funds                | 27,995,067            | -                  | -  | -                   | 27,995,067           |   |
| <b>Total</b>               | <b>\$ 115,309,976</b> | <b>\$ -</b>        | <b>\$ 31,707,453</b>                     | <b>\$ 5,116,754</b> | <b>\$ 78,485,769</b> |   |

(1) Certain UCF Foundation alternative investments are held in funds and are not directly subject to credit risk. Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The investments listed above with quality ratings reflect the credit risk related to debt-type securities that are directly held by the Foundation.

*Credit Risk:* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Obligations of the United States government or obligations explicitly guaranteed by the United States government are not considered to have credit risk and do not require disclosure of credit quality. The University's investment policy limits fixed income exposure to investment grade assets and provides credit quality guidelines applicable to the investment objective. The University's component

units' investment policies provide information on asset classes, target allocations, and ranges of acceptable investment categories. The following schedule represents the ratings at June 30, 2018, of the University's and its component units' debt instruments using Moody's and Standard & Poor's nationally recognized rating agencies:

**University Debt Investments Quality Ratings**

| <u>Investment Type</u>     | <u>Fair Value</u>     | <u>AAA</u>           | <u>AA</u>            | <u>A</u>             | <u>Less Than A</u>  |
|----------------------------|-----------------------|----------------------|----------------------|----------------------|---------------------|
| Federal Agency Obligations | \$ 27,317,998         | \$ 27,317,998        | \$ -                 | \$ -                 | \$ -                |
| Bonds and Notes            | 96,177,016            | 33,327,844           | 17,612,842           | 43,203,950           | 2,032,380           |
| Mutual Funds - Bonds       | 12,739,822            | -                    | 2,193,322            | 10,546,500           | -                   |
| <b>Total</b>               | <b>\$ 136,234,836</b> | <b>\$ 60,645,842</b> | <b>\$ 19,806,164</b> | <b>\$ 53,750,450</b> | <b>\$ 2,032,380</b> |

**Component Units' Debt Investments Quality Ratings**

| <u>Investment Type</u>     | <u>Fair Value</u>     | <u>AAA</u>          | <u>AA</u>            | <u>A</u>            | <u>Less Than A</u>  | <u>Investments Not Directly Subject To Credit Risk (1)</u> |
|----------------------------|-----------------------|---------------------|----------------------|---------------------|---------------------|--|
| Domestic Fixed Income      | \$ 41,201,383         | \$ 4,936,250        | \$ 22,706,796        | \$ 4,312,601        | \$ 4,868,560        | \$ 4,377,176   |
| International Fixed Income | 21,325,906            | -                   | -                    | -                   | -                   | 21,325,906   |
| Global All Assets          | 23,125,156            | -                   | -                    | -                   | -                   | 23,125,156   |
| Private Debt               | 1,662,464             | -                   | -                    | -                   | -                   | 1,662,464  |
| Hedge Funds                | 27,995,067            | -                   | -                    | -                   | -                   | 27,995,067   |
| <b>Total</b>               | <b>\$ 115,309,976</b> | <b>\$ 4,936,250</b> | <b>\$ 22,706,796</b> | <b>\$ 4,312,601</b> | <b>\$ 4,868,560</b> | <b>\$ 78,485,769</b>                                       |

(1) Certain UCF Foundation alternative investments are held in funds and are not directly subject to credit risk. Alternative investments consist of funds that may include underlying securities including equities, fixed income, real estate, and other types of investments. The investments listed above with quality ratings reflect the credit risk related to debt-type securities that are directly held by the Foundation.

*Concentration of Credit Risk:* Concentration of credit risk is the risk of loss attributed to the magnitude of the University's or its component units' investments in a single issuer. The University's and its component units' investment policies require diversification sufficient to reduce the potential of a single security, single sector of securities, or single style of management having a disproportionate or significant impact on the portfolio. The University's investment policy states that not more than five percent of the investment portfolio's assets shall be invested in securities on any one issuing company, and no single corporate bond issuer shall exceed five percent of the portfolio. Guidelines for individual sectors of the portfolio further indicate percentage limitations.

**6. Receivables**

**Accounts Receivable.** Accounts receivable represent amounts for student tuition and fees, contract and grant reimbursements due from third parties, various sales and services provided to students and third parties, and interest accrued on investments and loans receivable. As of June 30, 2018, the University reported the following amounts as accounts receivable:

| <u>Description</u>               | <u>Amount</u>               |
|----------------------------------|-----------------------------|
| Student Tuition and Fees         | \$ 30,720,327               |
| Contracts and Grants             | 25,843,270                  |
| Other                            | <u>7,109,652</u>            |
| <b>Total Accounts Receivable</b> | <b><u>\$ 63,673,249</u></b> |

**Loans and Notes Receivable.** Loans and notes receivable represent all amounts owed on promissory notes from debtors, including student loans made under the Federal Perkins Loan Program and other loan programs.

**Allowance for Doubtful Receivables.** Allowances for doubtful accounts, and loans and notes receivable, are reported based on management's best estimate as of fiscal year end considering type, age, collection history, and other factors considered appropriate. Accounts receivable and loans and notes receivable are reported net of allowances of \$2,243,573 and \$813,915, respectively, at June 30, 2018.

## **7. Due From State**

The amount due from State consists of \$54,725,914 of Public Education Capital Outlay, Capital Improvement Fee Trust Fund, or other allocations due from the State to the University for construction or purchase of University facilities.

## **8. Capital Assets**

Capital assets activity for the fiscal year ended June 30, 2018, is shown in the following table:

| <u>Description</u>                            | <u>Beginning Balance</u> | <u>Additions</u>      | <u>Reductions</u>     | <u>Ending Balance</u>   |
|---|--------------------------|-----------------------|-----------------------|-------------------------|
| Nondepreciable Capital Assets:                |                          |                       |                       |                         |
| Land  | \$ 36,158,790            | \$ 6,582,763          | \$ -                  | \$ 42,741,553           |
| Works of Art and Historical Treasures         | 218,000                  | -                     | -                     | 218,000                 |
| Construction in Progress                      | 81,060,507               | 114,462,132           | 105,462,196           | 90,060,443              |
| <b>Total Nondepreciable Capital Assets</b>    | <b>\$ 117,437,297</b>    | <b>\$ 121,044,895</b> | <b>\$ 105,462,196</b> | <b>\$ 133,019,996</b>   |
| Depreciable Capital Assets:                   |                          |                       |                       |                         |
| Buildings                                     | \$ 1,280,736,374         | \$ 105,242,054        | \$ -                  | \$ 1,385,978,428        |
| Infrastructure and Other Improvements         | 61,398,415               | 7,946,159             | -                     | 69,344,574              |
| Furniture and Equipment                       | 219,142,437              | 16,873,663            | 6,258,974             | 229,757,126             |
| Library Resources                             | 133,044,526              | 6,736,286             | -                     | 139,780,812             |
| Leasehold Improvements                        | 13,635,574               | 2,408,381             | -                     | 16,043,955              |
| Works of Art and Historical Treasures         | 1,677,354                | -                     | -                     | 1,677,354               |
| Computer Software and<br>Other Capital Assets | 7,850,435                | -                     | -                     | 7,850,435               |
| <b>Total Depreciable Capital Assets</b>       | <b>1,717,485,115</b>     | <b>139,206,543</b>    | <b>6,258,974</b>      | <b>1,850,432,684</b>    |
| Less, Accumulated Depreciation:               |                          |                       |                       |                         |
| Buildings                                     | 442,487,657              | 41,118,116            | -                     | 483,605,773             |
| Infrastructure and Other Improvements         | 29,404,555               | 2,582,530             | -                     | 31,987,085              |
| Furniture and Equipment                       | 178,660,353              | 16,341,903            | 6,154,567             | 188,847,689             |
| Library Resources                             | 108,888,933              | 4,809,859             | -                     | 113,698,792             |
| Leasehold Improvements                        | 7,547,874                | 1,333,028             | -                     | 8,880,902               |
| Works of Art and Historical Treasures         | 1,173,751                | 74,516                | -                     | 1,248,267               |
| Computer Software and<br>Other Capital Assets | 7,850,435                | -                     | -                     | 7,850,435               |
| <b>Total Accumulated Depreciation</b>         | <b>776,013,558</b>       | <b>66,259,952</b>     | <b>6,154,567</b>      | <b>836,118,943</b>      |
| <b>Total Depreciable Capital Assets, Net</b>  | <b>\$ 941,471,557</b>    | <b>\$ 72,946,591</b>  | <b>\$ 104,407</b>     | <b>\$ 1,014,313,741</b> |

## 9. Unearned Revenue

Unearned revenue at June 30, 2018, includes grant and contract prepayments, auxiliary prepayments, and student tuition and fees received prior to fiscal year-end related to subsequent accounting periods. As of June 30, 2018, the University reported the following amounts as unearned revenue:

| <u>Description</u>            | <u>Amount</u>        |
|-------------------------------|----------------------|
| Auxiliary Prepayments         | \$ 9,377,959         |
| Grant and Contracts           | 5,593,659            |
| Student Tuition and Fees      | 887,015              |
| <b>Total Unearned Revenue</b> | <b>\$ 15,858,633</b> |

## 10. Deferred Outflow / Inflow of Resources

The deferred outflows and inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Total deferred outflows of resources related to pensions were \$130,985,600 and deferred inflows of

resources related to pensions were \$10,367,486 for the year ended June 30, 2018. Note 12. includes a complete discussion of defined benefit pension plans.

The deferred outflows and inflows related to Other Postemployment Benefits (OPEB) are an aggregate of items related to OPEB as calculated in accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program. Total deferred outflows of resources related to OPEB were \$7,544,000 and deferred inflows of resources related to OPEB were \$42,480,000 for the year ended June 30, 2018. Note 11. includes a complete discussion of Other Postemployment Benefits.

The total deferred outflows of resources related to the deferred loss on debt refunding's were \$12,936,932 for the year ended June 30, 2018. The deferred loss was created as a result of the UCF Finance Corporation debt refinancing, which terminated the UCF Finance Corporation's interest rate swap liability at a cost of \$13,447,600. The deferred loss will be amortized as a component of interest expense over the remaining life of the UCF Finance Corporation's debt refinancing.

### 11. Long-Term Liabilities

Long-term liabilities of the University at June 30, 2018, include capital improvement debt payable, loans and notes payable, compensated absences payable, other postemployment benefits payable, net pension liability, and other noncurrent liabilities. Long-term liabilities activity for the fiscal year ended June 30, 2018, is shown in the following table:

| <u>Description</u>                        | <u>Beginning Balance</u> | <u>Additions</u>      | <u>Reductions</u>     | <u>Ending Balance</u> | <u>Current Portion</u> |
|---|--------------------------|-----------------------|-----------------------|-----------------------|------------------------|
| Capital Improvement Debt Payable          | \$ 125,664,116           | \$ 28,045,000         | \$ 36,466,906         | \$ 117,242,210        | \$ 8,270,000           |
| Bonds Payable                             | 51,315,000               | -                     | 51,315,000            | -                     | -                      |
| Loans and Notes Payable                   | -                        | 63,420,513            | 61,513                | 63,359,000            | 2,498,000              |
| Compensated Absences Payable              | 54,725,455               | 6,806,246             | 4,187,976             | 57,343,725            | 4,014,061              |
| Other Postemployment Benefits Payable (1) | 322,228,000              | 23,815,000            | 45,531,000            | 300,512,000           | 3,446,000              |
| Net Pension Liability                     | 199,603,453              | 152,562,429           | 119,023,022           | 233,142,860           | 1,592,767              |
| Interest Rate Swap                        | 12,550,585               | 781,216               | 13,331,801            | -                     | -                      |
| Other Noncurrent Liabilities              | 7,464,053                | 1,740,792             | 921,402               | 8,283,443             | -                      |
| <b>Total Long-Term Liabilities</b>        | <b>\$ 773,550,662</b>    | <b>\$ 277,171,196</b> | <b>\$ 270,838,620</b> | <b>\$ 779,883,238</b> | <b>\$ 19,820,828</b>   |

(1) OPEB Payable beginning balance adjusted for adoption of GASB Statement No. 75, as described in Note 3.

**Capital Improvement Debt Payable.** The University had the following capital improvement debt payable outstanding at June 30, 2018:

| <b>Capital Improvement Debt<br/>Type and Series</b> | <b>Amount<br/>of Original<br/>Debt</b> | <b>Amount<br/>Outstanding<br/>(1)</b> | <b>Interest<br/>Rates<br/>(Percent)</b> | <b>Maturity<br/>Date<br/>To</b> |
|---|--|---------------------------------------|---|---------------------------------|
| Student Housing Debt:                               |  |                                       |   |                                 |
| 2002 - Housing                                      | \$ 14,055,000                          | \$ 1,140,000                          | 4.25                                    | 2019                            |
| 2007A - Housing                                     | 38,780,000                             | 1,830,000                             | 5.25                                    | 2019                            |
| 2012A - Housing                                     | 66,640,000                             | 60,411,476                            | 3 to 5                                  | 2042                            |
| 2018A - Housing                                     | 23,255,000                             | 25,844,412                            | 4 to 5                                  | 2030                            |
| <b>Total Student Housing Debt</b>                   | <b>142,730,000</b>                     | <b>89,225,888</b>                     |   |                                 |
| Student Health Center Debt:                         |  |                                       |   |                                 |
| 2004A   | 8,000,000                              | 3,150,000                             | 4.5 to 5                                | 2024                            |
| Parking Garage Debt:                                |  |                                       |   |                                 |
| 2010B - Parking Garage VI                           | 11,140,000                             | 9,720,000                             | 4.9 to 6.2                              | 2029                            |
| 2011A - Parking Garage                              | 11,005,000                             | 3,398,088                             | 3 to 5                                  | 2022                            |
| 2012A - Parking Garage                              | 7,860,000                              | 6,533,585                             | 3 to 5                                  | 2032                            |
| 2018A - Parking Garage                              | 4,790,000                              | 5,214,649                             | 5                                       | 2024                            |
| <b>Total Parking Garage Debt</b>                    | <b>34,795,000</b>                      | <b>24,866,322</b>                     |   |                                 |
| <b>Total Capital Improvement Debt</b>               | <b>\$ 185,525,000</b>                  | <b>\$ 117,242,210</b>                 |   |                                 |

(1) Amount outstanding includes unamortized discounts and premiums.

The University extinguished long-term capital improvement debt obligations by the issuance of new long-term capital improvement debt instruments as follows:

- On March 15, 2018, the Florida Board of Governors issued \$23,255,000 of University of Central Florida Dormitory Revenue Refunding Bonds, Series 2018A, with a net premium of \$3,179,007, and interest rates ranging from 4 to 5 percent. The University's portion of the refunding bonds, \$26,434,007, was used to partially defease \$2,435,000 of the outstanding Capital Improvement Dormitory Revenue Bonds, Series 2002 and 23,630,000 of the outstanding Capital Improvement Dormitory Revenue Bonds, Series 2007A. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net position. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$3,977,202 over the next 12 years and obtained an economic gain of \$3,439,521. At June 30, 2018, the outstanding balance of the defeased debt was \$25,844,412.
- On June 21, 2018, the Florida Board of Governors issued \$4,790,000 of University of Central Florida Parking Facility Revenue Refunding Capital Improvement Bonds, Series 2018A, with a net premium of \$476,498, and an interest rate of 5 percent. The University's portion of the refunding bonds, \$5,266,498, was used to defease \$5,220,000 of the outstanding Capital Improvement Parking Facility Revenue Bonds, Series 2004A. Securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the defeased bonds. The trust assets and the liability for the defeased bonds are not included in the University's statement of net position. As a result of the refunding, the University reduced its capital improvement debt service requirement by \$323,112 over the next 6 years and obtained an economic gain of \$295,881. At June 30, 2018, the outstanding balance of the defeased debt was \$5,214,649.

The University has pledged a portion of future housing rental revenues, parking revenues, and health service facility fees based on credit hours to repay \$185,525,000 in capital improvement revenue bonds issued by the Florida Board of Governors on behalf of the University. Proceeds from the bonds provided financing to construct student housing, student health facilities, and student parking garages. The bonds are payable solely from housing rental revenues, parking and transportation fees, and student health fees and are payable through 2042. The University has committed to appropriate each year amounts sufficient to cover the principal and interest requirements on the debt. Total principal and interest remaining on the debt is \$152,905,301, and principal and interest paid for the current year totaled \$13,950,116 excluding refunding defeasances. During the 2017-18 fiscal year, operating revenues generated from housing rentals, parking revenues, and student health fees totaled \$29,920,988, \$22,116,646, and \$17,518,614, respectively.

Annual requirements to amortize all capital improvement debt outstanding as of June 30, 2018, are as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u>      | <u>Interest</u>      | <u>Total</u>          |
|-----------------------------------|-----------------------|----------------------|-----------------------|
| 2019                              | \$ 8,270,000          | \$ 4,825,193         | \$ 13,095,193         |
| 2020                              | 8,410,000             | 4,446,040            | 12,856,040            |
| 2021                              | 8,225,000             | 4,034,658            | 12,259,658            |
| 2022                              | 7,385,000             | 3,652,328            | 11,037,328            |
| 2023                              | 7,195,000             | 3,286,563            | 10,481,563            |
| 2024-2028                         | 33,195,000            | 11,578,154           | 44,773,154            |
| 2029-2033                         | 19,390,000            | 5,608,804            | 24,998,804            |
| 2034-2038                         | 9,885,000             | 3,118,969            | 13,003,969            |
| 2039-2042                         | 9,565,000             | 834,592              | 10,399,592            |
| <b>Subtotal</b>                   | 111,520,000           | 41,385,301           | 152,905,301           |
| Net Discounts and<br>Premiums     | 5,722,210             | -                    | 5,722,210             |
| <b>Total</b>                      | <u>\$ 117,242,210</u> | <u>\$ 41,385,301</u> | <u>\$ 158,627,511</u> |

**Loans and Notes Payable.** During the 2007 fiscal year, one of the University's blended component units, the UCF Finance Corporation (Corporation), issued \$60 million in bonds to finance the construction of the Burnett Biomedical Sciences Building, part of the University's medical school. The Corporation entered into an interest rate swap agreement in connection with the bond issuance as a means to lower its borrowing costs when compared with fixed-rate bonds at the time of their issuance.

In September 2017, the Corporation entered into a \$63,359,000 Refunding Term Loan, Series 2017, with a bank. The loan will mature on July 1, 2037, and bear interest at a fixed rate of 2.4 percent per annum with a 15-year interest put option. The loan is secured by the University's indirect cost revenues received by the University from Federal, State, and private grants. Proceeds of \$63,359,000 from the term loan, plus an additional \$918,460 contributed from the Corporation were used to purchase \$50,627,660 in U.S. Treasury State and Local Government Securities, to pay \$13,447,600 to terminate the interest rate swap liability, and to fund \$202,200 of cost issuance expenses. The payment of the swap is included in Interest Paid on Capital Debt and Leases in the Statement of Cash Flows. The U.S. Treasury State and Local Government Securities were placed in an irrevocable trust with an escrow agent to provide for all future

debt service payments on the Series 2007 bonds, which defeased the bonds. The trust assets and the liability for the defeased bonds are not included in the statement of net position. The trust extinguished the defeased bonds on October 20, 2017. As a result of the refinancing, the Finance Corporation reduced its debt service requirement by \$5,804,859 over the next 20 years and obtained an economic gain of \$4,315,688.

The University agreed to use a ground sublease to lease to its blended component unit, the Corporation, a parcel of property located in Orange County, Florida, where approximately 198,000 square feet of classroom, laboratory, and administrative office space, together with related infrastructure was constructed. The facilities are used solely for education and research purposes and are operated and managed by the University. The University and the Corporation entered into an agreement whereby the Corporation leases the facilities to the University for the occupancy of the facilities. The University has agreed to pay a base rent equal to all amounts due and payable under the term loan.

Annual requirements to amortize the outstanding term loan as of June 30, 2018, are as follows:

| <u>Fiscal Year<br/>Ending June 30</u> | <u>Principal</u>     | <u>Interest</u>      | <u>Total</u>         |
|---------------------------------------|----------------------|----------------------|----------------------|
| 2019                                  | \$ 2,498,000         | \$ 1,490,640         | \$ 3,988,640         |
| 2020                                  | 2,559,000            | 1,429,956            | 3,988,956            |
| 2021                                  | 2,621,000            | 1,367,796            | 3,988,796            |
| 2022                                  | 2,684,000            | 1,304,136            | 3,988,136            |
| 2023                                  | 2,750,000            | 1,238,928            | 3,988,928            |
| 2024-2028                             | 14,783,000           | 5,159,700            | 19,942,700           |
| 2029-2033                             | 16,670,000           | 3,274,680            | 19,944,680           |
| 2034-2037                             | 18,794,000           | 1,149,264            | 19,943,264           |
| <b>Total</b>                          | <b>\$ 63,359,000</b> | <b>\$ 16,415,100</b> | <b>\$ 79,774,100</b> |

On March 8, 2018, the Corporation entered into a note with a bank for up to \$20,000,000 to secure the construction commitments for a new University Downtown campus education facility. The note bears a variable rate of interest equal to a per annum rate of 81 percent multiplied by the sum of the LIBOR plus 0.50 percent and is subject to adjustment to reflect changes in the LIBOR rate. The rate on June 30, 2018, was 2.74 percent. The balance of the note was \$0 as of June 30, 2018. Payments will be made on an annual basis on March 8 of each year beginning March 8, 2019.

**Compensated Absences Payable.** Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulations, University regulations, and bargaining agreements. Leave earned is accrued to the credit of the employee and records are kept on each employee's unpaid (unused) leave balance. The University reports a liability for the accrued leave; however, State noncapital appropriations fund only the portion of accrued leave that is used or paid in the current fiscal year. Although the University expects the liability to be funded primarily from future appropriations, generally accepted accounting principles do not permit the recording of a receivable in anticipation of future appropriations. At June 30, 2018, the estimated liability for compensated absences, which includes the University's share of the Florida Retirement System and FICA contributions, totaled \$57,343,725. The current portion of the compensated absences liability,



\$4,014,061, is the amount expected to be paid in the coming fiscal year and is based on actual payouts over the last 3 years calculated as a percentage of those years' total compensated absences liability.

**Other Postemployment Benefits Payable.** The University follows GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for certain postemployment healthcare benefits administered by the State Group Health Insurance Program.

### **General Information about the OPEB Plan**

*Plan Description.* The Division of State Group Insurance's Other Postemployment Benefits Plan (OPEB Plan) is a multiple-employer defined benefit plan administered by the State of Florida. Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University are eligible to participate in the State Group Health Insurance Program. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. A retiree means any officer or employee who retires under a State retirement system or State optional annuity or retirement program or is placed on disability retirement and who begins receiving retirement benefits immediately after retirement from employment. In addition, any officer or employee who retires under the Florida Retirement System Investment Plan is considered a "retiree" if he or she meets the age and service requirements to qualify for normal retirement or has attained the age of 59.5 years and has the years of service required for vesting. The University subsidizes the premium rates paid by retirees by allowing them to participate in the OPEB Plan at reduced or blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because retiree healthcare costs are generally greater than active employee healthcare costs. No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75. The OPEB Plan contribution requirements and benefit terms necessary for funding the OPEB Plan each year is on a pay-as-you-go basis as established by the Governor's recommended budget and the General Appropriations Act. Retirees are required to enroll in the Federal Medicare (Medicare) program for their primary coverage as soon as they are eligible.

*Benefits Provided.* The OPEB Plan provides healthcare benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

### **Proportionate Share of the Total OPEB Liability**

The University's proportionate share of the total OPEB liability of \$300,512,000 was measured as of June 30, 2018, and was determined by an actuarial valuation as of July 1, 2017. At June 30, 2018, the University's proportionate share, determined by its proportion of total benefit payments made, was 2.78 percent, which was an increase of 0.05 from its proportionate share measured as of June 30, 2017.

*Actuarial Assumptions and Other Inputs.* The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

|  |  |
|--|--|
| Inflation                                | 2.60 percent   |
| Payroll Growth                           | 3.25 percent   |
| Discount rate                            | 3.58 percent   |
| Healthcare cost trend rates              |  |
| PPO Plan                                 | 7.8 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years |
| HMO Plan                                 | 5.2 percent for 2018, decreasing to an ultimate rate of 3.8 percent for 2076 and later years |
| Retirees' share of benefit-related costs | 100 percent of projected health insurance premiums for retirees                              |

The discount rate was based on the Bond Buyer General Obligation 20-year Municipal Bond Index.

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the OPEB Plan, the actuarial assumptions that determined the total OPEB liability for the OPEB Plan were based on certain results of the most recent experience study for the FRS Plan.

The following changes have been made since the prior valuation:

- The census data reflects changes in status for the 24-month period since July 1, 2015.
- The annual per capita claims costs have been updated to reflect current age-adjusted premiums.
- The premium rates have been updated to use the rates effective for 2017.
- Health care inflation rates have been updated to reflect recent healthcare trend rate surveys, blended with the long-term rates from the Getzen model published by the Society of Actuaries. Additionally, the updated trend rates reflect the information from the Report on the Financial Outlook for the Fiscal Years Ending June 30, 2017 through June 30, 2023, as adopted August 3, 2017 by the Self-Insurance Estimated Conference.
- The active mortality rates have been updated to use rates mandated by Chapter 2015-157, Laws of Florida for pension plans. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The rates are those outlined in Milliman's July 1, 2016 FRS actuarial valuation report.
- The discount rate as of the measurement date for GASB Statement No. 75 purposes is 3.58 percent. The prior GASB Statement No. 45 valuation used 4.00 percent. The GASB Statement No. 75 discount rate is based on the 20-year municipal bond rate as of June 29, 2017.

*Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Discount Rate.* The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

|  | <u>1%<br/>Decrease<br/>(2.58%)</u> | <u>Current<br/>Discount Rate<br/>(3.58%)</u> | <u>1%<br/>Increase<br/>(4.58%)</u> |
|--|------------------------------------|--|------------------------------------|
| University's proportionate share of the total OPEB liability | \$374,009,000                      | \$300,512,000                                | \$244,398,000                      |

*Sensitivity of the University's Proportionate Share of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates.* The following table presents the University's proportionate share of the total OPEB liability, as well as what the University's proportionate share of the total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

|  | <u>1% Decrease</u> | <u>Healthcare<br/>Cost Trend<br/>Rates</u> | <u>1% Increase</u> |
|--|--------------------|--|--------------------|
| University's proportionate share of the total OPEB liability | \$239,181,000      | \$300,512,000                              | \$383,830,000      |

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.***

For the fiscal year ended June 30, 2018, the University recognized OPEB expense of \$19,854,000. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| <u>Description</u>                              | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Change of assumptions                           | \$ -                                      | \$ 42,480,000                            |
| Changes in proportionate share                  | 3,961,000                                 | -  |
| Transactions subsequent to the measurement date | 3,583,000                                 | -  |
| <b>Total</b>                                    | <u>\$ 7,544,000</u>                       | <u>\$ 42,480,000</u>                     |

Of the total amount reported as deferred outflows of resources related to OPEB, \$3,583,000 resulting from transactions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the total OPEB liability and included in OPEB expense in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u>                        |
|-----------------------------------|--------------------------------------|
| 2019                              | \$ (5,503,000)                       |
| 2020                              | (5,503,000)                          |
| 2021                              | (5,503,000)                          |
| 2022                              | (5,503,000)                          |
| 2023                              | (5,503,000)                          |
| Thereafter                        | (11,004,000)                         |
| <b>Total</b>                      | <b><u><u>\$ (38,519,000)</u></u></b> |

**Net Pension Liability.** As a participating employer in the Florida Retirement System (FRS), the University recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2018, the University's proportionate share of the net pension liabilities totaled \$233,142,860. Note 12. includes a complete discussion of defined benefit pension plans.

**Interest Rate Swap.** As described previously in the Loans and Notes Payable section above, the Corporation's interest rate swap liability was terminated in September 2017.

**Other Noncurrent Liabilities.** Other noncurrent liabilities primarily consist of the liability for the Federal Capital Contribution (advance) provided to fund the University's Federal Perkins Loan Program. Under the Perkins Loan program, the University receives Federal capital contributions that must be returned to the Federal Government if the program has excess cash or the University ceases to participate in the program. Federal capital contributions held by the University totaled \$6,413,545 as of June 30, 2018.

**Certificate of Participation Payable and Bonds Payable – Component Units.**

UCF Convocation Corporation

During the 2013-14 and 2014-15 fiscal years, the UCF Convocation Corporation issued two refunding certificates of participation, Series 2014A for \$58,645,000 and Series 2014B for \$58,930,000 related to the construction of four residential housing towers, two adjacent parking facilities, and certain surrounding commercial retail space during the 2004-05 and 2005-06 fiscal years. The refunding certificates will mature on October 1, 2034, and October 1, 2035, respectively, and bear interest at a fixed rate of 3.61 and 3.80 percent, respectively, per annum.

During the 2015-16 fiscal year, the UCF Convocation Corporation issued a \$48,385,000 Refunding Revenue Bond, Series 2015A and a \$34,775,000 Taxable Refunding Revenue Bond, Series 2015B, to a bank, related to the acquisition, construction, and installation of a new convocation center, renovation of the existing University Arena, and construction of related infrastructure during the 2005-06 fiscal year. The bonds will mature on October 1, 2035, and bear interest at fixed rates ranging from 2 to 5 percent per annum.

The outstanding balance of UCF Convocation Corporation certificates and revenue bonds at June 30, 2018, was \$104,395,000 and \$76,785,000, respectively, before an unamortized premium of \$976,067.

The University entered into an operating agreement with the UCF Convocation Corporation whereby the UCF Convocation Corporation will be solely responsible for management and operations of the

convocation center and related facilities. The University assigned its rights, title, and interest in revenues generated from use of the facilities to the UCF Convocation Corporation and granted it the right to pledge revenues to secure repayment of the refunding revenue bonds. The University retained the right for priority use of the facilities for a period of at least 100 days annually. In exchange, the University agreed to pay UCF Convocation Corporation \$2,200,000 per year for the term of the agreement. The term of the agreement ends in 2036 and cannot be terminated prior to the time that all related bonds have been paid in full. Amounts paid to UCF Convocation Corporation for the fiscal year ended June 30, 2018, totaled \$2,200,000.

The University entered into a support agreement with the UCF Convocation Corporation such that it will fund certain deficiencies that may arise in the event the corporation is unable to make the minimum payments on the certificates or bonds. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts. In the event of certain deficiencies for debt service coverage requirements or reserve account shortfalls, the University agrees to defer collecting certain expenditures to cover any such deficiencies.

In fiscal year 2018, the UCF Convocation Corporation met requirements necessary to release certain restricted funds held by the trustee. The Corporation's governing board made the decision to remit a portion of these funds back to the University. Transfers to the University totaled \$704,711 for fiscal year ended June 30, 2018.

#### UCF Stadium Corporation

During the 2015-16 fiscal year, the UCF Stadium Corporation issued Series 2015A tax-exempt refunding revenue bonds for \$33,995,000 with a net premium of \$2,332,576, Series 2015B taxable refunding revenue bonds for \$10,250,000, and a Series 2015C non-taxable refunding revenue bond for \$3,810,000, to a bank, related to the construction of a football stadium on the campus at the University. The bonds include both term and serial bonds and are secured by a pledge from the UCF Athletics Association, Inc. of gross ticket revenues, rent, away game guarantees, conference distributions, and sponsorship revenues. The bonds bear fixed interest rates that range from 2.75 percent to 5.15 percent, and maturity dates that range from March 2029 to March 2036.

The outstanding balance of all UCF Stadium Corporation revenue bonds at June 30, 2018, was \$43,908,000, before an unamortized premium of \$2,035,005.

The University entered into a support agreement with the UCF Stadium Corporation such that it will fund certain deficiencies that may arise in the event either corporation is unable to make the minimum payments on the bonds. In addition, if the Corporation has deficiencies for debt service coverage or reserve account shortfalls, the University agrees to transfer funds to cover any such deficiencies. The University is obligated only to the extent it has legally available revenues to cover the unpaid amounts.

#### **Loans and Notes Payable – Component Units.**

##### UCF Foundation, Inc.

During the 2004-05 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for the purchase of land and buildings. The note is secured by the land, buildings, and lease revenues. In May 2017, the note was refinanced to a 3.34 percent fixed rate. The principal balance at

the time of the refinance was \$7,535,000 with the note still maturing on April 1, 2029. As of June 30, 2018, the remaining outstanding principal was \$7,015,000.

During the 2009-10 fiscal year, the University of Central Florida Foundation, Inc. entered into a note with a bank for \$19,925,000. The note is comprised of a tax-exempt portion with a fixed rate of 4.96 percent and a taxable portion with a fixed rate of 5.83 percent. The note is secured by buildings and lease revenue. As of June 30, 2018, the taxable note was fully repaid and the remaining outstanding principal for the tax-exempt note was \$12,440,000.

#### UCF Athletics Association, Inc.

During the 2014-15 fiscal year, the UCF Athletics Association, Inc. modified a construction line of credit with a local bank to a line of credit promissory note. The note matures June 2033, and the repayment schedule assumes the agreement is renewed annually. If the agreement is not renewed, the entire balance will be due in full at that time. On July 1, 2018, the UCF Athletics Association, Inc. renewed the agreement until July 2019, which carries interest at 67 percent of LIBOR plus 1.34 percent (2.76 percent at June 30, 2018). The note is secured by an amount not to exceed 5 percent of the prior year's collection of student athletic fees and conference payments from the American Athletic Conference. As of June 30, 2018, the amount outstanding on the note was \$5,654,999.

In June 2018, the UCF Athletics Association, Inc. also renewed an operating line of credit agreement with a local bank for \$5,000,000. The line carries an interest rate of LIBOR plus 2 percent (4.13 percent at June 30, 2018). The line is secured by all contract royalties under a multimedia agreement, as well as, all NCAA grant-in-aid and sports sponsorship distributions. As of June 30, 2018, there was \$620,000 outstanding on the operating line of credit.

#### Due to University – Component Units.

Three of its component units reported moneys due to the University totaling \$6,928,535. The UCF Athletics Association, Inc. received several loans from the University between 2004 and 2007. In 2009, those loans were consolidated into one loan. In July 2015, the Board of Trustees approved an amendment to the previous payment schedule. A payment of \$500,000 was made during the 2017-18 fiscal year with future years' payments ranging from \$500,000 to \$1,200,000. The loan matures in fiscal year 2025 and bears interest at a variable rate equal to the preceding fiscal year's average SPIA rate of return. As of June 30, 2018, the amount outstanding, including interest, totaled \$6,210,502.

## **12. Retirement Plans – Defined Benefit Pension Plans**

### General Information about the Florida Retirement System (FRS).

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 121, Florida Statutes, also provides for nonintegrated, optional retirement programs in lieu of the FRS to certain members of the Senior Management Service Class employed by the State and faculty and specified employees in the State university system. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy

(HIS) Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the University are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The University's FRS and HIS pension expense totaled \$41,271,242 for the fiscal year ended June 30, 2018.

### **FRS Pension Plan**

*Plan Description.* The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.
- *Special Risk Class* – Members who are employed as law enforcement officers and meet the criteria to qualify for this class.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of creditable service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

The DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not

include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

*Benefits Provided.* Benefits under the Plan are computed on the basis of age, and/or years of service, average final compensation, and credit service. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

| <b><u>Class, Initial Enrollment, and Retirement Age/Years of Service</u></b> | <b><u>% Value</u></b> |
|--|-----------------------|
| <b>Regular Class members initially enrolled before July 1, 2011</b>          |                       |
| Retirement up to age 62 or up to 30 years of service                         | 1.60                  |
| Retirement at age 63 or with 31 years of service                             | 1.63                  |
| Retirement at age 64 or with 32 years of service                             | 1.65                  |
| Retirement at age 65 or with 33 or more years of service                     | 1.68                  |
| <b>Regular Class members initially enrolled on or after July 1, 2011</b>     |                       |
| Retirement up to age 65 or up to 33 years of service                         | 1.60                  |
| Retirement at age 66 or with 34 years of service                             | 1.63                  |
| Retirement at age 67 or with 35 years of service                             | 1.65                  |
| Retirement at age 68 or with 36 or more years of service                     | 1.68                  |
| <b>Senior Management Service Class</b>                                       | 2.00                  |
| <b>Special Risk Class</b>  | 3.00                  |

As provided in Section 121.101, Florida Statutes, if the member was initially enrolled in the Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member was initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2017-18 fiscal year were:



| <u>Class</u>   | <u>Percent of Gross Salary</u> |                     |
|--|--------------------------------|---------------------|
|  | <u>Employee</u>                | <u>Employer (1)</u> |
| FRS, Regular   | 3.00                           | 7.92                |
| FRS, Senior Management Service   | 3.00                           | 22.71               |
| FRS, Special Risk  | 3.00                           | 23.27               |
| Deferred Retirement Option Program (applicable to members from all of the above classes) | 0.00                           | 13.26               |
| FRS, Reemployed Retiree  | (2)                            | (2)                 |

(1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The University's contributions to the Plan totaled \$18,255,686 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the University reported a liability of \$176,504,316 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.596715076 percent, which was an increase of 0.03684922 from its proportionate share measured as of June 30, 2016.

For the year ended June 30, 2018, the University recognized pension expense of \$35,487,896. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u>  | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Differences between expected and actual experience  | \$ 16,198,849                         | \$ 977,743                           |
| Change of assumptions   | 59,317,911                            | -                                    |
| Net difference between projected and actual earnings on FRS Plan investments                                    | -                                     | 4,374,218                            |
| Changes in proportion and differences between University contributions and proportionate share of contributions | 19,109,928                            | -                                    |
| University FRS contributions subsequent to the measurement date   | 18,255,686                            | -                                    |
| <b>Total</b>  | <b>\$ 112,882,374</b>                 | <b>\$ 5,351,961</b>                  |

The deferred outflows of resources totaling \$18,255,686, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u>               |
|-----------------------------------|-----------------------------|
| 2019                              | \$ 15,248,290               |
| 2020                              | 30,432,102                  |
| 2021                              | 20,739,594                  |
| 2022                              | 5,247,691                   |
| 2023                              | 12,845,328                  |
| Thereafter                        | <u>4,761,722</u>            |
| <b>Total</b>                      | <b><u>\$ 89,274,727</u></b> |

*Actuarial Assumptions.* The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.60 percent  |
| Salary increases          | 3.25 percent, average, including inflation                                |
| Investment rate of return | 7.10 percent, net of pension plan investment expense, including inflation |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u>       | <u>Target Allocation (1)</u> | <u>Annual Arithmetic Return</u> | <u>Compound Annual (Geometric) Return</u> | <u>Standard Deviation</u> |
|--------------------------|------------------------------|---------------------------------|---|---------------------------|
| Cash                     | 1%                           | 3.0%                            | 3.0%                                      | 1.8%                      |
| Fixed Income             | 18%                          | 4.5%                            | 4.4%                                      | 4.2%                      |
| Global Equity            | 53%                          | 7.8%                            | 6.6%                                      | 17.0%                     |
| Real Estate (Property)   | 10%                          | 6.6%                            | 5.9%                                      | 12.8%                     |
| Private Equity           | 6%                           | 11.5%                           | 7.8%                                      | 30.0%                     |
| Strategic Investments    | <u>12%</u>                   | 6.1%                            | 5.6%                                      | 9.7%                      |
| <b>Total</b>             | <b><u>100%</u></b>           |                                 |   |                           |
| Assumed inflation - Mean |                              |                                 | 2.6%                                      | 1.9%                      |

(1) As outlined in the Plan's investment policy.

*Discount Rate.* The discount rate used to measure the total pension liability was 7.10 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension

liability is equal to the long-term expected rate of return. The discount rate used in the 2017 valuation was updated from 7.60 percent to 7.10 percent.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.10 percent) or 1 percentage point higher (8.10 percent) than the current rate:

|  | <u>1%<br/>Decrease<br/>(6.10%)</u> | <u>Current<br/>Discount Rate<br/>(7.10%)</u> | <u>1%<br/>Increase<br/>(8.10%)</u> |
|--|------------------------------------|--|------------------------------------|
| University's proportionate share<br>of the net pension liability | \$319,462,151                      | \$176,504,316                                | \$57,816,559                       |

*Pension Plan Fiduciary Net Position.* Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

### **HIS Pension Plan**

*Plan Description.* The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

*Benefits Provided.* For the fiscal year ended June 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2018, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The University contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The University's contributions to the HIS Plan totaled \$2,887,590 for the fiscal year ended June 30, 2018.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2018, the University reported a liability of \$56,638,544 for its proportionate share of the net pension liability. The current portion of the net pension liability is the University's proportionate share of benefit payments expected to be paid within 1 year, net of the

University's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016, and update procedures were used to determine liabilities as of July 1, 2017. The University's proportionate share of the net pension liability was based on the University's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the University's proportionate share was 0.529705387 percent, which was an increase of .030014652 from its proportionate share measured as of June 30, 2016.

For the fiscal year ended June 30, 2018, the University recognized pension expense of \$5,783,346. In addition, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| <u>Description</u>  | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ -                                      | \$ 117,930                               |
| Change of assumptions   | 7,961,432                                 | 4,897,595                                |
| Net difference between projected and actual earnings on HIS Plan investments  | 31,410                                    | -  |
| Changes in proportion and differences between University HIS contributions and proportionate share of HIS contributions | 7,222,794                                 | -  |
| University HIS contributions subsequent to the measurement date   | 2,887,590                                 | -  |
| <b>Total</b>  | <b>\$ 18,103,226</b>                      | <b>\$ 5,015,525</b>                      |

The deferred outflows of resources totaling \$2,887,590, resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Fiscal Year Ending June 30</u> | <u>Amount</u>        |
|-----------------------------------|----------------------|
| 2019                              | \$ 2,403,494         |
| 2020                              | 2,397,550            |
| 2021                              | 2,394,697            |
| 2022                              | 2,015,619            |
| 2023                              | 1,171,322            |
| Thereafter                        | (182,571)            |
| <b>Total</b>                      | <b>\$ 10,200,111</b> |

*Actuarial Assumptions.* The total pension liability at July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                     |  |
|---------------------|--|
| Inflation           | 2.60 percent                               |
| Salary Increases    | 3.25 percent, average, including inflation |
| Municipal bond rate | 3.58 percent                               |

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

*Discount Rate.* The discount rate used to measure the total pension liability was 3.58 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate used in the 2017 valuation was updated from 2.85 percent to 3.58 percent.

*Sensitivity of the University's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate.* The following presents the University's proportionate share of the net pension liability calculated using the discount rate of 3.58 percent, as well as what the University's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.58 percent) or 1 percentage point higher (4.58 percent) than the current rate:

|   | <u>1%<br/>Decrease<br/>(2.58%)</u> | <u>Current<br/>Discount Rate<br/>(3.58%)</u> | <u>1%<br/>Increase<br/>(4.58%)</u> |
|---|------------------------------------|--|------------------------------------|
| University's proportionate share of the net pension liability | \$64,632,079                       | \$56,638,544                                 | \$49,980,371                       |

*Pension Plan Fiduciary Net Position.* Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Comprehensive Annual Financial Report.

### **13. Retirement Plans – Defined Contribution Pension Plans**

**FRS Investment Plan.** The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State's Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements,

are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2017-18 fiscal year were as follows:

| <u>Class</u>                   | <u>Percent of<br/>Gross<br/>Compensation</u> |
|--------------------------------|--|
| FRS, Regular                   | 6.30   |
| FRS, Senior Management Service | 7.67   |
| FRS, Special Risk Regular      | 14.00  |

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the FRS Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the University.

After termination and applying to receive benefits, the member may roll over vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The University's Investment Plan pension expense totaled \$4,145,785 for the fiscal year ended June 30, 2018.

**State University System Optional Retirement Program.** Section 121.35, Florida Statutes, provides for an Optional Retirement Program (Program) for eligible university instructors and administrators. The Program is designed to aid State universities in recruiting employees by offering more portability to employees not expected to remain in the FRS for 8 or more years.

The Program is a defined contribution plan, which provides full and immediate vesting of all contributions submitted to the participating companies on behalf of the participant. Employees in eligible positions can make an irrevocable election to participate in the Program, rather than the FRS, and purchase retirement

and death benefits through contracts provided by certain insurance carriers. The employing university contributes 5.14 percent of the participant's salary to the participant's account, 3.3 percent to cover the unfunded actuarial liability of the FRS pension plan, and 0.01 percent to cover administrative costs, for a total of 8.45 percent, and employees contribute 3 percent of the employee's salary. Additionally, the employee may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the University to the participant's annuity account. The contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement.

The University's contributions to the Program totaled \$20,369,919, and employee contributions totaled \$11,861,163 for the 2017-18 fiscal year.

#### 14. Construction Commitments

The University's major construction commitments at June 30, 2018, were as follows:

| <u>Project Description</u>           | <u>Total<br/>Commitment</u> | <u>Completed<br/>to Date</u> | <u>Balance<br/>Committed</u> |
|--------------------------------------|-----------------------------|------------------------------|------------------------------|
| UCF Downtown Academic Building       | \$ 57,606,901               | \$ 14,083,718                | \$ 43,523,183                |
| John C. Hitt Library Renovations     | 39,135,178                  | 21,633,751                   | 17,501,427                   |
| Trevor Colbourn Hall                 | 35,093,018                  | 30,008,522                   | 5,084,496                    |
| CREOL Expansion Phase II             | 6,379,029                   | 1,166,986                    | 5,212,043                    |
| Student Union Expansion              | 5,356,088                   | 3,232,891                    | 2,123,197                    |
| Roth Athletic Center                 | 2,507,815                   | 377,140                      | 2,130,675                    |
| Utilities Relocation Project         | 1,726,836                   | 706,816                      | 1,020,020                    |
| UCF Downtown Central<br>Energy Plant | 1,273,343                   | 236,072                      | 1,037,271                    |
| <b>Subtotal</b>                      | <u>149,078,208</u>          | <u>71,445,896</u>            | <u>77,632,312</u>            |
| Other Projects (1)                   | <u>24,794,363</u>           | <u>18,614,547</u>            | <u>6,179,816</u>             |
| <b>Total</b>                         | <u>\$ 173,872,571</u>       | <u>\$ 90,060,443</u>         | <u>\$ 83,812,128</u>         |

(1) Individual projects with a current balance committed of less than \$1 million at June 30, 2018.

#### 15. Operating Lease Commitments

The University leased buildings under operating leases, which expire in fiscal year 2039-40. These leased assets and the related commitments are not reported on the University's statement of net position. Operating lease payments are recorded as expenses when paid or incurred. Outstanding commitments resulting from these lease agreements are contingent upon future appropriations. Future minimum lease commitments for these noncancelable operating leases are as follows:

| <u>Fiscal Year Ending June 30</u>      | <u>Amount</u>        |
|--|----------------------|
| 2019                                   | \$ 11,456,189        |
| 2020                                   | 12,422,270           |
| 2021                                   | 7,053,820            |
| 2022                                   | 6,773,556            |
| 2023                                   | 6,017,826            |
| 2024-2028                              | 11,107,703           |
| 2029-2033                              | 4,560,493            |
| 2034-2038                              | 4,046,079            |
| 2039-2040                              | 876,673              |
| <b>Total Minimum Payments Required</b> | <b>\$ 64,314,609</b> |

The University of Central Florida Foundation, Inc. (Foundation) receives rents and reimbursement for certain operating expenses from the University for various buildings owned by the Foundation and occupied by the University. The Foundation and University are also parties to a long-term 99-year ground lease for use of the land at Lake Nona for the Health Sciences Campus. Rents and reimbursements paid by the University for the year ended June 30, 2018, were \$9,445,452.

The University has also entered into rental agreements with the UCF Convocation Corporation for use of parking garages and various retail spaces surrounding the arena. Rents paid to the UCF Convocation Corporation for the year ended June 30, 2018, totaled \$2,393,192.

The University has entered into a 40-year lease for the use of a research and development center, with base rent of \$1 per year, and is responsible for all operating and maintenance charges for the center. The University has entered into a 5-year management services agreement with another entity to manage and operate the center. The entity will be responsible for payment of all operating and maintenance costs with some allowable costs reimbursed by the University.

## **16.State Self-Insurance Programs**

The University is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal Civil Rights, and employment discrimination liability. During the 2017-18 fiscal year, for property losses, the State retained the first \$2 million per occurrence for all perils except named windstorm and flood. The State retained the first \$2 million per occurrence with an annual aggregate retention of \$40 million for named windstorm and flood losses. After the annual aggregate retention, losses in excess of \$2 million per occurrence were commercially insured up to \$92.5 million for named windstorm and flood through February 14, 2018, and decreased to \$78 million starting February 15, 2018. For perils other than named windstorm and flood, losses in excess of \$2 million per occurrence were commercially insured up to \$225 million; and losses exceeding those amounts were retained by the State. No excess insurance coverage is provided for workers' compensation, general and automotive liability, Federal Civil Rights and employment action coverage; all losses in these categories are completely self-insured by the State through the State Risk Management Trust Fund established pursuant to Chapter 284, Florida Statutes. Payments on tort claims are limited to \$200,000 per person, and



\$300,000 per occurrence as set by Section 768.28(5), Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. Settlements have not exceeded insurance coverage during the past 3 fiscal years.

Pursuant to Section 110.123, Florida Statutes, University employees may obtain healthcare services through participation in the State group health insurance plan or through membership in a health maintenance organization plan under contract with the State. The State's risk financing activities associated with State group health insurance, such as risk of loss related to medical and prescription drug claims, are administered through the State Employees Group Health Insurance Trust Fund. It is the practice of the State not to purchase commercial coverage for the risk of loss covered by this Fund. Additional information on the State's group health insurance plan, including the actuarial report, is available from the Florida Department of Management Services, Division of State Group Insurance.

### 17. University Self-Insured Program

The University of Central Florida, College of Medicine Self-Insurance Program (Program) was established pursuant to Section 1004.24, Florida Statutes, on September 25, 2008. The Program's purpose is to provide comprehensive general liability and professional liability (malpractice) coverage for the University of Central Florida Board of Trustees and students for claims and actions arising from the clinical activities of the College of Medicine, College of Nursing, UCF Health Services, College of Health and Public Affairs, and the Central Florida Clinical Practice Organization, Inc., faculty, staff and resident physicians. The Program provides legislative claims bill protection. The Program is distinct from and entirely independent of the self-insurance programs administered by the State described in Note 16.

The University is protected for losses that are subject to Section 768.28, Florida Statutes, to the extent of the waiver of sovereign immunity as described in Section 768.28(5), Florida Statutes. The Program also provides \$1,000,000 per legislative claims bills inclusive of payments made pursuant to Section 768.28, Florida Statutes; \$250,000 per occurrence of protection for the participants that are not subject to the provisions of Section 768.28, Florida Statutes; \$250,000 per claim protection for participants who engage in approved community service and act as Good Samaritans; and student protections of \$200,000 for claim arising from an occurrence for any one person, \$300,000 for all claims arising from an occurrence and professional liability required by a hospital or other healthcare facility for educational purposes not to exceed a per occurrence limit of \$1,000,000.

The Self-Insurance Program's estimated liability for unpaid claims at fiscal year-end is the result of management and actuarial analysis and includes an amount for claims that have been incurred but not reported. Changes in the balances of claims liability for the Self-Insurance Program during the 2016-17 and 2017-18 fiscal years are presented in the following table:

| <u>Fiscal Year</u> | <u>Claims Liability<br/>Beginning of Year</u> | <u>Current Claims<br/>and Changes in<br/>Estimates</u> | <u>Claim<br/>Payments</u> | <u>Claim Liabilities<br/>End of Year</u> |
|--------------------|---|--|---------------------------|--|
| June 30, 2017      | \$ 141,222                                    | \$ 92,630  | \$ (274)                  | \$ 233,578                               |
| June 30, 2018      | 233,578                                       | 368,940  | (1,023)                   | 601,495                                  |

## 18. Litigation

The University is involved in several pending and threatened legal actions. The range of potential loss from all such claims and actions, as estimated by the University's legal counsel and management, should not materially affect the University's financial position.

## 19. Functional Distribution of Operating Expenses

The functional classification of an operating expense (instruction, research, etc.) is assigned to a department based on the nature of the activity, which represents the material portion of the activity attributable to the department. For example, activities of an academic department for which the primary departmental function is instruction may include some activities other than direct instruction such as research and public service. However, when the primary mission of the department consists of instructional program elements, all expenses of the department are reported under the instruction classification. The operating expenses on the statement of revenues, expenses, and changes in net position are presented by natural classifications. The following are those same expenses presented in functional classifications as recommended by NACUBO:

| <u>Functional Classification</u>       | <u>Amount</u>                         |
|--|---------------------------------------|
| Instruction                            | \$ 368,234,137                        |
| Research                               | 143,653,460                           |
| Public Services                        | 13,361,770                            |
| Academic Support                       | 80,961,892                            |
| Student Services                       | 55,325,718                            |
| Institutional Support                  | 96,144,613                            |
| Operation and Maintenance of Plant     | 60,749,798                            |
| Scholarships, Fellowships, and Waivers | 119,990,341                           |
| Depreciation                           | 66,259,952                            |
| Auxiliary Enterprises                  | 94,845,046                            |
| Loan Operations                        | 476,387                               |
| <b>Total Operating Expenses</b>        | <b><u><u>\$ 1,100,003,114</u></u></b> |

## 20. Segment Information

A segment is defined as an identifiable activity (or grouping of activities) that has one or more bonds or other debt instruments outstanding with a revenue stream pledged in support of that debt. In addition, the activity's related revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources are required to be accounted for separately. The following financial information for the University's Housing, Parking, and Health Services facilities represents identifiable activities for which one or more bonds are outstanding:

**Condensed Statement of Net Position**

|                                  | <b>Housing<br/>Capital<br/>Improvement<br/>Debt</b> | <b>Parking<br/>Capital<br/>Improvement<br/>Debt</b> | <b>Health Services<br/>Capital<br/>Improvement<br/>Debt</b> |
|----------------------------------|---|---|---|
| <b>Assets</b>                    |   |   |   |
| Current Assets                   | \$ 13,907,999                                       | \$ 11,257,929                                       | \$ 10,194,101   |
| Capital Assets, Net              | 90,501,932  | 59,250,294  | 10,321,067  |
| Other Noncurrent Assets          | 11,712,667  | 17,158,837  | 6,522,000   |
| <b>Total Assets</b>              | <b>116,122,598</b>                                  | <b>87,667,060</b>                                   | <b>27,037,168</b>   |
| <b>Liabilities</b>               |   |   |   |
| Current Liabilities              | 9,395,919   | 3,812,868   | 1,240,738   |
| Noncurrent Liabilities           | 84,185,888  | 24,555,374  | 2,685,000   |
| <b>Total Liabilities</b>         | <b>93,581,807</b>                                   | <b>28,368,242</b>                                   | <b>3,925,738</b>  |
| <b>Net Position</b>              |   |   |   |
| Net Investment in Capital Assets | 1,282,036   | 31,636,904  | 7,171,067   |
| Restricted - Expendable          | 11,590,403  | 17,107,972  | 6,448,077   |
| Unrestricted                     | 9,668,352   | 10,553,942  | 9,492,286   |
| <b>Total Net Position</b>        | <b>\$ 22,540,791</b>                                | <b>\$ 59,298,818</b>                                | <b>\$ 23,111,430</b>  |

**Condensed Statement of Revenues, Expenses,  
and Changes in Net Position**

|   | <b>Housing<br/>Capital<br/>Improvement<br/>Debt</b> | <b>Parking<br/>Capital<br/>Improvement<br/>Debt</b> | <b>Health Services<br/>Capital<br/>Improvement<br/>Debt</b> |
|---|---|---|---|
| Operating Revenues                            | \$ 29,971,788                                       | \$ 22,116,646                                       | \$ 22,215,310   |
| Depreciation Expense                          | (4,277,614)   | (2,871,423)   | (580,955)   |
| Other Operating Expenses                      | (16,417,131)  | (11,931,376)  | (17,473,206)  |
| <b>Operating Income</b>                       | <b>9,277,043</b>                                    | <b>7,313,847</b>                                    | <b>4,161,149</b>  |
| Nonoperating Revenues (Expenses):             |   |   |   |
| Nonoperating Revenue                          | 526,316   | 669,684   | 231,119   |
| Interest Expense                              | (3,957,120)   | (1,214,085)   | (197,916)   |
| Other Nonoperating Expense                    | (176,917)   | (49,473)  | -   |
| <b>Net Nonoperating Revenue (Expenses)</b>    | <b>(3,607,721)</b>                                  | <b>(593,874)</b>                                    | <b>33,203</b>   |
| Other Revenues, Expenses, Gains<br>and Losses | (6,516,032)   | (2,926,786)   | (3,065,664)   |
| <b>Increase in Net Position</b>               | <b>5,669,322</b>                                    | <b>6,719,973</b>                                    | <b>4,194,352</b>  |
| Net Position, Beginning of Year               | 23,387,501  | 55,505,631  | 21,982,742  |
| <b>Net Position, End of Year</b>              | <b>\$ 22,540,791</b>                                | <b>\$ 59,298,818</b>                                | <b>\$ 23,111,430</b>  |

**Condensed Statement of Cash Flows**

|  | <b>Housing<br/>Capital<br/>Improvement<br/>Debt</b> | <b>Parking<br/>Capital<br/>Improvement<br/>Debt</b> | <b>Health Services<br/>Capital<br/>Improvement<br/>Debt</b> |
|--|---|---|---|
| Net Cash Provided (Used) by:                     |   |   |   |
| Operating Activities                             | \$ 13,296,893                                       | \$ 9,567,175  | \$ 3,820,687  |
| Noncapital Financing Activities                  | (2,943,272)   | (1,643,924)   | (2,415,397)   |
| Capital and Related Financing Activities         | (13,131,665)  | (6,241,387)   | (1,085,516)   |
| Investing Activities                             | 3,322,094   | (783,988)   | 111,933   |
| <b>Net Increase in Cash and Cash Equivalents</b> | <b>544,050</b>                                      | <b>897,876</b>                                      | <b>431,707</b>  |
| Cash and Cash Equivalents, Beginning of Year     | 1,374,835   | 1,285,429   | 783,081   |
| <b>Cash and Cash Equivalents, End of Year</b>    | <b>\$ 1,918,885</b>                                 | <b>\$ 2,183,305</b>                                 | <b>\$ 1,214,788</b>   |

## 21. Blended Component Units

The University has two blended component units as discussed in Note 1. The following financial information is presented net of eliminations for the University's blended component units:

**Condensed Statement of Net Position**

|                                       | Blended Component Units    |   |  | University             | Eliminations        | Total<br>Primary<br>Government |
|---------------------------------------|----------------------------|---|--|------------------------|---------------------|--------------------------------|
|                                       | UCF Finance<br>Corporation | University of<br>Central Florida<br>College of<br>Medicine<br>Self-Insurance<br>Program | Total<br>Blended<br>Component<br>Units |                        |                     |                                |
| <b>Assets:</b>                        |                            |   |  |                        |                     |                                |
| Other Current Assets                  | \$ 3,259,264               | \$ 5,681,660  | \$ 8,940,924                           | \$ 619,653,227         | \$ -                | \$ 628,594,151                 |
| Capital Assets, Net                   | -                          | -   | -                                      | 1,147,333,737          | -                   | 1,147,333,737                  |
| Due From University / Blended CU      | 48,064,711                 | -   | 48,064,711                             | -                      | (48,064,711)        | -                              |
| Other Noncurrent Assets               | -                          | -   | -                                      | 106,460,582            | -                   | 106,460,582                    |
| <b>Total Assets</b>                   | <b>51,323,975</b>          | <b>5,681,660</b>  | <b>57,005,635</b>                      | <b>1,873,447,546</b>   | <b>(48,064,711)</b> | <b>1,882,388,470</b>           |
| <b>Deferred Outflows of Resources</b> | <b>12,936,932</b>          | <b>-</b>  | <b>12,936,932</b>                      | <b>138,529,600</b>     | <b>-</b>            | <b>151,466,532</b>             |
| <b>Liabilities:</b>                   |                            |   |  |                        |                     |                                |
| Other Current Liabilities             | 3,258,308                  | 601,495   | 3,859,803                              | 119,299,240            | -                   | 123,159,043                    |
| Due to University / Blended CU        | -                          | -   | -                                      | 48,064,711             | (48,064,711)        | -                              |
| Noncurrent Liabilities                | 60,861,000                 | -   | 60,861,000                             | 699,201,410            | -                   | 760,062,410                    |
| <b>Total Liabilities</b>              | <b>64,119,308</b>          | <b>601,495</b>  | <b>64,720,803</b>                      | <b>866,565,361</b>     | <b>(48,064,711)</b> | <b>883,221,453</b>             |
| <b>Deferred Inflows of Resources</b>  | <b>-</b>                   | <b>-</b>  | <b>-</b>                               | <b>52,847,486</b>      | <b>-</b>            | <b>52,847,486</b>              |
| <b>Net Position:</b>                  |                            |   |  |                        |                     |                                |
| Net Investment in Capital Assets      | -                          | -   | -                                      | 982,635,149            | -                   | 982,635,149                    |
| Restricted - Expendable               | 141,599                    | 5,080,165   | 5,221,764                              | 141,269,108            | -                   | 146,490,872                    |
| Unrestricted                          | -                          | -   | -                                      | (31,339,958)           | -                   | (31,339,958)                   |
| <b>Total Net Position</b>             | <b>\$ 141,599</b>          | <b>\$ 5,080,165</b>   | <b>\$ 5,221,764</b>                    | <b>\$1,092,564,299</b> | <b>\$ -</b>         | <b>\$1,097,786,063</b>         |

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

|   | UCF Finance<br>Corporation | University of<br>Central Florida<br>College of<br>Medicine<br>Self-Insurance<br>Program | Total<br>Blended<br>Component<br>Units | University              | Eliminations       | Total<br>Primary<br>Government |
|---|----------------------------|---|--|-------------------------|--------------------|--------------------------------|
| Operating Revenues                                  | \$ -                       | \$ 1,432,659  | \$ 1,432,659                           | \$ 550,334,264          | \$ (1,432,659)     | \$ 550,334,264                 |
| Depreciation Expense                                | -                          | -   | -                                      | (66,259,952)            | -                  | (66,259,952)                   |
| Other Operating Expenses                            | (742,920)                  | (826,996)   | (1,569,916)                            | (1,032,428,638)         | 255,392            | (1,033,743,162)                |
| <b>Operating Income (Loss)</b>                      | <b>(742,920)</b>           | <b>605,663</b>  | <b>(137,257)</b>                       | <b>(548,354,326)</b>    | <b>(1,177,267)</b> | <b>(549,668,850)</b>           |
| Nonoperating Revenues (Expenses):                   |                            |   |  |                         |                    |                                |
| Nonoperating Revenue                                | 3,672,465                  | 109,847   | 3,782,312                              | 609,329,653             | (3,568,345)        | 609,543,620                    |
| Interest Expense                                    | (2,129,545)                | -   | (2,129,545)                            | (5,404,485)             | -                  | (7,534,030)                    |
| Other Nonoperating Expense                          | (800,000)                  | -   | (800,000)                              | (36,990,599)            | 4,745,612          | (33,044,987)                   |
| <b>Net Nonoperating Revenues</b>                    | <b>742,920</b>             | <b>109,847</b>  | <b>852,767</b>                         | <b>566,934,569</b>      | <b>1,177,267</b>   | <b>568,964,603</b>             |
| Other Revenues                                      | -                          | -   | -                                      | 18,988,261              | -                  | 18,988,261                     |
| <b>Increase in Net Position</b>                     | <b>-</b>                   | <b>715,510</b>  | <b>715,510</b>                         | <b>37,568,504</b>       | <b>-</b>           | <b>38,284,014</b>              |
| Net Position, Beginning of Year                     | 141,599                    | 4,364,655   | 4,506,254                              | 1,275,448,795           | -                  | 1,279,955,049                  |
| Adjustment to Beginning Net Position                | -                          | -   | -                                      | (220,453,000)           | -                  | (220,453,000)                  |
| <b>Net Position, Beginning of Year, as Restated</b> | <b>141,599</b>             | <b>4,364,655</b>  | <b>4,506,254</b>                       | <b>1,054,995,795</b>    | <b>-</b>           | <b>1,059,502,049</b>           |
| <b>Net Position, End of Year</b>                    | <b>\$ 141,599</b>          | <b>\$ 5,080,165</b>   | <b>\$ 5,221,764</b>                    | <b>\$ 1,092,564,299</b> | <b>\$ -</b>        | <b>\$ 1,097,786,063</b>        |

**Condensed Statement of Cash Flows**

|   | UCF Finance<br>Corporation | University of<br>Central Florida<br>College of<br>Medicine<br>Self-Insurance<br>Program | Total<br>Blended<br>Component<br>Units | University           | Eliminations   | Total<br>Primary<br>Government |
|---|----------------------------|---|--|----------------------|----------------|--------------------------------|
| Net Cash Provided (Used) by:                                    |                            |   |  |                      |                |                                |
| Operating Activities  | \$ (528,222)               | \$ 1,053,557  | \$ 525,335                             | \$ (440,338,410)     | \$ (1,178,896) | \$ (440,991,971)               |
| Noncapital Financing Activities                                 | -                          | -   | -                                      | 550,967,406          | 3,440,073      | 554,407,479                    |
| Capital and Related Financing Activities                        | (394,577)                  | -   | (394,577)                              | (108,224,520)        | (2,261,177)    | (110,880,274)                  |
| Investing Activities  | 44,237                     | (827,544)   | (783,307)                              | 5,009,534            | -              | 4,226,227                      |
| <b>Net Increase (Decrease) in Cash<br/>and Cash Equivalents</b> | <b>(878,562)</b>           | <b>226,013</b>  | <b>(652,549)</b>                       | <b>7,414,010</b>     | <b>-</b>       | <b>6,761,461</b>               |
| Cash and Cash Equivalents,<br>Beginning of Year                 | 4,137,826                  | 1,567,691   | 5,705,517                              | 13,317,018           | -              | 19,022,535                     |
| <b>Cash and Cash Equivalents, End of Year</b>                   | <b>\$ 3,259,264</b>        | <b>\$ 1,793,704</b>   | <b>\$ 5,052,968</b>                    | <b>\$ 20,731,028</b> | <b>\$ -</b>    | <b>\$ 25,783,996</b>           |

**22. Discretely Presented Component Units**

The University has six discretely presented component units as discussed in Note 1. These component units comprise 100 percent of the transactions and account balances of the aggregate discretely presented component units' columns of the financial statements. The following financial information is from the most recently available audited financial statements for the component units:

**Condensed Statement of Net Position**

|                                       | Direct-Support Organizations                   |   |                                 |                             |                         | Other                              |  | Total                 |
|---------------------------------------|--|---|---------------------------------|-----------------------------|-------------------------|------------------------------------|--|-----------------------|
|                                       | University of Central Florida Foundation, Inc. | University of Central Florida Research Foundation, Inc. | UCF Athletics Association, Inc. | UCF Convocation Corporation | UCF Stadium Corporation | Total Direct-Support Organizations | Central Florida Clinical Practice Organization, Inc. |                       |
| <b>Assets:</b>                        |  |   |                                 |                             |                         |                                    |  |                       |
| Current Assets                        | \$ 28,453,930                                  | \$ 15,006,687   | \$ 4,224,510                    | \$ 18,923,437               | \$ 3,063,841            | \$ 69,672,405                      | \$ 7,382,336   | \$ 77,054,741         |
| Capital Assets, Net                   | 75,481,744                                     | -   | 22,650,504                      | 78,580,471                  | -                       | 176,712,719                        | 135,272  | 176,847,991           |
| Other Noncurrent Assets               | 234,177,642                                    | 399,220   | -                               | 2,989,201                   | -                       | 237,566,063                        | 319,593  | 237,885,656           |
| <b>Total Assets</b>                   | <b>338,113,316</b>                             | <b>15,405,907</b>                                       | <b>26,875,014</b>               | <b>100,493,109</b>          | <b>3,063,841</b>        | <b>483,951,187</b>                 | <b>7,837,201</b>                                     | <b>491,788,388</b>    |
| <b>Deferred Outflows of Resources</b> | <b>-</b>                                       | <b>-</b>  | <b>-</b>                        | <b>4,456,977</b>            | <b>676,182</b>          | <b>5,133,159</b>                   | <b>-</b>   | <b>5,133,159</b>      |
| <b>Liabilities:</b>                   |  |   |                                 |                             |                         |                                    |  |                       |
| Current Liabilities                   | 2,916,641                                      | 9,107,491   | 7,363,025                       | 12,445,462                  | 4,108,921               | 35,941,540                         | 380,718  | 36,322,258            |
| Noncurrent Liabilities                | 18,019,108                                     | -   | 11,867,055                      | 174,706,067                 | 44,157,005              | 248,749,235                        | -  | 248,749,235           |
| <b>Total Liabilities</b>              | <b>20,935,749</b>                              | <b>9,107,491</b>  | <b>19,230,080</b>               | <b>187,151,529</b>          | <b>48,265,926</b>       | <b>284,690,775</b>                 | <b>380,718</b>                                       | <b>285,071,493</b>    |
| <b>Net Position:</b>                  |  |   |                                 |                             |                         |                                    |  |                       |
| Net Investment in Capital Assets      | 56,026,744                                     | -   | 16,995,505                      | (99,118,619)                | (45,266,823)            | (71,363,193)                       | 135,272  | (71,227,921)          |
| Restricted Nonexpendable              | 136,083,134                                    | -   | -                               | -                           | -                       | 136,083,134                        | -  | 136,083,134           |
| Restricted Expendable                 | 104,621,697                                    | 914,274   | 693,762                         | 13,459,836                  | 710                     | 119,690,279                        | -  | 119,690,279           |
| Unrestricted                          | 20,445,992                                     | 5,384,142   | (10,044,333)                    | 3,457,340                   | 740,210                 | 19,983,351                         | 7,321,211  | 27,304,562            |
| <b>Total Net Position</b>             | <b>\$ 317,177,567</b>                          | <b>\$ 6,298,416</b>                                     | <b>\$ 7,644,934</b>             | <b>\$ (82,201,443)</b>      | <b>\$ (44,525,903)</b>  | <b>\$ 204,393,571</b>              | <b>\$ 7,456,483</b>                                  | <b>\$ 211,850,054</b> |

**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

|   | Direct-Support Organizations                   |   |                                 |                             |                         | Other                              |  | Total                 |
|---|--|---|---------------------------------|-----------------------------|-------------------------|------------------------------------|--|-----------------------|
|   | University of Central Florida Foundation, Inc. | University of Central Florida Research Foundation, Inc. | UCF Athletics Association, Inc. | UCF Convocation Corporation | UCF Stadium Corporation | Total Direct-Support Organizations | Central Florida Clinical Practice Organization, Inc. |                       |
| Operating Revenues                                  | \$ 56,987,606                                  | \$ 11,770,482   | \$ 59,157,030                   | \$ 32,641,933               | \$ 3,644,882            | \$ 164,201,933                     | \$ 6,091,038   | \$ 170,292,971        |
| Depreciation Expense                                | (1,733,080)                                    | -   | (924,514)                       | (2,980,672)                 | -                       | (5,638,266)                        | (36,549)   | (5,674,815)           |
| Operating Expenses                                  | (49,586,383)                                   | (11,161,075)  | (54,992,976)                    | (16,636,510)                | (438,710)               | (132,815,654)                      | (2,158,520)  | (134,974,174)         |
| <b>Operating Income</b>                             | <b>5,668,143</b>                               | <b>609,407</b>  | <b>3,239,540</b>                | <b>13,024,751</b>           | <b>3,206,172</b>        | <b>25,748,013</b>                  | <b>3,895,969</b>                                     | <b>29,643,982</b>     |
| Net Nonoperating Revenues (Expenses):               |  |   |                                 |                             |                         |                                    |  |                       |
| Nonoperating Revenues                               | 12,575,647                                     | 370,625   | 1,298,964                       | 137,635                     | 58,170                  | 14,441,041                         | -  | 14,441,041            |
| Interest Expense                                    | -  | -   | (248,788)                       | (7,306,551)                 | (1,813,440)             | (9,368,779)                        | -  | (9,368,779)           |
| Other Nonoperating Expenses                         | (33,995)                                       | -   | -                               | (935,703)                   | (23,676)                | (993,374)                          | (1,904,973)  | (2,898,347)           |
| <b>Net Nonoperating Revenues (Expenses)</b>         | <b>12,541,652</b>                              | <b>370,625</b>  | <b>1,050,176</b>                | <b>(8,104,619)</b>          | <b>(1,778,946)</b>      | <b>4,078,888</b>                   | <b>(1,904,973)</b>                                   | <b>2,173,915</b>      |
| Other Revenues                                      | 5,693,092                                      | -   | -                               | -                           | -                       | 5,693,092                          | -  | 5,693,092             |
| <b>Increase in Net Position</b>                     | <b>23,902,887</b>                              | <b>980,032</b>  | <b>4,289,716</b>                | <b>4,920,132</b>            | <b>1,427,226</b>        | <b>35,519,993</b>                  | <b>1,990,996</b>                                     | <b>37,510,989</b>     |
| Net Position, Beginning of Year                     | 293,274,680                                    | 5,318,384   | 3,355,218                       | (91,426,081)                | (46,601,554)            | 163,920,647                        | 5,465,487  | 169,386,134           |
| Adjustment to Beginning Net Position                | -  | -   | -                               | 4,304,506                   | 648,425                 | 4,952,931                          | -  | 4,952,931             |
| <b>Net Position, Beginning of Year, as Restated</b> | <b>293,274,680</b>                             | <b>5,318,384</b>  | <b>3,355,218</b>                | <b>(87,121,575)</b>         | <b>(45,953,129)</b>     | <b>168,873,578</b>                 | <b>5,465,487</b>                                     | <b>174,339,065</b>    |
| <b>Net Position, End of Year</b>                    | <b>\$ 317,177,567</b>                          | <b>\$ 6,298,416</b>                                     | <b>\$ 7,644,934</b>             | <b>\$ (82,201,443)</b>      | <b>\$ (44,525,903)</b>  | <b>\$ 204,393,571</b>              | <b>\$ 7,456,483</b>                                  | <b>\$ 211,850,054</b> |



The UCF Convocation Corporation and the UCF Stadium Corporation have a deficit net position of \$82,201,443 and \$44,525,903, respectively, as of June 30, 2018. These deficits are attributed to the transfer of buildings and building improvements to the University as a result of the August 2015 and December 2015 debt refundings which terminated the ground leases between the UCF Convocation Corporation and the University, and the UCF Stadium Corporation and the University. The Corporations' debts related to the refundings were previously included as a component of the Net Investment in Capital Assets net position but are now included as a component of unrestricted net position on their stand-alone financial statements. The University has reclassified the amounts to Net Investment in Capital Assets in the Statement of Net Position. As the UCF Convocation Corporation and the UCF Stadium Corporation continue to reduce their outstanding long-term debt obligations, the deficit net position will decrease.

### **23. Subsequent Events**

In July 2018, the UCF Convocation Corporation issued Refunding Revenue Bonds, Series 2018 of \$104,636,000 to a bank. The Series 2018 bonds were issued at par. This issuance includes term bonds with maturity dates extending through October 2035 and a fixed interest rate of 3.52 percent. Proceeds of \$104,636,000 from the Refunding Revenue Bonds plus an additional \$1,087,838 from the UCF Convocation Corporation were used to purchase \$105,482,838 of United States Treasury State and Local Government Series Securities. These securities were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding 2014A and 2014B certificates, which defeased the certificates. The UCF Convocation Corporation extinguished the debt on July 2, 2018.

The defeasance of the 2014A and 2014B certificates terminated the Housing ground lease agreement between the University and the UCF Convocation Corporation, resulting in the UCF Convocation Corporation transferring \$78,269,300 in net carrying value of all buildings and improvements to the University. Pursuant to the Operating Agreement between the University and the UCF Convocation Corporation, the UCF Convocation Corporation will continue to operate and maintain the facilities, and the University will relinquish its right to the future revenues earned by the facilities to the UCF Convocation Corporation. The revenues generated by and through such operation will secure repayment of the Series 2018 refunding revenue bonds.

On August 27, 2018, the UCF Foundation, Inc. closed on a 175,000 square foot building located in Lake Nona Medical City to be used by the University as a cancer research and treatment facility. The purchase price of the Sanford Burnham building and land is \$50,000,000, funded by a 30-year, interest free, mortgage.

**OTHER REQUIRED SUPPLEMENTARY INFORMATION**

**Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**

|   | <u>2017</u>    |
|---|----------------|
| University's proportion of the total other postemployment benefits liability  | 2.78%          |
| University's proportionate share of the total other postemployment benefits liability   | \$ 300,512,000 |
| University's covered-employee payroll   | \$ 396,397,337 |
| University's proportionate share of the total other postemployment benefits liability as a percentage of its covered-employee payroll | 75.81%         |

**Schedule of the University's Proportionate Share of the Net Pension Liability – Florida Retirement System Pension Plan**

|  | <u>2017 (1)</u> | <u>2016 (1)</u> | <u>2015 (1)</u> | <u>2014 (1)</u> | <u>2013 (1)</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| University's proportion of the FRS net pension liability   | 0.596715076%    | 0.559865856%    | 0.538161499%    | 0.48430390%     | 0.360374086%    |
| University's proportionate share of the FRS net pension liability  | \$ 176,504,316  | \$ 141,366,568  | \$ 69,510,775   | \$ 29,549,660   | \$ 62,036,419   |
| University's covered payroll (2)   | \$ 396,397,337  | \$ 364,535,289  | \$ 333,695,268  | \$ 305,107,256  | \$ 289,894,138  |
| University's proportionate share of the FRS net pension liability as a percentage of its covered payroll | 44.53%          | 38.78%          | 20.83%          | 9.69%           | 21.40%          |
| FRS Plan fiduciary net position as a percentage of the FRS total pension liability                       | 83.89%          | 84.88%          | 92.00%          | 96.09%          | 88.54%          |

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of University Contributions – Florida Retirement System Pension Plan**

|  | <u>2018 (1)</u>     | <u>2017 (1)</u>     | <u>2016 (1)</u>     | <u>2015 (1)</u>     | <u>2014 (1)</u>     |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Contractually required FRS contribution                                  | \$ 18,255,686       | \$ 15,533,963       | \$ 13,653,222       | \$ 13,120,834       | \$ 10,608,311       |
| FRS contributions in relation to the contractually required contribution | <u>(18,255,686)</u> | <u>(15,533,963)</u> | <u>(13,653,222)</u> | <u>(13,120,834)</u> | <u>(10,608,311)</u> |
| FRS contribution deficiency (excess)                                     | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         | <u>\$ -</u>         |
| University's covered payroll (2)   | \$ 418,056,891      | \$ 396,397,337      | \$ 364,535,289      | \$ 333,695,268      | \$ 305,107,256      |
| FRS contributions as a percentage of covered payroll                     | 4.37%               | 3.92%               | 3.75%               | 3.93%               | 3.48%               |

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, State university system optional retirement program members, and members in DROP because total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes.

**Schedule of the University's Proportionate Share  
of the Net Pension Liability –  
Health Insurance Subsidy Pension Plan**

|  | <u>2017 (1)</u> | <u>2016 (1)</u> | <u>2015 (1)</u> | <u>2014 (1)</u> | <u>2013 (1)</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| University's proportion of the HIS net pension liability   | 0.529705387%    | 0.499690735%    | 0.469662225%    | 0.430757459%    | 0.415357381%    |
| University's proportionate share of the HIS net pension liability  | \$ 56,638,544   | \$ 58,236,885   | \$ 47,898,159   | \$ 40,276,874   | \$ 36,162,321   |
| University's covered payroll (2)   | \$ 166,665,368  | \$ 153,090,572  | \$ 140,702,712  | \$ 127,489,508  | \$ 122,964,996  |
| University's proportionate share of the HIS net pension liability as a percentage of its covered payroll | 33.98%          | 38.04%          | 34.04%          | 31.59%          | 29.41%          |
| HIS Plan fiduciary net position as a percentage of the HIS total pension liability                       | 1.64%           | 0.97%           | 0.50%           | 0.99%           | 1.78%           |

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

**Schedule of University Contributions –  
Health Insurance Subsidy Pension Plan**

|  | <u>2018 (1)</u>    | <u>2017 (1)</u>    | <u>2016 (1)</u>    | <u>2015 (1)</u>    | <u>2014 (1)</u>    |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Contractually required HIS contribution                                      | \$ 2,887,590       | \$ 2,803,354       | \$ 2,561,234       | \$ 1,795,341       | \$ 1,475,630       |
| HIS contributions in relation to the contractually required HIS contribution | <u>(2,887,590)</u> | <u>(2,803,354)</u> | <u>(2,561,234)</u> | <u>(1,795,341)</u> | <u>(1,475,630)</u> |
| HIS contribution deficiency (excess)   | \$ -               | \$ -               | \$ -               | \$ -               | \$ -               |
| University's covered payroll (2)   | \$ 167,400,707     | \$ 166,665,368     | \$ 153,090,572     | \$ 140,702,712     | \$ 127,489,508     |
| HIS contributions as a percentage of covered payroll                         | 1.72%              | 1.68%              | 1.67%              | 1.28%              | 1.16%              |

(1) The amounts presented for each fiscal year were determined as of June 30.

(2) Covered payroll includes defined benefit plan actives, investment plan members, and members in DROP.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

**1. Schedule of the University's Proportionate Share of the Total Other Postemployment Benefits Liability**

No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The University's June 30, 2018, proportionate share of the total OPEB liability decreased from the prior fiscal year as a result of changes to benefits and assumptions as discussed below:

*Changes in Assumptions.* In 2018, amounts reported as changes in assumptions resulted from adjustments to active mortality rates, updates to HMO and PPO healthcare claims costs, changes in retiree contributions, change in trend rates, and a change in the discount rate of return. (Refer to Note 11. to the financial statements for further detail.)

**2. Schedule of Net Pension Liability and Schedule of Contributions – Florida Retirement System Pension Plan**

*Changes of Assumptions.* The long-term expected rate of return was decreased from 7.60 percent to 7.10 percent, and the active member mortality assumption was updated.

**3. Schedule of Net Pension Liability and Schedule of Contributions – Health Insurance Subsidy Pension Plan**

*Changes of Assumptions.* The municipal rate used to determine total pension liability increased from 2.85 percent to 3.58 percent.



Sherrill F. Norman, CPA  
Auditor General

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The President of the Senate, the Speaker of the  
House of Representatives, and the  
Legislative Auditing Committee

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of Central Florida, a component unit of the State of Florida, and its aggregate discretely presented component units as of and for the fiscal year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated March 20, 2019, included under the heading **INDEPENDENT AUDITOR'S REPORT**. Our report includes a reference to other auditors who audited the financial statements of the blended and aggregate discretely presented component units, as described in our report on the University's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on

a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying **SCHEDULE OF FINDING AND RESPONSE** as Finding No. 2018-001 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, rules, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying **SCHEDULE OF FINDING AND RESPONSE** as Finding No. 2018-001.

### **Management's Response to Finding**

Management's response to the finding identified in our audit is described in the accompanying **SCHEDULE OF FINDING AND RESPONSE**. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Sherrill F. Norman, CPA  
Tallahassee, Florida  
March 20, 2019

## **SCHEDULE OF FINDING AND RESPONSE**

|  |
|--|
| <b>NONCOMPLIANCE AND MATERIAL WEAKNESS</b> |
|--|

### **FINANCIAL REPORTING**

|  |  |
|--|--|
| <b>Finding Number</b>                          | <b>2018-001</b>  |
| <b>Opinion Unit</b>                            | University of Central Florida  |
| <b>Financial Statements<br/>Account Titles</b> | Not Applicable   |
| <b>Adjustment Amounts</b>                      | Not Applicable   |
| <b>Prior Year Finding</b>                      | Not Applicable   |
| <b>Finding</b>                                 | <p>In our operational audit report No. 2019-095, dated January 2019, we disclosed that the University used \$29.1 million in Education and General appropriation carryforward funds to construct the Trevor Colbourn Hall after the Legislature directed that non-appropriated sources be used for the construction. In addition, the University misreported the funding source for the construction of the Trevor Colbourn Hall in the capital outlay budget for each of the 2015-16 through 2018-19 fiscal years, obscuring government transparency of the budget process and misinforming the public of how the construction was being funded. As such, University controls were ineffective to prevent, or timely detect and correct, the unallowable use of the legislatively appropriated carryforward funds for construction activities.</p> <p>As a result of our audit procedures, in September 2018 the University posted journal entries to replenish the E&amp;G funds totaling \$38 million that had been used for the Trevor Colbourn Hall Project and \$46.5 million that had been accumulated for 11 other construction projects. While these journal entries were necessary to properly record this information in the University accounting records and report it on the financial statements, our procedures do not substitute for University management's responsibility for proper financial reporting.</p> |
| <b>Management's Response</b>                   | University management concurred with the finding. Management's response, in its entirety, is included in our operational audit report No. 2019-095.  |