

## Mitz, Carine

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**From:** Marcos Marchena <mmarchena@mgfirm.com>  
**Sent:** Friday, August 10, 2018 9:09 AM  
**To:** Grant Heston  
**Cc:** Dale Whittaker; Scott Cole  
**Subject:** RE: Notes from recent Auditor General Operational Audit Exit Conference

Thank you Grant.

I spent more time reviewing the item regarding Dr. Hitt's compensation as President Emeritus. I thought through the negotiation and approval process. I can't think of anything out of line. I don't believe it is within the auditor's purview to decide what is appropriate compensation. I want that item removed. Please ask Robert to respond if he thinks I'm wrong.

Thank you,  
Marcos

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### MARCHENA AND GRAHAM, P.A.

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**From:** Grant Heston <[Grant.Heston@ucf.edu](mailto:Grant.Heston@ucf.edu)>  
**Sent:** Friday, August 10, 2018 8:50 AM  
**To:** Marcos Marchena <[mmarchena@mgfirm.com](mailto:mmarchena@mgfirm.com)>  
**Cc:** Dale Whittaker <[Dale.Whittaker@ucf.edu](mailto:Dale.Whittaker@ucf.edu)>; Scott Cole <[Scott.Cole@ucf.edu](mailto:Scott.Cole@ucf.edu)>  
**Subject:** RE: Notes from recent Auditor General Operational Audit Exit Conference

Good morning Marcos,

EXHIBIT 8  
Witness Marcos  
Date 2-18-19  
Reporter: Judy Chin

At Dale's direction, I met with Robert Taft about this yesterday to discuss next steps. He believes this draft audit will become final near December. He added that it could change before then, with issues coming off or new ones added.

That does not preclude us from moving forward with what we know, which we are doing.

Robert is tracking progress on these issues and we will meet in early November (his suggested timeframe) to assess progress.

I spoke to Robert about your questions, and the answers are below.

Best,

Grant

**Please let me know with who is the proper follow up regarding item number 1.**

Interim Provost Dooley attended the meeting for Academic Affairs. In the most recent data we have, UCF has hit the 95 percent threshold.

**As to item number 2, highlighted below, I want to know whether they have the authority to require us to do so. I'm always skeptical when I see "the auditor would like to see...."**

The audit team shared that other universities typically share the level of detail they requested. We are somewhat of an outlier by not doing so. Their request is based on their interpretation of the statute.

**As to item 6, we should not "piggy back" on other agencies' contracts with less favorable terms. HOWEVER, the example of the search firm is inaccurate. We conducted a competition. To my knowledge we did not "piggy back."**

Procurement was present during the review and acknowledged the need to review how we manage these types of contracts. In terms of the presidential search, we are working with the auditors to provide more clarity.

## **Grant J. Heston**

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**From:** Marcos Marchena <[mmarchena@mgfirm.com](mailto:mmarchena@mgfirm.com)>  
**Sent:** Thursday, August 9, 2018 7:29 PM  
**To:** Grant Heston <[Grant.Heston@ucf.edu](mailto:Grant.Heston@ucf.edu)>  
**Cc:** Dale Whittaker <[Dale.Whittaker@ucf.edu](mailto:Dale.Whittaker@ucf.edu)>; Scott Cole <[Scott.Cole@ucf.edu](mailto:Scott.Cole@ucf.edu)>  
**Subject:** FW: Notes from recent Auditor General Operational Audit Exit Conference

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**From:** Robert Taft <[Robert.Taft@ucf.edu](mailto:Robert.Taft@ucf.edu)>  
**Sent:** Wednesday, August 8, 2018 1:34 PM  
**To:** Bev Seay <[bev@bjseay.com](mailto:bev@bjseay.com)>; Beverly Seay <[Beverly.Seay@ucf.edu](mailto:Beverly.Seay@ucf.edu)>; Marcos R. Marchena <[mmarchena@mgfirm.com](mailto:mmarchena@mgfirm.com)>; Kenneth Bradley <[Kenneth.Bradley@ucf.edu](mailto:Kenneth.Bradley@ucf.edu)>; David Walsh <[David.Walsh@ucf.edu](mailto:David.Walsh@ucf.edu)>; [danny@ndsglobal.com](mailto:danny@ndsglobal.com); [brad1612@embarqmail.com](mailto:brad1612@embarqmail.com); David Walsh <[walsh@takotagroup.com](mailto:walsh@takotagroup.com)>; Bill Yeargin <[byeargin@correctcraft.com](mailto:byeargin@correctcraft.com)>  
**Cc:** Dale Whittaker <[Dale.Whittaker@ucf.edu](mailto:Dale.Whittaker@ucf.edu)>; Grant Heston <[Grant.Heston@ucf.edu](mailto:Grant.Heston@ucf.edu)>; Christina Serra <[Christina.Serra@ucf.edu](mailto:Christina.Serra@ucf.edu)>  
**Subject:** Notes from recent Auditor General Operational Audit Exit Conference

Good afternoon.

Yesterday, the Auditor General Office provided UCF management with preliminary findings from its Operational Audit covering the 2017 calendar year.

Below you will find a summary of the findings.

After you review the summary, please contact our office if you would like additional background information or have questions.

Also, this topic will be included as part of our August 28<sup>th</sup> Audit and Compliance Committee meeting presentation.



In all, twelve topics were covered during the exit conference. The Auditor General's staff that performed the audit stated they believe items 1-7 are likely to be included in the final report with the remaining items not expected to be included. This decision is subject to final review by the Auditor General's Office in Tallahassee.

The final report is expected to be issued in December.

1. Textbook Affordability

**NOTE: This is a "Three-Peat" finding from three consecutive Auditor General Reports. This condition requires the UCF Board of Trustees Chairperson to submit a letter to the Florida Joint Legislative Auditing Committee detailing the university's plan to remediate this issue.**

- There is a requirement that faculty teaching courses in the upcoming semester post their course material requirements 45 days before classes start. The requirement is to achieve a 95% compliance rate. For the Fall 2016 & Spring 2017 reports, UCF only achieved a 76% and 89% compliance rate respectively. UCF has shown improvement in the most current term and achieved a 95% rate but that is not enough to get the finding removed.

2. Background Screenings

**NOTE: This is a repeat finding for 2 consecutive audits**

- UCF still needs a Background Screening policy and the screening needs to be ongoing as well as at the time of hiring. Also, the category of "positions of trust" within the university needs to be expanded where these identified individuals need a more extensive background check.

3. University Support to Direct Support Organizations (DSO)

- Essentially, the Auditor General would like to see a more detailed presentation of total support costs, more robust Memorandum of Understanding and/or Service Level Agreements between the DSOs and the university and presentation of the DSO Financial Audit reports to the full UCF Board of Trustees.

4. Construction Funding (specifically E&G Carryforward funds for Trevor Colbourn Hall)

- Trevor Colbourn Hall was built using E&G Carryforward funds. However, E&G funds not are allowed for new construction, only for operating activity. The root cause of this issue is that initially this was intended to be a renovation project for the existing building but, based on the cost/benefit, deteriorating condition of the building, and potential health hazards, it was determined that a new facility made more sense. Thus, to protect the health and safety of the students and staff in the building, the E&G funds were transferred to the new construction project. The Auditor General will likely recommend that UCF seek guidance from the Board of Governors on this issue.

5. Payments for Contractual Services

- The Auditor General noted that invoices for payments to outside attorneys don't always match the rates per the contract or don't include rates on the invoice. The General Counsel agreed to update the contracts on an annual basis using amendments to reflect the actual rates.

6. Services and Exemptions to Competitive Selection

- BOG Regulation 18.001 provides a list of exemptions from competitive procurement requirements, including “piggy-backing” on other competitively bid contracts between a vendor and another agency. UCF, with BOG approval, has interpreted this regulation to extend to contracts negotiated with universities outside Florida. There is a disagreement between the Auditor General and BOG and it is expected that BOG attorneys will make a determination and then clarify this for future SUS institution activity.
- Also, UCF is sometimes only using the “piggy-back” to select the contractor/vendor as opposed to fully accepting the terms of the agreement. The Auditor General had concerns that UCF had twice agreed to terms less favorable than the piggy-backed contract terms. The AG provided the example of when UCF piggy-backed on FIU’s contract with the Parker Search firm to select its new President. FIU paid Parker Search \$100,000 for its search while UCF paid Parker \$150,000 for its search.

#### 7. President Emeritus Salary

- AG is questioning the reasonableness of the salary amount to Dr. Hitt as an Emeritus President. Dr. Hitt was paid \$1.2 M in total compensation for 2016-17. Given he will be working .25 FTE in 2018-19 (in large part to assist in the Capital Campaign), \$300,000 (25 percent of the total compensation) seemed reasonable compensation to the parties negotiating the contract. However, the AG believes that only Dr. Hitt’s base salary should have been used and a reasonable amount of compensation from their perspective would have been 25% of \$515,000, or approximately \$130,000.

#### Exit Comments (likely won’t appear in the report)

#### 8. IT Access Controls

- While no exceptions were found, UCF still has not developed a formal policy as was previously recommended.

#### 9. Access to Student SSNs

- There was some confusion about who has full access to SSN and who only has partial access to the last four digits. Also some concerns on the number of individuals with “super-user” access.

#### 10. PCards

- The AG recommended UCF continue its annual cardholder review, focusing on cards with high dollar/high volume of activity. AG also wanted Finance & Accounting to revise the current policy to reflect this recommended approach.

#### 11. Construction Documents

- There was no documentation of pollution liability coverage from the Construction Manager for Trevor Colbourn Hall.

#### 12. Construction – Subcontractors

- Although Facilities & Safety has demonstrated effective oversight of subcontractor selection by Construction Managers and reviewing payments to subcontractors, written procedures need to be created to ensure the processes are consistent and continued in the event of employee turnover.

**Robert J. Taft CIA, CCSA, CRMA**

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University Audit

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