

**House Report of Investigation Into Unauthorized Use of Appropriated Funds for  
Fixed Capital Outlay Projects at the University of Central Florida  
Recommended Actions**

**Board of Governors**

Checks and balances must be instituted to ensure that no high-ranking administrator becomes a single point of both information and authority with respect to decisions involving significant sums of public funds. Boards of Trustees and the Board of Governors should require universities to notify General Counsel, audit and compliance, and Board of Governors staff of the substance of such decisions. Compliance staff must have authority and opportunity to question the legitimacy of such decisions.

Trustees should be trained in their constitutional and fiduciary responsibilities.

Budget and finance decision makers should receive regular notifications of changes in applicable laws and regulations including new Board of Governors guidance.

The Board of Governors should provide standards for operating budgets and capital outlay budgets consistent with the above recommendations to verify that the laws are faithfully executed.

The Board of Governors should provide clear guidance for Capital Improvement Plans including BOB 1 and BOB 2 lists to verify the legitimate and appropriate use of each form.

The Board of Governors should provide or identify standards for project planning that require proper project budgeting and authorizations, particularly funding authorization in budgets approved by a university Board of Trustees.

The Board of Governors should require Boards of Trustees regularly to review and approve E&G carryforward spending plans.

The Board of Governors should provide clear written guidance or opinions upon request of university staff and Boards of Trustees on all matters of regulatory significance. FAQs and training modules covering all statutory and regulatory budget and finance matters should be available to all universities. Such information should be kept current with respect to laws and regulations.

Board of Governors reports should accurately reflect plans or expenditures reported. Funds not legally encumbered should never be characterized as encumbered or expended. Funds committed from E&G carryforward accounts and not encumbered or expended should be reported as E&G carryforward available for any lawful use. Funds transferred to other university accounts but not expended should not be reported as expenditures.

To remove legal uncertainty about the use of E&G for maintenance, renovation and capital renewal: (I) The Board of Governors should abandon its \$2 million limitation on maintenance projects or clarify its statutory or regulatory basis with a legal opinion of its General Counsel or the Attorney General; and (II) The Board of Governors should consistently define "fixed capital outlay," "maintenance," "capital renewal," "deferred maintenance," "infrastructure," and related terms consistent with current law.

The Board of Governors should consider adopting a policy on crisis management, providing intervention and support to institutions affected by financial mismanagement.

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**Board of Governors Office of Inspector General and Director of Compliance**

The Board of Governors Inspector General should investigate significant complaints or reports of possible waste, fraud and mismanagement and submit investigative findings to the Board of Governors, the Speaker of the House and Senate President.

The Board of Governors should ensure that multiple whistleblower paths are available and widely publicized to maximize opportunities for Trustees, employees, students, contractors, and taxpayers to report waste, fraud, mismanagement or other violations of governing laws.

University Audit and Compliance staff should make annual reports to the Board of Governors Inspector General summarizing their investigative activities, findings and results.

The Board of Governors should monitor compliance activities in all institutions.

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**SUS Boards of Trustees**

Boards of Trustees should approve Operating Budgets conforming to Florida law with some delineation of authorized expenditures, subject to revision by the Board of Governors.

Boards of Trustees should approve E&G carryforward commitments reported to the Board of Governors each August and approve university changes to the approved commitments on a quarterly basis.

Boards of Trustees should review each state audit finding, be fully advised by legal counsel, audit staff and trained administrators of the seriousness of findings of unlawful operations or activities, and maintain regular review of institutional responses until compliance is achieved and certified by the university's chief audit executive, Board of Governors Inspector General, or the Auditor General.

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**SUS Leadership**

Capital Outlay Budgets must comply with statutory requirements showing all capital projects and the actual source of funds committed to each project.

Capital projects in excess of \$1 million in cost should not be undertaken before the President and General Counsel certify the actual source of all funds to be expended and that planning and funding conform to the Capital Outlay Budget, Capital Improvement Plan, Master Plan, applicable laws and regulations. Such certifications should be submitted to the Board of Trustees for information at the next scheduled meeting.

E&G funds should not be transferred or encumbered except as authorized in budgets and carryforward commitment lists approved by the Board of Trustees.

All SUS leadership should jointly search for best practices in budgeting and accountability. Each Board of Trustees should adopt policies to ensure adherence to budget and planning laws and regulations.

University investment policies and accounting of investment shares of various university accounts should disclose the source and possible use of all funds commingled in investment programs. Care should be taken to avoid risking university reserves or endowments through internal allocation practices that are not fully accountable to the Board of Trustees.

Internal loans should be fully disclosed and audited to ensure the safety and security of all funds, particularly E&G funds.

Each SUS institution should foster a culture that respects and responds to Auditor General Audit Findings.

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**SUS General Counsels**

The General Counsel, audit, and other compliance offices should help train budget, finance and accounting staff, and their administrative superiors, in applicable laws and regulations.

General Counsels should train Trustees in their budgetary and financial responsibilities.

General Counsel, internal audit, and compliance offices should help train all responsible university administrators in applicable laws and regulations.

Engagement of legal counsel to certify that each budget document submitted to a Board of Trustees for approval is compliant with applicable laws and regulations.

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**SUS Audit and Compliance Offices**

Capital Outlay Budgets, Fund Composition Reports and E&G carryforward expenditures should be routinely audited.

Internal auditors should prioritize audits of E&G carryforward distributions and capital project funding.

Regular internal operational audits to monitor compliance with such policies [Policies developed to ensure adherence to budget and planning laws and regulations].

Public universities should employ sufficient Audit and Compliance staff to protect the interests of taxpayers and students.