AGENDA

THE UNIVERSITY OF WEST FLORIDA
BOARD OF TRUSTEES

Audit & Compliance Committee Meeting
February 21, 2017

University of West Florida Conference Center, Bldg. 22
11000 University Parkway, Pensacola, FL 32514

Call to Order/Roll Call. . . . . Dick Baker, Chair

Chair's Greeting . . . . . Dick Baker

Action Items:

1. Acceptance of State of Florida Auditor General Operational Audit of UWF
2. Acceptance of External Audit: WUWF-FM Financial Statement Audit
3. Acceptance of External Audit: Financial Statement Audit of Affiliated Organization – Florida Institute of Human and Machine Cognition (IHMC)
4. Acceptance of NCAA Agreed-Upon Procedures of Intercollegiate Athletics
5. Acceptance of BOG Required Internal Auditing Report: Performance Funding Data Integrity 2016
6. Approval of UWF/REG 5.040 Reporting and Investigating Suspected Fraudulent or Wrongful Acts and Misconduct
7. Approval of Revisions to UWF/REG 2.028 University Holidays
8. Acceptance of Internal Auditing PCard Audit Reports – Quarter 2 Update (October 2016-December 2016)

Information Items:

1. Internal Auditing – Update on Activities
2. Compliance – Update on Activities

Other Committee Business:

Adjournment

Action Item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: State of Florida Auditor General Operational Audit of UWF

Proposed action: Acceptance

Background information:
Every two to three years an operational audit is conducted by the university's external auditors, State of Florida Auditor General. Their most recent operational audit covered the period April 2015 through March 2016. Six findings were cited in this report (summarized below). With the exception of one finding, university management has begun implementing corrective actions. For finding #2 related to exempt employees' timekeeping, the university respectfully disagrees with requiring timesheets to be maintained for the hours worked by our salaried employees. The six findings are as follow:

1. The University did not always perform Level 2 background screenings for certain individuals.
2. The University needs to implement procedures to ensure supervisory review and approval of exempt employees' time worked.
3. University purchasing card program controls need improvement to better prevent and detect purchase card misuse.
4. University textbook affordability procedures could be enhanced.
5. Certain University information technology (IT) access controls need improvement.
6. University security controls related to IT user authentication continue to need improvement.

Management's Actions: Management has begun to address each issue. UWF management has action plans to remedy each situation, as identified by the implementation dates noted above.

Recommendation: Acceptance of the State of Florida Auditor General Operational Audit Report and full Board approval as a consent agenda item.

Implementation:
UWF has begun to take corrective action for each finding, with the exception of Finding 2. The President's Cabinet has elected to challenge the report's position that payroll controls would be enhanced by the Auditor General's recommendation and therefore will not be implemented. By Florida Statute, UWF Internal Auditing & Compliance (and the AG) must perform follow-up within six months and provide a status report to the Legislative Audit Committee. UWF Internal Auditing & Compliance will also notify UWF BOT and the Cabinet.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

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Supporting document:
UWF Operational Audit Report No 2017-081, December 2016, Florida Auditor General
http://www.myflorida.com/audgen/pages/pdf_files/2017-081.pdf

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Presenter: Betsy Bowers, Associate Vice President

STATE OF FLORIDA AUDITOR GENERAL

Operational Audit

Report No. 2017-081
December 2016

UNIVERSITY OF WEST FLORIDA

Sherrill F. Norman, CPA
Auditor General

Board of Trustees and President

During the period April 2015 through March 2016, Dr. Judith A. Bense served as President of the University of West Florida and the following individuals served as Members of the Board of Trustees:

Lewis Bear Jr., Chair	Suzanne Lewis
John Mortimer O'Sullivan, Vice Chair	Rev. LuTimothy May
Richard R. Baker from 1-21-16	Daniel McBurney from 4-10-15 [b]
Greg Britton from 3-24-16	Susan K. O'Connor to 3-23-16
David E. Cleveland	Jayprakash S. Patel
Dr. Pamela J. Dana to 1-20-16	Robert D. Sires from 3-24-16
Dr. Theodore Fox from 8-1-15 [a]	Bentina C. Terry
Dr. Richard M. Hough to 7-31-15 [a]	Garrett W. Walton to 3-23-16
Robert L. Jones	

[a] Faculty Senate Chair.
[b] Student Body President. Position vacant from 4-1-15 to 4-9-15.

The team leader was Christy L. Johnson, CPA, and the audit was supervised by Kenneth C. Danley, CPA.

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

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State of Florida Auditor General

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UNIVERSITY OF WEST FLORIDA

SUMMARY

This operational audit of the University of West Florida (University) focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2014-092. Our operational audit disclosed the following:

Finding 1: The University did not always perform level 2 background screenings for certain individuals in positions of special trust or responsibility.

Finding 2: The University needs to implement procedures to ensure supervisory review and approval of exempt employees' time worked.

Finding 3: University purchasing card program controls need improvement to better prevent and detect purchasing card misuse.

Finding 4: University textbook affordability procedures could be enhanced.

Finding 5: Certain University information technology (IT) access controls need improvement.

Finding 6: University security controls related to IT user authentication continue to need improvement.

BACKGROUND

The University of West Florida (University) is part of the State university system of public universities, which is under the general direction and control of the Florida Board of Governors (BOG). The University is directly governed by a Board of Trustees (Trustees) consisting of 13 members. The Governor appoints 6 citizen members and the BOG appoints 5 citizen members. These members are confirmed by the Florida Senate and serve staggered 5-year terms. The Faculty Senate Chair and Student Body President also are members.

The BOG establishes the powers and duties of the Trustees. The Trustees are responsible for setting University policies, which provide governance in accordance with State law and BOG Regulations. The University President is selected by the Trustees and confirmed by the BOG. 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 for the University.

This operational audit focused on selected University processes and administrative activities and included a follow-up on findings noted in our report No. 2014-092. The results of our financial audit of the University for the fiscal year ended June 30, 2016, will be presented in a separate report. In addition, the Federal awards administered by the University are included within the scope of our Statewide audit of Federal awards administered by the State of Florida and the results of that audit, for the fiscal year ended June 30, 2016, will be presented in a separate report.

FINDINGS AND RECOMMENDATIONS

Finding 1: Background Screenings

Although not specific to universities, State law[1] provides for background screenings for employees in positions of special trust or responsibility. For example, a level 2 background screening[2] is required for owners, operators, employees, and volunteers working in summer camps providing care for children; personnel hired to fill positions requiring direct contact with students in any district school system or university lab school; and certain State employment positions. Also, State law[3] specifies that individuals who volunteer on an intermittent basis for less than 10 hours per month in summer camps are not required to obtain background screenings as long as the volunteers are always within the line of sight of a person who meets the screening requirement.

University policy[4] requires that a level 1 background screening[5] be conducted for prospective employees as a condition of employment. This policy also requires a level 2 background screening for certain individuals based on the responsibilities of the position, such as positions with work responsibilities that include contact with vulnerable populations and minors, and individuals with these responsibilities who volunteer 10 hours or more per month. For individuals with these responsibilities who volunteer less than 10 hours per month, screenings are not required, but the Human Resources (HR) Department has provided guidance on the University's Web site instructing department supervisors to ensure these volunteers are always in the line of sight of an individual who meets the level 2 background screening requirement.

As part of our audit procedures, we requested that the University provide us listings of the individuals who were required by the University to obtain a level 2 background screening as of May 2016. In response to our request, the University provided us with listings of 1,344 individuals, including, for example, Educational Research Center for Child Development employees who had direct contact with minors and Housing Department employees who had access to University facilities. However, our examination indicated that these listings did not include employees in other positions of special trust or responsibility, such as HR, Information Technology (IT), and Financial Services Department employees. In response to our inquiries, University personnel indicated that some of the employees in these Departments are in positions of special trust or responsibility as they had the ability to access nonpublic information such as student or employee social security numbers or cash.

Subsequent to our inquires, in September 2016, enhanced University procedures were developed to require a level 2 background screening for all existing and future employees in positions of special trust

[1] Sections 110.1127, 409.175, and 1012.32(2)(a), Florida Statutes.

[2] A level 2 background screening includes fingerprinting for Statewide criminal history records checks through Florida Department of Law Enforcement (FDLE), national criminal history records checks through the Federal Bureau of Investigation, and may include local criminal records checks through local law enforcement agencies.

[3] Section 409.175(2)(i), Florida Statutes.

[4] University Policy HR-20.02-09/15.

[5] A level 1 background screening includes employment history checks and Statewide criminal correspondence checks through the FDLE, a check of the Dru Sjodin National Sex Offender Public Web site, and may include local criminal records checks through local law enforcement agencies.

or responsibility, including those employees in the HR, IT, and Financial Services Departments. When individuals who work in positions of special trust or responsibility are not required to have level 2 background screenings, there is an increased risk that the individuals may have backgrounds that are not suitable for their respective positions.

Recommendation: The University should continue efforts to require and ensure that level 2 background screenings, including fingerprinting, are performed for all individuals in positions of special trust or responsibility. Such positions include those with direct contact with vulnerable populations and minors, responsibilities for safeguarding cash, or access to nonpublic information.

Finding 2: Payroll Processing – Time Records

Effective internal controls require supervisory approval of time worked and leave used by employees to ensure that compensation payments are appropriate and leave balances are accurate. The University pays exempt employees (i.e., Technical, Executive, and Administrative employees and Faculty) on a payroll-by-exception basis whereby employees are paid a fixed authorized gross amount for each payroll cycle unless the amount is altered. A payroll-by-exception methodology assumes, absent any payroll actions to the contrary, that an employee worked or used available accumulated leave for the required number of hours in the pay period. According to University personnel, exempt employees document their leave using leave request forms that supervisory personnel review and approve but the employees are not required to, and do not, prepare time sheets or other records to document their time worked.

During the period April 2015 through March 2016, the University reported salary costs of $77 million for exempt employees. In response to our inquiries, University personnel indicated that the Fair Labor Standards Act timekeeping and overtime provisions do not apply to exempt employees as the employees are not paid on an hourly basis and, therefore, the United States Department of Labor and the University do not require timekeeping of the exempt employees' actual hours worked. Notwithstanding this response, without records documenting exempt employees' time worked and supervisory review and approval of the records, there is limited assurance that exempt employee services were provided consistent with Board expectations. In addition, without records documenting exempt employees' time worked and supervisory review and approval of the records, there is an increased risk that exempt employees may be incorrectly compensated and their leave balances may not be accurate.

Recommendation: The University should establish a mechanism for exempt employees to report time worked and implement procedures requiring supervisors to document the review and approval of such time.

Follow-Up to Management's Response

Management stated in the written response that the University has appropriate mechanisms in place and describes various practices to document efforts to monitor exempt employees work efforts and leave usage. University management also asserted that additional layering of reporting requirements represents a significant obligation of time and resources that comes at a considerable cost yet offers little discernable benefit. Notwithstanding management's response, given the University's responsibility to monitor exempt employee services and the significant costs ($77 million for the audit period) associated with these services, records of attendance and time worked by exempt employees, reviewed and

approved by applicable supervisors, would provide crucial additional assurances regarding the accuracy of employee leave records and that the services provided by exempt employees were consistent with Board expectations, and also provide more reliable records in the event of a salary or leave dispute. Accordingly, we continue to recommend that the University require exempt employees to prepare time reports and also require supervisory personnel to certify the accuracy of the time reported as worked by exempt employees.

Finding 3: Purchasing Card Program

The University established a Purchasing Card (P-card) program, which gives employees the convenience of purchasing items without using the standard purchase order process. P-cards are designed to provide a cost effective, convenient, and decentralized method for individuals to make certain business purchases on behalf of the University.

The University has comprehensive, written P-card guidelines that address management controls over the issuance, use, and deactivation of P-cards. These guidelines indicate, in part, that:

- Each purchase must be approved by an assigned P-card manager, who may or may not be the cardholder's supervisor.
- To certify that P-card charges were supported by receipts, monthly reconciliations between the receipts and reports of P-card charges must be completed by an assigned P-card reconciler, who is not the cardholder, within 20 days after month-end.
- Monthly reconciliation reports must be reviewed, signed, and dated by the assigned P-card reconciler and the appropriate supervisor (i.e., Dean, Director, Chair, Vice-President, or President).
- The appropriate supervisor must notify the P-card administrator whenever a cardholder terminates employment with the University, and the P-card must be provided to the Procurement and Contracts Department.

During the period April 2015 through March 2016, University P-card expenditures totaled $14.5 million and, at the end of that period, 453 University P-cards were assigned to employees. To determine whether University personnel appropriately used P-cards in accordance with the P-card guidelines, we examined University records for 30 selected P-card purchases totaling $808,132 related to 16 cardholder accounts and identified various control deficiencies and noncompliance with the University P-card guidelines. For example:

- For 8 P-card purchases totaling $399,813 for items such as software licenses and office furniture, neither the assigned P-card reconciler nor the appropriate supervisor signed and dated the monthly reconciliation reports to certify that charges were supported by receipts and that the receipts were timely reconciled to charges. Additionally, for 1 office furniture purchase costing $152,209, the assigned P-card manager, who was also the cardholder's supervisor, did not document approval of the purchase. Further, 2 of the purchases totaling $871 were only approved by the assigned P-card manager who was an office assistant and not the cardholder's supervisor, reducing the effectiveness of the approval function.
- For 6 other P-card purchases totaling $303,209 for items such as software licenses and lab supplies, monthly reconciliation reports were not completed within 20 days after month-end and ranged from 11 to 202 days late.

In response to our inquiries, University personnel indicated that the lack of signed and dated monthly reconciliation reports, absence of documented supervisory review and approval of P-card charges, and untimely completion of reconciliation reports occurred because of oversights. Regarding P-card charges approved by office assistants or others who are not the cardholder's supervisor, University personnel indicated that supervisory review and approval of these charges are typically documented by supervisors upon approval of monthly reconciliation reports. Ineffective and undocumented P-card monitoring procedures increase the risk that errors or fraud, should they occur, may not be timely detected. Additionally, timely documented reconciliation reports would also help demonstrate whether receipts properly support charges or whether the University should dispute the charges.

We also examined University records for the 49 employees who had P-cards and separated from University employment to determine whether the former employees' P-cards were promptly canceled. We found that the P-cards for 5 former employees were not canceled until 12 to 323 days after the employees' separation dates, including the P-card for 1 former employee that was not canceled until after our inquiries.

Further discussions with University personnel indicated that the untimely P-card cancellations were due to delays in notifying the P-card administrator of the employment separations. While the agreement between the University and the bank that administers the P-card program allows the University 60 days to dispute charges, and our examination of P-card activity for these 5 former employees disclosed that no purchases were made after the individuals terminated employment, untimely cancellation of P-card privileges increases the risk that such privileges could be misused by former employees or others and may limit the University's ability to satisfactorily resolve disputed charges.

In January 2016, the University Internal Auditing and Compliance (IAC) Department became aware of certain questionable P-card activities involving a University employee. Subsequently, the IAC Department investigation identified $10,983 in questionable P-card purchases, dating back to September 2011, made by this employee. In March 2016, the University terminated the individual's employment and deducted $2,548 from the employee's final pay as partial restitution. The University also notified local law enforcement regarding the questionable purchases and, in September 2016, the former employee was arrested and charged with grand theft of $10,000 or more but less than $20,000.

Recommendation: The University should enhance P-card procedures to ensure that:

- **Monthly P-card reconciliation reports are signed and dated by the assigned P-card reconciler and supervisor and completed within 20 days after month-end to certify that charges are supported by receipts and that the receipts are timely reconciled to charges.**
- **Supervisory review and approval of P-card charges are appropriately documented by the cardholder's supervisor.**
- **P-card privileges are timely canceled upon a cardholder's separation from University employment.**

We also recommend that the University continue efforts to recover amounts associated with unauthorized purchases made by the former employee.

Finding 4: Textbook Affordability

State law[6] required universities to post on their Web sites, as early as feasible, but not less than 30 days prior to the first day of classes, a list of each textbook required for each course offered at the institution during the upcoming term. Additionally, Board of Governors (BOG) regulations[7] require universities to adopt a regulation that establishes textbook adoption procedures to minimize the costs of textbooks for students while maintaining the quality of education and academic freedom. The regulation should establish procedures to document the intent of the course instructors to use all items ordered; determine the extent to which a new textbook edition differs significantly and substantively from earlier versions and the value of changing to a new edition; and post, no later than 30 days prior to the first day of classes, on the universities' Web sites a list of each required textbook for each course offering for the upcoming term. The posted list must include the International Standard Book Number for each required textbook or other identifying information, which must include the title, all authors listed, publishers, and other relevant information necessary to identify the specific textbook or textbooks required for each course.

The University established the BOG-required textbook adoption regulation and procedures and adopted 818 textbooks for the Summer 2015 term, 1,638 textbooks for the Fall 2015 term, and 1,584 textbooks for the Spring 2016 term. Our review of the listings of adopted textbooks, University procedures, and related University records disclosed that:

- UWF Business Enterprises, Inc., a University direct-support organization, contracted with a vendor to manage and operate the University Bookstore, as well as to compile and post lists of adopted textbooks on the University Bookstore Web site. Although we requested, University records could not be provided to document the dates the required textbook information was posted to the University Bookstore Web site. In response to our inquiries, University personnel indicated that the bookstore vendor did not maintain records to document the textbook posting dates.

  The timely posting of required textbook information on the University Bookstore Web site is necessary for students to understand course textbook requirements and have sufficient time to consider textbook purchase options and limit their textbook costs. Without evidence of the timely posting of textbook information on the University Bookstore Web site, the University cannot demonstrate compliance with State law. Effective July 1, 2016, State law[8] was revised to require each university to post prominently in the course registration system and on its Web site, as early as is feasible, but at least 45 days before the first day of class for each term, a hyperlink to lists of required and recommended textbooks and instructional materials for at least 95 percent of all courses and course sections offered at the university during the upcoming term.
- Our review of textbook prices for 30 courses during the Spring 2016 term disclosed that new or used textbook prices for the same course varied by as much as $238 for new and $179 for used textbooks. Table 1 provides the price differences that exceeded $50 for both new and used textbooks used in the same course:

[6] Section 1004.085(3), Florida Statutes (2015).

[7] BOG Regulation No. 8.003, *Textbook Adoption*.

[8] Section 1004.085(6), Florida Statutes (2016).

Table 1
Textbook Prices
Spring 2016

	Cost of New Textbooks			Cost of Used Textbooks		
Course	High	Low	Difference	High	Low	Difference
AMH 2020	$227	$140	$87	$171	$106	$65
REL 1300	219	110	109	164	82	82
ACG 2071	585	442	143	439	332	107
ADV 3213	220	60	160	165	45	120
ARH 1000	233	81	152	168	61	107
CCJ 3024	340	235	105	255	176	79
CLP 3144	242	73	169	181	55	126
COP 2334	407	169	238	306	127	179
DEP 2004	297	124	173	223	93	130
ECO 2013	333	136	197	250	102	148
MAN 3240	342	104	238	203	78	125

Source: University records.

In response to our inquiry, University personnel indicated that although the University has implemented several initiatives to lower textbook costs, University procedures generally allow faculty members who teach the same courses to independently select course textbooks, resulting in different textbooks being used for the same course. When different textbooks are used for the same course, instructional costs paid by students may not be fair and equitable.

Recommendation: The University should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks are timely posted in accordance with State law. In addition, the University should ensure that textbooks are available to students at the lowest and best prices within acceptable quality by enhancing textbook affordability procedures to require course-wide adoption of textbooks for the same course.

Finding 5: Information Technology – Access Controls

Access controls are intended to protect University data and IT resources from unauthorized disclosure, modification, or destruction. Effective access controls provide employees access to IT resources based on a demonstrated need to view, change, or delete data and restrict employees from performing incompatible functions or functions inconsistent with their assigned responsibilities. Effective periodic reviews of assigned IT access privileges are necessary to ensure that employees can only access those IT resources that are necessary to perform their assigned job responsibilities and that assigned access privileges enforce an appropriate separation of incompatible responsibilities.

University personnel perform periodic reviews of assigned IT access privileges to assess whether access privileges are appropriate. Our August 2016 test of selected IT access privileges to University finance and HR applications for 29 employees disclosed that the University Senior Associate Controller for Financial Services had update access to critical transactions within the HR application including adding and updating employee information, entering rates of pay and time adjustments, and initiating payroll processing. These IT access privileges permitted the employee to perform incompatible functions. In

response to our inquiry, University personnel indicated that the above noted IT access privileges for this employee were changed to inquiry only.

The University had implemented certain controls (e.g., timely independent bank reconciliations, monitoring expenses) to compensate, in part, for the inappropriate access privileges and our review did not disclose any misuse as a result of the deficiency. However, the existence of inappropriate or unnecessary IT access privileges increases the risk of unauthorized disclosure, modification, or destruction of University data or IT resources.

Recommendation: The University should ensure that IT access privileges granted are necessary and enforce an appropriate separation of duties, and remove any inappropriate or unnecessary IT access privileges detected.

Finding 6: IT Security Controls – User Authentication

Security controls are intended to protect the confidentiality, integrity, and availability of University data and IT resources. Our audit procedures disclosed that certain University security controls related to user authentication needed improvement. We are not disclosing specific details of the issues in this report to avoid the possibility of compromising University data and IT resources. However, we have notified appropriate University management of the specific issues.

Without adequate security controls related to user authentication, the risk is increased that the confidentiality, integrity, and availability of University data and IT resources may be compromised. A similar finding was noted in our report No. 2014-092.

Recommendation: The University should improve its security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

PRIOR AUDIT FOLLOW-UP

Except as noted in Finding 6, the University had taken corrective actions for findings included in our report No. 2014-092.

OBJECTIVES, SCOPE, AND METHODOLOGY

The Auditor General conducts operational 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.

We conducted this operational audit from March 2016 to August 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of this operational audit were to:

- Evaluate management's performance in establishing and maintaining internal controls, including controls designed to prevent and detect fraud, waste, and abuse, and in administering assigned responsibilities in accordance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines.
- Examine internal controls designed and placed in operation to promote and encourage the achievement of management's control objectives in the categories of compliance, economic and efficient operations, reliability of records and reports, and safeguarding of assets, and identify weaknesses in those controls.
- Determine whether management had taken corrective actions for findings included in our report No. 2014-092.
- Identify statutory and fiscal changes that may be recommended to the Legislature pursuant to Section 11.45(7)(h), Florida Statutes.

This audit was designed to identify, for those programs, activities, or functions included within the scope of the audit, weaknesses in management's internal controls; instances of noncompliance with applicable laws, rules, regulations, contracts, grant agreements, and other guidelines; and instances of inefficient or ineffective operational policies, procedures, or practices. The focus of this audit was to identify problems so that they may be corrected in such a way as to improve government accountability and efficiency and the stewardship of management. Professional judgment has been used in determining significance and audit risk and in selecting the particular transactions, legal compliance matters, records, and controls considered.

As described in more detail below, for those programs, activities, and functions included within the scope of our audit, our audit work included, but was not limited to, communicating to management and those charged with governance the scope, objectives, timing, overall methodology, and reporting of our audit; obtaining an understanding of the program, activity, or function; exercising professional judgment in considering significance and audit risk in the design and execution of the research, interviews, tests, analyses, and other procedures included in the audit methodology; obtaining reasonable assurance of the overall sufficiency and appropriateness of the evidence gathered in support of our audit findings and conclusions; and reporting on the results of the audit as required by governing laws and auditing standards.

Our audit included the transactions, as well as events and conditions, occurring during the audit period April 2015 through March 2016, and selected University actions taken prior and subsequent thereto. Unless otherwise indicated in this report, these records and transactions were not selected with the intent of statistically projecting the results, although we have presented for perspective, where practicable, information concerning relevant population value or size and quantifications relative to the items selected for examination.

An audit by its nature does not include a review of all records and actions of management, staff, and vendors, and as a consequence, cannot be relied upon to identify all instances of noncompliance, fraud, waste, abuse, or inefficiency.

In conducting our audit we:

- Reviewed the University's information technology (IT) policies and procedures to determine whether the policies and procedures addressed certain important IT control functions, such as security, systems development and maintenance, and disaster recovery.

- Reviewed University procedures for maintaining and reviewing access to IT resources to determine the appropriateness and necessity based on employees' job duties and user account functions and adequacy with regard to preventing the performance of incompatible duties.
- Evaluated the University's security policies and procedures governing the classification, management, and protection of sensitive and confidential information.
- Reviewed operating system, database, network, and application security settings to determine whether authentication controls were configured and enforced in accordance with IT best practices.
- Evaluated Trustees, committee, and advisory board minutes to determine whether Trustees approval was obtained for policies and procedures in effect during the audit period, and for evidence of compliance with Sunshine Law requirements (i.e., proper notice of meetings, meetings readily accessible to the public, and properly maintained meeting minutes).
- Examined University records for the audit period to determine whether the University informed students and employees at orientation and on its Web site of the existence of the Florida Department of Law Enforcement sexual predator and sexual offender registry Web site and the toll-free telephone number that gives access to sexual predator and sexual offender public information as required by Section 1006.695, Florida Statutes.
- Examined University records to determine whether the University had developed an anti-fraud policy and procedures to provide guidance to employees for communicating known or suspected fraud to appropriate individuals. Also, we examined University records to determine whether the University had implemented appropriate and sufficient procedures to comply with its anti-fraud policy.
- Evaluated University procedures to determine whether the University had provided individuals with a written statement of the purpose for collecting their social security numbers.
- Determined whether the University had submitted a report for the calendar year 2015 to the President of the Florida Senate and the Speaker of the Florida House of Representatives regarding the implementation and operation of all components of the Complete Florida Plus Program and the Florida Academic Library Services Cooperative in accordance with Sections 1006.73(4) and 1006.735(5), Florida Statutes.
- Evaluated the appropriateness of the University's policies and procedures regarding electronic funds transfers.
- Examined University records supporting 2 payments totaling $41,844 from the population of 15 payments totaling $63,044, made during the audit period by the University to its direct-support organizations, to determine whether the payments were authorized by Section 1004.28(1)(a)2. and (2), Florida Statutes.
- Reviewed payments from tuition differential fees collected to determine whether the University assessed and used tuition differential fees in compliance with Section 1009.24(16)(a), Florida Statutes.
- From the population of 16,001 students classified as Florida residents during the Summer 2015, Fall 2015, and Spring 2016 terms, reviewed University records for 20 selected students to determine whether student status and residency determinations complied with Section 1009.21, Florida Statutes.
- Determined whether the University had established procedures to record deferred fees as a receivable and cancel the registration of students who did not timely pay fees.
- From the population of 1,771 sections of distance learning courses offered during the Summer 2015, Fall 2015, and Spring 2016 terms, which generated distance learning fee revenues totaling $1,185,146, examined University records for 33 selected sections of distance

learning courses with distance learning fee revenues totaling $34,823 to determine whether the fees were assessed, collected, separately accounted for, and retained in accordance with Section 1009.24(17), Florida Statutes.

- Evaluated University policies and procedures regarding textbook affordability for compliance with Section 1004.085, Florida Statutes.
- Examined documentation for the textbooks added during the audit period to determine whether University policies and procedures for textbook affordability and textbook information postings complied with Section 1004.085, Florida Statutes.
- From the population of 4,178 employees compensated a total of $95,904,196 during the audit period, examined records supporting compensation payments totaling $80,705 to 31 selected employees to determine the accuracy of the rate of pay and whether supervisory personnel reviewed and approved employee reports of time worked.
- Evaluated the University's policies and procedures for payments of accumulated annual and sick leave (terminal leave pay) to determine whether the policies and procedures promoted compliance with State law and University policies. From the population of 167 employees who either separated from University employment or converted from a 12-month faculty position to a 9-month faculty position during the audit period, and were paid $1,419,316 for terminal leave, we selected 8 employees paid a total of $290,415 for terminal leave and examined the supporting records to evaluate the payments for compliance with State law and University policies.
- Examined University records for all 43 administrative employees (including the President) who received compensation totaling $5,677,085 during the 2015-16 fiscal year to determine whether the amounts paid did not exceed the limits established in Sections 1012.975(3) and 1012.976(2), Florida Statutes.
- Evaluated the University's policies and procedures for obtaining personnel background screenings to determine whether employees and others in positions of special trust or responsibility, such as positions with direct contact with persons under age 18, had undergone the appropriate background screenings.
- Examined University expenditure documentation to determine whether the expenditures were reasonable, correctly recorded, adequately documented, for a valid University purpose, properly authorized and approved, and in compliance with applicable laws, rules, contract terms, and Board policies. From the population of expenditures other than salaries and related benefits totaling $83,918,775 for the audit period, we examined:
  - Documentation relating to 30 selected general expenditures totaling $66,719.
  - Documentation relating to 28 selected contractual services expenditures totaling $9,815,975.
- Examined University records supporting selected purchasing card (P-card) purchases to determine whether the P-card program was administered in accordance with University policies and procedures and purchases were not of a personal nature.
- Examined University P-card records for cardholders who separated from University employment during the audit period to determine whether P-cards were timely canceled upon the cardholders' employment separation.
- Evaluated the University's policies and procedures related to identifying potential conflicts of interest to determine whether identified conflicts of interest were provided to University procurement personnel for review and consideration in making procurement decisions. We also reviewed Department of State, Division of Corporations records and University records for the President, Board members, and selected University employees to identify any relationships that represented a potential conflict of interest with vendors used by the University.

- Communicated on an interim basis with applicable officials to ensure the timely resolution of issues involving controls and noncompliance.
- Performed various other auditing procedures, including analytical procedures, as necessary, to accomplish the objectives of the audit.
- Prepared and submitted for management response the findings and recommendations that are included in this report and which describe the matters requiring corrective actions. Management's response is included in this report under the heading ***MANAGEMENT'S RESPONSE***.

AUTHORITY

Section 11.45, Florida Statutes, requires that the Auditor General conduct an operational audit of each University on a periodic basis. Pursuant to the provisions of Section 11.45, Florida Statutes, I have directed that this report be prepared to present the results of our operational audit.

Sherrill F. Norman, CPA
Auditor General

MANAGEMENT'S RESPONSE

Office of the President
11000 University Parkway
Pensacola, FL 32514-5750

December 14, 2016

Ms. Sherrill F. Norman, CPA
Auditor General
State of Florida
Claude Pepper Building, Suite G74
111 West Madison Street
Tallahassee, Florida 32399-1450

Dear Ms. Norman:

This is the University of West Florida's acknowledgement of and response to the preliminary and tentative findings and recommendations, as transmitted by your correspondence of November 10, 2016. The responses relate to your operational audit on the

University of West Florida
For the Audit Period April 2015-March 2016.

Finding 1: The University did not always perform level 2 background screenings for certain individuals in positions of special trust or responsibility.

Recommendation: The University should continue efforts to require and ensure that level 2 background screenings, including fingerprinting, are performed for all individuals in positions of special trust or responsibility. Such positions include those with direct contact with vulnerable populations and minors, responsibilities for safeguarding cash, or access to nonpublic information.

UWF Response:

In September 2016, Human Resources revised the University of West Florida (UWF) Background Screening Procedures to require a level 2 background screening for all existing and future employees in positions of special trust (including Human Resources, ITS, and Financial Services). Completion of a successful level 2 background screening is a condition of continual employment for existing employees in positions of special trust. This revised procedure was communicated to UWF supervisors and employees.

In September 2016, the revised UWF Background Screening Procedures requires all new hires, reassignments, or reclassifications into a position of special trust to have a successful level 2 background screening on file prior to the offer of employment, reassignment, or reclassification.

Human Resources has collaborated with Procurement to establish a procedure that prior to an employee being able to receive a PCard, Procurement will verify with

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Human Resources that the employee has a successful level 2 background screening on file. Procurement is in the process of revising its electronic routing process to include Human Resources verification of a successful level 2 background screening prior to issuing the PCard.

Finding 2: The University needs to implement procedures to ensure supervisory review and approval of exempt employees' time worked.

Recommendation: The University should establish a mechanism for exempt employees to report time worked and implement procedures requiring supervisors to document the review and approval of such time.

UWF Response:

The University has in place appropriate mechanisms for reporting time worked by exempt employees and documenting review and approval of such time by supervisors. The University requires that salaried employees be added to the payroll system via a Personnel Action Form. This document provides the salary to be paid to the employee, as well as the percent of effort required (FTE), and requires signature authorization by the hiring official, the Dean/Division Head, and the appropriate Vice President. Should an employee's salary or FTE change, another Personnel Action Form is required to document the transaction. Employees are required to submit leave reports, both for sick leave and for personal leave, through a leave request and approval process through Banner Web Time Entry. These reports are reviewed and approved by the employee's supervisor. In addition, each employee receives an extensive annual performance evaluation from his or her supervisor, which may be the basis for merit pay adjustments known as "pay for performance." These practices are widely accepted as best practices in human resources management in both the private and the public sector, and do in fact involve acceptable and appropriate documentation of hours worked and leave taken.

There is no legal requirement that mandates a particular leave reporting procedure. The Preamble to 29 CFR, Part 541 from "Defining and Delimiting the Exemptions for Executive, Administrative, Professional, Outside Sales and Computer Employees; Final Rule [04/23/2004]" states:

> "We agree that employers, without affecting their employees' exempt status, may take deductions from accrued leave accounts; **may** require exempt employees to record and track hours; may require exempt employees to work a specified schedule; and may implement across-the-board changes in schedule under certain circumstances."

The University believes this reference in the preamble was originally intended to show that an employer "**may** require exempt employees to record and track hours" as it relates to the administration of a bona fide leave program. The use of the word "**may**" shows that the Department of Labor (DOL) does not specifically prohibit an employer from

asking an exempt employee to record and track hours (of leave or hours of work) to assist with the administration of a bona fide leave program. However, DOL, in the preamble referenced above, does not specifically **require** that exempt employees record and track hours (including both hours of leave and hours of work) and states:

> "For example, employers are **not generally required** to maintain any records of daily or weekly hours worked by exempt employees (see 29 CFR 516.3), nor are they required to perform a moment-by-moment examination of an exempt employee's specific duties to establish that an exemption is available."

As a matter of fact, requiring exempt employees to document hours worked as a condition of payment of salary appears contrary to both best practices and applicable law. According to Section 13(a)(1) of the Fair Labor Standards Act (FLSA), employees who meet the required exempt tests are defined as salaried employees (those receiving a pre-determined salary on a periodic basis where there is no requirement to submit hours worked). An exempt employee must receive the full salary for any week in which the employee performs any work, regardless of the number of days or hours worked. While already being required to report absences and utilize available leave, FLSA exempt personnel are required to fulfill their responsibilities without payroll consideration for hours worked beyond the full time schedule often extending many hours throughout the 24/7 weekly schedule. While simply providing additional information about the extended schedule of exempt personnel, the proposed additional reporting requirements cannot be correlated with additional compensation or the application of leave time (as such a direct application with periodic work schedule reporting would be inconsistent with the maintenance of FLSA exempt status). Instead existing procedures of reporting absences and application of leave time or payroll deduction would continue to also be in effect.

Exempt employees are not hourly employees, and it is not appropriate to evaluate their effort in terms of "hours worked." And, as pointed out above, they are already evaluated, documented, and certified by supervisors with regard to leave taken and with regard to satisfactory performance. It is unlikely that employees in this category could escape filing requirements with regard to entire days missed from the job. Further, it is inefficient and burdensome to require unnecessary negative certifications where appropriate positive certifications fulfill the purpose in ways that are widely accepted in personnel practice. The bona fide leave accrual plan offered by the University provides annual and sick leave allocations to non-teaching, exempt positions. Based upon the requirements of the Fair Labor Standards Act relative to deductions from pay, based upon the University's bona fide leave accrual plan, based upon the leave request and approval process through Banner Web Time Entry, and based upon the performance evaluation process, the need to reduce an employee's compensation is rare and is documented by written request to the Financial Services Office (Payroll Section). Effective systems of work time accountability currently exist and (although exception based) supervisory monitoring and sign-off as to the accuracy of leave reporting are effective measures to assure that minimum work time requirements are satisfied as a condition of authorizing payroll. Additional layering of reporting requirements, as recommended in the audit, represent a significant obligation of time and

resources on the part of the institutions and employees that comes at considerable cost yet offers little discernable benefit. Accordingly, the University strongly asserts that proper documentation already exists to meet the requirements noted in this recommendation.

Finding 3: University purchasing card controls need improvement to better prevent and detect purchasing card misuse.

Recommendation: The University should enhance PCard procedures to ensure that:

- Monthly PCard reconciliation reports are signed and dated by the assigned PCard reconciler and supervisor and completed within 20 days after month-end to certify that charges are supported by receipts and that the receipts are timely reconciled to the charges.
- Supervisory review and approval of PCard charges are appropriately documented by the cardholder's supervisor.
- PCard privileges are timely canceled upon a cardholder's separation from University employment.

We also recommend that the University continue efforts to recover amounts associated with unauthorized purchases made by the former employee.

UWF Response:

In response to the recommendation, the UWF PCard manual has been updated as follows:

Reconciliation

The monthly PCard reconciliation is mandatory and requires the following steps for compliance:

- Once a month all transaction documentation must be reconciled with two separate reports:
  - Report 1 - PCard Reconciliation Report (PROC000007) located in Information Navigator under P&C
  - Report 2 - monthly online SDOL statement with the Bank (see BANK STATEMENTS ONLINE for instructions) *Note: The Approver (Account/Business Manager) does not have access to the Cardholder's SDOL online statement. The statement can only be obtained by the Cardholder due to security parameters. Therefore, it is the Cardholder's responsibility to print out the SDOL bank statement and provide it to the Approver (Account/Business Manager) as well as provide all receipts and backup documentation for the PCard purchases.*
- Documentation of this reconciliation must be maintained in the department's PCard files for five (5) years and will be subject to audit.
- Each cardholder monthly Reconciliation Report must be reviewed, signed and dated by the Reconciler and the Dean/Director/Chair/VP/President to verify the reconciliation process has been completed satisfactorily and expenditures are appropriate.
- The reconciliation should be completed within 20 days of month-end.

Completion and review of the reconciliation within the 20 day time frame will be subject to audit. Failure to comply with the 20 day time frame will result in audit comment and will be reflected in assigned grade which will be communicated to senior management.

Regarding PCard charges approved by office assistants or others who are not the cardholder's supervisor, University personnel believe that supervisory review and approval of these charges are typically documented by supervisors upon approval of monthly reconciliation reports and that emphasis on the need to complete this review within 20 days of month end results in an adequate internal control.

Timely Cancellation of PCard Privileges

The cardholders whose privileges were not cancelled timely upon leaving the university were graduate students. The cardholders had given their cards back to their supervisors and the cards were locked in the departments' safe or file cabinet but were not returned to Procurement to close the accounts in Banner or the bank's system. Procurement will work with IT and HR to develop a report that can be run upon request and will identify all terminated university employees who had been assigned a PCard. Having a defined report will reduce the chance that a PCard holder who has been terminated will be overlooked.

Finding 4: University textbook affordability procedures could be enhanced.

Recommendation: The University should enhance procedures to ensure that records are maintained to document that lists of required and recommended textbooks are timely posted in accordance with State law. In addition, the University should ensure that textbooks are available to students at the lowest and best prices within acceptable quality by enhancing textbook affordability procedures to require course-wide adoption of textbooks for the same course.

UWF Response:

Part I: Follett enters adoption information into their CourseTracks management system and that information integrates into the University's course search information on the website. Follett has a report that can capture the first date of adoption from Course Tracks. The report generated will show the date of first adoption as well as the other requested information such as the ISBN, title, all authors, publishers and other relevant information. This report can be generated for the current semester and also for previous semesters. Effective immediately, the University will request and file copies of this report from Follett each semester.

Part II: Pursuant to section 8 of Florida Statute 1004.085 entitled *Textbook and instructional materials affordability*, the University is required to submit an annual report to the Chancellor of the State University System by September 30. A required component of the annual report is a description of the textbook selection process for general education courses with wide cost variances. In the Fall 2016 annual report to the Chancellor, UWF explained that instructors can select textbooks individually based on the content/curriculum for the course. Based on the information received as a result of the annual report, departments that teach

multiple sections of the same general education course, but use different textbooks for the sections, will be required to provide a written justification for using different textbooks for multiple sections of the same general education course.

Section 4 of the statute also requires that "Courses that have a wide variance in costs among sections...shall be identified and a list of such courses sent to the appropriate academic department chair for review." To implement this provision of the statute, the University recently adopted measures that provide even greater oversight. In order to have assurance that the reasons for selecting general education textbooks that result in cost variances is valid, each college dean has appointed a textbook liaison who will oversee textbook ordering processes in their respective colleges. In addition, a Textbook Advisory group has been formed to provide a formal means of reviewing and addressing textbook affordability issues including cost variances for textbooks required for the same general education course. This advisory group will be required to submit an annual report of their activities and findings to the Provost at the conclusion of each academic year. These measures were also described in the recent Fall 2016 annual report to the Chancellor on textbook and instructional materials affordability.

Finding 5: Certain University information technology (IT) access controls need improvement.

Recommendation: The University should ensure that IT access privileges granted re necessary and enforce an appropriate separation of duties, and remove any inappropriate or unnecessary IT access privileges detected.

UWF Response:

The employee's access which caused this Finding has been addressed and reporting has been carried out to ensure that no other employees had a similar situation. The Banner system's security mechanism has been altered to ensure that employees in Finance cannot hold security access which would allow this to occur in the future.

The University has documented in their Security Manager guide's "Reviewing, Verifying and Affirming Banner Access privileges" procedure the following excerpt in order to ensure that managers maintain appropriate separation of duties.

> **It is the responsibility of Banner module security administrators (Security Manager) to periodically review Banner Security to ensure appropriate access is maintained as well as appropriate separation of duties.** This is necessary to ensure that employees have Banner access appropriate to their job functions, and that this access is kept current as employee roles and job responsibilities change. It is also necessary that employees maintain a reasonable separation of duties to prevent situations which create a conflict of interest - for example to alter salaries and also disburse payroll.

Finding 6: University security controls related to IT user authentication continue to need improvement.

Recommendation: The University should improve it security controls related to user authentication to ensure the continued confidentiality, integrity, and availability of University data and IT resources.

UWF Response:

The University has determined that its current and planned future security controls are appropriate which successfully address the continued confidentiality, integrity and availability of University data and IT resources.

We continue to find the Auditor General provides constructive assistance to us, as we strive to maintain an acceptable level of accountability.

Sincerely,

Judith A. Bense, Ph.D.
President

cc: Mr. Lewis Bear, UWF BOT Chairman
Mr. Dick Baker, UWF BOT Audit & Compliance Committee
Mr. Robert Jones, UWF BOT Audit & Compliance Committee
Mr. Greg Britton, UWF BOT Audit & Compliance Committee
Dr. Martha Saunders, Provost/Executive Vice President
Dr. Steve Cunningham, Vice President, Finance and Administration
Dr. George Ellenberg, Vice Provost
Ms. Pat Lott, General Counsel
Ms. Melanie Haveard, Chief Technology Officer
Mr. Geissler Golding, ITS Director
Ms. Colleen Asmus, Associate Vice President/Controller
Ms. Angie Jones, Director, Procurement
Ms. Jamie Sprague, Associate Director, Human Resources
Ms. Christine Dillard, Assistant Director, Human Resources
Mr. Jeff Comeau, Associate Director, Human Resources
Ms. Betsy Bowers, Associate Vice President Internal Auditing & Compliance
Mr. Ken Danley, Audit Supervisor, State of Florida Auditor General
Mr. Jaime Hoelscher, Audit Supervisor, State of Florida Auditor General

Action Item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: External Audit: WUWF-FM Financial Statement Audit

Proposed action: Acceptance

Background information:
Annually, a financial audit is conducted of the WUWF-FM, a public telecommunications entity operated by UWF. This is to comply with the Corporation of Public Broadcasting (CPB) community service grant requirements. To ensure compliance with these requirements, the Associate Vice President of Internal Auditing and Compliance performed a cursory review of these special purpose financial statements and determined WUWF Public Media was in compliance.

Results:
WUWF Public Media received a clean unqualified opinion. No deficiencies were identified in the internal controls over financial reporting that were considered to be material weaknesses. Results of testing disclosed no instances of noncompliance or other matters that were required to be reported.

Financial Highlights:

- 2016 operating revenues totaled $1,871,693 with an increase of $91,221 from prior year primarily due to an increase in the community service grant funds from the Corporation for Public Broadcasting, an increase in business and industry support, and an increase in other sources of revenue primarily due to the Capitol Steps performance.
- WUWF-FM experienced a decrease of $16,548 in non-operating revenue due to market losses on investments.

Recommendation: Acceptance

Implementation Plan: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees of activities affiliated with or through the University of West Florida.

Supporting documents:
WUWF-FM Financial Statements for fiscal year ended June 30, 2016
WUWF-FM Audit Communication Letter for the year ended June 30, 2016

Prepared by: Betsy Bowers, Associate Vice-President, bbowers@uwf.edu, 474-2636
Presenter: Betsy Bowers, Associate Vice-President

James Moore
Certified Public Accountants and Consultants

January 9, 2017

To the Board of Trustees
WUWF-FM
11000 University Parkway
Pensacola, FL 32514

We have audited the financial statements of WUWF-FM, for the year ended June 30, 2016 and 2015, and have issued our report thereon dated January 9, 2017. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated November 1, 2016, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of WUWF-FM solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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Compliance with All Ethics Requirements Regarding Independence

The engagement team, other individuals in our firm, and our firm has complied with all relevant ethical requirements regarding independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by WUWF-FM is included in Note 1 to the financial statements. There has been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended June 30, 2016. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

> Management's estimate of depreciation expense is based on the underlying assets depreciation calculated using the straight-line method over the assets' useful lives. We evaluated the key factors and assumptions used to develop the estimate of depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.
>
> Management's estimate of functional expense allocation is based on the costs of providing the various programs and other activities. We evaluated the key factors and assumptions used to develop the functional expense allocation in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements are the disclosures relating to commitments and contingencies.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of our audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole. Management has corrected all identified misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements identified by us as a result of our audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to WUWF-FM's financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain representations from management which are included in the attached letter dated January 9, 2017.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings or Issues

In our normal course of our professional association with WUWF-FM, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the entity, and business plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as WUWF-FM's auditors.

This report is intended solely for the information and use of the Board of Trustees and management of WUWF-FM and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

James Moore & Co., P.L.

JAMES MOORE & CO., P.L.

University of West Florida

Financial Services
11000 University Parkway
Pensacola, FL 32514-5750

January 9, 2017

James Moore & Co., P.L.
2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308

This representation letter is provided in connection with your audit of the basic financial statements of WUWF-FM as of June 30, 2016 and 2015 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of WUWF-FM in conformity with accounting principles generally accepted in the United States (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of the date of this letter.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 1, 2016 for the preparation and fair presentation of the financial statements of in accordance with U.S. GAAP.

- We acknowledge our responsibility for 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.

- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

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- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.

- We have complied with all contractual agreements, grants, and donor restrictions.

- We have maintained an appropriate composition of assets in amounts needed to comply with all donor restrictions.

- All funds that meet the quantitative criteria in GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and GASB Statement No. 37, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus as amended, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.

- We have accurately presented the entity's position regarding taxation and tax-exempt status.

- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.

- The bases used for allocation of functional expenses are reasonable and appropriate.

- We have included in the financial statements all assets and liabilities under the entity's control.

- We have designed, implemented, and maintained adequate internal controls over the receipt and recording of contributions.

- Reclassifications between net asset classes are proper.

- The governing board's interpretations concerning whether laws place restrictions on net appreciation of donor-restricted endowments are reasonable and have been disclosed to you.

- Methods and significant assumptions used by management to determine fair values, their consistency in application, and the completeness and adequacy of fair value information for financial statement measurement and disclosure purposes are appropriate.

- All required supplementary information is measured and presented within the prescribed guidelines.

- With regard to investments and other instruments reported at fair value:

- The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.

- The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.

- The disclosures related to fair values are complete, adequate, and in conformity with U.S. GAAP.

- There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.

- With respect to the supplementary information accompanying the financial statements:

  - We acknowledge our responsibility for the presentation of the schedule of functional expenses in accordance with accounting principles generally accepted in the United States of America.

  - We believe the schedule of functional expenses, including its form and content, is fairly presented in accordance with generally accepted accounting principles.

  - The methods of measurement or presentation have not changed from those used in the prior period.

  - We believe the cost allocations underlying the measurement or presentation of the schedule of functional expenses, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

  - When the schedule of functional expenses is not presented with the audited financial statements, management will make the audited financial statements readily available to the intended users of the schedule of functional expenses no later than the date of issuance by the entity of the schedule of functional expenses and the auditor's report thereon.

- With respect to the required supplementary information accompanying the financial statements:

  - We acknowledge our responsibility for the presentation of Management's Discussion and Analysis in
    accordance with Governmental Accounting Standards.

  - We believe Management's Discussion and Analysis, including its form and content, is measured and
    fairly presented in accordance with Governmental Accounting Standards.

  - The methods of measurement or presentation have not changed from those used in the prior period.

Information Provided

- We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes,7 and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - Management;
  - Employees who have significant roles in internal control; or
  - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- WUWF-FM University of West Florida has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which WUWF-FM University of West Florida is contingently liable.

- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.

- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.

- There are no:

  - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

  - Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

  - Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.

- WUWF-FM has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.

- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Signature:
Title: Associate Controller of Reporting

University of West Florida

Financial Services
11000 University Parkway
Pensacola, FL 32514-5750

January 9, 2017

James Moore & Co., P.L.
Certified Public Accountants
2477 Tim Gamble Place, Suite 200
Tallahassee, FL 32308

We are providing this letter in connection with your examination of the Schedule of Non-Federal Financial Support during the fiscal year ended 2016, for the purpose of expressing an opinion as to whether the Schedule of Non-Federal Financial Support is presented fairly, in all material respects, in conformity with the CPB's Fiscal Year 2015-2016 Annual Financial Report Handbook of Instructions.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of January 9, 2017 the following representations made to you during the course of your examination.

1. We are responsible for reporting the Schedule of Non-Federal Financial Support in conformity with CPB's Fiscal Year 2015-2016 Annual Financial Report Handbook of Instructions.

2. We are responsible for selecting the criteria and have selected the following: CPB's Fiscal Year 2015-2016 Annual Financial Report Handbook of Instructions

3. We have determined that the criteria are suitable and appropriate for our purposes.

4. We represent that the Schedule of Non-Federal Financial Support is presented in conformity with CPB's Fiscal Year 2015-2016 Annual Financial Report Handbook of Instructions.

5. We have communicated and disclosed all matters to you that may contradict the Schedule of Non-Federal Financial Support

6. We have communicated and disclosed to you all correspondence or other communications we have received from regulatory authorities regarding the Schedule of Non-Federal Financial Support.

Phone 850.474.3027 Fax 850.474.3053
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7. We have made all records applicable to the Schedule of Non-Federal Financial Support available to you in the conduct of your engagement.

8. We represent that your report will be restricted for use of the Corporation for Public Broadcasting.

9. To the best of our knowledge and belief, we have disclosed to you all events that have occurred subsequent to June 30, 2016 and through the date of this letter that would affect the presentation of the Schedule of Non-Federal Financial Support, or your report.

Jeffrey A. Djerlek, CPA
Associate Controller of Reporting

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY
OPERATED BY THE
UNIVERSITY OF WEST FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
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JUNE 30, 2016 AND 2015

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James Moore
Certified Public Accountants and Consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees,
University of West Florida:

Report on the Financial Statements

We have audited the accompanying financial statements of WUWF-FM (the "Station"), a public telecommunications entity operated by the University of West Florida, as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Station's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Station's 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WUWF-FM as of June 30, 2016 and 2015, and the changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 7 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise WUWF-FM's basic financial statements. The Schedule of Functional Expenses (Exhibit I) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Functional Expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Functional Expenses is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2017 on our consideration of WUWF-FM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 WUWF-FM's internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida
January 9, 2017

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2016 AND 2015

INTRODUCTION AND REPORTING ENTITY

The following discussion and analysis is an overview of the financial position and activities of WUWF Radio Station for the years ended June 30, 2016 and 2015. Management of WUWF Radio Station has prepared the following discussion, and it should be read with the financial statements and related footnotes which follow this section. Our discussion and analysis is required by accounting principles generally accepted in the United States of America in Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Governmental Accounting Standards Board has not developed accounting standards for presentation of auxiliary (or departmental) entities. The Station's accounting policies and practices do, however, conform to those permitted or allowed by the Corporation for Public Broadcasting (CPB), which generally follow published Governmental Accounting Standards. The overview presented below highlights the significant financial activities that occurred during the past year and describes changes in financial activity from the prior year.

WUWF-FM Radio Station is a public telecommunications entity operated by the University of West Florida. 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 six citizen members and the Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five 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. The Trustees select 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.

Serving North-West Florida and South Alabama, WUWF is community and listener supported public radio from the University of West Florida. WUWF is a full-service, community-oriented public radio station with a professional staff of 15 and nearly 25 volunteers. Funds are provided primarily through listener and local corporate support, broadcasting 24 hours a day, 7 days a week, on 88.1 FM, with a non-directional power output of 100,000 watts. WUWF is affiliated with both NPR (National Public Radio) and PRI (Public Radio International) and we originate local news and music programs.

Broadcasting a wide variety of network programs, WUWF-FM is also known for outstanding locally produced programming like "Acoustic Interlude" and "Radio Live". Both of these programs have national and international followers who listen on the Station's very strong and high quality internet broadcast service.

Founded in 1981 by Thomas K. Perry, WUWF-FM has had an enormous impact on the Pensacola and NW Florida communities. Working with a core staff of multi-talented professionals and numerous volunteers, WUWF-FM has been responsible for arts resurgence in the area.

With the cutback of federal funding in the 1990's, WUWF-FM began a course as a truly listener supported station. Today, it operates largely with contributions from local individual listeners with additional support from locally based businesses. The University of West Florida also provides funds for salaries, facilities, utilities, and general upkeep.

FINANCIAL HIGHLIGHTS

2016: The Station's operating revenues totaled $1,871,693, up $91,221 from the prior year and operating expenses totaled $1,940,498, which is down $16,578 from the prior year. The increase in operating revenues was due to an increase in the community service grant funds from the Corporation for Public Broadcasting, used for programming production expenses, an increase in business and industry support used for underwriting and grant solicitation, and an increase in other sources of revenue primarily due to Capitol Steps performance and used for programming production expenses. The small decrease in operating expenses was spread equally among each category of functional expenses.

The Station experienced a decrease of $16,548 in non-operating revenue due to market losses on investments.

2015: The Station's operating revenues totaled $1,780,472, down $366,944 from prior year and operating expenses totaled $1,957,076 which is down $85,274 from prior year. The decrease in operating revenues was mainly due to a decrease in the community service grant funds from the Florida Department of Education used for programming production expenses. The decrease in operating expenses was spread equally among each category of functional expenses.

The Station experienced a decrease of $35,219 in non-operating revenue due to market losses on investments

OVERVIEW OF THE FINANCIAL STATEMENTS

The Station is a unit of University of West Florida, and these financial statements include assets, liabilities and activity related to its public broadcasting function. This includes account activity in funds which are under the control of the Station manager within the University and University of West Florida Foundation.

These financial statements consist of statements of net position and statements of revenues, expenses, and changes in net position. The statements of net position and the statements of revenues, expenses, and changes in net position are intended to demonstrate the Station's financial position as a result of the year's activities. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of net position and the statement of revenues, expenses, and changes in net position are valuable report information on WUWF's Current Fund and activities in a way that helps the reader determine if the Station is in a better position from one year to the next. When revenues and other support exceed expenses, the result is an increase in net position. The relationship between revenues and expenses may be thought of as WUWF's operating results.

These two statements report WUWF's net position and changes in them. The net position amount, the difference between assets and liabilities, is one way to measure WUWF's financial health or financial position. Over time, increases or decreases in WUWF's net position are one indicator of whether its financial heath is improving or deteriorating. However, many other non-financial factors such as certain trends in funding, condition of facilities and sponsorships should be considered in assessing the overall health of the radio station.

These statements are prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of net position presents the assets, liabilities, and net position of WUWF's Current Fund as of the end of the fiscal year. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the station's current fund at a certain point in time. The statement of net position presents end-of-year data concerning assets, (current and non-current), liabilities (current and non-current), and net position (assets minus liabilities).

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of WUWF Radio Station. They are also able to determine how much the current fund owes vendors, employees, and others. Finally, the statement of net position provides a picture of the net position (assets minus liabilities) and their availability for use by WUWF.

CONDENSED STATEMENTS OF NET POSITION
TABLE 1

	June 30, 2016	June 30, 2015	June 30, 2014
Current assets	$ 599,005	$ 626,677	$ 702,927
Noncurrent assets	671,517	735,176	796,819
Total assets	1,270,522	1,361,853	1,499,746
Current liabilities	79,657	80,909	56,274
Noncurrent liabilities	135,152	145,434	136,914
Total liabilities	214,809	226,343	193,188
Net position			
Invested in capital assets	671,517	735,176	796,819
Restricted	318,328	350,825	358,075
Unrestricted	65,868	49,509	151,664
Total net position	$ 1,055,713	$ 1,135,510	$ 1,306,558

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
TABLE 2

	June 30, 2016	June 30, 2015	June 30, 2014
Revenues			
Operating revenues	$ 1,871,693	$ 1,780,472	$ 2,147,416
Non-operating revenues	(10,992)	5,556	40,775
Total revenues	1,860,701	1,786,028	2,188,191
Expenses			
Total expenses	1,940,498	1,957,076	2,042,350
Increase (decrease) in net position	$ (79,797)	$ (171,048)	$ 145,841

REQUEST FOR INFORMATION

This financial narrative is designed to provide a general overview of the Station's finances and to show accountability for the contributions received by the Station. If you have questions about this report or a need for additional financial information, contact the Station at:

WUWF
11000 University Parkway
Pensacola, FL 32514
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WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	$ 326,742	$ 330,711
Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station	222,036	263,045
Accounts and grants receivable	14,272	8,107
Prepaid program costs	35,955	24,814
Total current assets	599,005	626,677
Noncurrent assets		
Capital assets, net of accumulated depreciation	671,517	735,176
Total assets	1,270,522	1,361,853
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	36,262	33,762
Unearned revenue	35,832	38,329
Current portion of compensated absences	7,563	8,818
Total current liabilities	79,657	80,909
Noncurrent liabilities		
Long-term portion of compensated absences	135,152	145,434
Total liabilities	214,809	226,343
NET POSITION		
Net position		
Net investment in capital assets	671,517	735,176
Unrestricted	65,868	49,509
Restricted:		
Expendable	168,328	200,825
Nonexpendable - Endowment	150,000	150,000
Total net position	$ 1,055,713	$ 1,135,510

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating revenues		
Community service grants donated by the Corporation for Public Broadcasting	$ 169,015	$ 152,411
Community service grants donated by the Florida Department of Education	99,922	100,078
Appropriations from the University of West Florida	580,987	569,718
Business and industry support	190,278	168,018
Membership income	462,119	457,466
Donated facilities and administrative support from the University of West Florida	308,100	304,740
In-kind contributions	12,482	18,647
Other sources	48,790	9,394
Total operating revenues	1,871,693	1,780,472
Operating expenses (Exhibit I)		
Programming and production	979,859	997,164
Broadcasting	289,055	318,092
Program information and promotion	77,212	78,729
Management and general	248,905	254,378
Fundraising and membership development	253,884	264,701
Underwriting and grant solicitation	91,583	44,012
Total operating expenses	1,940,498	1,957,076
Operating loss	(68,805)	(176,604)
Non-operating revenues		
Interest income	4,217	4,001
Net increase (decrease) in fair value of investments	(15,209)	1,555
Total non-operating revenues	(10,992)	5,556
Decrease in net position	(79,797)	(171,048)
Net position, beginning of year	1,135,510	1,306,558
Net position, end of year	$ 1,055,713	$ 1,135,510

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash flows from operating activities		
Cash received from grants, donors and fundraising activities	$ 961,462	$ 897,366
Cash paid to suppliers and vendors	(594,063)	(632,195)
Cash paid to employees for salaries and benefits	(401,385)	(342,228)
Net cash used in operating activities	(33,986)	(77,057)
Cash flows from investing activities		
Purchases of capital assets	-	(6,567)
Sales (purchases) of funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station, net of fees	41,009	(219)
Investment income	(10,992)	5,556
Net cash provided by (used in) investing activities	30,017	(1,230)
Net decrease in cash and cash equivalents	(3,969)	(78,287)
Cash and cash equivalents, beginning of year	330,711	408,998
Cash and cash equivalents, end of year	$ 326,742	$ 330,711
Reconciliation of operating loss to net cash used in operating activities		
Operating loss	$ (68,805)	$ (176,604)
Adjustments to reconcile operating loss to net cash used in operating activities		
Depreciation	63,659	68,210
Unrealized loss (gain) on investments		
(Increase) decrease in certain assets:		
Accounts and grants receivable	(6,165)	2,663
Prepaid program costs	(11,141)	(4,481)
Increase (decrease) in certain liabilities:		
Accounts payable and accrued expenses	2,500	15,463
Compensated absences	(11,537)	10,356
Unearned revenue	(2,497)	7,336
Total adjustments	34,819	99,547
Net cash used in operating activities	$ (33,986)	$ (77,057)

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

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

(1) **Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of WUWF-FM (the "Station"), which affect significant elements of the accompanying financial statements:

(a) **Reporting entity**—The Station is a department of the University of West Florida (the "University") located in Pensacola, Florida and conducts various public broadcasting functions. The President of the University of West Florida is responsible for the management of the University and the Station operates as a department of the University under the control of the Station manager. The financial statements include only those funds under the administrative control of the Vice President for Advancement, that relate directly to the operations of the Station, including funds held by University of West Florida Foundation, Inc. (the "Foundation"). These statements do not purport to present the financial position or results of operations for the University as a whole.

(b) **Basis of accounting**—For financial reporting purposes, the Station is considered a special-purpose government engaged only in business-type activities. Accordingly, the Station prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which is similar to those of private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. The Station's accounting policies conform with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB).

(c) **Net position**—In the statements of net position, net position includes the following:

Net investment in capital asset —This is the component of net position that reports the difference between capital assets less both the accumulated depreciation and the outstanding balance of debt, excluding unexpended proceeds, that is directly attributable to the acquisition, construction or improvement of those assets. At June 30, 2016 and 2015, there is no related debt.

Restricted—The component of net position that reports the constraints placed on the use of net position by either external parties and/or enabling legislation. At June 30, 2016 and 2015 the expendable portion of restricted net position includes certain grant funds and endowment earnings. At June 30, 2016 and 2015, the nonexpendable portion of restricted net position represents endowment funds established by donors.

Unrestricted—The difference between assets and liabilities that is not reported in *Net investment in capital assets* and *Restricted net position.*

It is the Station's policy to expend restricted resources first and to use unrestricted resources when the restricted resources have been depleted.

(d) **Cash and cash equivalents**—For purposes of reporting cash flows, cash and cash equivalents include cash on hand and cash in demand accounts with original maturities of three 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 in accordance with Florida statutes.

(1) **Summary of Significant Accounting Policies:** (Continued)

(e) **Investments**—Investments are carried at fair value, and realized and unrealized gains and losses are reflected in the statements of revenues, expenses and changes in net position.

(f) **Costs incurred for programs not yet broadcast**—Costs incurred for programs not yet broadcast (prepaid program costs) are recorded as a deferred asset. Such costs relate to programs purchased or produced by the Station that will be broadcast subsequent to year end. Programs to be completed and broadcast within one year are classified as current assets whereas programs to be completed and broadcast in more than one year are classified as long-term. At June 30, 2016 and 2015, there were no long-term costs incurred for programs not yet broadcast. As the programs are broadcast, the costs incurred will be included in program services. Program status is evaluated annually. Costs associated with programs not considered to have future benefit are adjusted to net realizable value.

(g) **Capital assets**—Capital assets purchased or acquired with an original cost of $5,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives of the assets ranging from five to fifty years.

(h) **Revenue recognition**—State appropriations are recorded as support in the statements of revenues, expenses and changes in net position when an expenditure is recorded.

Membership contributions are recognized as support in the period they are received.

Program production grants are reported as unearned revenues for programs not yet broadcast until the specific program is broadcast. At such time, amounts are included as revenues and the expenditures are recorded.

Revenue related to program underwriting for subsequent fiscal years is reflected as unearned revenues in the accompanying statements of net position. Revenue is recognized when the related program is aired.

Contributed support represents expenses paid on behalf of the Station by others outside the reporting entity, and includes contributed professional services, donated materials or facilities, and indirect administrative support.

(i) **In-kind contributions**—Contributed materials, supplies, facilities, and property are recorded at their estimated fair value at the date of donation. The Station reports gifts of equipment, materials and other nonmonetary contributions as support in the accompanying statements of revenues, expenses, and changes in net position.

If the fair value of contributed materials, supplies, facilities, and property cannot be reasonably determined they are not recorded. Donated personal services of nonprofessional volunteers, as well as national and local programming services, are not recorded as revenue and expense as there is no objective basis available to measure the value of such services.

(1) **Summary of Significant Accounting Policies:** (Continued)

(j) **Pledges and contributions**—The Station engages in periodic fundraising campaigns manifested by offering some special programs and on-air and mail fundraising appeals. These appeals encourage supporters, both individuals and organizations, to provide financial contributions to the Station for enhancement of program offerings and other expenses. Financial contributions are frequently evidenced by pledges received from responding listeners. Contributions including unconditional promises to give and membership receipts are recognized as revenue in the period received or given. However, uncollected pledges are not enforceable against contributors and not shown as assets on the statements of net position. Contributions and collected pledges are components of the unrestricted operating fund in as much as their usage is not limited to specific activities of the Station. This usage is consistent with appeals for contributions and pledges.

(k) **Corporation for Public Broadcasting Community Service Grants**—The Corporation for Public Broadcasting (CPB) is a private, nonprofit grantmaking organization responsible for helping fund more than 1,000 television and radio stations. CPB distributes annual Community Service Grants (CSGs) to qualifying public broadcasting entities. CSGs are used to augment the financial resources of public broadcasting entities and thereby to enhance the quality of programming and expand the scope of public broadcasting services. Each CSG may be expended over one or two Federal fiscal years as described in the Communications Act, 47 United States Code Annotated, Section 396(k)(7). In any event, each grant must be expended within two years of the initial grant authorization.

According to the Communications Act, funds may be used at the discretion of recipients for purposes relating primarily to production and acquisition of programming. Also, the grants may be used to sustain activities begun with CSGs awarded in prior years. Certain *General Provisions* must be satisfied in connection with application for and use of the grants to maintain eligibility and meet compliance requirements. These *General Provisions* pertain to the use of grant funds, record keeping, audits, financial reporting, mailing lists, and licensee status with the Federal Communications Commission.

(l) **Indirect support provided by the University of West Florida**—Indirect support from the University consists of allocated institutional support and physical plant costs incurred by the University for which the Station receives benefits. The fair value of this support is recognized in the statements of revenues, expenses, and changes in net position as donated facilities and administrative support and is allocated as an expense to each of the functional expense categories.

(m) **Production revenue**—The Station uses the percentage-of-completion method of accounting for production revenue, whereby the cumulative production revenue earned equals the ratio of costs incurred to the estimated total costs at completion applied to the total committed revenues from outside sponsors. Production costs include charges by subcontractors plus all direct labor and other direct costs. Indirect and general and administrative expenses are charged to expense as incurred. Cost estimates on programs are reviewed periodically as the work progresses and adjustments, if needed, are reflected in the period in which the estimates are revised.

(1) **Summary of Significant Accounting Policies:** (Continued)

(n) **Program and production underwriting**—Revenue for program underwriting is recorded on a pro-rata basis for the period covered and for production underwriting on an estimated percentage-of-completion basis.

(o) **Operating activities—**The Station's policy for defining operating activities as reported on the statements of revenues, expenses, and changes in net position are those that generally result from the provision of public broadcasting and instructional technology services and from the production of program material for distribution in those services. Revenues associated with, or restricted by donors to use for capital improvements, and revenues and expenses that result from financing and investing activities are recorded as non-operating revenues.

(p) **Income taxes**—The Station is owned and operated by the University of West Florida which is a part of the State of Florida's educational system. Accordingly, the Station is exempt from Federal income taxes. Any taxable income is aggregated at the University level and taxes, if any, are paid by the University.

(q) **Functional allocation of expenses**—The costs of providing the various programs and other activities have been summarized on a functional basis in the schedule of functional expenses. Accordingly, certain costs have been allocated among program and supporting services benefited based on total personnel costs or other systematic bases.

(r) **Use of estimates**—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period, accordingly, results could differ from those estimates.

(s) **Compensated absences**—The liability for compensated absences represents employees' accrued annual and sick leave based on length of service subject to certain limitations as defined by state statute and University policies.

(t) **Advertising Costs**—Advertising costs are expensed in the period in which they are incurred. There were no advertising expenses incurred during the year ended June 30, 2016 and June 30, 2015.

(u) **Reclassifications—** Certain accounts in the prior year information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements. These reclassifications had no effect on net income for 2015.

(v) **Fair Value Measurement—** The Station 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; Level 3 inputs are significant unobservable inputs.

(2) **Funds Held by the University of West Florida Foundation, Inc. on Behalf of the Station:**

The Station has an agreement with the University of West Florida Foundation, Inc., whereby Station funds are held and invested by the University of West Florida Foundation, Inc. on behalf of the Station. These amounts are included in the accompanying statements of net position of the Station as "Funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station." Total funds held and invested by the Foundation were $222,036 and $263,045 as of June 30, 2016 and 2015, respectively.

All funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station are invested in uninsured and unregistered investments, which are held in the name of the University of West Florida Foundation, Inc. All funds held and invested by the University of West Florida Foundation, Inc. on behalf of the Station are reflected at fair value. Fair value for mutual funds is determined based upon publicly available trading values. Fair value for hedge funds is determined based upon values provided to the University of West Florida Foundation, Inc. by the respective hedge fund's manager.

(3) **Capital Assets:**

Capital asset activity for the years ended June 30, 2016 and 2015, was as follows:

	July 1, 2015 Beginning Balance	Increases	Decreases	June 30, 2016 Ending Balance
Building	$ 1,202,643	$ -	$ -	$ 1,202,643
Furniture and fixtures	743,454	-	(16,964)	726,490
Total	1,946,097	-	(16,964)	1,929,133
Less: Accumulated depreciation	(1,210,921)	(63,659)	16,964	(1,257,616)
Capital assets, net	$ 735,176	$ (63,659)	$ -	$ 671,517

	July 1, 2014 Beginning Balance	Increases	Decreases	June 30, 2015 Ending Balance
Building	$ 1,202,643	$ -	$ -	$ 1,202,643
Furniture and fixtures	862,463	6,567	(125,576)	743,454
Total	2,065,106	6,567	(125,576)	1,946,097
Less: Accumulated depreciation	(1,268,287)	(68,210)	125,576	(1,210,921)
Capital assets, net	$ 796,819	$ (61,643)	$ -	$ 735,176

(4) **State Retirement Plans:**

(a) General State Employees Retirement System

The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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 service, which may include up to four years of credit for military 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 The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, and death benefits, and annual cost-of-living adjustments.

A Deferred Retirement Option Program (DROP) subject to provisions of Sections 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 employer. An employee may participate in the 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.

Section 121.4501, Florida Statutes, provides for a Public Employee Optional Retirement Program (PEORP). The PEORP is a defined contribution plan alternative available to all FRS members in lieu of the FRS defined benefit plan. University employees already participating in the State University System Optional Retirement Program or the DROP are not eligible to participate in this program. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on 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, Division of Retirement.

(4) **State Retirement Plans:** (continued)

(b) 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 six 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. For the fiscal years ended June 30, 2016 and June 30, 2015, the employing university contributed on behalf of the participant 7.80 and 7.69 percent, respectively, of the participant's salary, less a small amount used to cover administrative costs and employees contribute 3 percent of the employee's salary. The remaining contribution is invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

Disclosures pertaining to the University's retirement plans that are required by Statement No. 68 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2016 and 2015. The Department's contributions to the plans for the years ended June 30, 2016 and 2015 were $44,350 and $41,960, respectively.

(5) **Post-Employment Benefits:**

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University or its component units, University of West Florida Foundation, Inc., West Florida Historic Preservation, Inc., and UWF Business Enterprises, Inc., are eligible to participate in the State Group Health Insurance Program, an agent multiple employer defined-benefit plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. The benefits provided under this defined benefit plan are provided for a fixed number of years determined at the time of retirement based on the number of years worked for the University. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Disclosures pertaining to the University's postemployment benefits are included in the University's financial statements for the years ended June 30, 2016 and 2015.

(6) **Risk Management Programs:**

Pursuant to Section 1001.72(2), Florida Statutes, the University participates in State self-insurance programs providing insurance coverage for property and casualty, workers' compensation, general liability, fleet automotive liability, Federal civil rights, and employment discrimination liability. During the 2015-16 fiscal year, for property losses, the State retained the first $2 million of losses for each occurrence with an annual aggregate retention of $40 million for named wind and flood losses and no aggregate retention for all other named perils. After the annual aggregate retention, losses in excess of $2 million per occurrence were commercially insured up to $85 million for named wind and flood. For perils other than named wind and flood, losses in excess of $2 million per occurrence were commercially insured up to $200 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, Florida Statutes. Calculation of premiums considers the cash needs of the program and the amount of risk exposure for each participant. There have been no significant reductions in insurance coverage from the prior year coverage. Settlements have not exceeded insurance coverage during the past three 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.

(7) **Significant Concentrations:**

Information related to significant concentrations of revenues and credit risk for financial instruments owned by the Station, except as otherwise disclosed, is as follows:

(a) **Cash and cash equivalents**—The Station has demand deposits held at financial institutions for the University which are secured up to FDIC limits. Amounts in excess of this limit are secured by collateral held by the financial institution which is pledged to the State of Florida Public Deposits Trust Fund. These deposits amounted to $326,741 and $330,711 at June 30, 2016 and 2015, respectively.

(b) **Funds held by the Foundation**—The Foundation holds investments for the Station. The amount held by the Foundation for the Station was $222,036 and $263,045 at June 30, 2016 and 2015, respectively. The Station has no policy requiring collateral or other security to support these amounts.

(c) **Revenues**—The Station received significant revenue from three sources. The CPB provided approximately 10% and 9%, Florida DOE provided 5% and 6%, and the University provided approximately 47% and 49% in cash support and donated facilities during the years ended June 30, 2016 and 2015, respectively.

(d) **Accounts and grants receivable**—The Station has grants and accounts receivable of 14,272 and $8,107 at June 30, 2016 and 2015, respectively. The Station has no policy requiring collateral or other security to support these amounts.

(8) **Compensated Absences:**

Compensated absences liability activity for the years ended June 30, 2016 and 2015, was as follows:

Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016	Amount Due Within 1 Year
$ 154,252	$ 69,821	$ 81,358	$ 142,715	$ 7,563

Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015	Amount Due Within 1 Year
$ 143,896	$ 58,919	$ 48,563	$ 154,252	$ 8,818

(9) **Community Service Grants:**

The Station receives a CSG from the Corporation for Public Broadcasting annually. The CSGs received and expended during the most recent fiscal years were as follows:

Year of Grant	Grants Received	Expended 2013-14	Expended 2014-15	Expended 2015-16	Uncommitted Balance at June 30, 2016
2013-15	$ 166,036	$ 34,548	$ 117,607	$ 13,881	$ -
2014-16	$ 152,411	$ -	$ 22,890	$ 121,072	$ 8,449
2015-17	$ 169,015	$ -	$ -	$ 29,166	$ 139,849

(10) **Operating Lease:**

The Station leases a tower under an operating lease that expires January 31, 2018. Rent expense for the years ended June 30, 2016 and 2015, was $20,189 and $19,997, respectively.

Minimum future rental payments under the noncancellable operating lease having a remaining term in excess of one year as of June 30, 2016, for each of the remaining years are:

Year Ending June 30,	Amount
2017	$ 20,189
2018	11,777
2019	-
2020	-
2021	-

(11) **Nonfederal Financial Support (NFFS):**

The Corporation for Public Broadcasting (CPB) allocates a portion of its funds annually to public broadcasting entities, primarily based on NFFS. NFFS is defined as the total value of cash and the fair market value of property and services received as either a contribution or a payment and meeting all of the respective criteria for each.

A "contribution" is cash, property or services given to a public broadcasting entity for general operational purposes. Support received as a contribution by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source may be an entity except the Federal government or any other public broadcasting entity; (2) the contribution may take the form of a gift, grant, bequest, donation or appropriation; (3) the purpose must be for the construction or operation of a noncommercial, educational public broadcast station or for the production, acquisition, distribution or dissemination of educational television or radio program and related activities; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

A "payment" is cash, property or services received by a public broadcasting entity from specific sources in exchange for specific services or materials. Support received as a payment by a public broadcasting entity must meet the following criteria to be includable as NFFS: (1) the source must be a state, any agency or political subdivision of a state, an educational institution or organization or a nonprofit entity; (2) the form of the payment must be appropriations or contract payments in exchange for specific services or materials; (3) the purpose must be for any related activity of the public broadcast station; and (4) the recipient must be a public broadcasting entity on behalf of a public broadcast station.

Reported NFFS for the Station was $1,677,659 and $1,623,069 for the years ended June 30, 2016 and 2015, respectively.

SUPPLEMENTAL INFORMATION

WUWF-FM
A PUBLIC TELECOMMUNICATIONS ENTITY OPERATED BY
THE UNIVERSITY OF WEST FLORIDA
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016 WITH SUMMARIZED
INFORMATION FOR THE YEAR ENDED JUNE 30, 2015

	Program Services				Supporting Services					
	Programming and Production	Broadcasting	Program Information and Promotion	Total	Management and General	Fundraising and Membership Development	Underwriting and Grant Solicitation	Total	Total Expenses	2015 Total Expenses
Salaries, payroll taxes and employee benefits	$ 393,537	$ 80,448	$ 54,562	$ 528,547	$ 157,323	$ 137,207	$ 76,487	$ 371,017	$ 899,564	$ 880,688
Professional services	5,797	62,836	1,000	69,633	23,519	1,478	-	24,997	94,630	115,667
Facilities and administrative support from the University of West Florida	143,947	29,614	15,790	189,351	59,464	52,782	15,096	127,342	316,693	312,710
Office supplies	5,856	9,932	1,606	17,394	838	5,073	-	5,911	23,305	26,123
Telephone and utilities	1,232	54,300	19	55,551	214	-	-	214	55,765	57,222
Postage and freight	60	333	3,751	4,144	48	1,491	-	1,539	5,683	7,078
Repairs and maintenance of equipment	-	5,806	-	5,806	1,457	-	-	1,457	7,263	1,116
Printing and publications	-	-	60	60	64	6,536	-	6,600	6,660	13,710
Travel and training	3,181	805	414	4,400	2,428	1,171	-	3,599	7,999	11,269
Operating supplies	-	-	-	-	-	-	-	-	-	776
Programming	405,787	285	-	406,072	-	-	-	-	406,072	406,253
Subscriptions and fees	1,364	135	10	1,509	3,550	48,146	-	51,696	53,205	56,254
Depreciation	19,098	44,561	-	63,659	-	-	-	-	63,659	68,210
	$ 979,859	$ 289,055	$ 77,212	$ 1,346,126	$ 248,905	$ 253,884	$ 91,583	$ 594,372	$ 1,940,498	$ 1,957,076

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

INDEPENDENT AUDITORS' 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*

To the Board of Trustees,
University of West Florida

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 WUWF-FM (the "Station"), a public telecommunications entity operated by the University of West Florida, which comprise the statement of net position as of June 30, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 9, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered WUWF-FM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of WUWF-FM's internal control. Accordingly, we do not express an opinion on the effectiveness of WUWF-FM'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 Station's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether WUWF-FM's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, 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 no instances of noncompliance or other matters that are required to be reported under ***Government Auditing Standards***.

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 Station'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 Station's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

James Moore & Co., P.L.

Tallahassee, Florida
January 9, 2017

Action Item

UWF Board of Trustees Meeting
Audit and Compliance Committee
February 21, 2017

Issue: External Audit: Financial Statement Audit of Affiliated Organization—Florida Institute of Human and Machine Cognition (IHMC)

Proposed action: Acceptance

Background information:
Pursuant to Florida Statute 1004.28[1] and BOG Regulation BOG-9.011(4)[2], organizations affiliated with or through the University of West Florida (aka Direct Support Organizations) must be audited annually and presented to the University of West Florida. The Florida Institute for Human and Machine Cognition audit has been completed for fiscal year ending June 30, 2016.

Per the Affiliation Agreement between UWF Board of Trustees and the IHMC, dated April 30, 2004, Item 9 states:

> *9. Financial Audit. The IHMC, at its sole expense, shall have an independent certified public accountant prepare an annual postaudit of the corporation's financial accounts and the financial accounts of any authorized and approved subsidiary. Copies of the annual audit report shall include management letters and the IHMC shall submit to the University of West Florida Board of Trustees, the Auditor General, and the Board of Governors for review."*

Results:
To ensure compliance with the agreement, the Associate Vice President for Internal Auditing and Compliance performed a cursory review and determined compliance regarding annual financial audit exists.

IHMC received a clean unqualified opinion. The audit report did not identify any material weaknesses in the internal control system. Additionally, no instances of non-compliance were noted.

Financial Highlights:

- IHMC had total assets of $23,081,795 as of June 30, 2016.
- Construction in progress of $9,204,900 at June 30, 2016 represented construction for the new research facility. IHMC capitalized approximately $338,000 and $363,000,

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[1] 1004.28(5)(a) "Each direct support organization shall provide for an annual financial audit of its accounts and records to be conducted by an independent certified public accountant in accordance with the rules adopted by the Auditor General pursuant to s. 11.45(8) and by the university board of trustees. The annual audit report shall be submitted, within 9 months after the end of the fiscal year to the Auditor General and Board of Governors for review."

[2] 9.011(4) "Support organizations shall provide for an annual audit conducted pursuant to university regulations or policies. The annual audit report shall be submitted to the university board of trustees or designee, the Board of Governors, and the Auditor General for review."

respectively of interest in connection with the construction of the new research facility for the years ended June 30, 2016 and 2015.

- The reduction of restricted cash of approximately $5.3 million in 2016 related to disbursed debt proceeds for the construction project.

Recommendation: Acceptance
Implementation Plan: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees of organizations affiliated with or through the University of West Florida.

Supporting document:
Financial Statement Audit Report for the Florida Institute of Human and Machine Cognition for fiscal year ending June 30, 2016

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636
Presenter: Betsy Bowers, Associate Vice President

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.

PENSACOLA, FLORIDA

FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Florida Institute for Human and Machine Cognition, Inc.
Pensacola, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC") (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audits. We conducted our audits 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 of 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 opinion.

Board of Directors
Florida Institute for Human and Machine Cognition, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IHMC as of June 30, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of general and administrative expenses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2016, on our consideration of IHMC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 IHMC's internal control over financial reporting and compliance.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
October 10, 2016

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015

ASSETS

	2016	2015
Cash	$ 4,398,050	$ 4,744,228
Restricted cash held by trustee	871,231	6,175,053
Grants and contracts receivables	1,915,858	1,926,177
Other receivables	7,495	1,012,224
Prepaid expenses	52,906	118,262
Property and equipment, net	15,588,162	9,732,997
Deposits	248,093	10,440
Total Assets	$ 23,081,795	$ 23,719,381

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	$ 655,250	$ 1,140,495
Retainage payable	131,475	151,410
Accrued payroll and related liabilities	433,377	309,333
Accrued interest	83,713	88,862
Refundable advances	17,008	8,674
Long-term debt	10,596,374	11,246,909
Total liabilities	11,917,197	12,945,683
Commitments and Contingencies	--	--
Net Assets:		
Unrestricted	11,026,425	10,451,444
Temporarily restricted	138,173	322,254
Total net assets	11,164,598	10,773,698
Total Liabilities and Net Assets	$ 23,081,795	$ 23,719,381

The accompanying notes are an integral
part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Change in Unrestricted Net Assets:		
Support, Revenue and Reclassifications:		
Research and development grants and contracts -		
Federal and pass-through grants	$ 5,436,155	$ 7,577,728
Other grants and contracts	4,613,229	2,339,199
Legislative appropriation	4,289,184	3,926,739
Contributions	483,432	702,803
Other revenue	18,127	14,033
Net assets released from restrictions	267,201	134,578
Total support, revenue and reclassifications	15,107,328	14,695,080
Expenses:		
Program services -		
Research and development grants and contracts	11,665,443	11,697,531
Other program services	120,886	111,357
Total program services	11,786,329	11,808,888
Supporting services -		
Fundraising services -		
Salaries and employee benefits	12,210	7,707
Other fundraising expenses	39	53
	12,249	7,760
General and administrative	2,733,769	3,543,310
Total supporting services	2,746,018	3,551,070
Total expenses	14,532,347	15,359,958
Support, revenue and reclassifications over (under) expenses	574,981	(664,878)
Other Items:		
Insurance proceeds	-	505,869
Robotics contest prize award	-	1,000,000
Total other items	-	1,505,869
Change in unrestricted net assets	574,981	840,991

The accompanying notes are an integral part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2016 AND 2015
(Continued)

	2016	2015
Change in Temporarily Restricted Net Assets:		
Contributions	83,120	434,220
Net assets released from restrictions	(267,201)	(134,578)
Change in temporarily restricted net assets	(184,081)	299,642
Change in Net Assets	390,900	1,140,633
Net Assets, Beginning of Year	10,773,698	9,633,065
Net Assets, End of Year	$ 11,164,598	$ 10,773,698

The accompanying notes are an integral
part of these financial statements.

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows From Operating Activities:		
Change in net assets	$ 390,900	$ 1,140,633
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation and amortization	573,455	568,028
Donated investments	-	(301,691)
Loss on abandonment of property and equipment	2,507	-
Loss on sale of donated investments	-	1,125
Bad debt expense	25,000	6,068
Changes in operating assets and liabilities -		
Grants and contracts receivables	(14,681)	(287,052)
Other receivables	1,004,729	(527,409)
Prepaid expenses	65,356	4,085
Other assets	(237,653)	1,601
Accounts payable	(485,245)	683,124
Retainage payable	(19,935)	151,410
Accrued payroll and related liabilities	124,044	55,634
Accrued interest	(5,149)	(5,338)
Refundable advances	8,334	(47,039)
Net cash provided by operating activities	1,431,662	1,443,179
Cash Flows From Investing Activities:		
Proceeds from sale of donated investments	-	300,566
Purchases of property and equipment	(6,425,662)	(3,075,611)
Net cash used in investing activities	(6,425,662)	(2,775,045)
Cash Flows From Financing Activities:		
Proceeds from note issuance	5,316,173	2,490,568
Principal payments of long-term debt	(656,000)	(680,000)
(Increase) decrease in restricted cash for debt service	(12,351)	2,671
Net cash provided by financing activities	4,647,822	1,813,239
Net Increase (Decrease) in Cash	(346,178)	481,373
Cash at Beginning of Year	4,744,228	4,262,855
Cash at End of Year	$ 4,398,050	$ 4,744,228
Supplemental Disclosure of Cash Flow Information:		
Interest paid	$ 348,897	$ 633,338

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose:

Florida Institute for Human and Machine Cognition, Inc. ("IHMC") was organized as a Florida not-for-profit corporation on February 25, 2004, pursuant to Section 1004.447, Florida Statutes, exclusively as an information-technology related organization for research, education, scientific advancement, and economic development.

Basis of Accounting:

IHMC follows standards of accounting and financial reporting prescribed for not-for-profit organizations. It uses the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

Basis of Presentation:

Net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of IHMC and changes therein are classified as follows:

Permanently restricted net assets are subject to donor-imposed stipulations that the assets be maintained permanently, but permit IHMC to use or expend part or all of the income derived from the donated assets for either specified or unspecified purposes. IHMC had no permanently restricted net assets at June 30, 2016 and 2015.

Temporarily restricted net assets are subject to donor-imposed stipulations that can be fulfilled by actions of IHMC pursuant to those stipulations or that expire by the passage of time.

Unrestricted net assets are not subject to donor-imposed stipulations, or the donor-imposed restrictions have expired. Unrestricted net assets may be designated for specific purposes by the action of the Board of Directors, or may otherwise be limited by contractual agreements with outside parties.

Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Legislative Appropriation:

Support from legislative appropriation represents amounts received from the Florida state budget, general revenue fund. During the year ended June 30, 2015, IHMC received an additional $437,555 from the general fund through the University of Central Florida, an affiliated organization.

Contributions:

Contributions are reported as temporarily restricted if the donor limits the use of the donated assets. When the restrictions expire, these temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as *net assets released from restrictions*. Donor-restricted contributions are classified as unrestricted revenues if the restrictions are met in the same reporting period in which the contributions are received.

Unconditional promises to give are reported when the pledges are received at the present value of their net realizable value. Conditional promises to give are not recorded in the financial statements.

Noncash contributions are recorded at fair market value at the time of donation.

In-Kind Contributions:

Donated services are recognized if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by IHMC. The computation of value for the contributions is based on the fair value of the contributed occupancy and donated services at the date received. These in-kind contributions are reported as support and expense in the period received.

Grants and Contracts:

Revenue from grants and contracts, awarded to and accepted by IHMC, is recognized as earned, that is, as the related allowable costs are incurred or the performance of milestones is achieved under the grant or contract agreements. Management considers all grants and contracts receivables at June 30, 2016 and 2015 to be fully collectible; therefore, no allowance for uncollectible accounts has been established.

Facilities and administrative costs recovered on grants and contracts are recorded at rates established by IHMC with its Federal cognizant agency, or predetermined by the non-Federal sponsor. Facilities and administrative cost rates for government grants and contracts are subject to audit, and subsequent final settlements, if any, are recorded as current period adjustments. Management believes the impact of any future settlements to be immaterial to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Cash:

Restricted cash represents funds held by the note trustee for construction of a new research facility and debt service.

Debt Issuance Costs:

Debt issuance costs are amortized over the term of the debt using the straight-line method since the difference between this method and the effective interest method is not material to the financial statements. Amortization of debt issuance costs is reported as interest expense in the schedules of general and administrative expenses and totaled $5,465 for each of the years ended June 30, 2016 and 2015.

Property and Equipment:

Property and equipment are recorded at cost or at their estimated fair value at date of donation. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Building	30 years
Computers and software	3-5 years
Machinery and equipment	5-10 years
Robotics	3-5 years
Furniture and fixtures	5 years
Vehicle	5 years

Additions and betterments of $5,000 or more are capitalized, while maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. Costs of equipment that are acquired or constructed for research and development activities are generally expensed; however, equipment acquired or constructed which have alternative future uses in research and development projects or otherwise are also capitalized.

Refundable Advances:

Refundable advances represent funds received by IHMC, from grantor agencies that have not been spent at the end of the year. Advances must be returned to the grantor agency if not spent for their intended purpose within the grant period unless re-appropriated or extended by the grantor.

Advertising Costs:

Advertising costs are expensed when incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes:

IHMC is a nonprofit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3) and has been classified by the Internal Revenue Service as a public charity. Accordingly, no provision for income taxes has been provided in the accompanying financial statements.

Reclassifications:

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation.

Subsequent Events:

Management has evaluated subsequent events through October 10, 2016, the date which the financial statements were available for issue.

Recent Accounting Standards:

During the year ended June 30, 2016, IHMC elected to early adopt and retrospectively apply Financial Accounting Standards Board Accounting Standards Update No. 2015-03 ("ASU 2015-03"), *Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*, which requires that debt issuance costs be presented as a direct deduction from the carrying amount of the debt rather than as an asset, consistent with debt discounts. The June 30, 2015 balance sheet previously reported long-term debt of $11,320,000 in liabilities, with the associated $73,091 unamortized debt issuance costs included in other assets. There was no impact on the results of operations as a result of the early adoption of ASU 2015-03.

NOTE 2 - RESTRICTED CASH HELD BY TRUSTEE

Restricted cash is comprised of the following:

	2016	2015
Undisbursed debt proceeds - construction	$ 223,351	$ 5,539,524
Debt service -		
Note principal	564,167	546,667
Note interest	83,713	88,862
	$ 871,231	$ 6,175,053

NOTE 3 - OTHER RECEIVABLES

At June 30, 2016 and 2015, other receivables were as follows:

	2016	2015
Robotics contest prize award receivable	$ -	$ 1,000,000
Other receivables	7,495	12,224
	$ 7,495	$ 1,012,224

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment is comprised of the following:

	2016	2015
Land	$ 1,302,872	$ 1,142,640
Buildings	6,132,442	5,717,750
Computers and software	1,310,261	1,050,807
Machinery and equipment	1,036,917	1,017,024
Robotics	810,638	810,638
Furniture and fixtures	264,293	264,293
Vehicle	68,625	68,625
Art collection	5,950	5,950
Construction in progress	9,204,900	3,645,445
	20,136,898	13,723,172
Less accumulated depreciation and amortization	4,548,736	3,990,175
	$ 15,588,162	$ 9,732,997

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was $567,990 and $562,563, respectively.

NOTE 4 - PROPERTY AND EQUIPMENT (Continued)

Construction in progress at June 30, 2016 and 2015 represents construction costs for the new research facility.

IHMC capitalizes interest costs on borrowings incurred during the construction or upgrade of qualifying assets. Capitalized interest is added to the cost of the underlying assets and is amortized over the useful lives of the assets. IHMC capitalized approximately $338,000 and $363,000, respectively, of interest in connection with the construction of the new research facility for the years ended June 30, 2016 and 2015.

Certain fixed assets of IHMC were purchased with federal, state and local grants and contracts. As a result, if such assets are disposed, the granting agency that participated in the funding of the purchase has a contractual right to participate in the proceeds from the disposition. Also, at the end of the project for which the asset was purchased, the granting agency has the right to reclaim such equipment. IHMC accounts for these items separately until final release of the item has been received by IHMC.

In September 2008, IHMC received a grant for $958,300 from the U.S. Department of Commerce's Economic Development Administration ("EDA") for the renovation of the Ocala, Florida facility. The grant restricts the use of the building to research and development, unless an alternate purpose is approved by the grantor agency administrators. The EDA has determined the useful life of the project for purposes of this restriction to be 20 years.

NOTE 5 - LONG-TERM DEBT

Long-term debt consists of the following:

	2016	2015
$12,000,000 Industrial Development Revenue Note, Series 2013, due in monthly installments of $84,274 to $101,179, from December 1, 2013 through September 1, 2028 with an interest rate of 3.14%, secured by mortgage and security agreement	$ 10,664,000	$ 11,320,000
Less unamortized debt issuance costs	67,626	73,091
Long-term debt, net of unamortized debt issuance costs	$ 10,596,374	$ 11,246,909

NOTE 5 - LONG-TERM DEBT (Continued)

Maturities of the revenue note are as follows:

Year ending June 30,	
2017	$ 677,000
2018	698,000
2019	720,000
2020	743,000
2021	766,000
Thereafter	7,060,000
	$ 10,664,000

In November 2013, Escambia County, Florida ("the County"), issued a $12,000,000 industrial development revenue note to provide financial assistance to IHMC for the refunding of the Commission's 2008 $4,292,500 industrial revenue bonds, and for the financing of the construction of a new research facility. The note is payable solely from the payments received from the underlying financing agreement. Pursuant to the financing and construction agreements, IHMC agreed to make monthly installments to the County sufficient to pay all principal and interest amounts. IHMC executed and delivered a promissory note to the County, who is assigned all rights to receive payments from IHMC related to these agreements. The County has no obligation in any manner for repayment of the note. During 2014 the County disbursed $3,969,908 to IHMC to refund the Commission's bonds payable, pay for new debt issuance costs, and pay for architect costs related to the construction of the new research facility. During 2016 and 2015 the County disbursed $5,316,173 and $2,490,568, respectively, to IHMC to pay for construction costs of the new research facility. The remaining $223,351 will be disbursed by the County as IHMC incurs construction costs for the new research building.

NOTE 6 - NET ASSETS

Temporarily restricted net assets include contributions restricted by donors for specific purposes that have not yet been accomplished and unconditional promises to give with payments due in future periods to be used for the activities of IHMC. Temporarily restricted net assets at June 30, 2016 and 2015 are presented as follows:

	2016	2015
Educational Outreach Youth Programs	$ 25,260	$ -
Research projects	106,022	300,000
Other	6,891	22,254
	$ 138,173	$ 322,254

NOTE 7 - RETIREMENT PLANS

IHMC established a defined contribution retirement plan that operates under Section 403(b) of the Internal Revenue Code on March 1, 2005. The purpose of the plan is to provide retirement benefits for participating employees. Benefits are provided through Teachers Insurance and Annuity Association ("TIAA"), College Retirement Equities Fund ("CREF"). The plan year begins on July 1 and ends on June 30. All benefits under the Plan are fully funded and provided through the funding vehicle(s) selected by the participant. Benefits are not subject to, nor covered by, federal plan termination insurance.

The plan covers substantially all employees except part-time and leased. IHMC contributes 11% of eligible employee's compensation on a bi-weekly basis. Contributions to the plan amounted to $844,379 in 2016 and $858,551 in 2015.

In addition to the defined contribution plan, IHMC also established an elective deferral plan with TIAA CREF. To participate, an eligible employee must enter into a written salary reduction agreement with IHMC. Under the salary reduction agreement, the employee's salary (paid after the agreement is signed) is reduced and the amount of the reduction is applied as premiums to the funding vehicles available under this plan.

IHMC has established an elective deferral plan that operates under Section 457(b) of the Internal Revenue Code. To participate, an eligible employee must enter into a written salary reduction agreement with IHMC. Under the salary reduction agreement, the employee's salary (paid after the agreement is signed) is reduced and the amount of the reduction is applied as premiums to the funding vehicles available under this plan's provider, Edward Jones.

NOTE 8 - RELATED PARTY TRANSACTIONS

Prior to the creation of IHMC as a separate nonprofit entity, the Institute for Human and Machine Cognition ("UWF IHMC") performed information-technology research as a research division of the University. To assist in the transition of UWF IHMC activities to IHMC, the University and IHMC have entered into an affiliation agreement ("the agreement") that addresses IHMC's use of or participation in University programs and services, including monies, personnel or services, and the use of facilities. One member of IHMC's Board of Directors serves on the Board of Trustees for the University. This individual is asked to abstain from voting on items before the Board of Directors that will be funded by the University.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Concentration of Credit Risk - Uninsured Cash Balances:

IHMC maintains cash balances with two banks. In addition to the FDIC coverage provided by the two banks, the demand deposit accounts held at one bank are also protected under the Chapter 280, Florida Statutes, Public Deposits Trust Fund. At June 30, 2016, IHMC had cash balances in excess of insured limits of approximately $1,722,000.

Line of Credit:

IHMC has a revolving, unsecured, $2,000,000 line of credit with a financial institution. The line of credit carries interest of 2.5% over the one month LIBOR rate and expires on February 27, 2017. IHMC had no amounts outstanding as of June 30, 2016 and 2015 under the line of credit.

Lease Commitments:

During fiscal year 2016, IHMC leased three office spaces. The leased property located at 127 South Alcaniz Street, Pensacola, Florida, was dedicated to IHMC's administrative function. This lease was cancelled effective October 30, 2015. The leased property located at 100 South Alcaniz was dedicated to the robot prototype research. This lease was cancelled effective December 31, 2015. The leased property located at 201 East Wright Street is used as a robot lab. This lease expired in December 2015 but IHMC continues to occupy the property on a month-to-month lease.

Rental expense for operating leases for the years ended June 30, 2016 and 2015 was $141,066 and $197,218, respectively.

NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)

Contingencies:

The Defense Contract Audit Agency ("DCAA") is the federal agency tasked with auditing grant compliance on behalf of the Office of Naval Research ("ONR"), which is IHMC's cognizant agency. As noted in their audit reports for fiscal years ended June 30, 2008 through 2013, DCAA has questioned a portion of indirect costs included in the indirect cost pool. As of October 10, 2016, ONR has not requested a reimbursement nor a change in methodology based on DCAA's finding and recommendation. However, as a result of the unresolved DCAA audit finding, the overhead rate for the above mentioned fiscal years remains in provisional status and has not been approved by ONR. Should ONR follow DCAA's recommendation, IHMC could be required to refund any disallowed indirect costs. Although that is a possibility, IHMC's management and Board of Directors deems the contingency remote, since ONR has continued to provide grant funding using the same provisional rate calculation.

Grants and contracts require the fulfillment of certain conditions as set forth in the applicable agreements. Failure to fulfill the conditions could result in the return of funds to the grantors or contracting agencies. Although that is a possibility, IHMC deems the contingency remote, since by acceptance of the grants and contracts and their terms, it has structured the objectives of IHMC to meet the provisions of the agreements.

In July 2008, IHMC received an Economic Incentive Grant for $550,000 from the Marion County, Florida, Board of County Commissioners. The grant funding is to be used at IHMC's discretion for recruitment, advertising, operations and administration associated with the startup of the research facility in Ocala, Florida. The grant requires IHMC to comply with various conditions for the employment and compensation of employees at the facility through April 2017. Failure to comply with these conditions could result in the return of all or part of the grant funding to Marion County.

NOTE 10 - INSURANCE PROCEEDS

In April 2014, IHMC sustained significant flood damage to its facilities due from unprecedented amounts of rainfall. During the year ended June 30, 2015, IHMC received insurance proceeds of $505,869 reported as an other item in the statement of activities and incurred flood recovery expenses of $651,855 reported in general and administrative expenses.

NOTE 11 - ROBOTICS CONTEST PRIZE AWARD

During 2015, IHMC competed in the Defense Advanced Research Projects Agency Robotics Challenge and finished in second place. IHMC received $1,000,000 in prize money which is reported as an other item in the statement of activities.

SUPPLEMENTARY INFORMATION

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULES OF GENERAL AND ADMINISTRATIVE EXPENSES
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Salaries	$ 2,717,620	$ 2,775,675
Payroll taxes	167,594	168,964
Employee benefit programs	439,709	436,523
Administrative travel	118,052	152,873
Meals and entertainment	26,939	47,978
Insurance	178,088	184,914
Legal and professional	430,176	398,283
Occupancy, including in-kind	481,535	597,322
Interest expense	5,465	5,465
Repairs and maintenance	6,416	10,976
Office expenses	171,638	276,661
Telephone	60,927	64,631
Lobbying costs	145,115	139,610
Licenses and fees	31,123	26,022
Memberships and continuing education	36,786	33,473
Employee morale and welfare	24,948	18,300
Other	48,877	48,440
Flood recovery expenses	-	651,855
Depreciation	567,990	562,563
Indirect applied overhead, payroll taxes and employee benefits	(2,925,229)	(3,057,218)
Total General and Administrative Expenses	$ 2,733,769	$ 3,543,310

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
Research and Development Cluster:			
Office of Naval Research			
VIEWGEN-2: An Integrated Model of Memory, Belief and Mental State Ascription	12.300	N00014-13-1-0225	$ 84,368
Accomplishments of Naturalistic Decision Making Research and Applications to Emerging Defense Challenges	12.300	N00014-14-1-0086	9,103
Accomplishments of Naturalistic Decision Making Research and Applications to Emerging Defense Challenges	12.300	N00014-15-1-2336	5,927
Total Office of Naval Research			99,398
Army Medical Research Acquisition Activity			
Passed through Engineering Acoustics, Inc.			
Multi Sensor Integration for Balance Control Phase II	12.420	W81XWH-13-C-0129	27,148
Department of the Army			
CWC DARPA - Communication with a Learning Collaborative Problem Solving Agent	12.910	W911NF-15-1-0542	961,423
Army Research Laboratory			
Extending Agile Computing to Support Battlefield Information Management, Command & Control Data to Decision and Network Science	12.431	W911NF-11-2-0095	391,097
Deep Reading to Understand Mechanisms	12.431	W911NF-14-1-0391	817,089
Intelligent Systems to Support Information Management, Soldier Interfaces, and Decision Making	12.431	W911NF-15-2-0076	190,549
Total Army Research Laboratory			1,398,735

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016
(Continued)

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
Department of the Air Force,			
Air Force Research Laboratory			
CUBISM: Conversation Understanding through Belief Interpretation Sociolinguistic Modeling	12.300	FA8750-12-2-0348	723,242
Using Human-Machine Teamwork to Perform Disaster Response with a Humanoid Robot	12.300	FA8750-12-1-0316	13,091
			736,333
Accomplishments of Naturalistic Decision Making Research and Applications to Emerging Defense Challenges	12.800	FA9550-15-1-0169	2,560
Passed through Florida Institute of Technology, Inc.			
A Systems Behavior Approach to Integrated Moving Target C2 with Resilience Response	12.800	FA8750-13-2-0064	37,228
Passed through Raytheon BBN Technologies Corp.			
Force Protection	12.800	FA8750-12-C-0026	41,199
			80,987
Total Department of the Air Force			817,320
National Aeronautics and Space Administration,			
NASA Shared Services Center			
NASA Advanced Concepts for Human Space Exploration	43.003	NNX11AR31A	324,793
NRI LG: Toward Humanoid Avatar Robots for Co-Exploration of Hazardous Environments	43.009	NNX12AP97G	814,938
Research, Development and Support of Open-Source Humanoid Robot Walking and Manipulation Algorithms and Diagnostic Software for NASA JSC Valkyrie Robot	43.009	NNX15AK18A	825,587
NASA-Northrup Grumman Autonomous Tugs	43.009	NNX15AP75G	30,101
			1,670,626
Total National Aeronautics and Space Administration			1,995,419

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016
(Continued)

Federal Grantor, Pass-through Grantor, Program or Cluster Title	CFDA Number	Pass-through Agency's Identifying Number	Federal Expenditures
National Science Foundation			
NRI: Collaborative: Optimal Interaction Design Framework for Powered Lower-Extremity Exoskeletons	47.070	IIS-1427213	105,262
National Oceanic and Atmospheric Administration (NOAA)			
Cooperative Institutes			
Passed through Florida Atlantic University			
The Cooperative Institute for Ocean Exploration, Research and Technology (CIOERT) Years 6-10	11.432	NA14OAR4320260	31,450
Total Expenditures of Federal Awards			$ 5,436,155

NOTE: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

OTHER REPORTS AND SCHEDULES

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*

To the Board of Directors
Florida Institute for Human and Machine Cognition, Inc.
Pensacola, Florida

We have audited, 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, the financial statements of Florida Institute for Human and Machine Cognition, Inc. ("IHMC"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered IHMC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of IHMC's internal control. Accordingly, we do not express an opinion on the effectiveness the IHMC'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of IHMC'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. Given these limitations, during the audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Florida Institute for Human and Machine Cognition, Inc.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether IHMC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 IHMC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering IHMC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
October 10, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND THE UNIFORM GUIDANCE

To the Board of Directors
Florida Institute for Human and Machine Cognition, Inc.
Pensacola, Florida

Report on Compliance for Each Major Federal Program

We have audited Florida Institute for Human and Machine Cognition, Inc.'s ("IHMC") compliance with the types of compliance requirements described in the *OMB Compliance Supplement*, that could have a direct and material effect on each of IHMC's major federal programs for the year ended June 30, 2016. IHMC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of IHMC's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards, OMB Circular A-133 and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about IHMC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of IHMC's compliance.

Board of Directors
Florida Institute for Human and Machine Cognition, Inc.

Opinion on Each Major Federal Program

In our opinion, IHMC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of IHMC is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered IHMC's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of IHMC's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Saltmarsh Cleaveland & Gund

Pensacola, Florida
October 10, 2016

FLORIDA INSTITUTE FOR HUMAN AND MACHINE COGNITION, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2016

A. SUMMARY OF AUDITOR'S RESULTS

1. The independent auditor's report expresses an unmodified opinion on the financial statements of Florida Institute for Human and Machine Cognition, Inc.

2. No significant deficiencies in internal control relating to the audit of the financial statements are reported in the 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*.

3. No instances of noncompliance material to the financial statements of Florida Institute for Human and Machine Cognition, Inc., which would be required to be reported in accordance with *Government Auditing Standards,* were disclosed during the audit.

4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133 and the Uniform Guidance.

5. The auditor's report on compliance for major federal award programs for Florida Institute for Human and Machine Cognition, Inc. expresses an unmodified opinion.

6. There are no audit findings relative to the major federal programs for Florida Institute for Human and Machine Cognition, Inc. which are required to be reported in accordance with Section 510(a) of OMB Circular A-133 and 2 CFR section 200.516(a) of the Uniform Guidance.

7. The programs tested as major programs included the following:

<u>Research and Development Cluster:</u>

National Oceanic and Atmospheric Administration (NOAA)	
Cooperative Institutes	CFDA No. 11.432
Basic and Applied Scientific Research	CFDA No. 12.300
Military Medical Research and Development	CFDA No. 12.420
Basic Scientific Research	CFDA No. 12.431
Air Force Defense Research Sciences Program	CFDA No. 12.800
Research and Technology Development	CFDA No. 12.910
Exploration	CFDA No. 43.003
Cross Agency Support	CFDA No. 43.009
Computer and Information Science and Engineering	CFDA No. 47.070

A. SUMMARY OF AUDITOR'S RESULTS (Continued)

8. The threshold used for distinguishing between Type A and B programs was $750,000 for major federal programs.

9. Florida Institute for Human and Machine Cognition, Inc. was determined to be a low-risk auditee pursuant to OMB Circular A-133 and the Uniform Guidance.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

There were no findings relating to the financial statements which are required to be reported in accordance with *Government Auditing Standards.*

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

There were no findings and questioned costs relating to the major federal award programs which are required to be reported in accordance with OMB Circular A-133 and the Uniform Guidance.

Action Item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: NCAA Agreed-Upon Procedures Engagement of Intercollegiate Athletics

Proposed action: Acceptance

Background information:
Once every three years NCAA Bylaw 6.2.3.1 requires institutions to have external audit firms perform certain Agreed-Upon Procedures (AUP) related to the Statement of Revenues and Expenses. It states:

> *"At least once every three years, all expenses and revenues for or on behalf of a Division II member institution's intercollegiate athletics programs, including those by any affiliated or outside organization, agency or group of individuals (two or more), shall be subject to agreed-on procedures approved by the Division II membership (in addition to any regular financial reporting policies and procedures of the institution) conducted for the institution by a qualified independent accountant who is not a staff member of the institution and who is selected either by the institution's president or chancellor or by an institutional administrator from outside the athletics department designated by the president or chancellor. If, within the last three years, the institution has conducted an overall institutional audit that includes a financial audit of all athletics department funds, then the institution is not required to perform a separate financial audit of all athletics department expenditures."*

The independent accountant's AUP engagement's scope of work includes reporting of revenue, expenses, and capital improvements in the NCAA financial reporting information. This engagement was performed for UWF for the fiscal year ending June 30, 2016.

Compiled financial statements for the Department of Intercollegiate Athletics were prepared by UWF Financial Services Department and the Intercollegiate Athletics Department to be used by management as a supplement to the agreed-upon procedures. These financial statements were not audited by an independent auditor and therefore no opinion on the financial statements or the controls in place can be expressed.

Results:
To ensure compliance, the Associate Vice President for Internal Auditing & Compliance performed a cursory review of the documents and determined each met the requirements. No exceptions were noted in the Independent Accountant's AUP report.

Financial Highlights:

- Total Unrestricted Net Position decreased by $1.1 million in accordance with management's operating budget plan primarily due to the use of reserve funds for current year operating costs, and the construction of a permanent batting cage.
- Operating expenses increased by $1.4 million primarily due to increased personnel costs from the 3.8% University staff raise; additional staff and scholarship expenses due to the football program; increased insurance, supplies, and equipment for new men's and women's sports.

Recommendation: **Acceptance**

Implementation Plan: No independent accountant recommendations were made. Accordingly, no further actions are warranted.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees of organizations affiliated with or through the University of West Florida.

Supporting documents:

Independent Accountants' Report on Applying Agreed-Upon Procedures for the Year Ended June 30, 2016

Unaudited Financial Statements for the University Of West Florida Department of Intercollegiate Athletics as of and for the years ended June 30, 2016 and 2015.

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu**,** 850-474-2636
Presenter: Betsy Bowers, Associate Vice President

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS

UNAUDITED FINANCIAL STATEMENTS

JUNE 30, 2016 AND 2015

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
JUNE 30, 2016 AND 2015
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University of West Florida

Financial Services
11000 University Parkway
Pensacola, FL 32514-5750

Management's Unaudited Financial Statements Report

The Board of Trustees,
University of West Florida:

Report on the Financial Statements

The Financial Services Department and the Intercollegiate Athletics Departments have compiled the unaudited financial statements of the University of West Florida Department of Intercollegiate Athletics as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise University of West Florida Department of Intercollegiate Athletics basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

University of West Florida Department of Intercollegiate Athletics 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.

Unaudited Disclosures

As these statements are not audited by an independent auditor, an opinion on these financial statements and the controls in place cannot be expressed.

Other Matters

As discussed in Note 1, the financial statements of the University of West Florida Department of Intercollegiate Athletics are intended to present the financial position, changes in financial position and cash flows of only that portion of the University of West Florida that is attributable to the transactions of University of West Florida Department of Intercollegiate Athletics. They do not purport to, and do not, present fairly the financial position of the University of West Florida, as of June 30, 2016 and 2015, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 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

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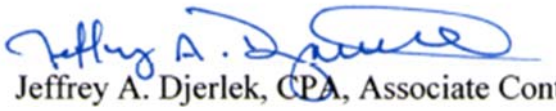
to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.



Jeffrey A. Djerlek, CPA, Associate Controller
Financial Services Department
The University of West Florida

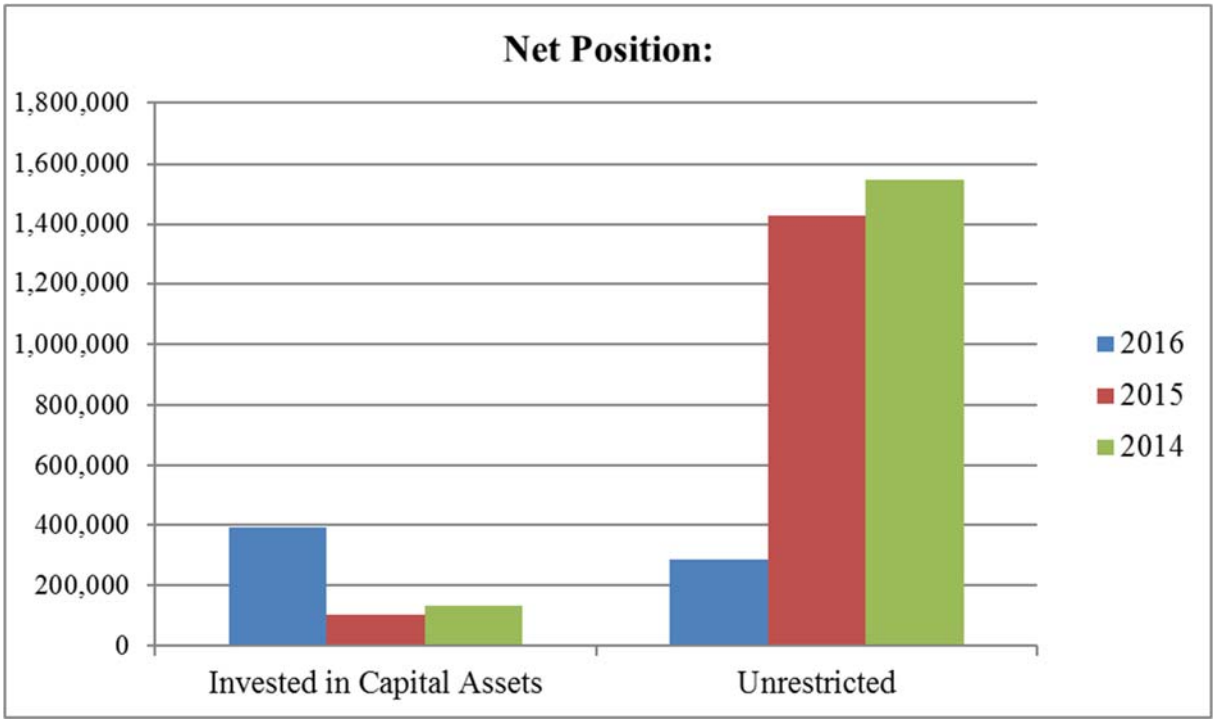
The management's discussion and analysis (MD&A) of the University of West Florida Department of Intercollegiate Athletics (The Department) financial statements provides an overview of the Department's financial position and activities for the fiscal years ended June 30, 2016 and June 30, 2015, and should be read in conjunction with the financial statements and notes thereto. This overview is required by Governmental Accounting Standards Board (GASB) Statement No. 35, Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities, as amended by GASB Statements Nos. 37 and 38. The MD&A, and financial statements and notes thereto, are the responsibility of University management.

OVERVIEW OF FINANCIAL STATEMENTS

Pursuant to GASB 35, the Department's financial report includes 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.

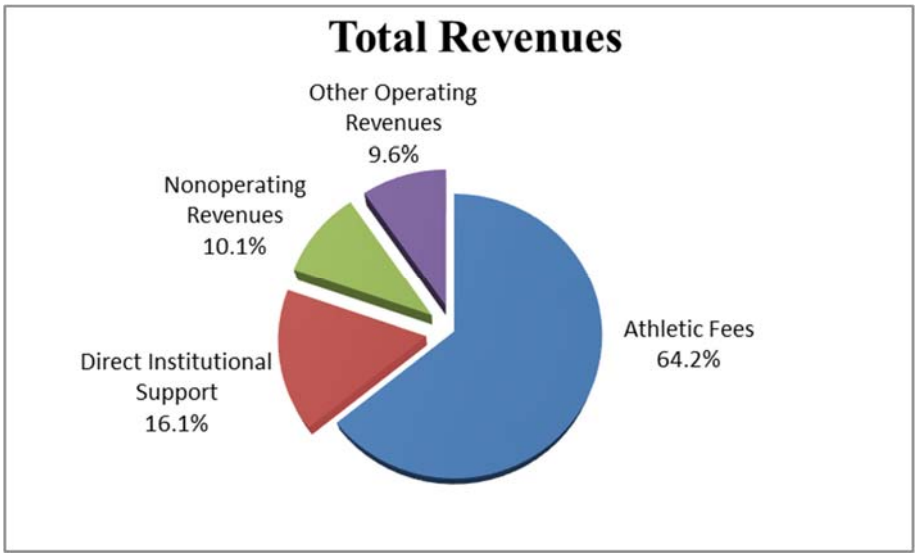
FINANCIAL HIGHLIGHTS

The Department's net position by category at June 30, 2016, 2015, and 2014 is shown in the following chart:



Unrestricted Net Position decreased by $1,142,387 during fiscal year ended June 30, 2016 predominantly due to an increased amount invested in capital assets, lower cash reserves, a decrease in student athletic fee revenues, an increase in personnel services expenses, an increase in athletic scholarship expenses, and other expenses.

The following chart provides a graphical presentation of the Department's revenues by category for the fiscal year ended June 30, 2016:



The economic position of the Department is closely related to student enrollment. For the fiscal year ended June 30, 2016, fee revenues comprised approximately 64.2 percent of the Department's total operating and nonoperating revenues and were the largest source of funding. Direct institutional support comprised 16.1 percent of total revenues, which primarily consisted of fee waivers. Other operating revenues, comprising 9.6 of total revenues, was predominantly from booster contributions, NCAA distributions, and sport camp revenues. Nonoperating revenues were substantially from state appropriations and amounted to 10.1 percent of total revenues.

In the fiscal year ended June 30, 2016, the Department's expenses exceeded revenues and other support, creating a decrease in net position of $851,405. Revenue from student athletic fees decreased from $5,348,353 in 2015 to $5,263,946 in 2016. Although, revenue from direct institutional support including fee waivers and University scholarship support increased from $1,006,615 in 2015 to $1,322,284 in 2016. All other operating revenues increased from $380,245 in 2015 to $790,842 in 2016, primarily due to an increase in contributions and NCAA distributions that the Department received. Total operating expenses increased from $7,607,183 in 2015 to $9,052,607 in 2016. Personnel services rose from $3,082,542 in 2015 to $3,436,725 in 2016. Additionally, scholarship expenditures increased from $2,119,781 in 2015 to $2,498,370 in 2016. Travel expenses increased by $150,182 during 2016, while other operating expenses rose from $1,721,832 in 2015 to $2,276,335 in 2016. Other operating expenses increased primarily due to more money spent on supplies and equipment with the newly added football program, insurance premium increases, additional fundraising expenses, and tournament costs.

In the fiscal year ended June 30, 2015, the Department's expenses exceeded revenues and other support, resulting in a decrease in net position of $146,260. Revenue from student athletic fees decreased from $5,510,928 in 2014 to $5,348,353 in 2015. Revenue from direct institutional support including fee waivers and University scholarship support decreased from $1,424,751 in 2014 to $1,006,615 in 2015. Total operating expenses increased from $7,187,785 in 2014 to $7,607,183 in 2015. Personnel services rose from $2,679,115 in 2014 to $3,082,542 in 2015,

while scholarship expenditures decreased from $2,302,207 in 2014 to $2,119,781 in 2015. Travel expenses decreased slightly, while other operating expenses rose from $1,488,616 in 2014 to $1,721,832 in 2015. The increase in other operating expenses is primarily due to more money spent on game guarantees, medical expenses, insurance, and direct facilities maintenance.

THE STATEMENT OF NET POSITION AND THE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

The statement of net position and the statement of revenues, expenses, and changes in net position report information on the Department and on its activities in a way that helps the reader determine if the Department is in a better position from one year to the next. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, the result is a decrease in net position. The relationship between revenues and expenses may be thought of as the Department's operating results.

These two statements report the Department's net position and changes in it. The Department's net position amount, the difference between assets and liabilities, is one way to measure the Department's financial health or financial position. Over time increases or decreases, in the Department's net position are one indicator of whether its financial health is improving or deteriorating. However, many other non-financial factors—such as certain trends in the National Collegiate Athletic Association (NCAA) funding, NCAA ranking, student enrollment and retention, recruitment, condition of facilities and sponsorships— is also essential in assessing the overall health of the Department.

The statements are prepared using the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided, and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The statement of net position presents the assets, liabilities, and net position of the Department as of the end of the fiscal year. Its purpose is to present to the readers of the financial statements a fiscal snapshot of the Department at a certain point in time. The statement of net position presents end-of-year data concerning assets (current and noncurrent), liabilities (current and noncurrent), and net position (assets minus liabilities).

From the data presented, readers of the statement of net position are able to determine the assets available to continue the operations of the Department. They are also able to determine how much the Department owes vendors, employees, and others. Finally, the statement of net position provides a picture of the net position (assets minus liabilities) and its availability for use by the Department. Net position for the Department is classified as either invested in capital assets or unrestricted. Unrestricted net position is available for any lawful purpose.

The following table summarizes the Department's assets, liabilities, and net position at June 30:

Condensed Statements of Net Position

	2016	2015	2014
Assets			
Current Assets	$ 1,052,766	$ 1,988,344	$ 2,061,092
Capital Assets, Net	393,707	102,725	131,173
Total Assets	1,446,473	2,091,069	2,192,265
Liabilities			
Current Liabilities	333,417	182,406	104,500
Noncurrent Liabilities	431,847	376,049	408,891
Total Liabilities	765,264	558,455	513,391
Net Assets			
Invested in Capital Assets	393,707	102,725	131,173
Unrestricted	287,502	1,429,889	1,547,701
Total Net Assets	$ 681,209	$ 1,532,614	$ 1,678,874
Increase (Decrease) in Net Assets	$ (851,405)	$ (146,260)	$ 474,161

Current Assets decreased by $935,578 for fiscal year ended June 30, 2016 due to a decrease in cash related to negative net operating margins and an increase in capital purchases. During the fiscal year ended June 30, 2015, current assets decreased by $72,748. Net depreciable capital assets increased by $290,982 in 2016 due to additional asset acquisitions, however in 2015 this amount had decreased by $28,448 due to depreciation expense of equipment.

Changes in total net position, as presented on the statement of net position, are based on the activity presented in the statement of revenues, expenses, and changes in net position. The purpose of the statement of revenues, expenses, and changes in net position is to present the revenues received, both operating and nonoperating, and the expenses paid, both operating and nonoperating, and any other revenues, expenses, gains, and losses received or incurred by the Department.

Operating revenues are received for providing goods and services to the various customers and constituencies of the Department. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the mission of the Department. Nonoperating revenues are revenues received for which goods and services are not provided. For example, state appropriations are nonoperating, as the Florida Legislature provides these without the Legislature directly receiving commensurate goods and services for those revenues.

A summary of revenues and expenses of the Department for the fiscal years ended June 30, 2016, 2015, and 2014 is presented in the following table:

Condensed Statements of Revenue, Expenses, and Changes in Net Position

	2016	2015	2014
Operating Revenues	$ 7,377,072	$ 6,735,213	$ 7,312,266
Operating Expenses	(9,052,607)	(7,607,183)	(7,187,785)
Operating Income (Loss)	(1,675,535)	(871,970)	124,481
Nonoperating Revenues	824,130	725,710	349,680
Excess (Deficiency) of Revenues over Expenses	(851,405)	(146,260)	474,161
Net Position, Beginning of Year	1,532,614	1,678,874	1,204,713
Net Position, End of Year	$ 681,209	$ 1,532,614	$ 1,678,874

Student athletic fees of $5,639,464, $5,656,393, and $5,510,928 for 2016, 2015, and 2014 respectively, are included in operating revenues and are shown at gross amounts received.

The Department's operating expenses by natural classification for the fiscal years ended June 30, 2016, 2015, and 2014 are presented in the following table:

Operating Expenses

Natural Classification	2016	Percent	2015	Percent	2014	Percent
Personnel Services	$ 3,436,725	38.0%	$ 3,082,542	40.5%	$ 2,679,115	37.3%
Athletic Scholarships	2,407,467	26.6%	2,038,407	26.8%	2,222,323	30.9%
Other Scholarships	90,903	1.0%	81,374	1.1%	79,884	0.1%
Travel	797,220	8.8%	647,038	8.5%	680,990	9.5%
Depreciation	43,957	0.5%	35,990	0.5%	36,857	1.5%
Other Operating Expenses	2,276,335	25.1%	1,721,832	22.6%	1,488,616	20.7%
Total	$ 9,052,607	100%	$ 7,607,183	100%	$ 7,187,785	100%

Personnel Service expenses increased by $354,183 for the fiscal year ended June 30, 2016, due to staffing changes in Athletics, primarily preparing for the inaugural season of football with increased compensation expenses for athletic training, administration, and operations.

THE STATEMENT OF CASH FLOWS

Another important factor to consider when evaluating the Department's financial viability is its ability to meet its financial obligations as they become due. The statement of cash flows helps in this evaluation. The statement of cash flows presents information related to cash inflows and outflows summarized by operating, capital and

noncapital financing, and investing activities. The statement of cash flows also helps users assess:

- The Department's ability to generate future net cash flows.
- The need for external financing.

A summary of the Department's cash flows for the fiscal years ended June 30, 2016, 2015, and 2014 is presented in the following table:

Condensed Statements of Cash Flows

	2016	2015	2014
Cash Provided by (Used in):			
Operating Activities	$ (1,354,915)	$ (842,441)	$ 243,265
Noncapital Financing Activities	805,416	703,643	337,890
Capital and Related Financing Activities	(334,939)	(7,242)	(14,535)
Investing Activities	18,714	21,767	11,790
Net Increase in Cash and Cash Equivalents	(865,724)	(124,273)	578,410
Cash and Cash Equivalents, Beginning of the Year	1,814,288	1,938,561	1,360,151
Cash and Cash Equivalents, End of the Year	$ 948,564	$ 1,814,288	$ 1,938,561

The primary cash receipts from operating activities consist of student athletic fees. Primary cash outlays include payment of salaries, benefits, equipment, supplies, travel expenses, and scholarships.

State of Florida appropriations are the primary source of noncapital financing inflows. During fiscal year June 30, 2016 the state appropriations increased by $100,961.

CONTACTING MANAGEMENT

This financial narrative is designed to provide the reader with a general overview of the University of West Florida's Department of Intercollegiate Athletics finances and to show the Department's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the University of West Florida, Office of Financial Services:

University of West Florida
Attn: Financial Services
11000 University Parkway
Bldg 20-E, Room 108-E
Pensacola, FL 32514
850-474-2759

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015

	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	$ 948,564	$ 1,814,288
Accounts receivable, net of allowance for doubtful accounts of $41,915 and $32,198 at June 30, 2016 and 2015, respectively	99,873	121,394
Due from other funds	2,966	3,878
Prepaid expenses	1,363	48,784
Total current assets	1,052,766	1,988,344
Capital assets, net of accumulated depreciation of $328,187 and $284,230 in 2016 and 2015, respectively	393,707	102,725
Total Assets	1,446,473	2,091,069
Liabilities		
Current Liabilities		
Accounts payable	70,794	65,324
Accrued expenses	108,851	74,446
Compensated absences, current	39,056	42,636
Unearned Revenue	114,716	-
Total current liabilities	333,417	182,406
Noncurrent Liabilities		
Compensated absences, less current portion	431,847	376,049
Total Liabilities	765,264	558,455
Net Position		
Net Position		
Invested in capital assets, net of related debt	393,707	102,725
Unrestricted	287,502	1,429,889
Total Net Position	$ 681,209	$ 1,532,614

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

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating Revenues		
Student athletic fees	$ 5,263,946	$ 5,348,353
Direct institutional support	1,322,284	1,006,615
Sales and services of auxiliary enterprises	23,571	13,685
Other operating revenue	767,271	366,560
Total revenues	7,377,072	6,735,213
Operating Expenses		
Personnel services	3,436,725	3,082,542
Athletic scholarships	2,407,467	2,038,407
Other scholarships	90,903	81,374
Travel	797,220	647,038
Depreciation expense	43,957	35,990
Other expenses	2,276,335	1,721,832
Total expenses	9,052,607	7,607,183
Operating Income (Loss)	(1,675,535)	(871,970)
Nonoperating Revenues (Expenses)		
State appropriations	804,604	703,643
Interest income	18,714	21,767
Gain on disposal of capital assets	-	300
Other nonoperating revenue	812	-
Total nonoperating revenues (expenses)	824,130	725,710
Excess (Deficiency) of Revenues over (under) Expenses	(851,405)	(146,260)
Net Position, beginning of year	1,532,614	1,678,874
Net Assets, end of year	$ 681,209	$ 1,532,614

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

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Cash Flows from Operating Activities		
Student athletic fees	$ 5,263,946	$ 5,348,353
Direct institutional support	477,243	190,970
Sales and services of auxiliary enterprises	23,571	13,685
Other operating receipts	904,420	313,858
Payments to employees	(3,350,102)	(3,086,199)
Payments to suppliers for goods and services	(3,020,664)	(2,318,972)
Payments to students for scholarships	(1,653,329)	(1,304,136)
Net cash provided by (used in) operating activities	(1,354,915)	(842,441)
Cash Flows from Noncapital Financing Activities		
State Appropriations	804,604	703,643
Other non-operating revenue	812	-
Net cash provided by noncapital financing activities	805,416	703,643
Cash Flows from Capital and Related Financing Activities		
Purchase of fixed assets	(334,939)	(7,542)
Proceeds from sale of fixed assets	-	300
Net cash used in noncapital financing activities	(334,939)	(7,242)
Cash Flows from Investing Activities		
Interest income	18,714	21,767
Increase (Decrease) in Cash and Cash Equivalents	(865,724)	(124,273)
Cash and Cash Equivalents, beginning of year	1,814,288	1,938,561
Cash and Cash Equivalents, end of year	$ 948,564	$ 1,814,288
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:		
Operating income (loss)	$ (1,675,535)	$ (871,970)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:		
Depreciation	43,957	35,990
Changes in assets and liabilities:		
Accounts receivable, net	21,521	(50,776)
Due from other funds	912	(1,926)
Prepaid expenses	47,421	1,177
Accounts payable and accrued expenses	39,875	59,554
Compensated absences	52,218	(14,490)
Unearned Revenue	114,716	-
Net cash provided by (used in) operating activities	$ (1,354,915)	$ (842,441)

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies of the University of West Florida Department of Intercollegiate Athletics (the Department), which affect significant elements of the accompanying basic financial statements.

Reporting Entity

The Department is an auxiliary enterprise of the University of West Florida (the University) located in Pensacola, Florida and conducts various intercollegiate athletic programs. The University is part of the State University System of Florida and is governed by the University's Board of Trustees consisting of thirteen members. The Governor appoints six citizen members, and the State's Board of Governors appoints five citizen members. These members are confirmed by the Florida Senate and serve staggered terms of five years. The chair of the faculty senate and the president of the student body 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 Florida Law, State Board of Education rules, and the Board of Governors regulations. The Trustees select the University President, and the State Board of Education ratifies the candidate selected. 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 *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, the nature and significance whose relationships with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. Based on the application of these criteria, the University is a component unit of the State of Florida, and its financial balances and activity are reported in the State's Comprehensive Annual Financial Report by discrete presentation.

Basis of Presentation

The Department's accounting policies conform to accounting principles generally accepted in the United States of America applicable to colleges and universities as prescribed by the Governmental Accounting Standards Board (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).

In November 1999, the Governmental Accounting Standards Board issued GASB Statement No. 35, *Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities*. This Statement includes public colleges and universities within the financial reporting guidelines of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

The Department follows all pronouncements of the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989, unless those pronouncements conflict with Governmental Accounting Standards Board pronouncements.

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 entity-wide 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

Basis of Accounting

Basis of accounting refers to when revenues, expenses, and related assets and liabilities 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, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange activities are generally recognized when all applicable eligibility requirements, including time requirements, are met.

As stated previously, the Department follows the reporting guidelines of the University. The financial statements of the Department include those economic resources of the University that are expendable for operational purposes in performing the primary objectives of the Department. The financial statements of the Department do not purport to present the financial position or results of operations of the University as a whole. A portion of the Department is, however, accounted for and reported by the University of West Florida Foundation, Inc. (Foundation), which is a separate legal entity.

The Statement of Net Position is presented in a classified format to distinguish between current and noncurrent assets and liabilities.

The Statement of Revenues, Expenses and Changes in Net Position is presented by major sources and is reported at gross amounts received.

The Statement of Cash Flows is presented using the direct method in compliance with GASB Statement No. 9, *Reporting Cash Flows for Proprietary and Nonexpendable Trust Funds*.

Cash and Cash Equivalents

The amount reported as cash and cash equivalents consists of cash on hand and cash in demand accounts. 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 in accordance with Florida Statutes.

Accounts Receivable

Accounts receivable are stated at their net realizable value. Based on its assessment of the credit history of organizations and individuals with outstanding balances, management has concluded that realization of losses on balances outstanding at year-end will be immaterial.

Capital Assets

Capital assets of the Department consist of building structures, furniture, equipment, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair 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. Costs to maintain or repair these assets are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property and $50,000 for new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets.

- Building Structures – 10 to 50 years
- Furniture and Equipment – 5 to 20 years
- Computer Software – 5 years

Unearned Ticket Sales Revenue

Unearned revenue consists of funds received by the Department before the end of the 2015-16 fiscal year and earned the following fiscal year. The Department issued advance ticket sales for the inaugural football season, which began in the 2016-17 fiscal year.

Income Taxes

The Department is an auxiliary enterprise of the University, which is a part of the State University System of Florida. Accordingly, substantially all income generated by the Department is exempt from federal and state income taxes.

Athletic Fees

The University charges an athletic fee to students for each semester enrolled and for each enrolled credit hour. Athletic fees for semesters, which cross fiscal years, are recognized during the year in which the semester is predominantly conducted.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Department to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Sales Tax on Athletic Event Tickets

In accordance with Chapter 1006, Section 71, Florida Statutes, the Department retains an amount equal to the sales taxes collected from ticket sales to athletic events for use in the support of women's athletic programs.

Net Position

Net Position is classified and displayed in three components:

- Invested in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any debt that is attributable to those assets.

- Restricted – consists of net assets that have constraints placed upon their use either by external donors or creditors or through laws, regulations or constraints imposed by law through constitutional provision or enabling legislation, reduced by any liabilities to be paid from these assets.

- Unrestricted – consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

When both restricted and unrestricted resources are available for use, it is the Department's policy to use the restricted resources first, followed by the use of the unrestricted resources, as they are needed.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2016, all of the Department's cash and cash equivalents were held with the University's pooled funds. At June 30, 2016 and 2015, the carrying amount and fair value of the Department's cash and cash equivalents were $948,564 and $1,814,288, respectively.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable consist of the following amounts at June 30:

	2016	2015
University of West Florida	$ 116,149	$ 144,729
Other	25,639	8,863
Total	141,788	153,592
Less: Allowance for doubtful accounts	(41,915)	(32,198)
Accounts receivable, net	$ 99,873	$ 121,394

The Department has no policy requiring collateral or other security to support its accounts receivable.

NOTE 4 – UNEARNED REVENUE

Unearned Revenue for ticket sales for the inaugural football season consist of the following amounts at June 30:

	2016	2015
Advance Ticket Sales	$ 114,716	$ -

NOTE 5 – COMPENSATED ABSENCES

Employees earn the right to be compensated during absences for annual leave (vacation) and sick leave earned pursuant to Board of Governors' Regulation 6C-5.920 *Benefits and Hours of Work* 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 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. Consequently, the recording of a liability for compensated absences without the corresponding recognition of such future resources results in a reduction of current year Net Position.

At June 30, 2016 and 2015, the estimated liability for compensated absences was $470,903 and $418,685, respectively. The current compensated absences liability, totaling $39,056 and $42,636 at June 30, 2016 and 2015, respectively, is based on actual payouts over the last three years calculated as a percentage of those years' total compensated absences liability

Changes in the liability for compensated absences for the years ended June 30, 2016 and 2015 were as follows:

Beginning Balance June 30, 2015	Additions	Reductions	Ending Balance June 30, 2016	Current Portion
$ 418,685	$ 247,998	$ 195,780	$ 470,903	$ 39,056

Beginning Balance June 30, 2014	Additions	Reductions	Ending Balance June 30, 2015	Current Portion
$ 433,176	$ 164,989	$ 179,480	$ 418,685	$ 42,636

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance July 1, 2015	Additions	Decreases	Ending Balance June 30, 2016
Capital assets being depreciated:				
Building Structures	$ -	$ 272,942	$ -	$ 272,942
Furniture and fixtures	57,327	-	-	57,327
Equipment	329,628	61,997	-	391,625
Total capital assets being depreciated	386,955	334,939	-	721,894
Less: Accumulated depreciation	284,230	43,957	-	328,187
Total capital assets, net	$ 102,725	$ 290,982	$ -	$ 393,707

NOTE 7 – THE UNIVERSITY OF WEST FLORIDA FOUNDATION, INC.

The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the University. The Foundation expends significant resources for, or on behalf of, the Department. The other revenues category on the Statements of Revenues, Expenses and Changes in Net Position includes revenue from the Foundation of $402,717 and $104,843 for the fiscal years ended June 30, 2016 and 2015, respectively. Revenues and expenditures provided for, or on behalf of, the Department that do not flow through the accounts of the University are included in the financial statements, except for revenues provided for, or on behalf of, the Department and are not yet expended which are included in the Foundation's separate, audited financial statements.

Although the Foundation is chartered as a private nonprofit organization, it operated solely for the benefit of the University and its mission of teaching, research, and service. It serves as the vehicle whereby taxpayers who want to advance the cause of higher education and to pay more than their share of the cost of education may do so. It does not serve any private causes, but benefits the public generally.

NOTE 8 – RETIREMENT PLANS

General State Employees' Retirement System

The Florida Retirement System (FRS) is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). FRS provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits

are defined and described in detail. Essentially, all regular employees of participating employers are eligible to enroll as members of the FRS.

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight 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 service, which may include up to four years of credit for military 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 The Plan also includes an early retirement provision, but imposes a penalty 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.

A Deferred Retirement Option Program (DROP) subject to provisions of Sections 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 employer. An employee may participate in the 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.

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 this program. Law defines employer contributions, but the ultimate benefit depends in part on the performance of investment funds. 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.

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services. An annual report on 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, Division of Retirement.

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 eight 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. For the fiscal years ended June 30, 2016 and June 30, 2015, the employing university contributed on behalf of the participant 7.8 and 7.69 percent, respectively, of the participant's salary, less a small amount used to cover administrative costs and

employees contribute 3 percent of the employee's salary. The remaining contributions are invested in the company or companies selected by the participant to create a fund for the purchase of annuities at retirement. The participant may contribute, by payroll deduction, an amount not to exceed the percentage contributed by the university to the participant's annuity account.

Disclosures pertaining to the University's retirement plans that are required by Statement No. 68 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2016 and 2015. The Department's contributions to the plans for the years ended June 30, 2016 and 2015 were $162,978 and $150,561, respectively.

NOTE 9 – POSTEMPLOYMENT HEALTHCARE BENEFITS

Pursuant to the provisions of Section 112.0801, Florida Statutes, all employees who retire from the University or its component units, University of West Florida Foundation, Inc., West Florida Historic Preservation, Inc., and UWF Business Enterprises, Inc., are eligible to participate in the State Group Health Insurance Program, an agent multiple-employer defined benefit plan. The University subsidizes the premium rates paid by retirees by allowing them to participate in the 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, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees. Retirees are required to enroll in the Federal Medicare program for their primary coverage as soon as they are eligible.

Disclosures pertaining to the University's postemployment healthcare benefits are required by Statement No. 68 of the Governmental Accounting Standards Board are included in the University's financial statements for the years ended June 30, 2016 and 2015.

NOTE 10 – RISK MANAGEMENT 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. Settlements have not exceeded insurance coverage during the past three 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.

Medical insurance coverage for the Department's student athletic programs is provided through purchased commercial insurance.

NOTE 11 – RESTATEMENT OF FINANCIAL STATEMENTS

Subsequent to the issuance of the Department's 2015 financial statements, management became aware that the 2015 financial statements reported incorrect revenues and expenses. The inclusion of the June 30, 2015 corrections in the restated financial statements decreased student athletic fees revenue by $308,040, decreased direct institutional support revenue by $183,470, and decreased athletic scholarship expense by $491,510, with no impact to the ending net position.

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
SCHEDULE OF REVENUES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating Revenues		
Athletic Fees	$ 5,263,946	$ 5,348,353
Direct Institutional Support		
Administrative Overhead Fee Returned	240,480	-
Athletic Marticulation	229,263	183,470
Fee Waivers	146,256	124,570
Out of State Fee Waivers	698,785	691,075
University Scholarship Support	7,500	7,500
Ticket Sales	22,737	13,182
Surcharge on Admissions	834	503
Other Operating Revenue		
Awards	2,400	5,942
Booster Contributions--UWF Foundation	402,717	104,843
Field and Facility Rentals	5,010	6,795
Fundraising	30,951	41,516
Game Guarantees	8,000	3,750
NCAA Distribution/Reimbursements	138,367	47,912
Program Sales/Concessions/Novelty Sales	30,637	14,615
Royalties/Advertisements/Sponsorships	18,710	20,685
Sports Camps	77,177	71,856
Tournament Entry/Cancellation Fees/Banquet Fees	52,316	48,646
Other Operating Revenue--Misc	986	-
Total Other Operating Revenue	767,271	366,560
Total Operating Revenues	7,377,072	6,735,213
Nonoperating Revenues		
Education and General	804,604	703,643
Interest Income	18,714	21,767
Gain on Disposal of Capital Assets	-	300
Other nonoperating revenue	812	-
Total Nonoperating Revenues	824,130	725,710
Total Operating and Nonoperating Revenues	$ 8,201,202	$ 7,460,923

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
SCHEDULE OF OPERATING EXPENSES
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
Operating Expenses		
Salary Expenditures	$ 3,111,743	$ 2,799,585
Other Personnel Services	324,982	282,957
Athletic Scholarships	2,407,467	2,038,407
Other Scholarships	90,903	81,374
Travel	797,220	647,038
Depreciation	43,957	35,990
Other Operating Expenses		
Direct Facilities and Maintenance	139,567	135,497
Dues and Memberships	41,413	40,378
Equipment, Uniforms, Supplies	851,996	696,936
Fundraising, Marketing and Promotion	13,584	7,112
Game Guarantees	1,662	20,276
Game Officials	81,113	76,093
Insurance	96,510	72,342
Medical Expenses and Insurance	114,957	209,472
Spirit Groups	7,743	6,309
Other Operating Expenses--Misc	927,790	457,417
Total Other Operating Expenses	2,276,335	1,721,832
Total Operating Expenses	$ 9,052,607	$ 7,607,183

UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2016

UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM
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James Moore
Certified Public Accountants and Consultants

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

The Board of Trustees,
University of West Florida:

We have performed the procedures enumerated below, which were agreed to by the President of University of West Florida, solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (the Statement, see Exhibit I) of the University of West Florida (the University) Intercollegiate Athletics Program (the Program) is in compliance with the National Collegiate Athletic Association's (NCAA) Constitution 6.2.3.1 for the year ended June 30, 2016. The University's management is responsible for the Program and the University's compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested for any other purpose.

Our procedures and findings are as follows:

Agreed-Upon Procedures Related to the Statement of Revenues and Expenses

Procedure	Finding
All Revenue Categories	
1. Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedule provided by the institution. If a specific reporting category is less than .5% of the total revenues, no procedures and required for that specific category.	No exceptions noted.
2. Compare and agree a sample of operating revenue receipts obtained from the above operating revenue supporting schedules to adequate supporting documentation.	No exceptions noted.

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Procedure	Finding
All Revenue Categories (Continued)	
3. Compare each major revenue account over 10% of the total revenues to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of $1M or 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.	No exceptions noted and no variations requiring reporting.
Ticket Sales	
1. Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period and unsold tickets to the related revenue reported by the Institution in the statement and the related attendance figures and recalculate totals.	As the ticket sales revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
Student Fees	
1. Compare and agree student fees reported by the institution in the statement for the reporting to student enrollments during the same reporting period and recalculate totals.	No exceptions noted.
2. Obtain and document an understanding of institution's methodology for allocating student fees to intercollegiate athletics programs.	No exceptions noted.
3. If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of their methodology for supporting that they are able to count each sport. Tie the calculation to supporting documents such as seat manifests, ticket sales reports and student fee totals.	No exceptions noted.
Direct State or Other Governmental Support	
1. Compare direct state or other governmental support recorded by the institution during the reporting period with state appropriations, institutional authorizations and/or other corroborative supporting documentation and recalculate totals.	As there was no direct state or other governmental support for the year ended June 30, 2016, this procedure was not performed.
Direct Institutional Support	
1. Compare the direct institutional support recorded by the institution during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals.	No exceptions noted.

Procedure	Finding
Transfers to Institution	
1. Compare the transfers to institution with permanent transfers back to institution from the athletics department and recalculate totals.	As transfers to institution for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
Indirect Institutional Support	
1. Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail and other corroborative supporting documentation and recalculate totals.	As there was no indirect institutional support for the year ended June 30, 2016, this procedure was not performed.
Guarantees	
1. Select a sample of settlement reports for away games during the reporting period and agree each selection to the institution's general ledger and/or the statement and recalculate totals.	As guarantee revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
2. Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the institution's general ledger and/or the statement and recalculate totals.	As guarantee revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
Contributions	
1. Any contributions of moneys, goods or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency or group of individuals (two or more) not included above (e.g., contributions by corporate sponsors) that constitutes 10 percent or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall obtain and review supporting documentation for each contribution and recalculate totals.	No exceptions noted.
In-Kind	
1. Compare the in-kind recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate totals.	As there was no in-kind for the year ended June 30, 2016, this procedure was not performed.

Procedure	Finding
Compensation and Benefits Provided by a Third-Party	
1. Obtain the summary of revenues from affiliated and outside organizations (the "Summary") as of the end of the reporting period from the institution and select a sample of funds from the Summary and compare and agree each selection to supporting documentation, the institution's general ledger and/or the Summary and recalculate totals.	As there was no compensation and benefits provided by a third party for the year ended June 30, 2016, this procedure was not performed.
2. If the third party was audited by independent auditors, obtain the related independent auditors' report.	As there was no compensation and benefits provided by a third party for the year ended June 30, 2016, this procedure was not performed.
Media Rights	
1. Obtain and inspect agreements to understand the institution's total media (broadcast, television, radio) rights received by the institution or through their conference offices as reported in the statement.	As there was no media rights for the year ended June 30, 2016, this procedure was not performed.
2. Compare and agree the media right revenues to a summary statement of all media rights identified, if applicable, and the institution's general ledger and recalculate totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.	As there was no media rights for the year ended June 30, 2016, this procedure was not performed.
NCAA Distributions	
1. Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.	No exceptions noted.
Conference Distributions	
1. Obtain and inspect agreements related to the institution's conference distributions and participation in revenues from tournaments during the reporting period to gain an understanding of the relevant terms and conditions.	As there was no conference distributions for the year ended June 30, 2016, this procedure was not performed.
2. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.	As there was no conference distributions for the year ended June 30, 2016, this procedure was not performed.

Procedure	Finding
Program Sales, Concessions, Novelty Sales and Parking	
1. Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales and parking as well as any other corroborative supporting documents and recalculate totals.	As program sales, concessions, novelty sales and parking revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
Royalties, Licensing, Advertisements and Sponsorships	
1. Obtain and inspect agreements related to the institution's participation in revenues from royalties, licensing, advertisements and sponsorships during the reporting period to gain an understanding of the relevant terms and conditions.	As royalties, licensing, advertisements and sponsorships revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
2. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.	As royalties, licensing, advertisements and sponsorships revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
Sports Camp Revenues	
1. Inspect sports camp contract(s) between the institution and person(s) conducting institutional sports-camps or clinics during the reporting period to obtain an understanding of the institution's methodology for recording revenues from sports-camps.	No exceptions noted.
2. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports- camp participants and agree each selection to the institution's general ledger, and/or the statement and recalculate totals.	No exceptions noted.

Procedure	Finding
Athletics Restricted Endowment and Investment Income	
1. Obtain and inspect endowment agreements (if any) to gain an understanding of the relevant terms and conditions.	As athletics restricted endowment and investment revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
2. Compare and agree the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals.	As athletics restricted endowment and investment revenues for the year ended June 30, 2016 were below .5% of total revenue, this procedure was not performed.
Bowl Revenue	
1. Obtain and inspect agreements related to the institution's revenues from post-season bowl participation during the reporting period to gain an understanding of the relevant terms and conditions.	As there was no bowl revenue for the year ended June 30, 2016, this procedure was not performed.
2. Compare and agree the related revenues to the institution's general ledger, and/or the statement and recalculate totals.	As there was no bowl revenue for the year ended June 30, 2016, this procedure was not performed.
Other	
1. Perform minimum agreed-upon procedures referenced for all revenue categories and recalculate totals.	No exceptions noted.

MINIMUM AGREED-UPON PROCEDURES PROGRAM FOR EXPENSES

Procedure	Finding
All Expense Categories	
1. Compare and agree each expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 0.5% of the total expenses, no procedures are required for that specific category.	No exceptions noted.
2. Compare and agree a sample of expenses obtained from the above operating expense supporting schedules to adequate supporting documentation.	
3. Compare each major expense account over 10% of the total expenses to prior period amounts and budget estimates. Obtain and document an understanding of any variations over the lesser of $1M or 10%. Report the analysis as a supplement to the final Agreed-Upon procedures report.	No exceptions noted.
Athletic Student Aid	
1. Select a sample of students (no less than 10% of the total student-athletes for institutions who have used NCAA's Compliance Assistant (CA) software to prepare athletic aid detail and no less than 20% of total student-athletes for institutions who have not) from the listing of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad list for each sponsored sport.	A sample of 40 student-athletes was selected.
2. Obtain individual student account detail for each selection and compare total aid allocated from the related aid award letter to the student's account.	No exceptions noted.
3. Perform a check of each student selected to ensure their information was reported accurately in either the NCAA's CA software or entered directly into the NCAA Membership Financial Reporting System using the following criteria	No exceptions noted.

Procedure	Finding
Athletic Student Aid (Continued)	
a. The equivalency value for each student-athlete in all sports, including head-count sports, needs to be converted to a full-time equivalency value. The full-time equivalency value is calculated using the athletic grant amount reported on the squad list as the numerator and the full grant amount which is the total cost for tuition, fees, books, room and board for an academic year as the denominator. If using the NCAA CA software, this equivalency value will be calculated for you on the squad list labeled "Rev. Dist. Equivalent Award".	No exceptions noted.
b. A student-athlete can only be included in one sport. Note: NCAA CA software will place an asterisk by the student athlete within the sport that is not countable towards grants-in- aid revenue distribution per sport hierarchy listed in the DI manual.	No exceptions noted.
c. All equivalency calculations should be rounded to two decimal places. Note: The NCAA CA software and the on-line summary form will automatically round to two decimal places.	No exceptions noted.
d. The full grant amount should always be the full cost of tuition for an academic year, not semester. The “Period of Award” column on the NCAA CA squad list can identify those student-athletes receiving aid for a particular semester.	No exceptions noted.
e. If a sport is discontinued and the athletic grant(s) are still being honored by the institution, the grant(s) are included in student-athlete aid for revenue distribution purposes.	No exceptions noted.
f. Student-athletes receiving athletic aid who have exhausted their athletic eligibility or are inactive due to medical reasons should be included in the student-athlete aid total and correctly noted on the squad list.	No exceptions noted.
g. Only athletic aid awarded in sports in which the NCAA conducts championship competitions, emerging sports for women and FBS football should be included in the calculations.	No exceptions noted.
4. Recalculate totals for each sport and overall.	No exceptions noted.

Procedure	Finding
Guarantees	
1. Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the institution's general ledger and/or the statement and recalculate totals.	As guarantee expenses for the year ended June 30, 2016 were below .5% of total expenses, this procedure was not performed.
2. Obtain and inspect contractual agreements pertaining to expenses recorded by the institution from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution during to the institution's general ledger and/or the statement and recalculate totals.	As guarantee expenses for the year ended June 30, 2016 were below .5% of total expenses, this procedure was not performed.
Coaching Salaries, Benefits, and Bonuses Paid by the University and Related Entities	
1. Obtain and inspect a listing of coaches employed by the institution and related entities during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.	No exceptions noted.
2. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the institution and related entities in the statement during the reporting period.	No exceptions noted.
3. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period.	No exceptions noted.
4. Compare and agree the totals recorded to any employment contracts executed for the sample selected and recalculate totals.	No exceptions noted.

Procedure	Finding
Coaching Other Compensation and Benefits Paid by a Third-Party	
1. Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football, and men's and women's basketball from the listing.	As there was no coaching other compensation and benefits paid by a third party for the year ended June 30, 2016, this procedure was not performed.
2. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the institution in the statement during the reporting period.	As there was no coaching other compensation and benefits paid by a third party for the year ended June 30, 2016, this procedure was not performed.
3. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by a third party expenses recorded by the institution in the statement during the reporting period and recalculate totals.	As there was no coaching other compensation and benefits paid by a third party for the year ended June 30, 2016, this procedure was not performed.
Support Staff and Administrative Salaries, Benefits and Bonuses Paid by the University and Related Entities	
1. Select a sample of support staff/administrative personnel employed by the institution and related entities during the reporting period.	No exceptions noted.
2. Obtain and inspect reporting period summary payroll register for each selection. Compare and agree related summary payroll register to the related support staff administrative salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period and recalculate totals.	No exceptions noted.
Support Staff and Administrative Other Compensation and Benefits Paid by a Third-Party	
1. Select a sample of support staff/administrative personnel employed by the third parties during the reporting period.	As there was no support staff and administrative other compensation and benefits paid by a third party for the year ended June 30, 2016, this procedure was not performed.

Procedure	Finding
Support Staff and Administrative Other Compensation and Benefits Paid by a Third-Party (Continued)	
2. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary registers to the related support staff administrative other compensation and benefits expense recorded by the institution in the statement during the reporting period and recalculate totals.	As there was no support staff and administrative other compensation and benefits paid by a third party for the year ended June 30, 2016, this procedure was not performed.
Severance Payments	
1. Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.	As there was no severance payments for the year ended June 30, 2016, this procedure was not performed.
Recruiting	
1. Obtain and document an understanding of the Institution's recruiting expense policies.	No exceptions noted.
2. Compare and agree to existing institutional- and NCAA-related policies.	No exceptions noted.
3. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.	No exceptions noted.
Team Travel	
1. Obtain and document an understanding of the Institution's team travel policies.	No exceptions noted.
2. Compare and agree to existing institutional- and NCAA-related policies.	No exceptions noted.
3. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.	No exceptions noted.

Procedure	Finding
Equipment, Uniforms and Supplies	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Game Expenses	
2. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Fund Raising, Marketing and Promotion	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As fund raising, marketing and promotion expenses for the year ended June 30, 2016 were below .5% of total expenses, this procedure was not performed.
Sports Camp Expenses	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As there was no Sports Camp Expenses for the year ended June 30, 2016, this procedure was not performed.
Spirit Groups	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As spirit group expenses for the year ended June 30, 2016 were below .5% of total expenses, this procedure was not performed.
Athletic Facility Debt Service, Leases and Rental Fees	
1. Obtain a listing of debt service schedules, lease payments and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g. debt financing agreements, leases, rental agreements).	As there was no athletic facility debt service, leases and rental fees for the year ended June 30, 2016, this procedure was not performed.

Procedure	Finding
Athletic Facility Debt Service, Leases and Rental Fees (Continued)	
2. Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.	As there was no athletic facility debt service, leases and rental fees for the year ended June 30, 2016, this procedure was not performed.
Direct Overhead and Administrative Expenses	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Indirect Institutional Support	
1. Tested with revenue section- Indirect Institutional Support.	As there was no indirect institutional support for the year ended June 30, 2016, this procedure was not performed.
Medical Expenses and Medical Insurance	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.
Memberships and Dues	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	As membership and dues expenses for the year ended June 30, 2016 were below .5% of total expenses, this procedure was not performed.
Student-athlete meals (non-travel)	
1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.

Other Operating Expenses and Transfers to Institution

1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy of recording and recalculate totals.	No exceptions noted.

Bowl Expenses

1. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate existence of transaction and accuracy or recording and recalculate totals.	As there was no bowl expenses for the year ended June 30, 2016, this procedure was not performed.

ADDITIONAL MINIMUM AGREED-UPON PROCEDURES

Procedure

1. Compare and agree the sports sponsored reported in the NCAA Membership Financial Reporting System to the squad lists of the institution. The NCAA Membership Financial Reporting System populates the sports from the NCAA Membership Database as they are reported by the institution. If there is a discrepancy in the sports sponsored between the NCAA Membership Financial Reporting System and the squad lists, inquire about the discrepancy and report the justification in the AUP report.

Finding

No exceptions noted.

Agreed-Upon Procedures Related to Outside Organizations

Procedure

1. The Department shall identify all intercollegiate athletics-related affiliated and outside organizations and obtain those organizations' statements for the reporting period. Once the Department has made these statements available, the independent accountant shall agree the amounts reported in the statement to the organization's general ledger or, alternatively, confirm revenues and expenses directly with a responsible official of the organization. In addition, the Department shall prepare a summary of revenues and expenses for or on behalf of intercollegiate athletics programs affiliated and outside organizations to be included with the agreed-upon procedures report.

Finding

The Department identified the University of West Florida Foundation, Inc. (the Foundation) as the only outside organization acting on behalf of the Department. The Foundation serves as official legal conduits for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Department. Included in the Department's Foundation accounts are the endowments of the Department.

We obtained the statement of changes in net assets of the Foundation accounts held for the Department for the year ended June 30, 2016, which represents revenues and expenditures on behalf of the Department.

Total revenues	$ 970,659
Total expenses	(412,017)
Total transfers	(36,688)
Excess of revenues of expenses	$ 521,954

Procedure

1. The independent accountant shall obtain and review the audited financial statements of the organization and any additional reports regarding internal control matters if the organization is audited independent of the agreed-upon procedures required by NCAA legislation. The Department's independent accountant shall also inquire of institutional and outside organization management as to corrective action taken in response to comments concerning internal control structure (if any).

Finding

We obtained and read the audited financial statements of the Foundation for the year ended June 30, 2016, and the related reports on compliance and on internal control. The results of this procedure disclosed that the independent auditors expressed an unmodified opinion on the financial statements of the Foundation. In addition, the independent auditors noted no matters involving internal control over financial reporting and its operation that were considered material weaknesses for the Foundation.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying Statement of Revenues and Expenses (Exhibit I) and the accompanying notes to the Statement of Revenues and Expenses (Exhibit II). Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of University of West Florida Intercollegiate Athletics Program, and the National Collegiate Athletic Association, and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida
January 17, 2017

Exhibit I

UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM
STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES)

Revenues		
1	Ticket sales	$ 23,571
2	Direct state or other government support	-
3	Student fees	5,639,464
4	Direct institutional support	1,786,461
5	Less - transfers to institution	(26,487)
6	Indirect institutional support	-
6A	Indirect institutional support - Athletic facilities debt service, lease and rental fees	-
7	Guarantees	8,000
8	Contributions	370,145
9	In-kind	-
10	Compensations and benefits provided by a third party	-
11	Media rights	-
12	NCAA distributions	138,367
13	Conference distributions (non media and non bowl)	-
14	Program sales, concessions, novelty sales and parking	395
15	Royalties, licensing, advertisements and sponsorships	32,487
16	Sports camp revenues	77,177
17	Athletics restricted endowment and investment income	32,572
18	Other operating revenue	91,751
19	Bowl revenues	-
	Total operating revenues	8,173,903
Expenses		
20	Athletics student aid	2,471,883
21	Guarantees	1,662
22	Coaching salaries, benefits and bonuses paid by the university and related entities	1,977,122
23	Coaching salaries, benefits and bonuses paid by a third party	-
24	Support staff and administrative salaries, benefits and bonuses paid by the university and related entities	1,433,415
25	Support staff and administrative salaries, benefits and bonuses paid by a third party	-
26	Severance payments	-
27	Recruiting	110,762
28	Team travel	669,030
29	Sports equipment, uniforms and supplies	794,504
30	Game expenses	96,068
31	Fund raising, marketing and promotion	32,928
32	Sport camp expenses	-
33	Spirit groups	17,051
34	Athletic facilities debt service, leases and rental fees	-
35	Direct overhead and administrative expenses	501,842
36	Indirect institutional support	-
37	Medical expenses and medical insurance	290,925
38	Memberships and dues	41,413
39	Student-athlete meals (non-travel)	64,351
40	Other operating expenses	479,207
41	Bowl expenses	-
	Total operating expenses	8,982,163
Deficiency of revenues under expenses		$ (808,260)
50	Excess transfers to institution	$ -
51	Conference realignment expenses	$ -
52	Total athletics related debt	$ -
53	Total institutional debt	$ 47,956,174
54	Value of athletics dedicated endowments	$ 1,010,581
55	Value of institutional endowments	$ 61,758,523
56	Total athletic capital expenditures	$ 334,938

See notes to statement of revenues and expenses.

UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES)

(1) **Basis of Accounting:**

The statement of revenues and expenses of the University of West Florida Intercollegiate Athletics Program (the Program) has been prepared using the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recognized when they are incurred.

(2) **Capital Assets:**

Capital assets of the Department consist of building structures, furniture, equipment, and computer software. These assets are capitalized and recorded at cost at the date of acquisition or at estimated fair 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. Costs to maintain or repair these assets are expensed as incurred. The University has a capitalization threshold of $5,000 for tangible personal property and $50,000 for new buildings, and building improvements. Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets.

- Building Structures – 10 to 50 years
- Furniture and Equipment – 5 to 20 years
- Computer Software – 5 years

Capital asset activity for the year ended June 30, 2016, was as follows:

	Beginning Balance July 1, 2015	Additions	Decreases	Ending Balance June 30, 2016
Capital assets being depreciated:				
Building structures	$ -	$ 272,942	$ -	$ 272,942
Furniture and fixtures	57,327	-	-	57,327
Equipment	329,628	61,997	-	391,625
Total capital assets being depreciated	386,955	334,939	-	721,894
Less: accumulated depreciation	284,230	43,957	-	328,187
Total capital assets, net	$ 102,725	$ 290,982	$ -	$ 393,707

UNIVERSITY OF WEST FLORIDA
INTERCOLLEGIATE ATHLETICS PROGRAM
NOTES TO STATEMENT OF REVENUES AND EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED – SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES)

(3) **Contributions:**

The Foundation serves as the official legal conduit for the acceptance, investment, and distribution of private gifts in support of the activities and programs of the Program. Contributions of $402,717 were recognized from the Foundation for the year ended June 30, 2016, and have been included in the accompanying statement of revenues and expenses. Contributions received from the Foundation were the only contributions exceeding 10% of total contributions, as reported in the statement of revenues and expenses for the year ended June 30, 2016.

(4) **Debt:**

As of June 30, 2016, there was no outstanding debt related to the University of West Florida Intercollegiate Athletics Program.

UNIVERSITY OF WEST FLORIDA
DEPARTMENT OF INTERCOLLEGIATE ATHLETICS
SUPPLEMENT TO STATEMENT OF REVENUES AND EXPENSES
VARIATION ANALSYS OF THE TOTAL REVENUE AND EXPENSES
TO THE PRIOR PERIOD AMOUNTS AND BUDGET ESTIMATES
FOR THE YEAR ENDED JUNE 30, 2016
(UNAUDITED - SEE ACCOMPANYING INDEPENDENT ACCOUNTANTS'
REPORT ON APPLYING AGREED-UPON PROCEDURES)

	2016	2015	$ Variance	% Variance	Variation Explanation
Expenses					
20 Athletics student aid	2,471,883	1,945,696	526,187	27%	Increase in scholarships awarded due to addition of football program.
24 Support staff and administrative salaries, benefits and bonuses paid by the university and related entities	1,433,415	1,222,802	210,613	17%	Increase in training, and supporting staff due to addition of football program

Note 1

The budget estimates for the Department are not prepared in a format consistent with the revenue and expense categories specified by the NCAA. Thus, the variance analysis of total revenues and expenses to the budget estimates for the year ended June 30, 2016, could not be performed.

Action Item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: BOG Required Internal Auditing Report: Performance Funding Data Integrity - 2016

Proposed action: Acceptance

Background information:
On June 23, 2016, Board of Governors Chair, Tom Kuntz sent a letter to the Chairs of the University Boards of Trustees and University Presidents asking them to have the internal audit function audit the Performance Based Funding-related controls, processes, and data submissions. Internal Auditing & Compliance completed the BOG-required audit for data as of October 31, 2016: Performance Funding Data Integrity. Below is synopsis of the report with the full report as an attachment to this agenda item. Audit fieldwork began on August 8, 2016, and ended on January 9, 2017. The audit report was issued January 24, 2017. Another requirement in Chairman Kuntz's letter is that each University President complete a Data Integrity Certification form. This audit's results do support the President's certification form such that the representations may be affirmed.

Performance Based Funding Data Integrity – 2016 15/16-002
Results: The audit report included one finding. The number of Banner users who have access to view and change student Social Security Numbers (SSNs) was unreasonably high. We recommended that the access should be reviewed and updated according to the needs of the department and staff.

Management's Actions: For the finding, a formal review is being conducted of each person with SSN change access. Those not requiring this level of usage will have their access updated appropriately. This will be completed by April 28, 2017.

Ongoing, UWF Office of the Registrar will obtain a quarterly report that shows changes made to the SSN field in Banner. The Office of the Registrar and Office of Undergraduate Admissions will review the user names and changes to ensure that only appropriate/approved staff are making updates.

Recommendation: Acceptance of the Internal Auditing Report and Data Integrity Certification form

Implementation: Management will implement corrective actions to be completed within the next three months. Internal Auditing will follow-up to determine if adequate corrective actions occurred.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

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Supporting documents:
UWF-15/16-002 Performance Funding Data Integrity Audit - 2016
BOG Chairman Tom Kuntz letter of June 23, 2016
BOG Data Integrity Certification form prepared for UWF

Prepared by: Betsy Bowers**,** Associate Vice President, bbowers@uwf.edu**,** 474-2636
Presenter: Betsy Bowers**,** Associate Vice President

Internal Auditing & Compliance
Audit: Performance Funding Data Integrity - 2016
Report #: UWF16-17_002
Date: January 24, 2017

EXECUTIVE SUMMARY

We audited Performance Funding Metrics as of October 31, 2016. This audit is included in our 2016/17 audit work plan, as determined by our annual risk assessment. Our objectives were to:

- Verify the appointment of the Data Administrator by the UWF President.
- Evaluate the processes used by the Data Administrator and data custodians to ensure the completeness, and accuracy of submission of data to the Board of Governors (BOG).
- Verify timely submissions of data files to the Florida Board of Governors.
- Evaluate system access controls and user privileges to ensure they are properly assigned and periodically reviewed.
- Assess the consistency of data submissions with the data definitions and guidance provided by the BOG.
- Evaluate the accuracy of the data collected and data files submitted.
- Confirm the report and explanation to the BOG of all critical data errors.

Audit fieldwork began on August 8, 2016, and ended on January 9, 2017. Our audit was conducted in accordance with the Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and generally accepted auditing principles.

BACKGROUND

The Florida Board of Governors (BOG) has broad governance responsibilities affecting administrative and budgetary matters for Florida's 12 public universities. Beginning in fiscal year 2013-14, the BOG instituted a performance funding program that is based on 10 performance metrics. These metrics are used to evaluate the institutions on a range of issues including graduation rates, job placement, cost per degree, and retention rates, among other things.

On April 14, 2016, the Governor of Florida signed a new 100-point BOG performance-based funding model into law. The same metrics are in place, but the scoring of the metrics has been revised.

Since the model was first introduced in 2014, student graduation and retention rates have been on the rise, with Florida boasting the highest graduation rates of the 10 largest states. The number of undergraduate STEM degrees is also up by 30 percent in the past five years, and the number of graduate STEM degrees is up 17 percent.

PRIOR AUDIT

An audit of the University Performance Metrics was performed in 2015 with the report issued on December 14, 2015. This audit found two opportunities for improvement:

1. The GPA calculation reported on the BOG metrics data file was inaccurate.
2. Two data file resubmissions to the BOG occurred during our audit as a result of misinterpretation and miscommunication.
   - The Student Instruction File was found to be in error for three reporting periods.
   - The expenses for the Florida Virtual Campus (FLVC) were miscoded in the Operating Budget file used to compute the Cost to Degree.

All findings have been fully rectified.

NOTABLE STRENGTHS

The UWF Data Administrator (DA) in coordination with other State of Florida University data administrators formed a Council of Data Administrators (CODA), in which the UWF DA is the chairperson. CODA's Vision Statement asserts: CODA exists to promote and ensure that reliable and consistent data are used and reported by State University System of Florida (SUS) institutions for current and future information-based decisions.

It is especially valuable for UWF to have the DA in a leadership role in the group. This keeps the University

better informed of any issues and changes to metric data reporting.

KEY OBSERVATIONS

Overall, internal controls over the completeness, accuracy, and timeliness of data submissions to the BOG appear sound. The audit revealed one opportunity for improvement:

> The number of Banner[1] users who have access to view and change student Social Security Numbers (SSNs) is unreasonably high.

SUGGESTED MANAGEMENT ACTIONS

Department Security Managers should review Banner authorizations to ensure that only staff members with duties that require the ability to view and edit SSNs have this ability.

CONCLUSION

Based on our audit, we have concluded that the controls and processes UWF has in place to ensure the completeness, accuracy and timely submission of data to the BOG in support of performance based funding are adequate. Further, we believe that our audit can be relied upon by the University Board of Trustees and President as a basis for certifying the representations made to the BOG related to the integrity of data required for its performance based funding model.

We appreciate the cooperation, professionalism and responsiveness of the staff who were involved in the audit.

Respectfully submitted,

Betsy Bowers, CIA, CFE, CGFM, CICA, CRMA
Associate Vice President
Internal Auditing & Compliance

Audit performed by: Dan Bevil, CICA

[1] Banner is UWF's Enterprise Resource Planning application.

Internal Auditing & Compliance
Audit: Performance Funding Data Integrity - 2016
Report #: UWF16-17_002
Date: January 24, 2017

REPORT PROVIDED TO THE FOLLOWING:

Dr. Martha Saunders, President
Dr. George Ellenberg, Interim Provost/Vice President of Academic Affairs
Dr. Joffery Gaymon, Associate Vice President, Enrollment Affairs
Dr. Steven Cunningham, Vice President Finance and Administration Division/CFO
Dr. Michael White, Director Institutional Effectiveness, ASPIRE
Mort O'Sullivan, Chair BOT
Richard Baker, Chair BOT Audit & Compliance Committee
Bob Jones, BOT Audit & Compliance Committee
Greg Britton, BOT Audit & Compliance Committee
James Felder, Interim General Counsel
Keith King, Associate Director of Institutional Research
Melanie Haveard, Executive Director and CTO, Information Technology Services
Shelly Blake, Director of Budgets, Academic Affairs
Christine Dillard, Assistant Director, Human Resources
Jim Stultz, Manager, FL Auditor General
Ken Danley, Supervisor, FL Auditor General
Jaime Hoelscher, Audit Supervisor, FL Auditor General
Joe Maleszewski, BOG Chief Inspector General
Lori Clark, BOG Compliance and Audit Specialist
Rebecca Luntsford, BOT Liaison

OBSERVATIONS WITH MANAGEMENT'S RESPONSES

Performance Funding Data Integrity-2016

UWF 16-17_002

OBSERVATION WITH MANAGEMENT RESPONSE

What We Found	Forty-three (43) staff members have made changes to SSNs since the implementation of Banner in the fall of 2004, eighty (80) people currently have access to do so, including one Federal Work Study student. An unreasonable amount of Banner users have access to see and change SSNs.
Why the Issue is Important	Limiting access to sensitive data can reduce the risk of stolen private information and provides the basis for segregation of duties. According to UWF procedures set forth in Confluence regarding Reviewing, Verifying and Affirming Banner Access Privileges, this periodic review "*is necessary to ensure that employees have Banner access appropriate to their job functions, and that this access is kept current as employee roles and job responsibilities change. It is also necessary that employees maintain a reasonable separation of duties to prevent situations which create a conflict of interest.*"
What is Causing the Issue	Staff members are typically provided with the default access to Banner that requires intervention to remove this access in accordance with the user's job duties.
What is Expected or Required	Banner users should have access to data based on the "least privilege" principle.
What We Suggest	Access should be reviewed and updated according to the needs of the department and staff.
Responsible Auditees	Dr. George Ellenberg, Interim Provost, VP, Academic Affairs Dr. Steve Cunningham, Vice President, Finance and Administration
Action Management Commits To	The Office of Enrollment Affairs acknowledges that more regular and formal review should be performed in regards to faculty, staff and student employees that have been granted access to the Banner General Person Identification form[2]. Each office was provided with a list of staff members with access to update the SSN field. Because of internal protocols within each office, many staff members with

[2] This General Person Identification form within Banner is called SPAIDEN.

access do not appear to have touched the SSN field. Of the 80 staff members, 29 no longer need the same level access. Based on job functionality, 51 staff members are appropriately assigned access.

The Office of the Registrar will work with ITS to have a Banner Tableau report requested that shows changes made to the SSN field in SPAIDEN to include user names and date change made. The Office of the Registrar and Office of Undergraduate Admissions (the two primary offices that grant access to this form) will review the user names and changes to ensure that only appropriate/approved staff are making updates. Both Admissions and Registrar Banner security roles that grant access to SPAIDEN and the SSN field, will also be reviewed to ensure they are appropriately assigned based on job functions. The new report and review process will be fully implemented by April 28, 2017. The report will be reconciled and saved on a quarterly basis.

Implementation Date	April 28, 2017

STATE UNIVERSITY SYSTEM of FLORIDA
Board of Governors

Performance Based Funding

March 2017 Data Integrity Certification

Name of University: ____University of West Florida_____

INSTRUCTIONS: Please respond "Yes" or "No" for each representation below. Explain any "No" responses to ensure clarity of the representation you are making to the Board of Governors. Modify representations to reflect any noted audit findings.

Performance Based Funding Data Integrity Certification Representations			
Representations	**Yes**	**No**	**Comment / Reference**
1. I am responsible for establishing and maintaining, and have established and maintained, effective internal controls and monitoring over my university's collection and reporting of data submitted to the Board of Governors Office which will be used by the Board of Governors in Performance Based Funding decision-making.	☒	☐	
2. These internal controls and monitoring activities include, but are not limited to, reliable processes, controls, and procedures designed to ensure that data required in reports filed with my Board of Trustees and the Board of Governors are recorded, processed, summarized, and reported in a manner which ensures its accuracy and completeness.	☒	☐	
3. In accordance with Board of Governors Regulation 1.001(3), my Board of Trustees has required that I maintain an effective information system to provide accurate, timely, and cost-effective information about the university, and shall require that all data and reporting requirements of the Board of Governors are met.	☒	☐	
4. In accordance with Board of Governors Regulation 3.007, my university shall provide accurate data to the Board of Governors Office.	☒	☐	
5. In accordance with Board of Governors Regulation 3.007, I have appointed a Data Administrator to certify and manage the submission of data to the Board of Governors Office.	☒	☐	
6. In accordance with Board of Governors Regulation 3.007, I have tasked	☒	☐	

Performance Based Funding

Data Integrity Certification

Performance Based Funding Data Integrity Certification Representations			
Representations	**Yes**	**No**	**Comment / Reference**
my Data Administrator to ensure the data file (prior to submission) is consistent with the criteria established by the Board of Governors Data Committee. The due diligence includes performing tests on the file using applications/processes provided by the Board of Governors Information Resource Management (IRM) office.			
7. When critical errors have been identified, through the processes identified in item #6, a written explanation of the critical errors was included with the file submission.	☒	☐	
8. In accordance with Board of Governors Regulation 3.007, my Data Administrator has submitted data files to the Board of Governors Office in accordance with the specified schedule.	☒	☐	
9. In accordance with Board of Governors Regulation 3.007, my Data Administrator electronically certifies data submissions in the State University Data System by acknowledging the following statement, "Ready to submit: Pressing **Submit for Approval** represents electronic certification of this data per Board of Governors Regulation 3.007."	☒	☐	
10. I am responsible for taking timely and appropriate preventive / corrective actions for deficiencies noted through reviews, audits, and investigations.	☒	☐	
11. I recognize that the Board's Performance Based Funding initiative will drive university policy on a wide range of university operations – from admissions through graduation. I certify that university policy changes and decisions impacting this initiative have been made to bring the university's operations and practices in line with State University System Strategic Plan goals and have not been made for the purposes of artificially inflating performance metrics.	☒	☐	

Performance Based Funding

Data Integrity Certification

Performance Based Funding Data Integrity Certification Representations			
Representations	**Yes**	**No**	**Comment / Reference**
I certify that all information provided as part of the Board of Governors Performance Based Funding Data Integrity Certification is true and correct to the best of my knowledge; and I understand that any unsubstantiated, false, misleading, or withheld information relating to these statements render this certification void. My signature below acknowledges that I have read and understand these statements. I certify that this information will be reported to the board of trustees and the Board of Governors. Certification: _____ Date_____ President			
I certify that this Board of Governors Performance Based Funding Data Integrity Certification has been approved by the university board of trustees and is true and correct to the best of my knowledge. Certification: _____ Date_____ Board of Trustees Chair			

Action item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: UWF/REG 5.040 *Reporting and Investigating Suspected Fraudulent or Wrongful Acts and Misconduct*

Proposed action: Recommend approval of UWF/REG 5.040 *Reporting and Investigating Suspected Fraudulent or Wrongful Acts and Misconduct*

Background information:
Board of Governors Regulation 4.001 *University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement* requires the University to adopt a regulation regarding allegations of fraud or misconduct. It also requires timely notification to the Board of Governors, through the Office of Chief Inspector General, of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, or other abuses made against the university president or a board of trustees member. The BOT regulation is required to articulate how the university will address any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, or other abuses made against the Chief Audit Executive (aka Associate Vice President, Internal Auditing & Compliance) or Chief Compliance Officer. This proposed regulation complies with the requirements of the BOG Regulation 4.001.

Posting of the Proposed Regulation: The proposed regulation was posted on the Board of Trustees website on January 20, 2017. and published in "@UWF" on January 23, 2017.

Recommendation: Recommend approval of the proposed Regulation UWF/REG 5.040 as set forth in the supporting documentation.

Implementation Plan: If approved by the BOT at the March 2017, meeting, UWF/REG 5.040 will go into effect.

Fiscal Implications: BOT oversight

Supporting documents:
UWF/REG 5.040 *Reporting and Investigating Suspected Fraudulent or Wrongful Acts and Misconduct*

FL Board of Governors Regulation 4.001 *University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement*

Prepared by: Betsy Bowers, Associate Vice President, bbowers@uwf.edu, 850-474-2636
Presenter: Betsy Bowers, Associate Vice President

THE UNIVERSITY OF WEST FLORIDA
NOTICE OF PROPOSED REGULATION ADOPTION

REGULATION TITLE: UWF/REG-5.040 Reporting and Investigating Suspected Fraudulent or Wrongful Acts and Misconduct.

SUMMARY: Board of Governors Regulation 4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement requires the University to adopt a regulation regarding allegations of fraud or misconduct. This proposed regulation complies with the requirements established in BOG Regulation 4.001.

AUTHORITY: Board of Governors Regulation 4.001.

NAME OF UNIVERSITY OFFICIAL INITIATING PROPOSED REGULATION AMENDMENT: Betsy Bowers, Associate Vice President, Internal Auditing and Compliance

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED REGULATION IS: Lisa Bernau, Assistant General Counsel, gcfrontdesk@uwf.edu, Phone (850) 474-3420; Fax (850) 474-2203; Building 10/Rm 114; 11000 University Parkway; Pensacola, FL 32514-5750. Any comments regarding the proposed regulation amendment must be sent in writing to the contact person on or before February 6, 2017.

THE DATE THIS NOTICE WAS POSTED ON THE UWF BOARD OF TRUSTEES WEBSITE IS: January 20, 2017. THE DATE THIS NOTICED WAS PUBLISHED IN "@UWF": January 23, 2017.

THE FULL TEXT OF THE PROPOSED AMENDMENT TO THIS REGULATION IS SET FORTH BELOW:

University of West Florida Regulation
UWF/REG-5.040 Reporting and Investigating Suspected Fraudulent or Wrongful Acts and Misconduct.

(1) The University of West Florida Board of Trustees (the "Board") designates the University Office of Internal Auditing and Compliance ("IAC") as the official contact for reporting and investigating suspected fraudulent or wrongful acts and misconduct. University policies will be promulgated to implement this process.

(2) IAC shall timely notify the Board of Governors, through the State University System Florida Board of Governors Office of Inspector General and Director of Compliance ("OIGC"), of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses made against the President of the University or a member of the Board. Such allegations will be handled as follows:

(a) The Chair of the Board (or the Chair of the Audit and Compliance Committee if the allegations involve the Board Chair), in consultation with the Chair of the Board of Governors, shall review the matter and may ask the OIGC to conduct a preliminary inquiry, in accordance with section 10.2.a of the OIGC charter. If it is determined that an investigation is warranted, the investigation shall take one of the following forms:

1. The Board will hire an independent outside firm to conduct the investigation with OIGC guidance and monitoring; or
2. The OIGC will perform the investigation.

(b) At the conclusion of such investigation, the report shall be submitted to the subject, who shall have twenty (20) working days from the date of the report to submit a written response. The subject's response and the investigator's rebuttal to the response, if any, shall be included in the final report, which shall be presented to the Chair of the Board and the Board of Governor's Audit and Compliance Committee.

(3) If any allegation of fraud, waste, mismanagement, misconduct, or other abuses is made against the chief audit executive or chief compliance officer, the Office of General Counsel will serve as the official contact for reporting and investigating such suspected fraudulent or wrongful acts and misconduct. If such allegation is significant and credible, the Office of General Counsel will timely notify the Board of Governors, through the OIGC. The investigation will then be handled as described in paragraph (2) above.

Authority: BOG Reg. 4.001.

History: New _____

Action Item

UWF Board of Trustees
Audit and Operations Committee
February 21, 2017

Issue:	Revisions to UWF/REG 2.028 University Holidays
Proposed Action:	Approve revisions to UWF/REG 2.028 University Holidays
Background Information:	Information related to University Holidays has been clarified to include Christmas Day, December 25, and New Year's Day, January 1, as paid holidays. Further clarification is provided regarding employees compensated for Holiday pay.
Recommendation:	Approval of the proposed amendments.
Implementation Plan:	Policy change would go into effect immediately upon approval by Board of Trustees.
Fiscal Implications:	No fiscal implications.

Supporting documents:	UWF BOT REG 2.028, with notice and textual changes
Prepared by:	Ms. Lisa Bernau, Office of the General Counsel, 850-474-3420, lbernau@uwf.edu
Facilitator/Presenter:	Mr. Jeffrey R. Comeau, Director, Human Resources, 850-474-2694, jcomeau@uwf.edu

THE UNIVERSITY OF WEST FLORIDA
REVISED NOTICE OF PROPOSED REGULATION AMENDMENT

REGULATION TITLE: UWF/REG-2.028 University Holidays.

SUMMARY: The proposed amendment clarifies University Holidays to include Christmas Day, December 25, and New Year's Day, January 1, as paid holidays. Further clarification is provided regarding employees compensated for Holiday pay.

AUTHORITY: BOG Regulation 18.002

NAME OF UNIVERSITY OFFICIAL INITIATING PROPOSED REGULATION AMENDMENT: Jeffrey R. Comeau, Associate Director, Human Resources

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED REGULATION IS: Lisa Bernau, Assistant General Counsel, gcfrontdesk@uwf.edu, Phone (850) 474-3420; Bldg. 10/Rm 114; 11000 University Parkway; Pensacola, FL 32514-5750. Any comments regarding the proposed regulation amendment must be sent in writing to the contact person on or before February 21, 2017.

THE DATE THIS NOTICE WAS POSTED ON THE UWF BOARD OF TRUSTEES WEBSITE: February 6, 2017. THE DATE THIS NOTICE WAS PUBLISHED IN @UWF: February 6, 2017.

THE FULL TEXT OF THE REVISED PROPOSED AMENDMENT TO THIS REGULATION IS SET FORTH BELOW:

University of West Florida Regulation
UWF/REG-2.028 University Holidays.

(1) The University observes the following paid holidays:

(a) New Year's Day, January 1.
(b) Birthday of Martin Luther King, Jr., third Monday in January.
(~~b~~c) Memorial Day, last Monday in May.
(~~c~~d) Independence Day, July 4.
(~~d~~e) Labor Day, first Monday in September.
(f) Veterans' Day, November 11.
(~~f~~g) Thanksgiving Day.
(~~g~~h) Friday after Thanksgiving.
(~~h~~i) Christmas Day, December 25.
(j)Winter Holiday, all regularly scheduled ~~work days~~workdays beginning December 24 and continuing through January 1.
(~~i~~k) The President may designate additional holidays as appropriate for operational efficiencies.

(2) ~~(2)~~ If any holiday listed in paragraphs (a)-(~~g~~j) above falls on a Saturday, the Friday preceding that holiday shall be observed as a holiday. If any holiday listed in paragraphs (a)-(~~g~~j) above falls on a Sunday, the Monday following that holiday shall be observed as a holiday.

(3) Full-time leave accruing employees are entitled to eight (8) hours of Holiday pay for each holiday. Part-time leave accruing employees are entitled to a pro-rated amount based on their FTE each holiday. OPS employees are compensated only for hours of work and are not eligible for Holiday pay.

Specific Authority Florida Board of Governors Regulation 18.002. History–New 10-20-03. Formerly FAC Rule 6C6 -2.028, adopted 10/20/03, Converted to UWF/REG-2.028- 7/21/05, amended 12/10/15, _____.

Action Item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: Internal Auditing PCard Audit Reports
Quarter 2 Update (October 2016 – December 2016)
Proposed action: Acceptance

Purpose

To provide UWF Senior leadership a short, clear overview of the PCard audits completed during the quarter and highlight results. Our main objective is to report the status of PCard audits and any issues or findings requiring action.

Background

Internal Auditing has been charged with auditing PCard holder and approver activity as well as departmental activities and internal controls. The objectives of these audits were to determine if departments complied with UWF PCard policies and procedures, as well as to evaluate the level of understanding of PCard policies among PCard holders and approvers. UWF presently has 436 PCard holders distributed across 147 departments.

Notable Strengths

Files were well organized. Staff was well trained in PCard procedures. There was strong separation of duties.

Results for Quarter 2 (October – December 2016)

Eight (8) departments[1] encompassing 20 cardholders were examined on a sample basis. Individual reports were distributed to department heads and Procurement & Contracts upon completion of the audits. The totals below show the volume of activity occurring for these eight departments and the amount tested. All reports are available from Internal Auditing.

Number of Departments Reviewed	Number of Cardholders	Number of Transactions Occurring	Number of Transactions Tested	Total PCard Expenditures of Depts.	Total PCard Transactions Tested
8	20	665	158	$370,623	$234,621
Audit Opinion for the PCard Audit[1]					
EXCELLENT	**GOOD**	**FAIR**	**POOR**		**Total**
2	5	1	0		8

[1] Departments audited (listed by audit opinion): ***Excellent*** – Academic Affairs, Finance and Administration; ***Good*** –Research and Advanced Studies, Instructional Workforce and Applied Technology, Theatre, Board of Trustees, Governmental Relations; ***Fair*** –Music; ***Poor*** – none.

Most Common Findings for Quarter 2 (October – December 2016)

1. Sales tax was paid and a refund not requested.
2. Department head did not review/ sign the monthly reconciliation report.
3. A temporary override request was not submitted for purchases exceeding the single swipe limit.

Recommendation:

Acceptance of the Internal Auditing PCard Reports for the Second Quarter of Fiscal Year 2016-2017.

Implementation: For PCard audit reports issued during the second quarter (October - December 2016), management will implement corrective actions to be completed in fiscal year 2016/17. Internal Auditing will follow up to determine if adequate corrective actions occurred.

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

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Prepared by: Elizabeth Mrachek, PCard Auditor, 850-474-2639, emrachek@uwf.edu
Presenter: Betsy Bowers, Associate Vice President, 850-474-2636, bbowers@uwf.edu

Informational Item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: Internal Auditing -Update on Activities
Proposed action: Informational

To provide the Committee with an overview of activities within Internal Auditing.

1. Status of audits in process
2. Status of advisory/consulting activities
3. Miscellaneous items

Recommendation: Information only

Implementation: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

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Prepared by: Betsy Bowers, Associate Vice President, 850-474-2636, bbowers@uwf.edu
Presenter: Betsy Bowers, Associate Vice President

Informational Item

UWF Board of Trustees Meeting
Audit & Compliance Committee
February 21, 2017

Issue: Compliance -Update on Activities
Proposed action: Informational

To provide the Committee with an overview of the UWF Integrity Helpline.

Recommendation: Information only

Implementation: None

Fiscal Implications: Fiscal oversight by the UWF Board of Trustees

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Prepared by: Matthew Packard, Compliance Officer, 850-857-6070, mpackard@uwf.edu
Presenter: Matthew Packard, Compliance Officer