

**Florida Agricultural and Mechanical University
Board of Trustees**



**Audit & Compliance Committee
Date: Tuesday, August 23, 2016 - Time: 4:00 PM
Location: Grand Ballroom**

Committee Members: Trustee Nicole Washington, Chair
Trustee Jaylen J. Smith, Trustee Gary T. McCoy,
Trustee Craig Reed, Trustee Robert Woody

AGENDA

- | | |
|------------------|-------------------------|
| I. Call to order | Chair Nicole Washington |
| II. Roll Call | Debra M. Barrington |

INFORMATION ITEM

- | | |
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| III. Risk Assessment Presentation 2016-17 Year | Richard Givens |
| IV. Audit & Compliance Work Plan Presentation 2016-17 Year | |

Adjournment	Chair Nicole Washington
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**Florida Agricultural and Mechanical University
Board of Trustees**



Division of Audit and Compliance

2016-17 Risk Assessment and Internal Audit Plan

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Florida Agricultural and Mechanical University Board of Trustees



2016-17 Risk Assessment & Internal Audit Plan

Executive Summary

In developing the 2016-2017 Internal Audit Plan, we performed a university-wide internal audit risk assessment, a process that identified and analyzed risks facing Florida Agricultural and Mechanical University (FAMU). The risk assessment served as the primary basis for developing the 2016-2017 Internal Audit Plan. The objective of the risk assessment is to align internal audit resources to those processes that pose the highest risk to the University's ability to achieve its objectives. In addition, we considered fraud risk factors in the development of this Internal Audit Plan.

While completing this year's risk assessment, we conducted 20 interviews with certain members of the Executive Staff and members of FAMU's Board of Trustees related to the University's overall risk universe. Each interview was scheduled for approximately one hour, and each interviewee was asked to comment on the risks associated with FAMU's ability to execute its core objectives and risks specifically related to their span of control. Additionally, meetings with 8 focus groups were held and a survey was distributed to 44 focus group participants to solicit feedback on risks associated with significant processes, and to assist in ranking the overall risk of major processes in the different risk universe spheres.

Risk Assessment Matrix Development Process

The development of the Risk Assessment Matrix is a three step process:

1. Determine the risk universe for FAMU
2. Determine the likelihood of occurrence having a material impact on the University
3. Risk definition – low, medium and high

Risk Universe

The risk universe was compiled using a standard risk universe for Universities and adjusting for operations applicable to FAMU. The adjustments to the risk universe were made from our knowledge and experience with the University's operations, prior Internal Audit reports, and from discussions with Executive Staff and focus groups.

Likelihood of Material Impact of Occurrence

The risk related to each category was scored based on the likelihood of having a material impact on the University. Interviewees and survey recipients completed the risk ranking, where each risk was scored on an impact and likelihood scale. Guidance on risk ranking (listed below) was provided to survey recipients for measuring impact and likelihood on a 1-5 scale.

Likelihood

Score	Rating	Probability
5	Expected	>90%
4	Highly likely	≤ 90%
3	Likely	≤ 60%
2	Not likely	≤ 30%
1	Slight	≤ 10%

Risk Impact

Score	Rating	Strategic		Operations	Compliance	Financial
5	Significant	Loss of confidence in all stakeholder* groups	Potential closing of University	Enterprise wide; inability to continue normal operations across entire University	Management indictments; Large-scale legal action; Regulatory sanctions	Financial impact greater than \$100M
4	High	Loss of confidence by 3 or more stakeholder* groups	2 or more changes in senior leadership; significant changes to University's strategic plan	Significant interruptions to University operations	Management challenges; Large legal liabilities; Regulatory fines	Financial impact of \$70M-\$100M
3	Moderate	Loss of confidence by 2 or more stakeholder* groups	1 or more changes in senior leadership; significant changes to University's operating plans and execution	Moderate interruptions to University operations	Management reviewed; Legal reserve established; Regulatory investigation	Financial impact of \$50-\$70M
2	Low	Loss of confidence limited to 1 stakeholder* group	Refinements or adjustments to University's operating plans and execution	Minor interruptions to University operations	Management unaffected; Minimal liabilities; Regulatory attention	Financial impact between \$100K - \$50M
1	Limited	Limited impact to 1 stakeholder* group	Limited adjustment necessary	Limited interruptions to University operations	Limited liabilities or Regulatory impact	Financial impact of less than \$100K

*Note: example stakeholder groups include students, faculty, Board of Governors, Board of Trustees, donors, alumni, SACS, USDOE, etc.

Upon receipt of the surveys, we multiplied impact and likelihood and used that number to calculate overall risk, which was then grouped into risk categories of low, moderate and high.

Risk Definition



Low risk – FAMU has an *unlikely* probability of risks occurring that would have at least a material impact on the Company’s ability to achieve its strategic objectives.



Moderate risk – FAMU has a *medium* probability of risks occurring that would have at least a material impact on the Company’s ability to achieve its strategic objectives.



High risk – FAMU has an *expected* probability of risks occurring that would have at least a material impact on the Company’s ability to achieve its strategic objectives.

Risk Assessment Matrix

There are many definitions and categories of risk. Entities perceive risk based on the nature of their operations, the organization’s culture and other factors unique to them. Risk Management is broadly defined as a process designed to identify potential events that may affect the entity, and to manage risks to provide reasonable assurance regarding achievement of entity objectives.¹

Every entity exists to realize value for its stakeholders. Value is created, preserved or eroded by management decisions in all aspects of an entity’s activities, from strategy setting to daily operations. Entities failing to recognize the risks they face, from external or internal sources, and to manage them effectively, can destroy value. An effective starting point for understanding risk is to take a look at all aspects of an entity’s activities.

The matrix below classifies and ranks FAMU’s risks according to the risk universe and scoring as discussed above. Additionally, prior year and planned internal audit coverage is noted in the table below. The Auditor General also performs annual financial statement and federal awards audits.

¹ Source: COSO Enterprise Risk Management – Integrated Framework, 2004 COSO

	<p>● Low: < 9.99</p> <p>● Medium: 10 – 14.99</p> <p>● High: >15</p>	Preliminary Overall Ranking (Impact * Likelihood)	Planned Internal Audit Coverage				DAC Assessment
			Covered in 2015-16	2016-17	2017-18	2018-19	
Strategic Risks							
Governance							
1.01	Corporate Governance	11.27	X				
1.02	Leadership Effectiveness	14.87			X		
1.03	Control Environment/Internal Controls	13.40	X	X	X	X	
1.04	Roles, Responsibility & Accountability	12.83					
1.05	Culture	15.17		X			
Planning & Resource Allocation							
2.01	Strategic Planning & Direction	12.25					
2.02	Annual Budgeting & Forecasting	13.02					
2.03	IT Enablement & Process Automation	13.43					
2.04	Alliances & Partnerships	9.90					
Strategic Initiatives							
3.01	Program Planning & Governance	11.32					
3.02	Program Execution & Monitoring	10.67					
3.03	Business Acceptance & Change Management	12.39					
Industry Dynamics							
4.01	Macro-economic Factors	11.46					
4.02	Regulatory Uncertainty / Government Advocacy	12.74					
4.03	Educational Standard / Preference Changes	11.87					
Communications							
5.01	Alumni Relations	11.14					
5.02	Community/Media Relations	14.20					

5.03	Crisis Communication	12.66					
5.04	Faculty, Staff & Student Communication	12.23					
Operational Risks							
Academic Operations							
6.01	Curriculum Strategy & Development	10.58					
6.02	Faculty Recruiting & Retention Strategy	11.02					
6.03	Student Recruiting & Retention Strategy	18.34		X	X		
6.04	Tuition - Cost of Education	13.52					
6.05	Admission & Enrollment	17.81			X		
6.06	Financial Aid	15.43	X ²	X		X	
6.07	Billings (tuition/services)	12.99					
6.08	Student Support Services	15.89	X ³	X			
Education Delivery							
7.01	Capacity Planning & Scheduling	11.60					
7.02	On-line Education & Support	15.51			X		
7.03	Licensing & Classroom Technology Support	9.87					
Contracts & Grants							
8.01	Contract Management	11.47					
8.02	Sponsor Funding	11.60					
8.03	Intellectual Property	7.80					
8.04	Clinical Trials Research Billing	8.27					
8.05	Research & Data Integrity	11.72					
Donor Management							
9.01	Fundraising/Development Infrastructure	12.45					

² Financial aid process improvement review is deemed 95% complete and is a carry forward engagement from the DAC 2015-16 audit work plan

³ SGA expense review is a carry forward engagement from the DAC 2015-16 audit work plan

9.02	Donor Compliance / Intent	9.98						
9.03	Gifts & Donation Management	10.03						
Supply Chain								
10.01	Vendor Management & Supplier Quality	8.40	X ⁴					
10.02	Procurement & Supplier Rationalization	8.43						
People / Human Resources								
11.01	Human Capital Strategy / Planning	13.49						
11.02	Faculty & Staff Performance	12.52						
11.03	Development & Training	12.18						
11.04	Succession Planning	14.70						
Information Technology								
12.01	IT Strategy & Planning	13.23		X	X			
12.02	IT Network Infrastructure & Architecture	13.87	X	X	X			
12.03	IT Availability	12.37		X	X			
12.04	Information Security	15.03	X	X	X	X		
Environmental Health & Safety / Hazards								
13.01	Physical Security	11.23					X	
13.02	Public & Student Safety	11.69		X				
13.03	Lab Safety	10.66						
13.04	Business Continuity Planning / Resiliency	9.47						
Physical Assets								
14.01	Real Estate Optimization	7.24						
14.02	Property, Plant & Equipment Optimization	8.23						
14.03	Construction Management	11.30	X	X	X	X		
14.04	Facilities Management	9.64						

⁴ SGA expense review is a carry forward engagement from the DAC 2015-16 audit work plan

Compliance Risks							
Code of Conduct							
15.01	Ethics & Integrity	12.84				X	
15.02	Fraud / Asset Misappropriation	12.28					
15.03	Academic Misconduct	10.65					
15.04	Conflict of Interest	11.73					
Legal & Regulatory							
16.01	Anti-corruption	8.92					
16.02	Research Compliance	12.15					
16.03	Labor Laws	7.51					
16.04	Sales Tax Compliance	4.59					
16.05	Athletic Programs & NCAA	16.43	X ⁵	X			
16.06	HIPAA (Privacy & Security)	9.75					
16.07	FERPA	10.59					
16.08	Maintain 501(c)3 Tax-Exempt Status	6.72					
Finance Risks							
Accounting & Reporting							
17.01	Financial Accounting, Reporting and Disclosure	9.97	X				
17.02	Management Reporting & Business Intelligence	10.62					
Liquidity & Credit							
18.01	Cash Planning & Management	12.39		X			
18.02	Credit & Collections	12.32					
18.03	Investment Strategy & Management	11.63					
18.04	Funding & Refinancing	9.69					

⁵ Rattler boosters review is deemed 95% complete and is a carry forward engagement from the DAC 2015-16 audit work plan

18.05	Debt Structure & Management	10.20					
18.06	Bond Compliance	7.66					
18.07	Pension Fund Liability	8.22					
Risk Management							
19.01	Insurance Coverage & Optimization	7.39					

Risk Themes

Listed below is a summary of risks consistently cited by interviewees and survey recipients during this year's Risk Assessment. These are summarized here to provide the Audit Committee and management with areas represented to the Division of Audit & Compliance to be "top of mind" for key executives and managers within the organization.

▶ Governance

The University is governed by the Board of Trustees which consists of thirteen members. The Board of Trustees experienced significant transition this past year and welcomed eight new members during the 2015-16 Academic Year. As the governing body for the University, the Board of Trustees is charged with policy making for the University. An area noted during our Risk Assessment interview process was that while the University has policies and procedures in place, some of them are not current and oftentimes certain areas or departments are not following these policies. Failure to follow policies and procedures increases the University's risk in all risk categories, and affect the ability to safeguard resources and deliver education services. An additional concern is lack of a process for adopting, reviewing, and changing University policies, which increases the risk that policies are not updated to meet changes in the environment. Finally, some risk assessment interviewees expressed a concern that internal controls needs to be strengthened to ensure that student government leaders receive orientation and training on their role and responsibilities.

Internal audit coverage – Policies and procedures reviews (conducted as part of each audit and in investigations); Review of process for adopting & changing policies (2016-17); Review adequacy of risk management (2017-18); Assessing ethics-related programs and activities (2018-19); Training assistance (2017-17, 2017-18, 2018-19)

▶ Funding

Diminishing funding from the State and a continued soft economy is a high risk for the University. Decreased government funding results in increased dependence on tuition and donations in a current state where enrollment has declined and tuition increases are not likely to be approved. Although the University is no longer on SACS probation, the University has continued to have several flow-down effects: there is an adverse effect on faculty and student morale; and enrollment has decreased from prior levels. Reductions in Federal funding for student financial aid (i.e., PELL grants for summer terms) provides continued concern for students' ability to obtain financial aid (as at least 91% of the student body is on some sort of financial aid). Additionally, Florida Statute 1009.286 requires a student to be responsible for 100% of course costs if the student exceeds 110% of the required credit hours to obtain a degree.

The University is in the early stages to offering of online education courses, which could provide additional funding as well as improve performance funding metrics, such as retention and progression rates. Continued progress will depend on developing an adequate infrastructure and supporting services to provide a high quality product.

Continued funding from the State relies on meeting certain metrics, including retention, graduation rates, and employment after graduation. The Board of Governors has mandated that it receive assurance that the process for submitting data related to performance funding metrics is reliable.

- ▶ **Internal audit coverage** – Performance based funding metrics (2016-17, 2017-18, and 2018-19); Program review of online education (2017-18); See Budgeting & Cash Management section for scheduled cash forecasting & budget review

► **Student Recruitment and Retention**

SEMESTER	HEADCOUNT ENROLLMENT ⁶	% CHANGE IN ENROLLMENT
FALL 2011	13,207	–
FALL 2012	12,051	(9.6%)
FALL 2013	10,738	(12.2%)
FALL 2014	10,233	(4.9%)
FALL 2015	9,920	(3.2%)

Risk assessment participants noted that the University has to become more modernized and update recruiting strategies as well as the Enrollment Management Office screening of admission prospects. University headcount enrollment figures for the past five years have been trending downward. Headcount enrollment declined 33% from Fall 2011 to Fall 2015. A main goal of the University is the ability to recruit the best and the brightest students. Historically, the University has enrolled a mix of “access opportunity” students (i.e., students who do not meet all requirements for admission to the University). Although the number of “access opportunity” students admitted in the last three years has been reduced from prior years, the mix of “access opportunity” students admitted continues to have an impact on graduation rates (on average 6 years) and progression rates. This will continue to affect the University’s ability to meet the requirements for performance-based funding metrics, if support services are not provided. The University has implemented initiatives to reduce the number of access opportunity students accepted, contacting prospective students starting in the ninth grade, and improving the process for communicating with prospective students; however, the University will need to invest money and resources to continue these initiatives and to increase the number of students who apply for admission. Additionally, money and resources will need to be invested to provide the support services to retain students, such as academic advisement, tracking system, amended academic policies, career development, transition programs, counseling, and classroom technology support. Finally, risk assessment participants indicated that continued decline in enrollment and retention could adversely impact the University’s next Title III grant.

Internal audit coverage – Assess student retention programs (2016-17); Assess student recruiting programs (2017-18); Admission & enrollment (2017-18)

⁶ - The Final All Students – All Terms Headcount enrollment figures were obtained from the Florida Agricultural & Mechanical University – Office of Institutional Research Web Page – Interactive Reporting Tool (Beta Version) – Enrollment located at https://public.tableau.com/views/Enrollment_20/HeacountEnrollment?:embed=y&:display_count=yes&:showTabs=y&:showVizHome=no

► **Financial Aid**

SEMESTER	HEADCOUNT ENROLLMENT ⁷	FINANCIAL AID COUNT ⁸	% OF STUDENT BODY ON FINANCIAL AID
FALL 2010	13,277	12,932	97%
FALL 2011	13,207	12,815	97%
FALL 2012	12,051	11,467	95%
FALL 2013	10,738	9,985	92%
FALL 2014	10,233	9,330	91%

Over the past five years at least 91% of the University’s student body received some sort of financial aid to assist students with meeting the cost of a college education. Risk Assessment interviewees and survey respondents consistently noted the management of financial aid funds (including administering to students and return of funds to the government) as a high risk area for the University. If financial aid is not administered according to federal regulations, penalties and fines could occur. Additionally, if FAMU fails to administer financial aid to students in a timely manner, this could adversely affect student recruitment and retention.

Internal audit coverage –In process: Financial aid process review⁹; Financial aid student eligibility review (2018-19);

► **Athletics & NCAA Compliance**

Risk Assessment interviewees and survey respondents noted the athletic department’s lack of funding and operating deficit as a significant financial risk. Much of the department’s funding comes from the athletic fees assessed to students; consequently the declining enrollment increases the risk that the Athletic department’s revenues will continue to be less than expenses.

On November 20, 2015, the NCAA Division of Infractions issued a public infractions report to the FAMU Athletics Department disclosing four level II violations of NCAA Bylaws. Accordingly, the University established a corrective action plan to address the penalties imposed. Academic and compliance departments were combined (May 2016) so that some elements of compliance are now handled by advisors and coaches were instructed and trained on compliance. Athletic staff awareness was raised to hold University athletic officials accountable by providing written reprimands for violations, and providing additional training related to areas of weakness. More experienced compliance professionals have been hired. Milton Overton was hired in August 2015 as athletic director and Charles Elliot was hired in January 2016 as Associate AD. Two new compliance positions (currently vacant) have been established and duties were reassigned to have more staff working in compliance related areas. The Athletic Department engaged an outside firm to perform a compliance review as part of penalties imposed by the NCAA. Rules education training is being provided to staff and to Rattler Booster staff. A member of the financial aid

⁷ The Final All Students – All Terms Headcount enrollment figures were obtained from the Florida Agricultural & Mechanical University – Office of Institutional Research Web Page – Interactive Reporting Tool (Beta Version) – Enrollment located at https://public.tableau.com/views/Enrollment_20/HeadcountEnrollment?:embed=y&:display_count=yes&:showTabs=y&:showVizHome=no

⁸ The Final Financial Aid Recipient Count Report of student body receiving some sort of Financial Aid figures were obtained from the Florida Agricultural & Mechanical University – Office of Institutional Research - Interactive Reporting Tool (Beta Version) – Financial Aid – located at https://public.tableau.com/views/FinancialAid_7/FinancialAidRecipientCount?:embed=y&:display_count=yes&:showTabs=y&:showVizHome=no

⁹ Financial aid process improvement review is deemed 95% complete and is a carry forward engagement from the DAC 2015-16 audit work plan

staff has been assigned as athletics liaison with financial aid and there is also an in-house athletics compliance officer working with financial aid for student athletes.

Risk assessment participants also expressed concerns that compliance risk exists for major level I violations or Title IX infractions to possibly occur if institutional control efforts are inadequate. The University is required to have a certain number of players eligible to field a team. During 2013-14 and 2014-15, the NCAA imposed penalties on some athletic teams as a result of low academic progress rates. There is constant media scrutiny around college athletics, and additional infractions could cause increased reputational harm for FAMU.

Internal audit coverage – In process: Rattler Boosters review¹⁰; Consulting on athletics compliance review (2016-17)

▶ **Human Resources**

Several respondents indicated that formal succession planning is not consistently performed by the University administration, which could result in loss of institutional knowledge when individuals leave the University. Human Resources provide the systems, tools, and processes for managers to perform their day-to-day responsibilities related to talent management and operations, including the recruitment, development and retention of employees. Human Resources redesigned the University's staff classification system to ensure that staff positions are appropriately classified. The new staff classification system will assist managers in making fiscally responsible decisions when it comes to making compensation and promotion decisions.

Internal audit coverage –management reviews to be determined in consultation with Human Resources personnel (2016-17 and 2017-18);

▶ **Information Technology (IT)**

Almost all Risk Assessment participants noted some aspect of IT as a high risk for the University. A theme consistently mentioned was that the University's ERP System (PeopleSoft) is not configured to provide maximum system functionality. One root cause of this issue noted is that there is no IT Governance Committee in place to make long term strategic decisions regarding selecting and prioritizing the development of functionality that should exist in the system. Several respondents noted that manual processes are required to supplement and/or be used in place of processes that could be automated (including systemic approvals, reconciliations, segregation of duties controls, etc.).

The growing cost of IT is also a high risk for the University. During the Risk Assessment, individuals noted it is difficult to meet salary demands of rising IT professionals, and also difficult to retain the talent needed to maintain the University systems. Maintaining the resources the University has spent time to train, specifically with particular applications (PeopleSoft), is a challenge that creates further risk. The Network Operations Closet (NOC) air conditioning system needs to be replaced. It does not have sufficient cooling and there is a risk it could go down for an extended period of time. The network infrastructure as a whole is out of date and ITS personnel estimate it requires approximately \$9.9 million worth of upgrades. The University has not prioritized funding toward upgrades, thereby increasing the risk that the network would fail or vulnerabilities from the use of outdated equipment could compromise the network.

The establishment of a disaster recovery plan is important for the University to reduce the likelihood of interrupted operations not being able to be recovered in a timely fashion. The University currently does not have a business continuity plan with a comprehensive and formalized disaster recovery plan; Although the applications that run on the PeopleSoft system are hosted by a third party, Cedar Creststone, which has a disaster recovery plan and could recover PeopleSoft data, the domain controller that is utilized to authenticate and authorize all users to PeopleSoft and other applications does not have

¹⁰ Rattler boosters review is deemed 95% complete and is a carry forward engagement from the DAC 2015-16 audit work plan

a disaster recovery plan. Additionally, the University uses several other IT applications that do not have formal disaster recovery plans and which could cause significant interruptions if not easily recoverable.

Data breaches and inadequate access controls continue to be a concern. A University-wide access security matrix is being developed that will allow supervisors to more accurately assign access to employees within their area of responsibility based on each employee's specific duties.

Finally, online classes are in the early stages of development at the University. This is a large revenue opportunity for the University, and it will be important to have the system infrastructure to be able to effectively offer courses via this platform. The University has migrated several IT systems (iRattler/PeopleSoft, Blackboard, email, legacy student system, and website infrastructure) to the cloud and other third party managed hosted systems.

Internal audit coverage – Consulting on information technology cybersecurity gap analysis (2016-17 and 2017-18); Information technology review automation/Use of PeopleSoft (2017-18); Information technology disaster recovery plan review (2018-19)

▶ **Physical Security / Public and Student Safety**

During the past academic year, the University has placed additional software in campus police cars, upgraded police weapons, established Campus Security Authority Training, incorporated a K-9 unit, enhanced on campus surveillance and implemented a night and weekend bus service to decrease the number of students walking at times when more vulnerable to instances of attack. The Department of Public Safety received State accreditation during February 2013 and is seeking accreditation from a national agency as evidence that its processes and procedures meet appropriate standards of operation. Other security measures being considered include fencing off parts of campus in which the crime is the highest, equipment and technological updates, adding building access security and satisfying requirements for FAMU to acquire Storm Ready recognition.

Despite these improvements and enhancements, physical security and public/student safety was noted as a high risk at the University. During the Risk Assessment, respondents noted that additional funding is deemed necessary to more fully secure the campus and its buildings. While a rogue student or person on campus can always pose a risk, the University has implemented measures to reduce the impact such as ensuring that the security cameras are operational, installing additional cameras, officers walking the campus and buildings to show a physical presence, increasing training hours for staff, evaluating firearms training, using an emergency notification system, and purchasing of equipment.

Additionally, when a crisis occurs related to FAMU, the University could be unfavorably affected if the crisis is not addressed with a swift, formal action plan, including clearly defined roles and responsibilities. Crisis management and emergency management teams have been established to respond to events that could affect the University's image and brand. Respondents indicated crisis communications have not been timely and accurately reaching faculty, staff, and students. All stakeholders of the University should be considered in crisis communications – students, faculty, staff, alumni, community, and the media.

Internal audit coverage – Review Title IX and Clery Act reporting (2016-17), Consulting on crisis communication plan training (2018-19)

▶ **Construction Management**

The University has two major construction projects in process. A new procedures manual was developed for management of construction projects; however, our review disclosed that the revised manual was incomplete and inaccurate and its usefulness to provide appropriate steps to guide the construction process was diminished. In addition there has been significant turnover in the Facilities Planning and Construction department.

Internal audit coverage – Construction management review (2016-17, 2017-18 and 2018-19)

▶ **Budgeting and Cash Management**

Declining enrollment, uncertainty around donations and state funding, and flattening of tuition increases have caused an uncertainty in the level of funding the University will receive in coming years. As such, participants noted that budget planning at the University has become a challenge. Having a solid budget process in place allows the University to more appropriately allocate resources. The University has revised its budget process to provide a structure to ensure that resources are allocated to those programs and activities that further the University's goals and priorities.

The University's cash reserves have decreased over the last two years as operating revenues have declined and carry forward moneys have been used to fund ongoing operations, in some instances. The University has implemented an ongoing monitoring of cash balances to provide assurance that cash will be available to pay bills.

The University continues to collect cash at sites other than the central cashier's office. The decentralization of cash collections increases the risk of misappropriation of assets. Finally, risk assessment interviewees expressed concern that internal controls may need to be enhanced to ensure that principal investigators are appropriately monitoring and accurately reporting grant activity to reduce or eliminate the likelihood of returning unused funds to the grantor.

Internal audit coverage – In process: SGA expense review¹¹; Decentralized cash collections (2016-17); Cash forecasting and budget review (2016-17);

▶ **Regulatory and Compliance**

Although the University designated a Chief External Compliance and Ethics officer during March 2016, compliance officers for the various compliance activities continue to oversee compliance in their area of responsibility, such as NCAA, Title IX, ethics, Research, Equal Employment Opportunity, ADA, Family Medical Leave Act, and SACS. The potential for noncompliance is increased without appropriate coordination and on-going oversight. Additionally, risk assessment interviewees and survey respondents indicated that additional FERPA and labor laws training may be needed at the University.

Internal audit coverage – Assess compliance with Family Medical Leave Act (2017-18)

¹¹ SGA expense review is a carry forward engagement from the DAC 2015-16 audit work plan

PROPOSED INTERNAL AUDIT PLAN						
Risk Category	Project Description	Risk Category/Risk Area	Covered in	Planned Coverage for Fiscal Year		
				2015-16	2016-17	2017-18
Governance						
1.03	Policies & Procedures Review	Control Environment	X			
1.03	Performance Based Funding Metrics	Control Environment/Internal Controls	X	1,800	X	X
1.01, 15.01	Assessing Ethics-Related Programs & Activities	Corporate Governance				X
1.02	Review adequacy of risk management	Corporate Governance			X	
1.03, 1.05	Review Process for Adopting & Changing Policies	Internal Controls/Culture		600		
Financial						
1.03, 17.02	Accounts Payable Review	Accounting and Reporting	X			
1.03	Decentralized Cash Collections	Accounting and Reporting	X	1,000		
18.01	Cash Forecasting & Budget Review	Accounting and Reporting		235		
Compliance						
7.02	Program review of online education	Legal & Regulatory			X	
16.05	In Process: Rattler Boosters	Legal & Regulatory	X ¹²	40		
Operational						
6.06	In Process: Financial Aid Process Review	Academic Operations	X ¹³	40		
6.06	Financial Aid Student Eligibility Review	Academic Operations				X
12.02, 12.03, 12.04	IT - Security Controls Review	Information Technology	X			
12.03, 12.04	IT - Disaster Recovery Plan Review	Information Technology				X
12.01 12.03	IT - Review Automation/Use of PeopleSoft	Information Technology			X	
14.03	Construction Management Review	Physical Assets	X	600	X	X
6.08	In Process: SGA Expense Review	Student Support Services	X ¹⁴	300		
13.02	Review Title IX/Clery Act Reporting	Environmental Health & Safety		250		
6.05	Admission & enrollment	Academic Operations			X	
6.03	Assess Student Retention Programs	Academic Operations		750		

¹² Rattler boosters review is deemed 95% complete and is a carry forward engagement from the DAC 2015-16 audit work plan

¹³ Financial aid process improvement review is deemed 95% complete and is a carry forward engagement from the DAC 2015-16 audit work plan

¹⁴ SGA expense review is a carry forward engagement from the DAC 2015-16 audit work plan

6.03	Assess Student Recruiting Programs	Academic Operations			X	
	Total Hours Audits & Assurance			5,615		
Management Advisory Services						
16.05	Consulting on Athletics Compliance Review	Compliance/Legal & Regulatory		150		
1.03, 1.04	Training Assistance	Governance		100	X	X
12.01, 12.02, 12.03, 12.04	IT Cybersecurity Gap analysis	Information Technology		1,200	X	
13.01	Crisis Communication Plan Training	Physical Security				X
	Management Requests			850	X	X
	Total management services			2,300		
Follow ups and investigations						
	Follow up Athletic Department Processes		X	150		
	Follow up of Audit Findings		X	450	X	X
	Investigations		X	1,200	X	X
	Total Follow up and investigation			1,800		
Internal Audit Administration						
	Training			320		
	Administration			4,800		
	Leave			520		
	Total internal Audit Administration			5,640		
	Total All Hours			15,355		

Risk Assessment Process

In preparation for the risk assessment interviews, the team researched FAMU and its industry risks by utilizing experiences from FAMU and other university internal audits. Based on the research performed, the team members discussed the views of risk facing FAMU and reviewed a listing of projects performed by the Division during the year.

The team then solicited feedback on the relevant risk points and potential projects during the risk assessment interview process. The interviews are an integral part of the risk assessment process, as the Division brings internal audit experience and FAMU management expertise on the risks facing the University.

In addition, we met with focus groups and distributed an automated risk assessment survey to the next level of FAMU administrators, soliciting their confidential input on risks facing the organization. The result of this process is a comprehensive view of the important risks at FAMU and an audit plan responsive to those risks.

The team also considered factors such as results of prior audits and investigations, cumulative knowledge obtained from several years of performing risk assessments, and documentation obtained from relevant analytical procedures.

Interviewee Listing

In conducting the University risk assessment, we interviewed twenty individuals across the organization in key financial, operational, strategic and compliance functions. Each interview was scheduled for one hour.

Interviewees were asked to specifically consider and comment on the following items:

- ▶ The scope of their responsibilities
- ▶ Inherent risk in their functional area
- ▶ Their view of risks related to the processes in their area of responsibility
- ▶ Their view on overall risk to the University
- ▶ Their view of fraud risk for the University

Interview Listing

The following members of FAMU's Board of Trustees, Executive Staff, and other members of Administration were interviewed:

Name	Title
Trustee Kelvin Lawson	Chairman, Board of Trustees
Trustee Nicole Washington	Chairman, Audit Committee, Board of Trustees
Elmira Mangum	University President
Angela Poole	Vice President for Finance and Administration/Chief Financial Officer
Marcella David	Provost & Vice President, Academic Affairs
Dale Cassidy	Chief External Compliance & Ethics Officer
Terence Calloway	Assistant Vice President, Student Affairs/Chief of Police
Funmi Ojetayo	Assistant General Counsel
George Cotton Sr.	Vice President, University Advancement/Executive Director, FAMU Foundation, Inc.
Milton Overton	Director of Athletics
Dr. William E. Hudson, Jr.	Vice President, Student Affairs
David Cantrell	Associate Vice President, Information Technology Services
Shira Thomas	Associate General Counsel
Timothy Moore	Vice President, Research
Jimmy Miller	Executive Assistant (Chief of Staff) & Acting Vice President for Capital Planning and Facilities Management
Elise Durham	Assistant Vice President, Communications, Marketing & Media Relations
Joyce Ingram	Associate Vice President & Chief Human Resources Officer
Wanda Ford	Executive Director, Title III Programs
Michael James	Director, University Computer Systems
Angela Sutton	Director, Environmental Health and Safety

In addition, we distributed the risk assessment survey to the next level of FAMU administration (focus groups) soliciting their confidential input on risks facing the University.

An Overview of Surveys Received

RISK ASSESSMENT FOCUS GROUP PARTICIPATION	
Group	Participants
Academic	5
Audit	5
Compliance	8
Finance	11
Financial Aid	0
Information Technology	8
Registrar	2
Research	5
TOTAL	44

Risk Assessment Survey Overview of Surveys Used in Risk Matrix		
	# of Total Surveys Received	% of Total Surveys Received
Leadership (Board of Trustees and Senior Management)	12	35%
Middle Management	22	65%
Total	34	100%