

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



Audit & Compliance Committee

Date: Thursday, June 9, 2016 - Time: 1:00 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

ACTION ITEMS

- II. Approval of Minutes Chair Nicole Washington
- III. Acceptance of Grant Thornton Report
- IV. Approval of Recommended Actions in Corrective
Action Plan for Board Approval

INFORMATION ITEM

- V. Investigative Reports Vice President Richard Givens
- VI. Self-Assessment Report
- VII. Schedule for Quality Assurance Review
- VIII. Review of Office of Auditor General Audits

Adjournment

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



**Audit and Compliance Committee Minutes
Trustee Nicole Washington, Chair**

**Wednesday, February 10, 2016 10:00AM
Conference Call**

Committee Members Present: Trustee Nicole Washington, Chair, Trustee Gary McCoy and Trustee Robert Woody

Trustee Nicole Washington, Chair, called the meeting to order. Debra M. Barrington, Administrative Assistant to the Vice President, called the roll. A quorum was established.

Action Items

Approval of Minutes – December 10, 2015

There were no revisions to the minutes. Trustee Woody, made the motion, and it was seconded by Trustee McCoy. The motion carried.

Acceptance of Pharmacy Phase II Building Construction Investigation

VP Givens provided context and summary of the report of allegations made by EMO Architects regarding the University's management of the Pharmacy Phase II Building construction. The University terminated the architect for the Pharmacy Phase II Construction Project, and, after he was terminated, the architect filed a number of allegations with the Board of Governors. The Board of Governors referred the allegations to the University to investigate. The University retained an outside firm to investigate the allegations.

There were two allegations that were substantiated, both of which were subsequently corrected:

1. An allegation that the contract commitments exceeded the encumbrance authorizations was substantiated. From May 2010 until September 2010, the contract commitments exceeded the encumbrance authorizations by 663,000; this was corrected in September. The money had been appropriated to the University but the University needed to get approval to spend it and had not received approval until September.
2. The second allegation had to do with mismanagement of the project that resulted in delays, which resulted in the University paying general condition costs. The firm validated \$300,000 in general conditions costs that were paid, but the amount paid was substantially less than the alleged amount of \$1.5 million paid per the allegation. The delayed costs were paid through subsequent amendments to the contract.

There were three allegations that were not substantiated:

1. The Architect claimed he had not been paid for the work he performed;
2. The Architect requested a termination fee based upon a clause in the contract. It was found that he was paid for work performed, but the investigative firm did not render an opinion on whether the termination fee was owed. The Office of General Counsel and our outside counsel both believe no termination fee was owed under the contract.
3. It was alleged that the University contacted some of the architect's sub-consultants after termination of the contract with the architect. It was disclosed that the University had contacted the sub-consultants, but when the complaint was made, the University ceased contact. Lastly, an allegation was made that the University violated procurement laws by hiring the successor architect on an emergency basis rather than true competitive procurement. This was found to be unsubstantiated.

Trustee Carter inquired of the overall status of what we present to the Board of Governors. VP Givens shared that the report and University corrective action plan was sent and reviewed by the Board of Governors.

Trustee Carter also asked about any outstanding litigation in this matter. At the present time, no, there is no litigation. Attorney David Self, Associate General Counsel shared he worked on this matter with EMO Architects. When Emo was terminated about two and a half or three years ago, The University evaluated work performed on the project and determined the Architect was owed approximately \$32,000 for work performed. The University delivered a final check of approximately \$32,000 to the Architect that was not cashed. The University's accounting staff has surrendered the check to the Department of Management Services for unclaimed property, Financial Services. The architect has approximately two years remaining on the statute of limitations for litigation.

Trustee Warren asked that, in the future, a reference point be provided. Attorney Self indicated that the allegations were filed with the Board of Governors about two years ago.

Chair Washington indicated that the report was sent to BOT members in January 2016, and the report had the full detail of the history, findings, and corrective action. A motion to accept the report was made by Trustee Woody and Trustee McCoy seconded. The motion was approved.

Information Items

VP Givens provided a report on the following information items:

Roles and Responsibilities of the Audit Committee

The Audit Committee's roles are defined by the Audit Committee Charter adopted by the Audit Committee and approved by the Board of Trustees. The roles of the Audit Committee include oversight of financial reporting, internal controls, and risk management. In government, audit committees oversee the internal controls regarding legal and regulatory compliance that extend beyond financial reporting. Other responsibilities are to ensure that the University devotes adequate resources required for the effectiveness of the internal control processes, determine that risk management processes are in place (especially as they affect such areas as financial reporting and reputational risk), review the risk assessment, challenge the risk profile as well as reassess the list of the top risk areas, and determine who should oversee the areas.

The Board has the authority to hire independent auditors, which are primarily hired for special projects. The state auditor general performs annual financial and federal awards program audits.

Updates on Reports Issued

A follow up for findings in the P-Card and Travel audit was performed. The purchasing card administrator has implemented some corrective actions on all issues addressed.

Also, a report was issued on the hiring process at the University as a result of allegations reported to the Board of Governors and referred to DAC to determine whether the hiring process was followed. It was found that the individual was qualified for the position into which he was hired; however, opportunities for improvement in the process were noted, relating primarily to instances in which advertising for a position is waived. The opportunities for improvement were discussed with Human Resources (HR) and HR agreed to review the process with an eye toward implementing some changes to the process, such as revising policy language to codify and clarify the procedure to be used when an advertisement is waived.

The University's process for hiring a position without advertising the vacancy was discussed. When advertising is waived, the University's process requires written justification. Attorney Thomas reported that University Regulation 10.102 prescribes the process for waiver of advertisement. There is a form that must be completed. It was reiterated that only the President, or the President's designee, who is a VP, must approve, not an associate.

In the University's process, an application is required when a vacancy is advertised. An application has not been required in the process where advertisement is waived. Trustee Washington asked for this to be reviewed by HR and to make sure that the regulations are being followed.

Grant Thornton has been hired to do the review related to the renovations at the University-owned house occupied by the President and the hiring Incentives. The auditors are scheduled to be onsite next week.

The Proposed Board of Governors Regulations

The Board of Governors is in their regulation development process a number of audit regulations. They met with various stakeholders, received input, and are incorporating the input from stakeholders to the proposed regulations. The timeline for implementation is undetermined at this time.

Trustee Warren asked if there is an audit plan on areas that DAC would focus on to explore where we might have risk. DAC serves as internal auditors to the University, and in that role the Board's expectation is that DAC would look at operating procedures to make adjustments where needed based on periodic examinations or explorations of DAC. VP Givens responded that every year DAC does a risk assessment, and based on the risk assessment, a work plan is completed which includes the audits, the time allocated to investigations, and management requests.

Trustee Nicole Washington, Chair, adjourned the meeting.

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



**Audit and Compliance Committee Minutes
Trustee Nicole Washington, Chair**

**Thursday, March 3, 2016 9:00 AM
Special meeting via conference call**

Committee Members Present: Chair Nicole Washington, Trustee Tonnelle Graham (late) and Trustee Robert Woody

Trustee Nicole Washington, Chair, called the meeting to order. Debra M. Barrington, Administrative Assistant to the Vice President, called the roll.

Action Item

Acceptance of the Performance Funding Data Integrity Audit

VP Givens presented the audit report for the Performance Funding Data Integrity Audit. The report concluded that the University's processes and internal controls for data compilation and reporting to the BOG are adequate. Observations noted improvements could be made including the following:

- Improved review of access privileges related to information technology within the iRattler System.
- Data submissions were not submitted by the required due date.

Corrective actions to address the above observations were presented.

The audit procedures also disclosed an observation that automating the graduation certification process could improve efficiency and effectiveness of University processes. The University has the technology which, when implemented, could improve the timeliness of the graduation certification, reduce errors, and provide a means for advisors and students to more closely monitor progress toward graduation.

The motion to approve the Performance Funding Data Integrity Audit was moved and properly seconded. The motion carried unanimously.

Trustee Nicole Washington, Chair, adjourned the meeting.

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



**Audit and Compliance Committee Minutes
Trustee Nicole Washington, Chair**

**Friday, April 8, 2016 9:00 AM
Special Meeting via conference call**

Members Present: Chair, Trustee Nicole Washington, Trustee Gary T. McCoy, Trustee Craig Reed, and Trustee Robert Woody

Trustee Nicole Washington, Chair, called the meeting to order. Debra M. Barrington, Administrative Assistant to the Vice President, called the roll. A quorum was established.

Information Item

Grant Thornton LLP Compliance Audit Report

Trustee Washington led the discussion related to the Informational item on the agenda. The item is the review of the external audit performed by Grant Thornton LLP related to hiring incentive payments and renovation to the University-owned residence. The audit was directed by the Board at the October 22, 2015, meeting. The staff followed the University's regulations regarding procurement procedures in selecting the firm. GT was engaged by the University to conduct a compliance audit related to (1) certain hiring incentive payments that were made to five employees and (2) the University's compliance with certain laws, regulations, and internal regulations and contract agreements associated with the University-owned residence renovation projects. GT conducted the examination in accordance with standards established by the American Institute of Certified Public Accountants. The final report was distributed to the Board on April 2, 2016.

Trustee Washington recognized Jack Reagan, a partner with the accounting firm of Grant Thornton (GT), to present the report findings. As described in the report, the examination disclosed material noncompliance related to three of the hiring incentive payments made during the fiscal year 2014/15 and 2015/16 fiscal year, through March 9, 2016. The examination also disclosed material noncompliance related to one University-owned residence renovation project from the period of December 1, 2013, until March 9, 2016. Accordingly, GT concluded the University did not comply with the employee hiring incentive regulations or the University-owned residence renovation regulations.

Regarding hiring incentive payments, GT recommends that the University formalize rules, policies, guidelines and procedures that make sure it complies with the Florida Statutes. GT further recommends that the Board of Trustees periodically re-approve the delegation of the authority for the President to negotiate such employment packages. The last time the board re-affirmed the delegation of authority was 2006. GT recommends that such delegation be re-approved at least once every three years.

Regarding the renovations to the University-owned residence, GT recommends that the University implement policies and procedures to insure that all renovations projects in excess of \$10,000 are presented

to the Board of Trustees for prior approval. It is further recommended that the Board of Trustees update its own policies and procedures to insure and require that any renovation projects associated with the University-owned residence in excess of \$10,000 are required to be presented to the Board of Trustees.

Acting CFO Angela Poole presented the corrective actions in order to prevent and detect internal control weakness in the future. To address issues dealing with the employee hiring incentive regulations, the University proposes to update the policies and procedures to insure that only permissible funding sources, based on Florida Statutes, are used to make compensation-related payments. In regards to the noncompliance with the University-owned residence renovation, AFS proposes that the Vice-President for AFS will confer with the Office of General Counsel (OGC) ensure contracts with special provisions are flagged for each board meeting. AFS also proposes to develop an updated approach for dealing with change orders on projects.

VP Givens provided an overview of the monitoring process for the implementation of the corrective action plan.

All BOT members were given an opportunity to ask questions.

Trustee Lawson asked if former Trustees Solomon Badger or Spurgeon McWilliams were contacted regarding their involvement in the renovation of the University-owned residence. Mr. Reagan indicated that GT was provided documentation from the University's Director of Physical Plant in October of 2015 that documented a meeting occurred in March of 2014, which was characterized as a walk-through meeting between members of University management, as well as certain members of the Board of Trustees. GT did not contact Trustee McWilliams because, under the auditing standards, the documentation is what is important and relevant to the auditing standards, and that verbal and nonverbal recollections are insufficient to allow a determination of compliance or noncompliance.

Trustee Woody indicated it was apparent that, when it was decided to give hiring incentives, the President or the administration did receive council or advice from resources within the university. There is a need to improve communication between the Board and the Administration. President Mangum responded that it is customary to offer hiring incentives for executive level positions in higher education. President Mangum believes the concern is whether the hiring incentives were properly sourced at the time they were paid, not that there was anything wrong with actually providing a salary or a hiring incentive in the form of salary. Trustee Washington agreed with President Mangum's position. Trustee Woody indicated his question was answered.

Trustee Lawson asked Mr. Reagan questions related to specific purchase orders for the University-owned residence. Trustee Lawson noted that, at the time of the initial discussion of this matter, two senior staff members advised that some of the items were in direct violation of the President's contract; however, GT concluded that these items are part of a larger project. GT verified that there were two separate projects: one for the renovation of the home and one for the construction of the garage. The project associated with the home was approved prior to April 1, 2014. Because the language in the President's employment agreement indicates project cost, only the garage project with a cost greater than \$10,000 occurring after April 1, 2014 resulted in the material noncompliance.

Trustee Carter expressed concern that the University needs to review its policies and procedures to insure that it has necessary policies and procedures in place to provide the necessary authority to adhere to the fiduciary responsibilities as it relates to the University. There is a need to make sure that the process is transparent. Chair Washington agreed with Trustee Carter's assessment that the Board needed more discussion about the policies and procedures, which documents should be reviewed, or what resources might be needed to assist in working through some of these issues. Trustee Moore concurred with the comments shared by others.

Trustee Moore inquired whether the provision of bonuses or incentives within the SUS System is common practice, or more of a universal practice, and that FAMU's failure was making sure that the resources were available to address the obligations incurred by executing those agreements. Mr. Reagan indicated, based on GT's experience, such packages as these are routinely granted during the employment process.

Trustee Warren indicated it is apparent that, as the audit points out, there was not a strict adherence to existing policies and procedures. Internally, the organization needs to have a system by which all policies and procedures are put on some kind of tickler for periodic review, which could be a two to three years review. Chair Washington requested that Chair Warren consider a conversation be held at the next board meeting around scheduling a review of University procedures and making sure that the University becomes in a better position to move forward. Trustee Warren, concurred with Chair Washington.

Trustee McCoy asked whether the University has a process to determine if an issue is a simple bookkeeping error or a procedural error prior to launching a full audit on issues of this nature. VP Givens responded that the audit was directed because the issues came to the University's attention through some external sources and the Board decided to direct an outside audit.

Trustee Lawson added that the rationale for going external versus internal was, prior to this October 22, 2015 discussion, on a separate issue, our own internal auditor had expressed concerns of undue influence by the Administration. Therefore, in an effort to make this as fair for both parties (the Board and the President), it was decided the best thing to do would be to go with an external firm to avoid any appearance of any influence by the Administration on the outcome of the audit process.

Trustee Washington shared that the next step is for the Audit Committee to accept this report in the next meeting as an action item, and the Committee will also come up with a number of recommendations to take to the full board for consideration during the full board meeting subsequently. The Board will work with VP Givens to determine the effort that would go into scheduling the process so the Audit Committee has recommendations to provide to the board. Any other questions or recommendations should be directed to VP Givens, and the Committee will be diligent to make sure that the result of this is something productive and helps the University insure that the policies and procedures are adequate and will put the University in the best position possible. The next Committee meeting will be in June 2016.

Trustee Nicole Washington, Chair, Adjourned the meeting.



Florida Agricultural and Mechanical University
Board of Trustees Action Item

Meeting Date: June 9, 2016

Agenda Item III

Item Origination and Authorization

Policy _____ Award of Bid _____ Budget Amendment _____ Change Order _____
Resolution _____ Contract _____ Grant _____ Other _____

Action of Board

Approved _____ Approved w/ Conditions _____ Disapproved _____ Continued _____ Withdrawn _____

Subject: Acceptance of Grant Thornton Report

The Audit Committee accepts the Grant Thornton Report as presented. The report was provided to the Board April 2, 2016. The Audit Committee met April 8, 2016 to discuss the report.

Recommendations:



REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANT

Board of Trustees
Florida Agricultural and Mechanical (A&M) University

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Grant Thornton LLP
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We have examined Florida A&M University's ("FAMU" or the "University") compliance with the laws, regulations, contract agreements, and internal regulations identified below for the hiring incentive payments made during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016 to five employees (Provost, Vice President (VP) Finance and Administration, Athletic Director, Director Academic and Support Services, and Assistant VP for Alumni Affairs). Collectively these laws, regulations, contract agreement and internal regulations are referred to as "employee hiring incentive regulations":

- Board Of Trustees (BOT) Operating Procedures (2.3)
- BOT Policy 2005-19 (3)
- Florida Statute Section 215.425 (1), (2)(e), and (3)
- Florida Statute Section 1012.976 (3)
- University Regulation 1.021 (c)
- University Regulation 10.102 (14)
- University Regulation 10.105 (3)(a)(2), (3)(a)(3), and (3)(b)(e)

We also have examined the University's compliance with the following laws, regulations, contract agreements, and internal regulations related to payments for renovations to the University owned residence from December 1, 2013 to March 9, 2016. Collectively these laws, regulations, contract agreements and internal regulations are referred to as "University owned residence renovation regulations":

- BOT Policy 2005-06
- BOT Policy 2005-07A (III) and (IV)
- *FAMU Facilities Planning & Construction Professional Services Guide*, "Section 4 Selection of Professional Services"
- Florida Statute Section 287.055 (2)(g)
- Florida Statute Section 287.017
- The University President's Employment Agreement, dated April 1, 2014, section 6.2

Management is responsible for the University's compliance with the employee hiring incentive regulations and University owned residence renovation regulations. Our responsibility is to express an opinion on the University's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about University's compliance with the employee hiring incentive regulations and the University owned residence renovation regulations and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on University's compliance with specified requirements.

As described in Appendix A, our examination disclosed material noncompliance related to three employee hiring incentive payments made during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016.

Also, as described in Appendix B, our examination disclosed material noncompliance related to one University owned residence renovation project during the period from December 1, 2013 to March 9, 2016.

In our opinion, because of the effect of the noncompliance described in Appendix A, the University has not complied with the aforementioned employee hiring incentive regulations during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016. Further, in our opinion, because of the effect of the noncompliance described in Appendix B, the University has not complied with the aforementioned University owned residence renovation regulations during the period from December 1, 2013 to March 9, 2016.

This report is intended solely for the information and use of University management and BOT and is not intended to be, and should not be, used by anyone other than these specified parties.



Alexandria, VA
March 9, 2016

Appendix A: Material noncompliance with employee hiring incentive regulations

Condition

The University President used her BOT delegated authority to negotiate and execute certain employment agreements. The University incurred the following employee hiring incentive costs during the 2014-2015 fiscal year and 2015-2016 fiscal year through March 9, 2016.

	Title of position to whom payment was made	Date of Employment Agreement	Amount of Incentive	Date of payment from F&M to employee	Date of reimbursement from FAMU Foundation
1	Director, Academic Support Services	7/6/2014	\$5,000	10/30/2014	11/25/2014
2	VP Finance and Administration	8/27/2014	\$15,000	11/13/2014	11/25/2014
3	Provost and VP of Academic Affairs	11/18/2014	\$15,000	2/11/2016	12/17/2015
4	Assistant VP for Alumni Affairs	4/9/2015	\$5,000	5/20/2015	12/17/2015
5	Director of Intercollegiate Athletics	6/18/2015	\$25,000	6/20/2015	12/17/2015

Table 1: Employee hiring incentive payments

We identified three hiring incentive payments where the University did not comply with Florida Statute Sections 215.425 and 1012.976. Particularly, two of the five hiring incentives (Table 1, Numbers 1 and 3) were wholly paid with Education and General (E&G) or state appropriated funds, and the other hiring incentive (Table 1, Number 5) was paid with restricted trust funds. The dollar amount of the three payments totaled \$45,000. Additionally, none of the five employment agreements were reviewed and approved by the BOT. We determined that all five payments were subsequently reimbursed by the FAMU Foundation.

Criteria

Florida Statute Section 215.425 – (Extra compensation claims prohibited; bonuses; severance pay) states:

"(1) No extra compensation shall be made to any officer, agent, employee, or contractor after the service has been rendered or the contract made; nor shall any money be appropriated or paid on any claim the subject matter of which has not been provided for by preexisting laws, unless such compensation or claim is allowed by a law enacted by two-thirds of the members elected to each house of the Legislature. However, when adopting salary schedules for a fiscal year, a district school board or

community college district board of trustees may apply the schedule for payment of all services rendered subsequent to July 1 of that fiscal year.

(2) This section does not apply to:

(a) A bonus or severance pay that is paid wholly from nontax revenues and nonstate-appropriated funds, the payment and receipt of which does not otherwise violate part III of chapter 112, and which is paid to an officer, agent, employee, or contractor of a public hospital that is operated by a county or a special district; or... As stated above, Section 215,425, F.S. [Florida Statute], permits payment of bonuses wholly from nontax and non-state appropriated funds. Accordingly, payment of bonuses from appropriated funds is in violation of this statute."

Florida Statute Section 1012.976 – (Remuneration of state university administration employees; limitations) states:

(1)(c) "Remuneration" means salary, bonuses, and cash-equivalent compensation paid to a state university administrative employee by his or her employer for work performed, excluding health insurance benefits and retirement benefits....Exception. – This section does not prohibit any party from providing cash or cash-equivalent compensation from funds that are not appropriated state funds to a state university administrative employee in excess of the limit in subsection (2). If a party is unable or unwilling to fulfill an obligation to provide cash or cash-equivalent compensation to a state university administrative employee as permitted under this subsection, appropriated state funds may not be used to fulfill such obligation. This section does not apply to university teaching faculty or medical school faculty or staff."

Effect

The University did not materially comply with Florida Statute Sections 215.425 and 1012.976.

Cause

The University's internal regulations were not sufficiently specific to indicate that such employment hiring incentive payments should not be made directly from University E&G funds and that payments should not be made until Foundation funding is available in the University's general ledger cost center. Further, there was no formal agreement between the University and the FAMU Foundation in advance of these payments to indicate that such payments would be reimbursed by the FAMU Foundation.

Recommendations

Grant Thornton recommends that the University:

- Develop formalized rules, policies, guidelines and procedures to require compliance with Florida Statute Section 215.425 and 1012.976.
- Establish policies, procedures and guidelines that assist accounting and budget personnel in properly determining the source of funding to be used for such employee hiring incentive payments.

- Establish policies, procedures and guidelines that assist budget personnel in properly verifying that Foundation funds are available in the University's general ledger cost center prior to disbursement.
- Obtain BOT approval for all senior employment agreements prior to execution.
- BOT should periodically re-approve the delegation of authority and the period of such re-approval should not exceed 3 years. The BOT last reaffirmed the University President's delegated employment agreement authority during fiscal year 2006.

Appendix B: Material noncompliance with University owned residence renovation regulations

Condition

The University incurred the costs identified in the table below to renovate the residence.

	Payment amount	Date of payment approval	Date of payment	Purchase order (PO) number	Vendor	PO or change order	Date of PO/change order creation	Date of approval	PO/change order amount
1	\$284,883.04	8/12/2014	8/18/2014	123281	LLT Building Corporation	Original PO	2/12/2014	2/12/2014	\$165,201.00
				123281		Change Order 1	3/7/2014	3/10/2014	\$103,208.00
2	\$15,000.11	1/15/2015	1/30/2015	123281		Change Order 2	3/18/2014	3/18/2014	\$7,159.00
				123281		Change Order 3	4/14/2014	4/15/2014	\$24,843.00
				123281		Change Order 4	1/7/2015	1/7/2015	\$225.85
3	\$2,825.00	2/21/2014	2/27/2014		Seven Mills Commercial Cleaning & Painting	Original PO	2/13/2014	2/13/2014	\$3,500.00
4	\$450.00	5/8/2014	5/12/2014			Change Order	2/20/2014	2/21/2014	\$750.00
5	\$975.00	3/25/2014	3/31/2014	123852	Lowe's	Original PO	2/23/2014	2/27/2014	\$8,545.50
6	\$8,545.50	4/21/2014	4/25/2014	123852		Change Order 1	2/28/2014	2/28/2014	\$3,285.38
7	\$3,285.38	4/14/2014	4/18/2014			Change Order 2	3/14/2014	3/14/2014	\$245.58
8	\$245.58	4/14/2014	4/18/2014			Change Order 3	3/24/2014	3/25/2014	\$178.55
9	\$178.55	4/14/2014	4/18/2014	123853		Change Order 4	3/28/2014	4/4/2014	\$38.07
10	\$38.07	8/7/2014	8/11/2014			Change Order 5	4/17/2014	4/17/2014	\$141.55
11	\$141.55	8/7/2014	8/11/2014			Change Order 6	2/20/2014	2/21/2014	\$12,325.00
12	\$12,325.00	5/12/2014	5/28/2014	124088	Lewis + Whitlock Architects, PA	Original PO	3/18/2014	3/18/2014	\$7,581.60
13	\$7,581.60	4/14/2014	4/15/2014	124325	Delta Set Ready (DSR)	Original PO	3/18/2014	3/18/2014	\$395.00
14	\$395.00	4/4/2014	4/8/2014	124352	Apogee (1 Hour Signs, Inc.)	Original PO	3/18/2014	3/18/2014	\$4,878.00
15	\$4,878.00	4/8/2014	4/15/2014	124385	Soenic Landscaping and Maintenance	Original PO	3/18/2014	3/18/2014	\$6,388.88
16	\$6,388.88	7/21/2014	7/28/2014	124387	A. West Enterprise	Original PO	3/18/2014	3/18/2014	

	Payment amount	Date of payment	Date of payment	Payment amount	PO or change order	Vendor	Purchase order (PO)	Date of payment	Date of PO change order	Date of PO change order	Date of approval	PO change order amount
17	\$7,514.00	4/21/2014	4/28/2014	124931	Original PO	DSR	124931	4/28/2014	3/28/2014	4/4/2014	4/4/2014	\$7,514.00
18	\$675.00	4/28/2014	5/2/2014	124933	Original PO	Seven Hills Commercial Cleaning & Painting	124933	5/2/2014	4/7/2014	4/7/2014	4/7/2014	\$675.00
19	\$3,490.00	6/1/2014	6/16/2014	124947	Original PO	Everdo Time & Equipment, LLC	124947	6/16/2014	4/4/2014	4/8/2014	4/8/2014	\$3,490.00
20	\$327.76	4/21/2014	4/21/2014	125054	Original PO	Rodolfo	125054	4/21/2014	4/18/2014	4/18/2014	4/18/2014	\$327.76
21	\$551.76	4/17/2014	4/24/2014	125121	Original PO	Tallahassee Lighting Fan & Blind	125121	4/24/2014	4/8/2014	4/8/2014	4/8/2014	\$551.76
22	\$8,000.00	5/1/2014	5/7/2014	125169	Original PO	Evergreen Grassing	125169	5/7/2014	4/7/2014	4/15/2014	4/15/2014	\$8,000.00
23	\$675.00	4/28/2014	5/2/2014	125208	Original PO	Seven Hills Commercial Cleaning & Painting	125208	5/2/2014	4/10/2014	4/15/2014	4/15/2014	\$675.00
24	\$4,385.35	5/22/2014	5/28/2014	125870	Original PO	Yumeca Fine Furniture	125870	5/28/2014	5/2/2014	5/2/2014	5/2/2014	\$4,385.35
25	\$350.00	5/1/2014	5/13/2014	125898	Original PO	Seven Hills Commercial Cleaning & Painting	125898	5/13/2014	4/28/2014	4/28/2014	4/28/2014	\$350.00
26	\$6,018.91	7/3/2014	7/15/2014	126063	Original PO	Hervey's Furniture	126063	7/15/2014	6/12/2014	6/13/2014	6/13/2014	\$6,018.91
27	\$5,900.00	6/10/2014	6/12/2014	126064	Original PO	J & W Inspection and Repair	126064	6/12/2014	6/12/2014	5/13/2014	5/13/2014	\$5,900.00
28	\$3,717.75	9/24/2014	9/28/2014	126512	Original PO	Lewis + Whitlock	126512	9/28/2014	5/15/2014	5/20/2014	5/20/2014	\$4,957.00
29	\$1,239.25	12/8/2014	12/8/2014	126501	Original PO	LLT Building Corporation	126501	12/8/2014	7/15/2014	7/15/2014	7/15/2014	\$11,519.00
30	\$11,519.00	10/2/2014	10/9/2014	127728	Original PO	LLT Building Corporation	127728	10/9/2014	6/17/2014	6/17/2014	6/17/2014	\$65,201.00
31	\$67,952.66	2/26/2015	2/27/2015	134853	Change Order	LLT Building Corporation	134853	2/27/2015	2/19/2015	2/19/2015	2/19/2015	\$6,328.00
32	\$3,578.45	3/19/2015	3/26/2015	128816 (Not PO No. 122261)	Original PO	LLT Building Corporation	128816 (Not PO No. 122261)	3/26/2015	8/27/2014	8/28/2014	8/28/2014	\$4,631.00
33	\$4,631.00	10/9/2014	10/15/2014		Original PO	LLT Building Corporation		10/15/2014	8/27/2014	8/28/2014	8/28/2014	\$4,631.00

Table 2: University owned residence renovation payments

The University established a separate garage project with an original budget of \$60,000.00 which was reviewed and approved on May 21, 2014. However, the original project, PO and subsequent change order were initiated after April 1, 2014 and in excess of \$10,000. The following details the transactions:

- Original PO No. 127726 was initiated and approved on June 17, 2014. This PO was in the amount of \$65,201.00. The PO was approved by the Project Manager and Associate Director.
- Change Order No. 1 was initiated and approved on February 16, 2015. This change order revised the PO number to No. 134853. This change order increased the PO amount by \$6,328.00. The change order was approved by the Project Manager and Associate Director.

The exception amount is the total project amount of \$71,529.00 because the total amount is in excess of \$10,000 and initiated after April 1, 2014 without BOT approval.

Criteria

The University President's Employment Agreement, which was effective April 1, 2014, Section 6.2 "Housing" offers the following provision relevant to this examination (page 3):

(The President) shall obtain prior approval from the Board (or its designee) for any capital improvements or repairs to the home or its grounds which have a project cost over \$10,000.

Effect

The University did not comply with the provisions of the President's Employment Agreement regarding the renovations to the University owned residence.

Cause

The results of a walkthrough meeting in March 2014 between the University's Interim VP of Administration and Financial Services and the BOT Facilities Planning Chairman was not formally documented. At that walkthrough meeting, the BOT member recommended that a garage be added to the University owned residence. This meeting was subsequently documented by the University's Director of Physical Plant in October 2015; however, no formal BOT approval of this project was documented.

University policies and procedures are insufficiently designed to require and monitor that University owned residence renovation projects greater than \$10,000 starting after April 1, 2014 are reviewed and approved by the BOT prior to execution.

Further, BOT policies and procedures are insufficiently designed to require and monitor that University owned residence renovation projects greater than \$10,000 are reviewed and approved by the BOT prior to execution.

Recommendations

Grant Thornton recommends:

- The Facilities Planning and Construction Department implement policies and procedures and communicate them to process owners to require and monitor that University owned residence renovation projects in excess of \$10,000 are presented to the BOT for approval prior to execution.
- The BOT update and implement policies and procedures and communicate them to process owners to require and monitor that University owned residence renovation projects in excess of \$10,000 are presented to the BOT for approval prior to execution.



Florida Agricultural and Mechanical University
Board of Trustees Action Item

Meeting Date: June 9, 2016

Agenda Item IV

Item Origination and Authorization

Policy _____ Award of Bid _____ Budget Amendment _____ Change Order _____
Resolution _____ Contract _____ Grant _____ Other _____

Action of Board

Approved _____ Approved w/ Conditions _____ Disapproved _____ Continued _____ Withdrawn _____

Subject: Approval of Recommended Actions in Corrective Action Plan for Board Approval

Recommendation: The following recommendations made in the report require BOT action.

Hiring Incentives:

- Adopt a policy requiring BOT approval for all senior employment agreements prior to execution
- Adopt a policy requiring BOT to periodically approve delegation of authority

Residence Renovations:

- Update and implement policies and procedures and communicate them to process owners to require and monitor that university-owned residence renovation projects in excess of \$10,000 are presented to the BOT for approval prior to execution (management letter)
- Adopt a policy to establish a purchase order dollar threshold requiring approval by the President.

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



**AUDIT COMMITTEE MATERIALS
JUNE 9, 2016**

APPROVAL OF RECOMMENDATIONS IN GRANT THORNTON REPORT

The following recommendations made in the report require BOT action.

Hiring Incentives

- **Adopt a policy requiring BOT approval for all senior employment agreements prior to execution**
- **Adopt a policy requiring BOT to periodically approve delegation of authority**

Residence Renovations

- **Update and implement policies and procedures and communicate them to process owners to require and monitor that university-owned residence renovation projects in excess of \$10,000 are presented to the BOT for approval prior to execution (management letter)**
- **Adopt a policy to establish a purchase order dollar threshold requiring approval by the President.**

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



REPORTS RELEASED

- ***Hiring Practices #15-10-0007***
- It was alleged that university procedures were not followed in hiring the Assistant Director at the Research Extension Center within CAFS. The allegation was not substantiated.
- ***Tree-Cutting at Personal Residence #15-08-0008***
- A contractor who was hired to cut trees at Quincy Farms also cut trees at a personal residence which was paid by the University. The allegation was not substantiated.
- ***Passing Score for Nursing Proficiency Examination #16-03-0004 & 16-03-0005***
- Nursing students alleged the University changed the passing score for the proficiency examination without authorization and they were not properly informed regarding the passing score required for graduation. The allegation was not substantiated.
- ***DRS Grade Change #15-06-0004***
- It was alleged that the Superintendent changed the grades of two students. Although the Superintendent was authorized to change grades, the process for the grade change was flawed.
- ***CAFS Stipends #15-10-0003***
- Stipend checks were requested and approved even though the individuals were ineligible to receive the checks. The allegation was not substantiated.
- ***CAFS Time and Leave # 15-08-0002***
- An Other Personal Services (OPS) student employee was enrolled in class during the same times as reported on the time sheet, and worked more hours than allowed for OPS students under University Regulations. The allegation was substantiated.
- ***Unauthorized Payment Approval #16-04-0003***
- The School of Allied Health approved an invoice of \$14,584 for payment even though the goods had not been received at the time the payment was approved. Although approval was made by the School of Allied Health, payment was not made.
- ***Foundation Scholarships Awarding Process # 15-03-0002***
- A student applied for numerous scholarships for which she was not awarded the scholarship and alleged the awarding process was flawed. The allegation was not substantiated.

COMPLAINTS RECEIVED

From March 1, 2016 through May 10, 2016, 13 complaints were received, of which 4 were closed with no investigation and 4 were referred to other agencies or departments for investigation.

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



REVIEW OF AUDITOR GENERAL AUDIT REPORT

The Auditor General performs annual audits of the financial statements and federal awards programs of the University. These audit reports for the year ended June 30, 2015 were released in March 2016. There were no findings in either of the audits. The Auditor General has started the operational audit of the University for the period ended March 31, 2016. The expected completion date is Fall 2016.