

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



Audit & Compliance Committee Meeting

Date: Wednesday, September 14, 2016

Time: 2:30 PM

Location: Grand Ball Room

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

ACTION ITEMS

- III. Approval of Minutes – June 9 & August 23, 2016 Chair Nicole Washington
- IV. Risk Assessment Presentation 2016-17 Year
- V. Audit and Compliance Work Plan Presentation 2016-17 Year

INFORMATION ITEMS

- VI. Annual Report
- VII. Major changes to proposed BOG Regulations

Adjournment

Chair Nicole Washington

Florida Agricultural and Mechanical University
Board of Trustees



Meeting Date September 14, 2016

Agenda Item III

Item Origination and Authorization

Budget Amendment _____ Policy _____

Award of Bid _____
Change Order _____

Contract _____

Resolution _____
Grant _____
Other x _____

Action of Board

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Disapproved _____ Continued _____ Withdrawn _____

Subject: Approval of Minutes: June 9, 2016 (Pages 3-6) and August 23, 2016 (Pages 7-8)

Rationale: The above mentioned minutes have not been approved.

Recommendation: Chair Nicole Washington has suggested to have each minutes be listed as "Action Items" for approval.

**Florida Agricultural and Mechanical University
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Division of Audit & Compliance
Thursday, June 9, 2016, 1:00 PM

Minutes

Trustee Nicole Washington, Chair

Trustee Nicole Washington, Chairman, called the meeting to order.

Members Present: Trustee Nicole Washington, Chairman
Trustee Jaylen Smith, Trustee Craig Reed (*absent*),
Trustee Gary T. McCoy, Trustee Robert Woody

Debra M. Barrington, Administrative Assistant to the Vice President, called the roll. A *quorum* was established.

Action Items

Trustee Nicole Washington, Chair, led the meeting and discussion with a request to motion and second that the Wednesday, February 10, 2016, Thursday, March 3, 2016, and Friday, April 8, 2016, Audit Committee meeting minutes for approval. All minutes were posted on the website for review. There weren't any questions or amendments to the minutes. A motion for approval was given, second and passed.

Chair Washington led the discussion of the second action item was the acceptance of the compliance audit report related to the hiring incentive payments and renovations to the University owned President's house. The final report was sent to the Board, April 2, 2016; the Audit Committee held a special informational meeting via conference call with Grant Thornton (GT), Principal, Jack Reagan, April 8, 2016, where important findings were discussed. The summary of the examination disclosed material non-compliance with three (3) hiring incentive payments and one (1) project related to the University owned residence renovation project.

There was a meeting presentation from the University regarding the corrective action plan implementation follow up. The Committee and Board Members had a discussion about the findings and potential recommendations. Committee members were encouraged to follow up with DAC with any additional concerns. Most of the Committee members had the opportunity to speak directly with GT and/or the University Staff as to substance of the report or any questions or concerns prior to Thursday, June 9, 2016 meeting. This action item allows any

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questions to be formerly submitted to the Board of Governors. Chair Washington asked if there were any questions regarding the substance of the GT report?

The discussion was that the University did not materially comply with Florida Statute Sections 215.425 and 1012.976 for the University's internal regulations were not sufficiently specific to indicate that such employment hiring incentive payments should not be made until Foundation funding is available in the University's general ledger cost center. There is 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 by FAMU Foundation.

There were no questions; Trustee Woody made a motion and nominated to accept the approval of the Audit Compliance Audit Report and residence of the hiring incentive and renovations of the President's house. Motion carried.

The final action item: Approval of Recommended Actions in Corrective Action for Board Approval. Chair Washington shared each of Grant Thornton's recommendations to FAMU University which are as following:

- Adopt and develop formalized rules, policies, guidelines and procedures to require compliance with Florida Statute Section 215.425 and 1012.976.
- Adopt and 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 and adopt 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 three (3) years. The BOT reaffirmed the University President's delegated employment agreement authority during fiscal year 2006.
- Renovations are to update an implement policies; procedures and communicate them to process owners to acquire and monitor that the renovations, in access of \$10,000 are presented to the BOG for approval prior to execution.

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INFORMATION ITEM

Investigative Reports: VP Givens shared there being eight (8) investigative reports that's been released recently; only two (2) findings that have been substantiated. One was DRS Grade changes for a couple of students where the grade change process was fraud. DRS took corrective actions and intend to purchase a manual that will cover the grade changes. These were unusual circumstances regarding the changes because of the manor the second substantiated findings. An OPS Student employee was working more hours than what is allowed under the current University policy.

During the last quarter from March through May, DAC received 13 complaints, four (4) were closed, four (4) referred and the rest are in process.

Vice President Givens gave an update on a number of additional reports issued by the Division of Audit and Compliance. Trustees should have received these reports and summaries prior to the meeting. Most of the allegations were unsubstantiated, but there are a few require follow-up and/or corrective action.

Vice President Givens also reported that from March 1, 2016 through May 10, 2016, 13 complaints were received of which four (4) were closed with no investigation and 4 were referred to other agencies or departments for investigation.

Self-Assessment Report - The Division's Quality Assurance Improvement Program requires a self-assessment to be done annually. The self-assessment for the period July 2014 – June 2015 was conducted. A report was given on the results of the Self-Assessment. The report concluded

- DAC continued to make progress in addressing deficiencies disclosed in earlier assessments
- Work papers were adequate to support audit reporting and meet requirements of professional standards
- The operations generally conform to professional standards

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.

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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.

Review of Office of Auditor General Audits - Schedule for Quality Assurance Review - Certain areas for improvement were noted

- Continue development of staff training plan
- Continue development of a work plan that best addresses high risk, high impact areas, such as governance and IT to best utilize resources
- More formal system for communicating instances in which an unacceptable level of risk has been accepted
- Update the operating manual
- Continue to increase use of technology

The Division is required by auditing standards to have a quality assurance review every three (3) years. The review is expected to be completed by January 2017.

Operational Audit – Required to be done every three (3) years on a fiscal year, July through June.

There were no further business; therefore, the meeting was adjourned.

Adjournment

Trustee Nicole Washington, Chair, Adjourned the meeting.

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Division of Audit & Compliance
Wednesday, August 23, 2016, 4:00 PM

Minutes

Members Present: Trustee Nicole Washington, Chairman
Trustee Jaylen Smith (*absent*), Trustee Craig Reed,
Trustee Gary T. McCoy, Trustee Robert Woody

Trustee Nicole Washington, Chairman, called the meeting to order.

Debra M. Barrington, Administrative Assistant to the Vice President, called the roll. A *quorum* was established.

Trustee Nicole Washington, Chair, led the meeting by informing the Board of Trustees (BOT) of the meeting being an informational meeting; intended to discuss the University's process for developing the Division of Audit and Compliance Annual Work Plan. The Work Plan is developed in consultations through surveys, interviews, the President, Chief Stakeholders, and Board members. VP Givens shared that the Audit Standards and the Audit Charters require that an annual Risk Assessment and a Work Plan be developed for Division of Audit and Compliance. Both need to be approved by Audit Committee. They will go through the preliminary. It is in a DRAFT at this point; it is for discussion, input and as previously mentioned by Chair Washington; the Risk Assessment and Work Plan will be revisited, September 14, 2016, for final approval.

The Methodology which is coming up with the Risk Assessment is to interview appropriate staff, all team management staff, and some others who had relevant areas like IT, Focus Groups, and mid-level managers to get their input. It was requested to do a survey in which they would score the various risk categories based on the likelihood occurrence and the impact if occurrences occurred. Information was considered of audits and investigations which were done over time; various analytical procedures were done to help get an understanding of some areas. Once that was done work was started on the heat map; the information from the surveys was compiled. Where the participants scored the various risk areas, DAC developed the preliminary heat map which is the starting point from this the responses received were considered throughout the interview process and the other information obtained DAC made the assessment based on DAC professional judgement based on as to what the risk areas were. Basically when risks are talked about it is an event or something which occurs that could have an impact on the University's ability to meet strategic objectives. Risk based on likelihood and impact of occurrence then graded as following:

- Low risk <9.99 – unlikely probability of occurrence having material impact
- Medium/Moderate risk 10-14.99 – medium probability of occurrence having material impact
- High risk – >15 expected probability of occurrence having material impact

VP Givens continued as he shared about the "Proposed Worked Plan" – for 2015-16 there are audits to be worked on are as following are:

Performance Based Funding Metrics – DAC has 1,800 Hours devoted – this is a required audit by the Board of Governors (BOG). It requires that we look at all 10 of the Performance Funding Metrics. Audit entails looking at the University's processes and procedures for recording and accumulating data reported to the BOG that support

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the performance funding metrics. The President and the Board Chair are required to sign a certification saying that based on their understanding and knowledge that they are certifying that the University has these processes in place that will provide the BOGs with information they can rely on.

Chair Washington requested that we determine how many hours other Universities are spending on the engagement and what's their scope. We do not want to spend too much time auditing in areas where other areas are most necessary to be audited.

Trustee Reed revisited the Risk Assessment Matrix with a question regarding the red, yellow or green risks. Regarding the Financial side: How do we perceive a rating being low risk at \$100K - \$50M? VP Givens agreed and will bring clarity on this report at our next Committee meeting, September 14, 2016.

Chair Washington asked if there were any other questions and gave thanks to VP Givens for his report. Chair Washington continued by expressing that in the spirit of knowing that most of us are new and we're trying to get our heads around what a risk assessment is, versus an enterprise risk assessment is. This is not an enterprise risk assessment this is something that we want to consider especially given some of the high risk areas that we saw. That is a separate conversation. This risk assessment is a survey of stakeholders to help the Audit and Compliance Department figure out which audits are to be performed in a given year and to do that over a three (3) year period. This is sort of mapped out and we do make corrections every year but to give us an idea of what our coverage is in the various departments and areas.

Trustee Reed raised the issue about capacity. We spend a lot of time evaluating performance metrics, and other things that are kind of self-reported but what about other areas of the enterprise where there may be questions Do we have the capacity or as new things comes up do we have the capacity in the current group to make sure that we are always covered in those areas or should we go outside?

Chair Washington thinks we would consider out sourcing some IT work. Trustee Reed indicated we may look at it from the top down and determine that we have applied the right resources in those areas. For example, what is being audited in the IT area? What is the intent of the audit and what is the expectation of the outcome of the audit? An enterprise plan includes a significance element, and also a plan to correct the issue, which forces a dialogue around the strategic plan and funds associated with allowing you to be able to remedy that.

The meeting was adjourned by Trustee, Chair.

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2016-17

Risk Assessment and Internal Audit Plan

**Division of Audit and Compliance
Richard Givens, Vice-President**

**Florida Agricultural and Mechanical University
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Division of Audit and Compliance

2016-17 Risk Assessment and Internal Audit Plan

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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 the 20 interviewees and 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. Thirty-four surveys were returned and were included in the survey results.

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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%

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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 \$5M-\$50M
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 - \$5M
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.

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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

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	<div style="display: flex; flex-direction: column; align-items: center;"> <div style="display: flex; align-items: center; margin-bottom: 5px;"> ● Low: < 9.99 </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> ● Medlum: 10 – 14.99 </div> <div style="display: flex; align-items: center;"> ● High: >15 </div> </div>	Preliminary Overall Ranking Based on Scoring per Surveys (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	Yellow	
1.02	Leadership Effectiveness	14.87			X		Red	
1.03	Control Environment/Internal Controls	13.40	X	X	X	X	Red	
1.04	Roles, Responsibility & Accountability	12.83					Yellow	
1.05	Culture	15.17		X			Red	
Planning & Resource Allocation								
2.01	Strategic Planning & Direction	12.25					Yellow	
2.02	Annual Budgeting & Forecasting	13.02					Yellow	
2.03	IT Enablement & Process Automation	13.43					Yellow	
2.04	Alliances & Partnerships	9.90					Yellow	
Strategic Initiatives								
3.01	Program Planning & Governance	11.32					Yellow	
3.02	Program Execution & Monitoring	10.67					Yellow	
3.03	Business Acceptance & Change Management	12.39					Red	
Industry Dynamics								
4.01	Macro-economic Factors	11.46					Yellow	

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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					

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

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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					
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	X	X	
12.04	Information Security	15.03	X	X	X	X	

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

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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					
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					

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

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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						
17.02	Management Reporting & Business Intelligence	10.62	X					
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						
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						

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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 need 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 (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 offering 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.

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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 as they begin 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/HeadcountEnrollment?:embed=y&:display_count=yes&:showTabs=y&:showVizHome=no

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► **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 who 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

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

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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 staff has been assigned as athletics liaison with financial aid and there is also an in-house athletics compliance officer working with the financial aid office 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

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

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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 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 potential 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

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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 – Compliance is reviewed in all audits and also reviewed as part of Investigations.

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

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



Meeting Date September 14, 2016

Agenda Item IV

Item Origination and Authorization

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

Action of Board

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

Subject: 2016-17 Risk Assessment

Rationale: Risk management is a continuous, forward-looking process that is an important part of business and technical management processes. Risk management should address issues that could endanger achievement of critical objectives. A continuous risk management approach is applied to effectively anticipate and mitigate the risks that have critical impact on the project.

Effective risk management includes early and aggressive risk identification through the collaboration and involvement of relevant stakeholders. Strong leadership across all relevant stakeholders is needed to establish an environment for the free and open disclosure and discussion of risk.

Recommendation: The Audit Committee recommends that 2016-17 Risk Assessment, be approved.

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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	Student Support Services	X ¹⁴	300		

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

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	Review					
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		
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	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		

Proposed work Plan - Alternate Projects/Outsourcing

- Alternate Projects
 - Review FERPA Compliance
 - Review FLMA compliance
 - Review Financial aid disbursement process
 - Review controls, policies, and procedures over systems not under ITS control
 - Consulting on IT Strategy and Planning

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



Meeting Date September 14, 2016

Agenda Item \

Item Origination and Authorization				
Policy ____	Award of Bid ____	Budget Amendment ____	Change Order ____	
Resolution ____	Contract ____	Grant ____	Other_x____	

Action of Board				
Approved ____	Approved w/ Conditions ____	Disapproved ____	Continued ____	Withdrawn ____

Subject: 2016-17 Proposed Work Plan

Rationale: An outlined plan by which Division plans to complete a quality continuous work within a given amount of time and in compliance with a set budget.

Recommendation: The Audit Committee recommends that 2016-17 Work Plan, be approved.

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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

Florida Agricultural and Mechanical University Board of Trustees



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.

**Florida Agricultural and Mechanical University
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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%

**Florida Agricultural and Mechanical University
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**2015-16
Annual Report**

**Division of Audit and Compliance
Richard Givens, Vice-President**

Florida Agricultural and Mechanical University Board of Trustees



OVERVIEW

The Division of Audit & Compliance is charged with protecting the University by providing risk-based, objective and reliable assurance, consulting, and investigative services. We accomplish this by providing:

- Auditing and assurance services in which planned reviews are conducted;
- Follow up audits where processes and transactions are reviewed to determine if effective corrective measures have been implemented in response to audit findings;
- Consultation and advisory services which provide advice and information on internal controls, risk management, and business practices;
- Investigations in response to allegations of fraud and abuse, conflicts of interest, nepotism, and other matters in violation of state or federal regulations, university policy, or other guidance.

WORK ALLOCATION

The Division of Audit & Compliance's work (excluding indirect time) was allocated as follows during Fiscal Year 2015-16:

- | | |
|--------------------------------------|-----|
| • Auditing and assurance | 43% |
| • Follow up audits | 16% |
| • Consultation and advisory services | 7% |
| • Investigations | 34% |

Projects are determined by a risk assessment performed each year; knowledge obtained from prior audits, investigations, and consultations; and management requests.

AUDITS AND ASSURANCE SERVICES

Audits are included on the Division's approved Audit Plan and result in a formal report which includes observations and corrective actions that were identified during the audit. Audits completed during 2015-16 are:

- Performance Based Funding
- Decentralized Cash Collections
- IT Security Controls Review
- BOT Policies and Procedures
- Accounts Payable Process Review
- Construction Process for CASS Building Project

Audits in process at June 30, 2016 included:

- Financial Aid Process Review
- Review of Rattler Boosters Compliance with Selected Regulations
- SGA Expense Review

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The following audits were scheduled for 2015-16, but not completed.

- IT Access Review – Reviewed by external auditors
- Privacy Risks – Deferred to future year

FOLLOW UP AUDITS

Follow up audits are completed for any audit findings resulting from assurance engagements and may be completed for other engagements, such as investigations, as deemed necessary. Our office has made continuous improvements to our follow up process during 2015-16. A database was established to track the status of implementation of findings, including the expected implementation date of corrective actions. Correspondence was sent to the responsible employees to obtain an updated status for implementation of corrective action. Follow up audits were completed for the grade change and P-card audits during 2015-16. Beginning in 2016-17, reports will be provided to the President and senior leadership team on the status of implementation of corrective actions.

CONSULTATIONS/ADVISORY SERVICES

The Division provides consulting and advisory services which are intended to provide advice and information on a wide variety of topics related to compliance, internal controls, and business practices. This includes reviewing current practices, researching and interpreting policies and procedures, and responding to routine inquiries. The Division also serves as liaison with the external auditors.

Major Consultations completed during 2015-16:

- Evaluation of Options for Implementation of Compliance Function
- Monitoring of corrective actions resulting from the NCAA investigation
- Other consultations on a variety of topics

Consultations in process at June 30, 2016 included:

Information Technology Cybersecurity Gap Analysis

INVESTIGATIONS

Investigations result from tips reported to our office through the University's hotline; correspondence provided direct to our office in the form of letters and memoranda, e-mails, and telephone calls; from the Board of Governors; the Governor's Inspector General; and other sources. During 2015-16, 18 investigative reports were issued and 15 complaints were referred to other departments for investigation. Issues investigated included:

- allegations concerning personal use of university property
- mismanagement of construction projects
- violations of various laws and university regulations, including unapproved outside employment, hiring practices, and purchasing irregularities
- retaliation for cooperating in an investigation
- failures to sign-out for leave
- unauthorized grade changes

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Several instances of violations laws and regulations and failure to follow internal controls were disclosed and improvements in internal controls were reported. The Division also followed up on 29 investigative reports that had been issued.

DISCLOSURES

The Division of Audit & Compliance adheres to the Standards of the Institute of Internal Auditors (IIA) and Government Auditing Standards. The following items are being disclosed in conformance with the *Standards*:

Organizational Independence

The Division of Audit and Compliance, reports functionally to the Audit Committee of Florida Agricultural and Mechanical University Board of Trustees and administratively to the President. In keeping with the *Standards*, we maintain a strong working relationship with the Audit Committee. Consequently, the Vice President of Audit and Compliance presents results of audits and other office activities to the Audit Committee at their quarterly meetings. In addition, the Vice President of Audit and Compliance assists the Audit Committee in understanding their roles and responsibilities and keeps committee members apprised on emerging issues and best practices.

Impairments to Independence or Objectivity

If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed. There were no impairments to independence or objectivity in fact or appearance during 2015-16.

Disclosure of Nonconformance

Occasionally circumstances require the completion of a project or engagement in a manner which is inconsistent with applicable *Standards*. During 2015-16, there were no instances in which projects were completed in a manner that did not comply with the *Standards*.

Resolution of Management's Acceptance of Risks

Each engagement can potentially produce items that may pose risks to university operations. Some items will require management's attention while others may be situations in which management decides to accept the risk associated with continuing the practice. We are required to disclose to senior management and the Board of Trustees any situation in which it is believed university personnel have accepted a level of residual risk that may not adequately reduce or mitigate the risk of loss. There were no such instances during Fiscal Year 2015-16.

Quality Assurance Review

In order to fully comply with the *Standards*, our office is required to undergo a quality assurance review every three years. In September 2013, the external professional services CPA firm Ernst & Young completed a quality assurance review of our office for 2012-13. The review concluded we were operating in general conformance with professional standards (the highest rating). As part of our quality assurance improvement program, we completed self-assessments during the 2014-15 and 2015-16 years. The self-assessments concluded operations were in general conformance with the standards. Our next external quality assurance review is scheduled to occur by the end of 2016.

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PROFESSIONAL ACTIVITIES:

Division of Audit and Compliance staff maintains active memberships and attends continuing educational seminars in the following professional associations:

- Association of College and University Auditors (ACUA) – Institutional member
- Institute of Internal Auditors (IIA) – National and local chapter member
- Information Systems Audit and Control Association (ISACA) – National and local member
- Association of Inspector General (AIG) – National and local member
- Association of Certified Fraud Examiners (ACFE) – Local chapter member
- Association of Government Accountants (AGA) – National and local chapter member
- National Association of Construction Auditors (NACA) – National member

STAFF

The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing, Section 1230, states that “Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development.” The Division of Audit and Compliance places a premium on quality continuing professional education and takes advantage of other relevant training opportunities through participation in our local IIA, AGA, ACFE, AIG and ISACA chapter seminars, and promotes attendance to conferences sponsored by professional organizations such as ACUA, AICPA, as well as other entities. During 2015-16 all Division of Audit and Compliance staff members attended various trainings and obtained continuing professional education hours.

NAME	CERTIFICATIONS ¹	YEARS OF EXPERIENCE
Richard E. Givens	CPA, CGFM	42
Debra Barrington	–	25
James Hakemoller	CIA, CFS, CGAP	40
Jessica Hughes	CCA	13
Ruoxu Li	CIA, CISA	9
Deidre Melton	CISA, CRISC	13
Alan Sands	CPA	40
Carl E. Threatt Jr. ⁱⁱ	CIA, CRMA, CIGA	24

Our audit staff currently possess specializations in accounting, fraud auditing, risk, information technology, construction, and financial management. A staff member is also Lean Six Sigma Process Improvement Green Belt certified. In addition our administrative assistant is a Florida Notary Public. The specializations and training provides our office with the unique ability to provide a dynamic range of services and expertise to the University community. Our goal is to continuously increase the knowledge and competency of our staff through training and specialty certifications. During 2015-16, the following staff met the requirements for certifications:

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NAME	CERTIFICATION OBTAINED IN 2015-16	CERTIFYING BOARD ISSUING CERTIFICATION
Jessica Hughes	CCA	NACA
Ruoxu Li (*)	CISA	ISACA
Deidre Melton (*)	CRISC	ISACA
Carl E. Threatt Jr.	CIGA	AIG

*Requirements have been met and pending final approval from ISACA's certification board

ⁱ Certified Public Accountant (CPA); Certified Government Financial Manager (CGFM); Certified Internal Auditor (CIA); Certified Fraud Specialist (CFS); Certified Government Auditing Professional (CGAP); Certified Construction Auditor (CCA); Certified Information Systems Auditor (CISA); Certified in Risk and Systems Control (CRISC); Certification in Risk Management Assurance (CRMA); and Certified Inspector General Auditor (CIGA)

ⁱⁱ Lean Six Sigma Process Improvement Green Belt Certified.

Florida Agricultural and Mechanical University Board of Trustees



BOG Proposed Regulations Summary of Significant Changes to Prior Drafts

4.001 University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement

- The regulation addresses only the processes for significant and credible allegations
- Defined significant and credible allegations as those that require the attention of those charged with governance
- Requires the BOT to adopt a regulation that requires timely notification to BOG of any significant and credible allegation of fraud, misconduct, and other abuses made against the University President or Board of Trustee (BOT) members

4.002 State University System Chief Audit Executive

- The chief audit executive shall be designated by the BOT as the employee to review whistle-blower information and coordinate all activities of the University as required by the Florida Whistle-blower's Act

4.003 State University System Compliance and Ethics Programs

- The program shall be implemented within two years of the effective date of the regulation
- Responsibility for governance oversight of the program shall be assigned to the BOT Committee responsible for Audit and Compliance
- The chief compliance officer shall report functionally to the BOT and administratively to the president
 - If the University has an established compliance program in which the chief compliance officer reports either administratively or functionally to the chief audit executive, then the University has five (5) years from the effective date of the regulation to transition the relationship of the chief compliance officer to report functionally to the BOT and administratively to the president

4.004 Board of Governors Oversight Enforcement Authority

- Provides specific authority for the BOG to investigate material non-compliance with any law or BOG regulations