

Florida Agricultural and Mechanical University
Board of Trustees



Division of Audit & Compliance Committee
Tuesday, February 20, 2018
10:00 a.m.

AGENDA

- I. Call to Order Chair Craig Reed
- II. Roll Call Debra M. Barrington

ACTION ITEMS

- I. Approval of Minutes - November 29, 2017 Chair Reed
- II. Approval of Performance Funding Audit
- III. Accept DSO Audit Reports
 - a. Foundation
 - b. Rattler Boosters
 - c. Alumni Association

INFORMATION ITEMS

- IV. Update - External Audits Richard Givens
- V. Report on Status of Prior Audit Findings
- VI. NCAA Update
- VII. External Review - Rattler Boosters Internal Control
- VIII. Chief Compliance Officer Update
- IX. Enterprise Risk management Project Update

Adjournment

Florida Agricultural and Mechanical University
Board of Trustees



Audit & Compliance Committee Meeting

Date: Wednesday, November 29, 2017

Time: 2:00 PM – 3:00 PM

Committee Minutes

Members Present: Trustee Craig Reed, Chair
Trustee Harold Mills, Trustee Belvin Perry, Jr.,
Trustee Robert Woody

Linda Barge-Miles, Special Assistant to the President/Board of Trustees Liaison, called the roll. A quorum was established.

Action Items

Trustee Craig Reed, Chair, called the meeting to order. Chair Reed asked for approval of the Tuesday, September 5, 2017 *Minutes*. It was motioned by Trustee Belvin Perry, Jr., second by Trustee Mills, the minutes were approved.

Information Items

Rattler Boosters Forensics Audit

Chair Reed requested that VP Richard Givens present the *Informational Items*. The first informational item was dealing with the forensic audit conducted by Ernst & Young (E&Y) regarding certain issues relating the operations of the Rattler Boosters. E&Y has completed their field work and held an exit conference where the preliminary findings were presented verbally. There were three (3) findings discussed in the exit conference: 1) management write-off of bad debts; 2) letters that were sent to donors to document the deductibility of the donations paid to the Boosters that could have been sent in error; 3) poor record keeping and possible regularities related to parking revenues. Going forward, possible courses of action were discussed. The cost versus the benefit of pursuing further actions should be considered. Limited records are available and the prudent thing may be to aggressive seek remediation actions to be sure these issues get corrected and controls put in place so that this does not reoccur. Another course of action could be to hire someone to review the controls and be sure that the controls are implemented, and then to enforce the regulations that are in place. Currently, the Board has a regulation that governs the operation of the Boosters that requires 1) the Athletics Director be a member of the Boosters board of directors; 2) the Boosters deposit all monies to the Foundation accounts; and 3) periodic audits of the operations by Division of Audit and Compliance.

Chair Reed responded that the dialogue focused on an action that has been discussed over the last year around the Boosters to gain further insight into the financial activities of the Boosters, and there has been some significant change in work done by many on this Committee in terms of ensuring changing and transitioning our relations with the Boosters. Chair Reed thinks that it's in a positive state right now. This focus on a forensic audit was around a financial due diligence perspective to make sure that we had clarity and understanding as to what transpired with all of the financials, and based on the assessment from E & Y, some discrepancies were identified. A lot has been done across our organization to put a lot of stop gap measures in place to

effectively remediate some of what was reported by E & Y. The next step is to ensure that the processes put in place allows us to continue to work together as a University and the DSO. Chair Reed opened the floor for any other discussion or comments from the Committee.

Trustee Mills agreed with Chair Reed and the assessment of the situation. E & Y should be the group that recommends the remediation actions, since it is better coming from a third party rather than creating it ourselves. With E & Y giving us remediation action steps, VP Givens will have only one piece to follow up on regarding the tax documents that were sent. The expense of a further determination of missing monies far outweighs the monies left on the table.

Trustee Kimberly Moore indicated that, if we have language that guides us to what we ought to be doing, then we should be doing it. VP Givens' response was the Regulation addresses the Boosters organization and not at all the DSOs. Enforcement has begun because the Boosters have been depositing the money in the Foundation accounts, the Athletic Director has been participating in Board meetings, and approving expenses. It is a matter of continuing with the methodology.

Trustee Mills commented that, in moving forward, it may be a good time to have two people on the Boosters board, and he recommends that we add another staff person to bring greater oversight.

Trustee Perry shared that he hopes we not put only minimum measures in place, but measures to make sure that issues are adequately addressed.

Trustee Washington shared she is encouraging the Committee to always think about action rather than policies. Chair Reed indicated that action around the forensic audit was based on the point in time that the issue was identified. Since then we have made several changes in the operating model. We will document the changes, and also get beneficial recommendations from E&Y and move forward.

Update on Chief Compliance and Ethics Officer

Chair Reed requested that VP Givens share the second informational item to receive an update on the DAC Chief Compliance and Ethics Officer (CCEO). VP Givens shared that DAC advertised the CCEO position. DAC received 25 applications, which were narrowed down to four (4) for on-site campus visits. Currently, we are prepared to make an offer and hope to extend that offer by the end of the week and have somebody on board hopefully in January, 2018.

University Financial Audit

VP Givens stated that the University Financial Audit is in progress. We requested that the audit be completed by the end of December, 2018 to receive it in time to submit it to SACS with information for the on-site visit. The Auditor General has indicated that they will continue to work with us and they anticipate being able to meet that deadline.

Risk Survey

The BOG sent a survey to all SUS Universities to gather information on how the universities manage risk and whether an enterprise risk management system has been implemented at the university. The University's response indicated that we have taken a decentralized approach to enterprise risk management. We believe all significant risks are addressed. It is anticipated that the Board of Governors may establish a requirement regarding risk management; accordingly, we have begun

addressing some things, including collaborating with the Division of Strategic Planning Analysis and Institutional Effectiveness to identify risks and to develop a risk register, which would be a first step in any enterprise in risk management system. The result of the survey is to be presented to the BOG Audit Committee in January, 2018.

Status of Prior Audit Findings

VP Givens reported on the status of prior audit findings. For findings that remain open:

- 16% where the corrective action plan was implemented;
- 11% where the corrective action plan had not been implemented by the due date;
- 27% are in the process of validation to determine whether or not the corrective action plan has been implemented;
- 30% where the due date for corrective action is not due; and
- 16% where validation has not been started.

Improvements continue to be made to the follow up process. Project management software has been acquired, which provides better reporting capability to track and report findings more efficiently. Reports can be routinely provided to vice presidents who are responsible for those areas so that they can monitor the activities to be sure that they corrective actions are being implemented. Audit and Compliance and strategic planning are beginning to work collaboratively to be sure that the root cause of the findings is addressed and that the corrective action plans are being implemented as necessary. Chair Reed invited comments.

Trustee Mills indicated the names of the individuals who haven't implemented the 11% overdue findings should be provided. The audit committee needs to have the information and repeat findings are unacceptable.

President Robinson indicated implementing corrective actions is a priority and it is management's responsibility to fix the problem. The person who created problem is responsible for implementing corrective actions and VP Givens validates the implementation of the corrective actions.

Chair Reed indicated this was discussed at the last session and he appreciates the work that President Robinson has been doing. Chair Reed emphasized it is time for action around these items. Especially the high risk items and it is unacceptable to not correct problems.

Trustee Mills inquired as to whether cybersecurity risks have been assessed. Cybersecurity risks should at least be on our radar screen. VP Givens indicated DAC issued a couple of audits addressing IT areas, which include cybersecurity and there is a current project in process that addresses cybersecurity specifically. Trustee Mills would like to know where the University stands concerning cybersecurity risk and have questions answered, such as: are we in a good place? Are we weak? Are we strong? Where do we fall? What do we need to do to improve to add a level of protection? This topic we can be discussed out of the Sunshine because it's a security issue, if we request it in advance. We can make notes to see where we stand and then talk about what we need to do to improve.

Division Activities

VP Givens shared that DAC implemented a project management system in October 2017. It is believed that it is going to make us more efficient and effective, as well as increase the reporting capability.

The major project currently in process is the performance funding data integrity audit that is required by the BOG. It is due to the BOG by March 1, 2018. A cybersecurity audit is in the planning stage. Lastly, an update will be given to the BOG on status of implementation of the compliance function. The status of the 19 of the areas being monitored by the BOG will be provided. Twelve areas have been completed and the remaining seven (7) will be handled by the new compliance officer.

A significant amount of training was received over the last quarter. Our goal is to develop expertise for staff so that they have some specialty areas, areas such as construction audits, fraud audits, and data analytics. Training areas also included IT, Athletic Compliance, and Title IV.

Trustee Washington raised a concern about the time being spent on the BOG Performance Funding audit and whether we found any efficiencies in conducting the work. VP Givens responded that we continue to look for better ways to do the work to reduce the hours spent. The number of hours has been reduced from the prior year and about 1,300 hours was budgeted for the current year. Trustee Washington inquired whether this was because of manual or technology issues. VP Givens responded that some is the result of manual processes, which takes more time to audit. Also, because of issues encountered in performing the audit, it is necessary to expand the coverage to provide assurance that the data provided to the BOG is accurate.

Chair Reed asked how the 1,300 hours compared with the other Universities and if the data could be obtained. VP Givens indicated that some were doing it in about 850 hours and he believes other do it from 1,000 to 1,500 hours.

Adjourned by Chair Craig Reed.