

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



**Division of Audit & Compliance Committee
Date: Tuesday, February 20, 2018**

ACTION ITEMS

Performance Based Funding Data Integrity Audit

The audit objective is to assess processes and controls in place to support the integrity of information submitted to the BOG for performance funding calculations for data reported as of October 31, 2017.

Generally, controls were adequate, appropriate, and effective to provide reasonable assurance that Performance Based funding data is accurate and complete. We noted improvements needed to be made in the following areas:

- User access privileges and reviews
- Inadequate separation of duties regarding application and graduation of students
- Inadequate controls for degree audits and approval of exceptions to the curriculum
- Updates to the Academic advisement module were not made

Corrective actions for separation of duties and controls for degree audits were implemented prior to release of the report, but implementation has not been validated.

The report is to be approved prior to submission to the BOG.

Direct Support Organization Audit Reports

University Regulation Requirements for Certification, Budget and Audit Review, Section 11.001(5) provides that Direct-support organizations shall provide for an annual audit and management letter, as prescribed by applicable laws and rules, which shall be submitted to the President and to the Audit Committee of the Board for review and approval.

A summary of the audit reports and management letters for the year ended June 30, 2017 for the Foundation, Alumni Association, and Rattler Boosters is presented below:

ORGANIZATION	TYPE OF OPINION ON FINANCIAL STATEMENTS	WERE DEFICIENCIES NOTED IN INTERNAL CONTROL OVER FINANCIAL REPORTING?	WERE ISSUES REPORTED FOR COMPLIANCE OR OTHER MATTERS?	WERE MANAGEMENT LETTER COMMENTS REPORTED?
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Foundation	Unmodified	No	No	Yes
Alumni Association	Unmodified	Yes	No	Yes
Rattler Boosters	Disclaimer	Yes	No	Yes

Below are the summary of management letter comments:

Foundation

- 1) One individual sends requests for transfers of investments to financial institution(s), reconciles bank accounts, and reconciles investment activity accounts, and subsequently prepares the journal entry to record these activities.
- 2) The methodology used to allocate total endowment activity is not used to allocate individual endowment activity.

Alumni Association

- 1) Bank reconciliations were not prepared in a timely manner.

Rattler Boosters

- 1) Proper accounting records and supporting evidential matter were not maintained for the Boosters in fiscal year ended June 30, 2017 and information provided may be incomplete. As a result of these matters, the auditors were not able to determine if all transactions incurred during fiscal year ended in June 30, 2017 were recorded.
- 2) The Boosters billed membership dues in the prior year with a portion of the amount billed remaining in the accounts receivables at the end of the prior fiscal year. During the fiscal year ended June 30, 2017, no controls were exercised over the collection of accounts receivables and amounts were, possibly, collected by other university departments. Allowance for doubtful accounts was recorded for the total amount of membership dues receivable at June 30, 2017. The auditors were not able to obtain sufficient audit evidence about the amounts collected for accounts receivable.

Other areas of deficiencies identified included:

- 1) Disbursements
- 2) Minutes
- 3) Deposits
- 4) Homecoming game day parking
- 5) Liability Insurance
- 6) Segregation of Duties

INFORMATION ITEMS

Update - External Audits

University's Financial Audit

The audit report for the audit of the University's financial statements was released on January 30, 2018. The report gave the University an unmodified opinion with no material weaknesses in internal control over financial reporting and no instances of noncompliance reported.

Federal Awards Audit

An exit conference was held on January 29, 2018 regarding the Federal Awards audit performed by the Auditor General as part of the State-wide Single Audit. There were two findings covered: late determination of unofficial withdrawals (1 to 11 days late) and late reporting of enrollment changes. The amount owed to Federal Government is approximately \$1,700.

Operational Audit

The Auditor General is required to perform an operational audit of the university every three years. An operational audit has been scheduled to cover the 2017 calendar year. Anticipated start date is April or May 2018. The scope of activities to be reviewed has not been determined.

Response to Joint Legislative Audit Committee

The University was notified that it is to provide an update to the status and corrective actions taken regarding two findings that have been reported in three consecutive operational audits conducted by the Auditor General. Responses are to be provided by March 12, 2018 for findings related to Textbook Affordability and Athletics Department operating at a deficit. Textbook affordability has been corrected as of the Fall 2017 Term. The Athletics deficit continues and corrective actions are in process.

Forensics Audit of Rattler Boosters

Preliminary findings were presented at the November 29, 2017 audit committee meeting. The report was distributed to audit committee members. Findings included in the final remained the same as previously presented:

- Bad Debt/Accounts Receivable Irregularities
- Tax Contribution letter Irregularities
- Game Day parking Irregularities

Report on Status of Prior Audit Findings

A detailed report of the findings was provided separately. A summary of the status of audit findings is shown below.

	Total Number of Open Findings		Partially Corrected Findings	Uncorrected Findings	Corrective actions to be Validated	Total Open Findings
	Nov-17	Feb-18				
Executive Owner						
John Eason	7	10		1	9	10
Wanda Ford	11	6	2	2	2	6
William Hudson	7	7			7	7
Shira Thomas	1	0				
Rodner Wright	5	4			4	4
			2	3	22	27

NCAA Update

In a Summary disposition dated November 20, 2015, the NCAA imposed penalties for violations of NCAA regulations, including probation from November 20, 2015 through November 19, 2019. Additional penalties and requirements are summarized below:

- Financial Penalty, which was to be applied to compliance-related costs, including adding compliance staff and funding expenses associated with ensuring that the institution is in compliance with requirements for student athletes’ medical documentation;
- Having an independent external agency or consultant conduct a review of the athletics compliance program;
- Requiring the athletic director and compliance officials attend NCAA Regional Rules seminars;
- Develop and implement a compliance and educational program;
- Submit a preliminary report to the NCAA setting forth a schedule for establishing the compliance and educational program;
- File annual reports indicating the progress made with the compliance and educational program; and
- Informing prospective student-athletes about the nature of the violations

Currently, the following actions have been taken to address the findings:

- The firm of Bond Shonek & King has been engaged to conduct the review of the athletics program. An initial report was prepared dated September 2016 and a year 2 report was prepared dated September 15, 2017.
- The Athletic Director and compliance officials attended NCAA Regional Rules seminars.

- Development and implementation of a compliance and educational program has been implemented and is ongoing.
- The preliminary reports and annual reports were filed.
- Prospective student athletes were informed about the nature of the violations.

Validation of the compliance with the financial penalty provision is in process.

The September 15, 2017 report from Bond Shonek & King identified a critical need for the University to fill vacancies within the athletics compliance staff. Currently, the staff is operating at a bare minimum in terms of number of personnel necessary to keep up with the daily rigor of operating an athletics compliance office at a Division I institution. This observation resulted from turnover in the compliance area. The University anticipates hiring staff and restructuring its compliance roles and duties to provide additional compliance oversight.

External Review - Rattler Boosters Internal Control

At its November 29, 2017 meeting, the Audit Committee approved hiring of Ernst & Young (EY) to review the internal controls of the Rattler Boosters and recommend improvements in the internal control structure to correct findings disclosed in the conduct of the forensic audit. A Statement of Work was received relating to the proposed engagement, with a fee quote of \$50,000 to \$75,000. Before proceeding, concurrence of the audit committee is requested.

Chief Compliance Officer Update

Rica Calhoun accepted the position of Chief Ethics and Compliance Officer, with a start date of March 1. Ms. Calhoun was General Counsel and Ethics Officer at Western Illinois University and brings extensive experience in compliance matters.

Enterprise Risk Management Project Update

At its January 25, 2018 meeting, the BOG audit committee received a report on enterprise risk management within the SUS, including results of the enterprise risk management survey. The results of the survey disclosed that all SUS universities used traditional risk management, communicated risks to senior management, and had a board-level committee responsible for risk management. Less than 100% of universities had an enterprise-level risk inventory, utilized management-level risk committees, had an ERM governing document, or risk appetite being communicated by the Board of Trustees. The BOG appears to be interested in establishing some type of monitoring of the universities' risk management.

To be proactive in managing risk, we have undertaken the following activities:

- Initiated a management advisory engagement to evaluate risk management at the University to document risk management practices and recommend possible steps and actions to strengthen the University's risk management practices.