

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



Audit & Compliance Committee Meeting

Date: Wednesday, September 18, 2019 * 9:30 AM

Location: The Grand Ballroom

Committee Members: Trustee Craig Reed, Chair
Trustees Harold Mills; Rochard Moricette; Belvin Perry; Robert Woody

AGENDA

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

ACTION ITEMS

- | | | |
|------|--|-----------------|
| III. | Approval of Minutes – Wednesday, June 5, 2019, 8:30 AM | Joe Maleszewski |
| IV. | Division of Audit Charter | Joe Maleszewski |
| V. | Office of Compliance and Ethics Charter | Rica Calhoun |
| VI. | Audit and Compliance Committee Charter | Joe Maleszewski |
| VII. | Compliance and Ethics Annual Report and Program Plan | Rica Calhoun |

INFORMATIONAL ITEMS

- | | | |
|-------|--|-----------------|
| VIII. | Update on Division of Audit and Office of Compliance and Ethics Activities | |
| | a. Compliance and Ethics | Rica Calhoun |
| | i. Code of Conduct | |
| | b. Audit | Joe Maleszewski |
| | ii. Audit Workplan | |
| | iii. Division of Audit Annual Report | |
| | iv. Audit Follow-up | |
| | v. External Audits | |
| | vi. Enterprise Risk Management | |
| | vii. Internal Controls Framework | |
| IX. | Adjournment | |

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



Audit & Compliance Committee Meeting

Date: Wednesday, June 5, 2019

Time: 8:30 AM

Committee Minutes

Members Present: Trustee Craig Reed, Chair (*Conferenced in/left early*)
Trustee Belvin Perry, Jr., Vice Chair
Trustee Harold Mills (*Conferenced in*), Rochard Moricette (*Conferenced in*),
Trustee Robert Woody (*late arrival*)

Chair Craig Reed called the meeting to order. Ms. Debra Barrington called the roll. A quorum was established.

Chair Reed proceeded by acknowledging two (2) Action Items for discussion: The March 6, 2019, minutes and Audit Risk Assessment and Work Plan. Vice President Joseph Maleszewski presented the Audit Risk Assessment and Work Plan. Chair Reed requested a motion for the approval of each Action Items. Motions were seconded and approved.

Chair Reed gave recognitions as he welcomed Joseph Maleszewski, Vice President of Division of Audit and Compliance. He continued by acknowledging Rochard Moricette in his role as a Trustee on our FAMU Board of Trustees. Rica Calhoun was given thanks for completing a great job as she fulfilled the role of Interim Vice President of Audit and Compliance, and continued her responsibilities in the role of her hired Chief Compliance and Ethics Officer position!

Chair Reed requested VP Maleszewski to present the status of the Division's activities. VP Maleszewski presented the following:

- 1) 2018 FAMU Grape Harvest Festival Cash Collections Advisory Report;
- 2) Enterprise Risk Management Advisory Service Report; and
- 3) Audit Follow-up Status Report.

Ms. Rica Calhoun, Chief Compliance and Ethics Officer, presented an update on Compliance and Ethics Activities.

Ms. Carrie Gavin, Director of Equal Opportunity Programs, presented initiatives related to Title IX compliance.

Dr. John Eason, Athletic Director, presented an update on Athletics and NCAA Compliance.

Vice Chair Perry, responded by requesting a motion for both Action Items. Both were motioned, seconded, and approved.

Last, Vice Chair Perry asked if there were no further questions or discussions. The meeting was adjourned.

Adjourned by Vice Chair Belvin Perry, Jr.

Division of Audit ~~and Compliance~~ Charter

Introduction

Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the University. It assists the University in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the University's governance, risk management, and internal control processes.

~~Compliance and ethics is an independent and objective assurance, investigative, and advisory activity that is designed to provide oversight and guidance to university-wide ethics and compliance activities; foster a culture that embeds these disciplines in all university functions and activities; and promote greater coordination of and consistency among individual University compliance programs, covering a wide variety of requirements related to academics, athletics, human resources, research, health care, information technology, and numerous administrative functions.~~

To accomplish its mission, the University must maintain the confidence of its Board of Trustees, faculty, staff, students, alumni, the public, elected officials, and various other stakeholders. The Division of Audit ~~and Compliance~~ provides valuable support in maintaining the public's confidence by performing independent and objective reviews, and reporting to the Audit Committee and responsible administrative and academic officers on their findings so that corrective actions or enhancements can be initiated. The objective is to assist the Board of Trustees (BOT), President, and University management in the effective discharge of their responsibilities.

Role

~~In 2005, the Florida A&M University Board of Trustees (BOT) approved Resolution 14-05 adopting a university-wide compliance program as the foundation of the internal control and compliance environment. In support of the compliance program, the BOT maintains an internal audit and compliance function that is an integral component of the governance structure.~~ The Division of Audit ~~and Compliance~~ (DivisionAG) provides insight on the mitigation of business risk to assist the BOT and University management in the effective discharge of their responsibilities as they relate to the University policies, processes, programs, information systems, internal controls, and management reporting. ~~DAC~~ The Division of Audit is a point of coordination of and responsibility for activities that promote accountability, integrity, and efficiency in the operations of the university.

Standards and Professionalism

Audit activities will be governed by adherence to the International Professional Practices Framework, published by the Institute of Internal Auditors, Inc.; the Government Auditing

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Standards, published by the United States Government Accountability Office; and/or the *Information Systems Auditing Standards* published by ISACA. Additionally, ~~DAC~~ the Division will adhere to the University's regulations, ~~DAC's~~ the Division's standard operating procedures manual, and Florida Board of Governors regulations and standards guidance.

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~~Compliance and Ethics Office activities will be governed by adherence to the Florida Code of Ethics; the Code of Professional Ethics for Compliance and Ethics Professionals; and the U.S. Federal Sentencing Guidelines' criteria for an effective compliance program. Investigation activities will be governed by adherence to standards found in the Principles and Standards for Offices of Inspector General, published by the Association of Inspector General; and professional standards issued for the State University System. Investigation activities will be governed by adherence to standards found in the Principles and Standards for Offices of Inspector General published by the Association of Inspector General, and professional standards issued for the State University System of Florida entitled Standards for Complaint Handling and Investigations for the State University System of Florida.~~

Authority

~~DAC~~ The Division provides audit and investigative services to all entities of Florida A&M University, including schools, colleges, administrative departments, auxiliary enterprises, and support organizations. ~~DAC also provides compliance and ethics oversight.~~ Accordingly, ~~DAC~~ the Division is authorized to:

- Have timely, unlimited, and unrestricted access to all data, books, records, files, property, information systems, and personnel of Florida A&M University as necessary to carry out ~~their~~ the Division's duties and responsibilities;
- Allocate resources, establish schedules, select subjects, determine scopes of work, and apply the techniques required to accomplish objectives;
- Obtain the essential assistance and cooperation of personnel in areas of the University where audits and investigations are performed, as well as other specialized services from within or outside the University; and
- Have free and unrestricted access to the BOT.

The Vice President of ~~DAC~~ the Division of Audit serves as the University's Chief Audit Executive, as described in the *International Standards for the Professional Practice of Internal Auditing*. ~~The Chief Audit Executive~~ shall notify the chair of the ~~board of trustees'~~ BOT's audit committee or the ~~president~~ President, as appropriate, of any unresolved restriction or barrier imposed by any individual on the scope of an inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. The Chief Audit Executive shall work with the ~~board of trustees'~~ BOT and university management to remedy scope or access limitations. If the university is not able to remedy such limitations, the Chief Audit Executive shall timely notify the Board of Governors, through the Office of

Inspector General and Director of Compliance (OIGC)~~OIGC~~, of any such restriction, barrier, or limitation.

Organization

The ~~Vice President of DAC, who serves as the~~ Chief Audit Executive (CAE), reports functionally to the Chair of the BOT and to the Chair of the BOT's Audit and Compliance Committee, and therefore communicates and interacts directly with the BOT, including BOT meetings and between BOT meetings as appropriate. The ~~Vice President of DAC~~Chief Audit Executive reports administratively to the President of the University.

The BOT will

- Approve the charter of the Division of Audit; & Compliance
- Approve the risk based internal audit plan;
- Receive communications from the ~~Vice President of Audit & Compliance~~Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters;
- Approve all decisions regarding the performance evaluation, appointment, removal, and annual compensation and salary adjustment of the ~~CAE~~Chief Audit Executive;:-
~~The CAE is appointed by and reports administratively and operationally to the University President.~~
- Make appropriate inquiries of management and the ~~Vice President of Audit & Compliance~~Chief Audit Executive to determine whether there is inappropriate scope or resource limitations

The ~~Vice President of DAC~~Chief Audit Executive shall report directly to the Chair of the BOT and Chair of the BOT's Audit and Compliance Committee any allegations by, or about, the University President. Any allegations related to the ~~Vice President of DAC~~Chief Audit Executive shall be reported to the University President and Chair of the BOT's Audit and Compliance Committee. Any allegations against BOT members shall be reported to the Board of Governors. These allegations are not to be handled internally and are not to be investigated by ~~DAC~~the Division.

DAC is managed by the Vice President of Audit and Compliance who oversees both the audit and compliance functions. The compliance function of DAC is the University Compliance and Ethics Office. C&E is managed by the Chief Compliance & Ethics Officer. The Chief Compliance & Ethics Officer reports administratively and functionally to the Vice President of Audit and Compliance. Additionally, the Chief Compliance & Ethics Officer has free and unrestricted access to the University President and BOT Audit Committee.

Independence and Objectivity

The Division ~~of Audit & Compliance~~ will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

DAC Division staff must have no personal and external impairments to their independence, and have no direct responsibility or authority over any of the activities audited.

Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.

~~DAC must ensure the independence of its audit and compliance staff. Accordingly, the CAE is not to assign the Office of Compliance and Ethics staff any audit duties or allow the audit staff to perform the duties and responsibilities of the Compliance and Ethics staff as outlined in the University Compliance and Ethics Charter.~~

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The ~~Vice President of Audit & Compliance~~ Chief Audit Executive will confirm to the BOT, at least annually, the organizational independence of the internal audit activity.

Responsibility

The ~~Vice President of Audit and Compliance~~ Chief Audit Executive is responsible for fulfillment of the following activities:

- Provide direction for, supervise, and coordinate audits and investigations which promote economy, efficiency, and effectiveness in the administration of university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.;
- Conduct, supervise, or coordinate activities for the purpose of preventing and detecting fraud and abuse within university programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.;
- Review statutory whistle-blower information and coordinate all activities of the university as required by the Florida Whistle-blower's Act.;
- Address significant and credible allegations relating to waste, fraud, or financial mismanagement as provided in Board of Governors Regulation 4.001.;
- Keep the ~~pP~~President and ~~board of trustees~~ BOT informed concerning significant and credible allegations and known occurrences of waste, fraud, mismanagement, abuses, and deficiencies relating to university programs and operations; recommend corrective actions; and report on the progress made in implementing corrective actions.;
- Promote, in collaboration with other appropriate university officials, effective coordination between the university and the Florida Auditor General, federal auditors, accrediting bodies, and other governmental or oversight bodies. Consider the scope of their work for the purpose of providing optimal audit coverage to the University at a reasonable overall cost.;
- Review and make recommendations, as appropriate, concerning policies and regulations related to the university's programs and operations including, but not limited to, auxiliary facilities and services, direct support organizations, and other component units.;

- Communicate to the president and the board of trustees, at least annually, the office's plans and resource requirements, including significant changes, and the impact of resource limitations;
- Provide training and outreach, to the extent practicable, designed to promote accountability and address topics such as fraud awareness, risk management, controls, and other related subject matter;
- Coordinate or request audit, financial- and fraud-related compliance, controls, and investigative information or assistance as may be necessary from any university, federal, state, or local government entity;
- Develop and maintain a quality assurance and improvement program for the office of Chief Audit Executive. This program must include an external assessment conducted at least once every five (5) years. The external assessment report and any related improvement plans shall be presented to the board of trustees, with a copy provided to the Board of Governors;
- Establish policies ~~which that~~ articulate the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred;
- Inform the ~~board of trustees~~**BOT** when contracting for specific instances of audit or investigative assistance;
- Report routinely to the board of trustees on matters including significant risk exposures, control issues, fraud risks, governance issues, and other matters requested by the ~~president~~**President** and the ~~board of trustees~~**BOT**; and
- ~~Provide direction for the Office of Compliance and Ethics, including assess and prioritizing which compliance areas present the greatest risk and need for attention, based on regulatory environment and complexity, overlap with University strategic plans, and consequences of non-compliance.~~

~~DAC is responsible for assessing the various functions and control systems of the University and for advising management of their status. The fulfillment of these responsibilities includes the following activities:~~

- ~~Develop and submit to the BOT for approval an annual audit plan that utilizes an appropriate risk-based methodology, including any risks or control concerns identified by management and the BOT. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the year. The Vice President of Audit & Compliance will communicate the impact of resource limitations and significant interim changes to the BOT. The VP of Audit & Compliance will review and adjust the plan, as necessary, in response to changes in the University's activities, risks, operations, programs, systems, and controls. Any significant deviation from the approved audit plan will be approved by the BOT;~~
- ~~Perform audits, investigations, and consulting activities in accordance with the audit plan, including any special tasks or projects requested by University management and the BOT audit committee;~~
- ~~At the conclusion of each audit engagement, the chief audit executive shall prepare a report to communicate the audit results and action plans to the board of trustees and university management. The report shall include management's response and proposed corrective actions, including a time table for anticipated completion and~~

an explanation for any corrective action that will not be implemented. All audit reports shall also describe the extent to which standards were followed. Reports shall be redacted to protect confidential information and the identity of individuals, when provided for by law. A copy of the final audit report will be provided to the Board of Governors consistent with Board of Governors Regulation 1.001(6)(g). Internal audit results will also be communicated to the BOT through periodic activity reports;

- Investigate allegations of suspected fraudulent activities within the University and notify University management of the results. Where appropriate, investigation results should result in a referral to law enforcement or written report;
- Monitor the disposition of results communicated to university management and determine whether corrective actions have been effectively implemented or that senior management or the board of trustees, as appropriate, has accepted the risk of not taking corrective action. If, in the chief audit executive's judgment, senior management or the board of trustees has chosen not to take corrective actions to address substantiated instances of waste, fraud, or financial mismanagement, then the chief audit executive shall timely notify the Board of Governors, through the OIGC.
- Periodically report to senior management and the BOT on the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan; significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the BOT
- Hire and retain professional staff with sufficient knowledge, skills, experience, and professional certifications to fulfill the responsibilities of DAC, and ensure appropriate training and education is provided to staff in accordance with applicable professional education standards;
- Maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement. The Vice President of Audit & Compliance will communicate to senior management and the BOT on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every three years; and
- Support the University President and senior management, as requested, in any manner that improves the overall performance of the University.
- Comply and fulfill all duties and responsibilities related to compliance and ethics as outlined in the University Compliance and Ethics Charter.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management, and internal controls, as well as the quality of performance in carrying out

assigned responsibilities to achieve the university's goals and objectives. This can include the evaluation of the following:

- Risk exposure relating to achievement of the University's strategic objectives;
- Reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- The programs and policies designed to ensure compliance with applicable laws and regulations, including monitoring efforts;
- Extent to which results of processes and programs are consistent with established objectives and goals;
- The means of safeguarding of assets and, as appropriate, verifying the existence of such assets;
- Effectiveness and efficiency with which resources are employed; and
- Effectiveness of the University's risk management process.
- Operations or programs to ascertain whether results are consistent with established objectives or goals and whether the operations or programs are being carried out as planned
- Monitoring and evaluating governance processes
- Monitoring and evaluating the effectiveness of the organization's risk management processes
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit
- Performing consulting and advisory services related to governance, risk management, and control as appropriate for the University
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the BOT
- Evaluating specific operations at the request of the BOT or management, as appropriate

VP of Audit (Chief Audit Executive)

Date

President

Date

Audit & Compliance Committee Chair

Date



FLORIDA A&M UNIVERSITY

OFFICE OF COMPLIANCE AND ETHICS

UNIVERSITY COMPLIANCE AND ETHICS CHARTER

Purpose and Mission

The Office of Compliance and Ethics (C&E) Office (OCE) provides oversight and guidance to university-wide ethics and compliance activities, and fosters a culture that embeds these disciplines in all university functions and activities. C&EOCE is designed to promote greater coordination of and consistency among individual University compliance programs, covering a wide variety of requirements related to academics, athletics, human resources, research, health care, information technology, and numerous administrative functions. The mission of C&EOCE is to support the University's mission and strategic plan by proactively partnering with faculty, staff and management to:

- Ensure compliance risks are identified, prioritized and managed appropriately;
- Establish a control environment, level of accountability, and ethical framework that promotes commitment to the highest standards of ethics, integrity, and lawful conduct by promoting adherence to all applicable federal, state, and local laws, regulations, as well as standards and internal policies and protocols;
- Provide general compliance training to employees and faculty and guidance to managers;
- Provide an avenue for anonymous reporting of potential non-compliance or unethical behavior
- Develop effective policies and procedures to promote compliance and ethical behavior

Reporting Structure and Independence

In 2005, the Florida Agricultural & Mechanical University Board of Trustees (BOT) approved Resolution 14-05 adopting a university-wide compliance program as the foundation of the internal control and compliance environment. In support of the compliance program, the BOT maintains an internal audit and compliance function that is an integral component of the governance structure. The Division of Audit and Compliance (DAC) provides insight on the mitigation of business risk to assist the BOT and University management in the effective discharge of their responsibilities as they relate to the University policies, processes, programs, information systems, internal controls, and management reporting.

As of July 1, 2019, the Vice President of Audit and Compliance who oversees both the audit and integrated function split into two separate offices. The OCE administers the University's compliance functions. The compliance function of DAC is the University Compliance and Ethics Office. C&E is managed by the Chief Compliance & Ethics Officer. The Chief Compliance & Ethics Officer (CCEO) oversees and manages the unit. The CCEO reports administratively and functionally to the Vice President of BOT Audit and Compliance. Additionally, the Chief Compliance & Ethics Officer has free

~~and unrestricted access~~ Committee and administratively to the University President ~~and BOT Audit Committee.~~

~~The chief compliance and ethics officer.~~¹ The CCEO and staff ~~shall~~ have organizational independence and objectivity to perform their responsibilities and all activities of the office shall remain free from influence. ~~Therefore, the Chief Compliance & Ethics Officer and staff will not perform or be responsible for any audit duties.~~

Authority

The Office of Compliance & Ethics ~~Office~~ has the authority to review or investigate all areas of the university, including schools, colleges, administrative departments, auxiliary enterprises, and support organizations. Reviews and investigations shall not be restricted or limited by management, the president, or the Board of Trustees. Accordingly, ~~C&E~~ OCE is authorized to:

- Have unrestricted and timely access to records, data, personnel, and physical property relevant to performing compliance reviews and investigations, and to allow for appropriate oversight and guidance related to compliance, ethics, and risk mitigation efforts.
- Allocate resources, establish schedules, select subjects, determine scopes of work, and apply the techniques required to accomplish objectives;
- Obtain the essential assistance and cooperation of personnel in areas of the University where reviews and investigations are performed, as well as other specialized services from within or outside the University; and
- Have free and unrestricted access to the University President and Board of Trustees.

Documents and records obtained for the above purposes will be handled in compliance with applicable laws, regulations, and university policies and procedures. As required by law, ~~C&E~~ OCE will comply with public records requests.

The Chief Compliance and Ethics Officer will notify the ~~Vice President of Audit and Compliance and~~ appropriate divisional vice president to request remediation of any unresolved restriction or barrier imposed by any individual on the scope of any inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. If unresolved by the ~~Vice President of Audit and Compliance~~ appropriate vice president, the Chief Compliance and Ethics ~~officers~~ Officer will ~~take~~ notify the President to assist in remediation. If additional remediation steps are required, the Chief Compliance and Ethics Officer will make appropriate notifications as outlined in Florida Board of Governors Regulation 4.003.

Organizational Oversight

The Board of Trustees will:

- Approve the charter of the Office of Compliance & Ethics ~~Office.~~ The charter will be reviewed at least every three years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. Subsequent

¹ Pursuant to the Florida Board of Governors Regulation 4.003(5)

changes will be submitted to the Board of Trustees for approval. A copy of the charter and any subsequent changes will be provided to the Board of Governors;

- Approve the annual Program Plan;
- Receive communications from the ~~Chief Compliance and Ethics Officer~~ CCEO on the compliance activity's performance relative to its plan and other matters;
- Make appropriate inquiries of management and the Chief Compliance and Ethics Officer to determine whether there is inappropriate scope or resource limitations; and
- Ensure the Office of Compliance & Ethics ~~Office~~ has appropriate staff and resources in which to fulfill its duties and responsibilities.

Duties and Responsibilities

The duties and responsibilities of the ~~Chief Compliance and Ethics Officer~~ CCEO and staff include projects and activities that fulfill the requirements for an effective compliance and ethics program as required by Chapter 8 of the Federal Sentencing Guidelines and Board of Governors Regulation 4.003. The following elements define the duties and responsibilities of the office:

1. Compliance

- Assisting management with the identification and prioritization of compliance risks;
- Assisting management with the development of mandatory risk management plans for compliance high risks;
- Ensuring that compliance high risks are being properly managed by the designated responsible parties;
- Promoting compliance awareness through effective training and education activities;
- Providing compliance advisory services to management, faculty, and staff;
- Evaluating emerging compliance trends in higher education and government and implementing best practices;
- Performing internal monitoring, investigations, and compliance reviews; and
- Enforcing and promoting standards through appropriate incentives and disciplinary guidelines, including the revising and developing of policies and procedures.

2. Ethics

- Establishing a control environment, level of accountability, and ethical framework that promotes commitment to the highest standards of ethics, integrity, and lawful conduct;
- Performing internal monitoring, investigations, and ethic reviews; and
- Promoting ethics awareness through effective training and education activities.

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3. Retaliation

- Providing all employees with an opportunity to report issues of potential retaliation for the reporting of wrong doing; and
- Conduct investigations into claims of retaliation and other applicable state and federal laws relating to retaliation that are not covered by whistleblower protection or the Office of Equal Opportunity Programs.

The Chief Compliance and Ethics Officer and staff will:

1. Provide oversight of compliance and ethics activities;
 2. Work closely with Internal Audit to assess and prioritize which compliance areas present the greatest risk and need for attention, based on regulatory environment and complexity, overlap with University strategic plans, and consequences of non-compliance;
 3. Develop an annual Program plan based on the requirements for an effective program. The Program plan and subsequent changes will be provided to the board of trustees for approval. A copy of the approved plan will be provided to the board of governors.
 4. Provide training to university employees and Board of Trustees' members regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. The Program plan will specify when and how often this training will occur.
 5. Obtain an external review of the Program's design and effectiveness at least once every five years or as deemed necessary as dictated by the circumstances. The review and any recommendations for improvement will be provided to the president and Board of Trustees. The assessment will be approved by the Board of Trustees and a copy provided to the Board of Governors.
 6. Identify and provide oversight and coordination of compliance partners responsible for compliance and ethics related activities across campus and provide communication, training, and guidance on the Program and compliance and ethics related matters.
- ~~Assist the Chief Audit Executive in administering~~7. Administer and ~~promoting~~promote the Florida Agricultural & Mechanical University Compliance and Ethics Hotline, ~~an~~ anonymously reporting mechanism available for individuals to, anonymously or not, report potential or actual misconduct and violations of university policy, regulations, or law, ~~and~~. The OCE will work to ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith.
8. Maintain and communicate the university's policy on reporting misconduct and protection from retaliation and ensure the policy articulates the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.
 9. Communicate routinely to the president and the board of trustees regarding Program activities. Annually report on the effectiveness of the Program. Any Program plan revisions, based on the Chief Compliance and Ethics Officer's report, shall be

~~approved~~reviewed and subject to approval by the Board of Trustees. A copy of the report and revised plan will be provided to the Board of Governors.

10. Promote and enforce the Program, in consultation with the president and board of trustees, consistently through appropriate incentives and disciplinary measures to encourage a culture of compliance and ethics. Failures in compliance and ethics will be addressed through appropriate measures, including education or disciplinary action.
11. Initiate, conduct, supervise, coordinate, or refer to other appropriate offices such as inquiries, investigations, or reviews deemed appropriate in accordance with university regulations and policies, state statutes, and/or federal regulations. Submit final reports to appropriate action officials.
12. Make necessary ~~modification~~modifications to the Program in response to detected non-compliance, unethical behavior, or criminal conduct and take steps to prevent its occurrence.
13. Assist the university in its responsibility to use reasonable efforts to exclude within the university and its affiliated organizations individuals whom it knew or should have known through the exercise of due diligence to have engaged in conduct not consistent with an effective Program.
14. Coordinate or request compliance activity information or assistance as necessary from any university, federal, state, or local government entity. Oversee and coordinate external inquiries into compliance with federal and state laws and take appropriate steps to ensure safe harbor in instances of non-compliance.
15. Maintain a professional staff with sufficient size, knowledge, skills, experience, and professional certifications
16. Utilize third-party resources as appropriate to supplement the department's efforts
17. Perform assessments of the program and make appropriate changes and improvements

Members of the University community having responsibility for a specific area of compliance must ensure the following:

1. Oversight of compliance in their specific functional areas;
2. Adherence to the University's compliance policies;
3. Implementation of corrective action as necessary, arising from compliance reviews and/or investigations;
4. Completion of self-assessments to evaluate their individual compliance efforts against a list of criteria necessary to have an effective compliance program; and
5. Immediate notification to the Chief Compliance and Ethics Officer of any realized or suspected compliance or ethics violations within their functional area.

Professional Standards

~~The Office of Compliance and Ethics Office & Ethics'~~ activities will be governed by adherence to the *Florida Code of Ethics*; the *Code of Professional Ethics for*

Compliance and Ethics Professionals; and the U.S. Federal Sentencing Guidelines' criteria for an effective compliance program. Investigation activities will be governed by adherence to professional standards issued for the State University System.

Chief Compliance & Ethics Officer

Date

Chief Audit Executive

Date

President

Date

President

Date

-
-

Audit Committee Chair

Date

APPENDIX "A"



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

AUDIT AND COMPLIANCE COMMITTEE CHARTER

1. ~~4.~~ Purpose

The Board of Trustees has established the Audit and Compliance Committee, ~~(Committee)~~, pursuant to Section 4.2.2 of the Board of Trustees Operating Procedures. The primary function of the Audit and Compliance Committee is to assist the Board of Trustees in discharging its oversight responsibilities for the financial reporting process, the system of internal control, the audit process, and the University's process for monitoring compliance ~~and ethics~~ with laws and regulations. The Audit and Compliance Committee's principal activities will include:

- Oversight of the University's business risk assessment, by reviewing procedures in place to assess and minimize significant risks;
- Oversight of the University's internal control structure, to review the effectiveness and reliability of its business, financial and information system controls;
- Oversight of the quality and integrity of the University's financial reporting processes to ensure the balance, transparency, and integrity of published financial information;
- Review of the internal audit function and overall audit process;
- Review of the external audits performed by the State Office of Auditor General and other independent auditors;
- Review and approval of the annual audit plan;
- Review and approval of the annual compliance program plan;
- Review of the Division of Audit and Office of Compliance and Ethics annual reports; and
- Review of the University's process for monitoring compliance with laws, regulations and policies;
- ~~Review of the compliance and ethics function;~~

~~Review and approval of the annual compliance program plan;~~ The Audit and Compliance Committee's role is one of oversight, not preparation or operation. Its members rely on the representations of the University's senior management, the Division of Audit ~~and~~, the Office of Compliance and Ethics, the General Counsel, other committees of the Board of Trustees, and other professional consultants.

~~3.2.~~ **2. Authority**

The Audit and Compliance Committee is authorized to:

- Perform activities within the scope of this Charter.
- Appoint, compensate, and oversee the work of any public accounting firm employed by the University.
- Resolve any disagreements between University management and the auditors regarding financial reporting.
- Retain independent counsel, accountants, or others to advise the Committee or assist in the conduct of an investigation, upon notice of the Board of Trustees services will be procured in accordance with University regulations and policies.
- Seek any information it requires from faculty, staff, and students of the University, ~~all of whom are directed to cooperate with the committee's requests.~~
- Meet with University management, external auditors, or outside counsel as necessary.

Nothing in this Charter shall be construed to limit the authority of the Board of Trustees or the Audit and Compliance Committee.

~~5.3.~~ **3. Organization and Composition**

The Audit and Compliance Committee shall be appointed and be comprised of members of the Board of Trustees as provided in the Board of Trustees Operating Procedures. The members will be free from any financial, family or other material personal relationship, including relationships with members of University management, University auditors, and other professional consultants that would interfere with the exercise of his or her independence from University management or the institution. A majority of the Audit and Compliance Committee members will be financially literate, with at least one member designated as a “financial expert”.

University staff liaisons are the Vice President for Audit ~~and~~, Chief Compliance and Ethics Officer, and the Vice President for Finance and Administration.

~~7.4.~~ **4. Meetings**

The Audit and Compliance Committee will meet at least four times annually. Additional meetings may occur as circumstances dictate. The Audit and Compliance Committee will invite members of University management, auditors, or others to attend meetings and provide pertinent information as necessary. The meetings will be open to the public. Meeting agendas

and appropriate briefing materials will be prepared and provided in advance to Committee members.

5. Responsibilities and Duties

The Audit and Compliance Committee believes its policies and procedures should remain flexible in order to best react to changing conditions and provide reasonable assurances to the Board of Trustees that the scope of audit activities and the adequacy of the system of internal controls ensure compliance with state and federal laws, regulations, and requirements. The Audit and Compliance Committee shall make reports to the Board of Trustees, as it deems necessary. In addition to the duties as provided in the Board of Trustees Operating Procedures, the Audit and Compliance Committee will fulfill their duties and responsibilities as follows:

A. General

1. Adopt a Charter that is approved by the Board of Trustees that specifies its scope of responsibility, process, etc. The Charter shall be reviewed as necessary, but at least ~~biannually~~biennially, with recommended revisions being submitted to the Board of Trustees for approval.
2. Maintain minutes and/or other records of meetings and activities.
3. Report Committee actions to the Board of Trustees with such recommendations as the Committee may deem appropriate.
4. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee shall be empowered to retain independent accountants, counsel or others to assist in the conduct of any investigation, upon approval of the Board of Trustees.
5. Review and monitor the implementation of University management's responses to audit recommendations.
 - ~~6.~~ Require the Vice President of Audit and the Chief Compliance and Ethics Officer to report in writing annually on the activities of ~~the office.~~
 - ~~7.6.~~ Require the Chief Compliance Officer to report in writing annually on their offices.
 - ~~8.7.~~ Confirm annually that all responsibilities outlined in this Charter have been carried out.
 - ~~9.8.~~ Review any reports issued by the University that relate to the Audit and Compliance Committee responsibilities.
 - ~~10.9.~~ Perform other governance oversight as assigned by the Board of Trustees.
 - ~~11.10.~~ The Vice President for Audit and Compliance, ~~(as the Chief Audit Executive, reports)~~ and the Chief Compliance and Ethics Officer report functionally to the Chair of the Board of Trustees and to the Chair of the Audit and Compliance Committee of the Board of Trustees and reports administratively to the President.

~~12. The Chief Compliance & Ethics Officer reports administratively and functionally to the Vice President of Audit and Compliance. Additionally, the Chief Compliance & Ethics Officer has free and unrestricted access to the University President and BOT Audit Committee.~~

~~13.~~11. Provide an open avenue of communication between the Vice President of Audit ~~&~~ the Chief Compliance and Ethics Officer, external auditors, and the Board of Trustees.

B. Internal Audit

1. Review and approve the annual internal audit plan, ensuring that it addresses key areas of risk. Review the internal audit activity's performance relative to the plan.
2. Approve and periodically review the Charter, staffing, and activities of the internal audit activity function to ensure they comply with professional standards and address emerging audit issues.
3. Review a summary of significant findings and recommendations of completed internal and external audits, including University management's response and time frame for corrective action, to ensure appropriateness of actions taken.
4. Obtain a periodic progress report on the status of executing the internal audit plan and approve major changes or deviations from the approved audit plan.
5. Determine the degree of implementation of past audit recommendations and the sufficiency of corrective actions taken in addressing those recommendations.
6. Approve decisions regarding the appointment and removal of the Vice President of Audit ~~& Compliance~~. Ensure there are no unjustified restrictions or limitations, and concur in the appointment, replacement, or dismissal of the Vice President of Audit ~~and Compliance~~.
7. Review with the Vice President of Audit ~~& Compliance~~ the internal audit activity budget, resource plan, activities, and organizational structure of the internal audit function.
8. ~~At least once a~~ Within 60 days after the end of each fiscal year, review the performance of the Vice President of Audit ~~& Compliance~~ and concur with the annual compensation and salary adjustment.
9. Discuss with the Vice President of Audit ~~and Compliance~~ any difficulties encountered in the course of audits and investigations, including restrictions on the scope of work or access to required information, and any lack of cooperation.
10. Review the effectiveness of the internal audit function, including the results of the quality assurance program.
11. Identify areas warranting improvements, if any, and make policy recommendations to the Board of Trustees.
12. The Chair of the Audit and Compliance Committee, or designee, should meet with the Vice President of Audit ~~and Compliance~~ regularly to discuss confidential matters.
13. Propose adequate controls and guidelines for receiving complaints regarding accounting controls and reports of financial fraud.

C. Compliance ~~and Ethics~~

~~Approve and periodically review the charter, staffing, and activities of the Compliance & Ethics Office. The charter will be reviewed at least every three years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. Subsequent changes will be submitted to the Board of Trustees for approval;~~Laws, Regulations and Policies

- ~~1. Review and annually approve the compliance program plan, ensuring that it addresses key areas of compliance and ethics risk;~~
- ~~2. Receive communications from the Chief Compliance and Ethics Officer on the compliance activity's performance relative to its plan and other matters;~~
- ~~3. Approve all decisions regarding the performance evaluation, appointment, removal, and annual compensation and salary adjustment of the Chief Compliance and Ethics Officer. The CAE is appointed by and reports administratively and operationally to the Vice President of Audit and Compliance;~~
- ~~4. Make appropriate inquiries of management and the Chief Compliance and Ethics Officer to determine whether there is inappropriate scope or resource limitations; and~~
- ~~5.1.~~ Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of University management's investigation and follow-up of any non-compliance or fraudulent activities.
- ~~6.2.~~ Obtain regular updates from University management, the Chief Compliance and Ethics Officer, and legal counsel regarding compliance matters that may have a material impact on the University's operations, financial statements, programs, or compliance policies.
- ~~7.3.~~ Review and approve procedures for the receipt, retention, and treatment of complaints regarding financial or operational matters.
- ~~8.4.~~ Review the findings of any examinations by state and federal regulatory agencies.
- ~~9.5.~~ Review the programs and policies of the University designed by its management to assure~~ensure~~ compliance with applicable laws and regulations, and monitor the results of compliance efforts.
- ~~10.6.~~ Review results of the University's monitoring and enforcement of compliance with university standards of ethical conduct and conflict of interest policies.
- ~~11. Require management to report on procedures that provide assurance that the University's mission and code of conduct are properly communicated to all employees on an annual basis.~~
- ~~7.~~ Review with the Chief Compliance and Ethics Officer the University's code of conduct annually and direct management to establish a system reasonably designed to assure compliance function, budget, resource plan, activities, and organizational structure.
- ~~12.8.~~ Discuss with the ~~code~~ Chief Compliance and Ethics Officer any difficulties encountered in the course of investigations, including restrictions on the scope of work or access to required information, and any lack of cooperation.

~~13. Ensure internal and external auditors have access to necessary University records, personnel, space and equipment.~~

9. Identify areas warranting improvements, if any, and make policy recommendations to the Board of Trustees.

10. The Chair of the Audit and Compliance Committee, or designee, should meet with the Chief Compliance and Ethics Officer regularly to discuss confidential matters.

11. Propose adequate controls and guidelines for receiving complaints regarding matter within the compliance function.

D. Internal Controls and Risk Assessments

Review with University senior management, the Division of Audit ~~and Compliance~~, and other relevant offices and committees:

1. The effectiveness of the University's process for identifying significant financial, operational, reputational, strategic and regulatory risks or exposures and University management's plans and efforts to monitor and control such risks.
2. The effectiveness of the University's internal controls, including the status and adequacy of information systems and security and other relevant matters.
3. Major risks identified and other significant risk management issues that may require action.
4. The University's insurance coverage and the process used to manage any uninsured risks.

E. Financial Statements and Reports

University management is responsible for the preparation, presentation, and integrity of the University's financial statements and for the appropriateness of the accounting principles and reporting policies used by the University. The following shall be the principal duties and responsibilities of the Audit ~~and Compliance~~ Committee regarding financial statements.

1. Review annual audited financial statements with University management and ensure that significant findings and recommendations made by auditors and University management's response are received, discussed and appropriately acted on.
2. Make inquiries and an assessment of University management and auditors concerning the adequacy and effectiveness of the University's systems of financial reporting and internal control system, including information technology security and internal control.
3. Discuss with the University's financial ~~management~~ manager, State Auditor General and other outside consultants the appropriateness of accounting principles used by the University, University Direct Support Organizations, and Intercollegiate Athletics.
4. Review the audit report on Federal Awards as required by OMB Circular ~~A-133~~ A133.

5. Review the annual audit reports of University Direct Support Organizations, including ~~management~~the University management's response and corrective action plans to address the resulting recommendations. As necessary, consult with the University Direct Support Organizations Committee regarding the audit reports.
6. Review annual financial statements and University management letters from audits of Intercollegiate Athletics, including the corrective action plan to address the resulting recommendations.
7. Review the adequacy and completeness of financial disclosures made by University management for reasonable portrayal of the University's financial condition.
8. Review significant accounting and reporting issues and recent professional and regulatory pronouncements, and understand their impact on the financial statements of the University.
9. Review compliance with federal and state guidelines for financial reporting.

F. Ethics and Business Conduct

1. Require University management to report on procedures that provide assurance that the University's mission and code of conduct are properly communicated to all employees on an annual basis.
2. Review the University's code of conduct annually and direct University management to establish a system reasonably designed to assure compliance with the code.
3. Ensure internal and external auditors have access to necessary University records, personnel, space and equipment.

G. Legal

Periodically, meet with the University's General Counsel to review any legal matters that may have a significant impact on the University's overall financials or operations and its compliance with regulatory agencies.

6. Rescission of Prior Board Actions

The Audit Committee Charter previously adopted by the Board of Trustees is hereby repealed or rescinded effective upon the adoption of this Audit and Compliance Committee Charter.

 President _____ Date _____

 Board of Trustees Chair _____ Date _____

Audit Committee Chair

Date

DRAFT



FAMU

FLORIDA A&M UNIVERSITY

**OFFICE OF COMPLIANCE
AND ETHICS**

2019

ANNUAL

REPORT

Rica Calhoun, Chief Compliance and Ethics Officer

La'Tonya Baker, Compliance Coordinator



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The Road We Walked Together

In 2018–2019, we took on the task of establishing an effective compliance and ethics program. Throughout the last year, I have observed a positive commitment from the University, through management, to our compliance partners, and faculty and staff who supported the mission that we all share. Together, we have raised awareness throughout the University and set the foundation for a mature compliance and ethics program.



MISSION

1

The Compliance and Ethics Program, now housed in the Office of Compliance and Ethics (OCE), supports the University's mission and strategic plan by proactively partnering with faculty, staff, and management to:

- Ensure compliance risks are identified, prioritized and managed appropriately;
- Establish a control environment, level of accountability, and ethical framework that promotes commitment to the highest standards of ethics, integrity, and lawful conduct by promoting adherence to all applicable federal, state, and local laws, regulations, as well as standards and internal policies and protocols;
- Provide general compliance training to employees and faculty and guidance to managers;
- Provide an avenue for anonymous reporting of potential non-compliance or unethical behavior; and
- Develop effective policies and procedures to promote compliance and ethical behavior.

Looking Back at 2018-2019...

OUTREACH



COLLABORATION

MONITORING



ENTERPRISE
COMPLIANCE
COMMITTEE

AWARENESS



COMPLIANCE
AND ETHICS
WEEK



COMPLIANCE BRIEF
SERIES



RISK
ASSESSMENT



DIGITAL
MARKETING



TRAINING



HIGH RISK
MONITORING



SHAREPOINT



PROGRESS

Compliance and Ethics Program Elements:

Standards
Structure
Monitoring

Communication
Training and Education
Response and Enforcement

Goal Progress: 98%



In Detail:

In 2018-2019, we focused on building the fundamental aspects of the program and creating a presence at the University. Program goals centered on the core elements of the program. We established the compliance and ethics program as an integral part of the University's risk mitigation structure through coordination with university leadership, the implementation of the Enterprise Compliance Committee, and monitoring high compliance risk areas.

Communication and education were embraced this year. The theme for the year was, "Let's Talk," which was reinforced through direct outreach events, education, and resources. We have adopted training through digital, email and in-person platforms. Specifically, we launched the "Compliance Brief" Series, a series of micro-learning trainings offered via email and configured for mobile and PC access. Training and resources are housed on the Office of Compliance and Ethics SharePoint site. We are moving toward our goal of providing a fully coordinated library of trainings on multiple platforms.

Training of governance entities is also an important aspect of the compliance and ethics program. Therefore, I coordinated with the Office of the General Counsel and the Florida Commission on Ethics to provide compliance and ethics training to our Board of Trustees members in Spring 2019.

Enforcement and response has been encouraged through the development of compliance reviews and coordination with the Office of Human Resources and senior leadership team. Our long term goals include the standardization of the investigative process and training for all university investigative functions.

2018–2019 GOAL PROGRESS

Year 2 Proposed Updates in Red

| Standards and Procedures: Utilize Structure and Operational Processes to Enforce Compliance and Ethics Program | | | |
|--|-----------------------|-------------|-------------|
| Year 1: Program Goals | Completed and ongoing | In progress | Not started |
| Finalize Operational Manual | | | |
| Review code of conduct and recommend revisions | | | |
| Collaborate with the Office of General Counsel and other appropriate offices in their policy review activities | | | |
| Oversight and Structure: Establish seamless structural transition and Maintain Effective Oversight and Structure | | | |
| Conduct individual meetings with each board member to discuss their role and solicit feedback regarding their concerns for year 1 * (modify to recognize monthly updates to the Audit and Compliance Committee, regular updates at each Board Meeting, and survey requesting feedback). | | | |
| Participate in weekly meetings with high level personnel to remain current on institutional compliance matters | | | |
| Hold individual meetings with Compliance Partners to establish year 1 goals | | | |
| Distribute monthly updates to the Board via email *modify to regular updates to the Board, as updates are also provided during quarterly Board meetings. | | | |
| Establish the Enterprise Compliance Committee and working groups within the committee (ie: high risk, workforce, etc.) to establish priorities for year 1 | | | |
| Communication: Promote program elements and increase compliance and ethics visibility | | | |
| Coordinate with university marketing to introduce the University community to the Compliance and Ethics Program | | | |
| Begin a compliance campaign for Corporate Compliance and Ethics Week (annually the first full week of November) | | | |
| Expand the Division of Audit and Compliance webpage to increase the visibility of compliance and ethics. The webpage will serve as a comprehensive destination for resources or reporting misconduct *modify to: advocate for the development of a Compliance and Ethics webpage (currently, only a SharePoint). | | | |
| Assist the Division of Audit and Compliance in evaluating the effectiveness of the compliance and ethics hotline and developing promotion materials in support of the hotline. *modify to: maintain the compliance and ethics hotline, monitor effectiveness, and develop promotion materials | | | |
| Training: Provide ongoing education to the governing authority and University constituencies | | | |
| Collaborate with the Office of the General Counsel to provide compliance and ethics training to the Board of Trustees and President's Leadership Team in fall 2018 and annually thereafter | | | |
| Develop compliance and ethics training for employees of the University in three formats: in-person, electronic/physical copy, and interactive online | | | |
| Meet with the Office of Human Resources and the Associate Vice President of Student Affairs and Ombudsman to discuss collaborating to develop compliance and ethics training for employees. | | | |
| Develop electronic copies of a brief overview of the compliance and ethics program annually to all employees. New employees will receive such training within 30 days of the commencement of employment | | | |
| Meet with the Office of General Counsel and University Technology to discuss collaborating to plan and provide broad based annual online training for employees of the University | | | |

GOAL PROGRESS

| Year 1: Program Goals | Completed and ongoing | In progress | Not started |
|--|-----------------------|-------------|-------------|
| Monitoring: Engage monitoring practices to maintain a culture of compliance and ethical decision making | | | |
| Based on dotted line reporting, the Chief Compliance and Ethics Officer will establish a system in which Compliance Partners immediately report ethical misconduct or compliance concerns to the Chief Compliance and Ethics Officer for follow up to address issues | | | |
| The Chief Compliance and Ethics Officer will conduct investigations and compliance reviews as necessary, reporting such findings to the department and executive compliance owner | | | |
| The Chief Compliance and Ethics Officer will provide resources to Compliance Partners to collaborate in monitoring compliance throughout campus. Resources include compliance calendars for each department, compliance literature, and worksheets to assist Compliance Partners in evaluating their areas | | | |
| The Chief Compliance and Ethics Officer will conduct annual surveys of Compliance Partners to assess compliance progress for year 1. Results of the surveys will be included in the Chief Compliance and Ethics Officer's annual report to the Board (* modify to include University community). | | | |
| The Chief Compliance and Ethics Officer will advocate for the inclusion of items soliciting University community feedback regarding compliance and ethics in existing campus surveys and other measurable instruments (i.e., campus climate surveys). If this is not possible, develop and distribute independent survey instrument to solicit feedback | | | |
| The Chief Compliance and Ethics Officer will draft for review, feedback, and approval investigative procedures to include in the University Code of Conduct for distribution to the University community. The procedures will outline reporting systems, the elements of an investigation, findings, and a non-retaliation provision | | | |
| The Enterprise Compliance Committee will review and brainstorm ways in which to reward ethical behavior and a commitment to compliance | | | |
| The Enterprise Compliance Committee will serve as an additional source of comprehensive monitoring, as Compliance Partners will be able to identify and monitor compliance concerns comprehensively as most compliance issues span multiple departments and disciplines | | | |
| The Chief Compliance and Ethics Officer will coordinate with the Office of Human Resources to review existing processes that will assist the University in its responsibility to employ reasonable efforts to exclude personnel from substantial authority who have engaged in illegal activities or other conduct inconsistent with the University compliance and ethics program | | | |
| Auditing: Assess program effectiveness | | | |
| Engage the Office of University Assessment and the Division of Audit and Compliance to develop an assessment model that evaluates the effectiveness of the program. The annual report will review compliance efforts throughout campus, as well as the results of surveying Compliance Partners throughout the University. The report will also identify the goals and progress for each year. This report will be forwarded to the Board of Governors pursuant to 4.003 (7) 8 | | | |
| Develop and distribute a Campus Climate/Independent Survey and host focus groups | | | |
| In addition to conducting an internal program effectiveness assessment, will solicit such review from the Division of Audit. (*modify to recognize SUS peer review process in development). | | | |

GOAL PROGRESS

| Year 1: Program Goals | Completed and ongoing | In progress | Not started |
|--|-----------------------|-------------|-------------|
| Response and Enforcement: To establish and use the investigative process and proper incentives and disciplinary measures in enforcement of the program. Continue to improve based on best practices and feedback. | | | |
| Collaborate with the appropriate offices to conduct investigations related to relevant complaints. The Vice President of Division of Audit (or designee) serves on the Enterprise Compliance Committee to collaborate as appropriate and provide additional guidance | | | |
| Collaborate with the Vice President of Audit and the General Counsel to develop a triage process in evaluating complaint processing and investigations | | | |
| Meet with the Office of Human Resources to determine best way to integrate compliance pieces into existing processes (ex: job evaluations) and ways to partner | | | |
| Determine incentives and disciplinary measures in enforcement of the program | | | |

*- proposed modifications

MONITORING

6

Monitoring is a cornerstone of the internal control structure, to ensure that the policies and risk mitigation processes in place are actually working. In 2018-2019, high-risk monitoring was implemented through the Chief Compliance and Ethics Officer and the Enterprise Compliance Committee's compliance partners. Some areas monitored, including checks scheduled for 2019-2020 are below:

ATHLETICS

Continuous monitoring plan created in April 2018 and updated in August 2018, October 2018, February 2019, June 2019, and most recently, September 2019.

NCAA Infractions Report Monitoring

Equity

Spot Checks:

Initial/Continuing Eligibility– Fall 2018

Medical Clearance– Spring 2019

Initial/Continuing Eligibility– Fall 2019

Transfers– Fall 2019

Student Athlete Health and Safety– Fall 2019

Monitoring Schedule 2019–2020: September, December, March

BAND

Spot Check: December 2018 (Pasedena)

August 2019

RESEARCH

Grant compliance– Compliance Review

Industrial Hemp– Administrative Rule Compliance

CULTURE

Compliance survey administered in Spring 2018 and 2019

INFORMATION TECHNOLOGY

GDPR Compliance: May 2018

Re-evaluation (via survey): July 2019

GOVERNANCE

Leave Review: 2019: September, December 2020: March and June

ENTERPRISE COMPLIANCE COMMITTEE

Enterprise Compliance Committees: 2018: July, September, November (C&E Week)

2019: January, March, May, July

Working Group Meetings scheduled by compliance partner chairs

HIGHLIGHTS

7

COMPLIANCE PARTNERS

Compliance partners throughout the University have worked very hard to promote and monitor compliance in their areas. Some highlights from the 2018-2019 year:

OFFICE OF ANIMAL WELFARE AND RESEARCH INTEGRITY

100% COMPLIANCE ACHIEVED
BY ALL FAMU PI'S REGARDING
ANIMAL WELFARE AND
RESEARCH INTEGRITY

ENVIRONMENTAL HEALTH AND SAFETY

SUCCESSFUL
SIDEWALK REPAIR
PROGRAM

EXPORT CONTROL

ESTABLISHED OUTREACH AND
ENGAGEMENT PROGRAM
WITH COLLEGES/SCHOOLS

"KNOWING IS THE FIRST STEP TO COMPLIANCE"

INFORMATION TECHNOLOGY

PCI COMPLIANCE
ACHIEVED

CLERY

ANNUAL REPORT
TIMELY PUBLISHED

UNIVERSITY COMPLIANCE

GDPR COMPLIANCE
ACHIEVED

HIGHLIGHTS (CONTINUED)

8

OFFICE OF HUMAN RESOURCES

INCORPORATED
COMPLIANCE LANGUAGE
IN PERFORMANCE
EVALUATION UPDATES

EQUAL OPPORTUNITY PROGRAMS

SEXUAL HARASSMENT
PREVENTION TRAINING:
90%+ ATTENDANCE

"KNOWING IS THE FIRST STEP TO COMPLIANCE"

STUDENT/ACADEMIC AFFAIRS

IMPLEMENTED A TRACKING
SYSTEM FOR STUDENTS,
FACULTY, AND STAFF
TRAVELING ABROAD FOR
MEDICAL AND SECURITY
ASSISTANCE

INDUSTRIAL HEMP

CONSULTED WITH THE
DIVISION OF RESEARCH,
RESULTING IN THE SUCCESSFUL
IDENTIFICATION OF
CORPORATE PARTNERS TO
ESTABLISH PILOT PROJECTS

BY THE NUMBERS

Survey Data and Feedback



| Topics | 2018 vs. 2019 |
|-------------------------------|--|
| Responses | Responses increased 60% from 2018. |
| Code of Conduct | 46% of respondents reported receiving a copy of the Code of Conduct in physical or electronic form, constituting a slight increase from 2018. |
| Compliance and Ethics Hotline | 42% of respondents reported an awareness of the University Compliance and Ethics Hotline, which increased 13 percentage points from 2018. |
| Reporting | 54% of respondents indicated that they would definitely report compliance and ethics concerns of which they became aware, fairly consistent with 2018. |
| Retaliation | Fear of retaliation remains the leading concern for reporting (33%). |
| Where to go for help | 68% of respondents reported knowing that assistance is readily available to answer compliance and ethics concerns. |
| Suggestions | A majority of respondents prefer digital outreach, short topic staff meetings, and newsletters. |



YEAR TWO

10

Feedback over the last year through direct meetings, survey efforts, and outreach informed our efforts for year two. The OCE will continue to utilize the resources available to implement an effective compliance and ethics program with a focus on education, investigative work, and comprehensive monitoring.

Looking Forward to 2019–2020...

OUTREACH



INCREASED
COLLABORATION

MONITORING



ENTERPRISE
COMPLIANCE
COMMITTEE

AWARENESS



COMPLIANCE
AND ETHICS
WEEK



ADDITIONAL
ENGAGEMENT
OPPORTUNITIES



UPDATED
RISK
ASSESSMENT



DIGITAL
MARKETING



EXPANDED
TRAINING
OPPORTUNITIES ON
VARIOUS FORMATS



INCREASED
MONITORING



SHAREPOINT
UPDATES AND
WEBSITE
DEVELOPMENT



**Compliance and Ethics Program Plan
(Update)**

September 2019



Compliance and Ethics Program Plan

June 1, 2018

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Introduction

Florida Agriculture and Mechanical University (University) has established institutional priorities through the 2017-2022 ‘FAMU Rising’ Strategic Plan and the University Mission Statement. The Division Office of Audit and Compliance & Ethics is committed to supporting strategic priority five (First-Class Business Infrastructure) by providing an effective compliance and ethics program (program). The program serves a vital function in the internal control system. Effective implementation of the program empowers all members of the University community to engage consistently in ethical decision-making and focus on compliance with state and federal law, regulation, and university policy.

The Compliance and Ethics Program reflects the University’s value-based community culture. As noted in the University Mission Statement, institutional practice and processes must be grounded in the belief that every University community member is accorded with respect. Through the implementation of the Compliance and Ethics Plan, members of the University community will trust the integrity of the process and be confident in their role and responsibilities to compliance and engaging in ethical behavior. This program plan will serve as a living document, meaning that as institutional priorities and best practices change, this program will adapt and improve. Pursuant to this standard and regulatory guidance¹, the University’s compliance program is comprised of several components.

I. Standards and Procedures

Standards and procedures are necessary to establish a baseline expectation of behavior. The University has implemented two guiding documents to accomplish this goal: the University Compliance and Ethics Charter and the University Code of Conduct. The Compliance and Ethics Charter establishes the role of the Chief Compliance Officer and the purpose and scope of the compliance program. The University Code of Conduct outlines the responsibility of faculty, staff, student employees, and third parties to engage in ethical decision-making and report compliance concerns. University Regulations and Board of Trustees Policies govern specific conduct or action of members of the University community. These regulations and policies are available and searchable online through the University website. Periodic review is necessary to identify additional standards and policies.

II. Compliance Structure and Oversight

Compliance is the responsibility of every member of the University community. The following structure supports the compliance and ethics ~~Charter (Charter) identifies responsible constituencies and program through~~ their roles:

Governing Authority—The Board of Trustees is responsible for being knowledgeable about and providing appropriate oversight of the compliance program. The Audit and Compliance Committee will provide focused oversight. This duty is accomplished by the periodic review and approval of guiding documents, as well as continued monitoring of program effectiveness.

- High level personnel—The University’s Executive Leadership (University President, Vice Presidents, General Counsel, and Director of Athletics) maintains responsibility for

¹ *United States Sentencing Commission, Guidelines Manual*, §8B2.1. (Nov. 2016); *see also*, State University System Compliance and Ethics Programs, BOG 4.003 (2016).

supporting the program in their respective functions. The University President, in coordination with the Board of Trustees, ~~designates~~designated the Chief Compliance and Ethics Officer. Together, the Board of Trustees and President ensure that the Chief Compliance and Ethics Officer remains independent with the requisite resources to implement an effective program. The Vice Presidents, General Counsel, and Director of Athletics support the program by actively collaborating with the Chief Compliance and Ethics Officer in the promotion and enforcement of program tenets in their respective divisions.

- Chief Compliance and Ethics Officer—Tasked with the day-to-day implementation and operation of the ~~compliance~~Office of Compliance & Ethics and ~~ethics~~the program, which includes, but is not limited to: assisting high-level personnel in identifying and prioritizing compliance risks, creating a management plan for those risks, promoting the program and actively monitoring compliance across the University. The Chief Compliance and Ethics Officer is also responsible for updating this plan, educating members of the University community, and providing consistent progress updates to the Board of Trustees and University President.
- Compliance Partners—University employees responsible for compliance in discipline-specific areas across the University. A dotted line reporting structure ensures an open line of communication between each Compliance Partner and the Chief Compliance and Ethics Officer. Compliance Partners are required to immediately report to the Chief Compliance and Ethics Officer instances of non-compliance with federal and state law, regulations, and/or university policy. The Chief Compliance and Ethics Officer ~~will collaborate~~collaborates with Compliance Partners to address emergent compliance and ethics matters. The Chief Compliance and Ethics Officer ~~will coordinate~~coordinates with compliance partners through initial one on one meetings, followed by scheduled meetings of the Enterprise Compliance Committee.
- Enterprise Compliance Committee—Comprised of all Compliance Partners throughout the University. The working matrix outlining the division area, ~~core~~compliance partner ~~position~~positions, and ~~the~~the area of compliance is in Appendix A of this document. The Chief Compliance and Ethics Officer ~~will chair~~chairs the committee. The committee ~~will establish~~established a schedule of monthly meetings to work through implementation and maintenance of the program. The Enterprise Compliance Committee ~~will meet~~meets bi-monthly as whole. The Committee ~~will then decide on~~has established smaller related working groups to coordinate with existing well-functioning committees, identify compliance trends, challenges, and opportunities to address issues in a comprehensive way. The smaller working groups meet on alternate months, but may meet more frequently, if needed.
- Faculty, Staff, Students, and Third Parties—All members of the University community are considered responsible for reporting misconduct or unethical behavior they observe or reasonably believe to be occurring.

III. Effective Communication and Training

The cornerstone of effective outreach gives University stakeholders adequate resources and confidence in the program. Compliance and ethics training provides members of the campus

community with the tools they need to incorporate ethical decision-making into their everyday routine and demonstrate a consistent commitment to compliance with law, regulation, and policy. Training also educates individuals to identify misconduct and opportunities for better compliance at the University. The Chief Compliance and Ethics Officer ~~will focus~~focuses on communication and training using various platforms to achieve broad based outreach. The Chief Compliance and Ethics Officer ~~will coordinate~~works with appropriate University personnel to promote the program, coordinate University responses to institutional compliance and ethics matters, and develop compliance and ethics training for the University community. Board of Trustees compliance and ethics training will continue to be administered annually. New employees will receive such ~~training~~information as part of the onboarding process. Compliance and ethics training ~~will~~is also be provided annually to employees. The Chief Compliance and Ethics Officer will also attend planning workshops and orientations to communicate the importance and scope of compliance and ethics to as many levels of the organization as possible.

IV. Monitoring and Auditing

Florida A&M University ~~will~~continues to take a multifaceted approach to monitoring and auditing the compliance and ethics program.

Monitoring

- Compliance Partners ~~will~~ monitor their areas through periodic risk assessment, immediately reporting ethical misconduct or compliance concerns to the Chief Compliance and Ethics Officer. The Chief Compliance and Ethics Officer ~~will~~ ~~coordinate~~coordinates with Compliance Partners on concerns reported to the ~~Division~~Office of Audit and Compliance & Ethics or brought to the Chief Compliance and Ethics Officer's attention.
- The ~~Chief Office of~~ Compliance ~~and~~ Ethics ~~Officer~~ ~~will~~ ~~conduct~~conducts investigations and compliance reviews as necessary, reporting such findings to the department and executive compliance owner.
- The Chief Compliance and Ethics Officer ~~will~~ ~~provide~~provides resources to Compliance Partners to collaborate in monitoring compliance throughout campus. Resources include compliance calendars for each department, compliance literature, and worksheets to assist Compliance Partners in evaluating their areas.
- The Chief Compliance and Ethics Officer ~~will~~ ~~conduct~~conducts annual surveys of Compliance Partners to assess compliance progress. Results of the surveys will be included in the Chief Compliance and Ethics Officer's annual report to the Board.
- The Chief Compliance and Ethics Officer ~~will~~ also annually ~~survey~~surveys the University community to evaluate program effectiveness and University perceptions of compliance and ethics.
- Most compliance issues span multiple departments and disciplines. The Enterprise Compliance Committee ~~will~~ ~~serve~~serves as an additional source of comprehensive monitoring, as Compliance Partners ~~will~~ ~~bear~~are able to identify and monitor compliance concerns comprehensively.
- ~~The Committee will~~ Compliance Partners also assess policies and regulations to ensure that they are current and revised appropriately.
- The Chief Compliance and Ethics Officer ~~will~~ ~~collaborate~~collaborates with the Office of Human Resources to review existing processes, such as employment verification and background checks, which will assist the University in its responsibility to employ

reasonable efforts to exclude personnel from substantial authority who have engaged in illegal activities or other conduct inconsistent with University expectations regarding compliance and ethics. ~~The University will implement additional practices as appropriate. The Chief Compliance and Ethics Officer will also work with the Office of Human Resources to provide training to search committees regarding this institutional responsibility and their role during the employment process.~~

Auditing

~~An initial external review of the program will be conducted within five years of the effective date of Board of Governors Regulation 4.003 (no later than 2021). Subsequent external reviews will occur at least once every five years thereafter.~~

- The Office of Compliance & Ethics will implement additional practices as appropriate.

Assessment

The Chief Compliance and Ethics Officer will implement the Compliance and Ethics Program through collaboration with constituencies throughout the University. Program effectiveness will be assessed using several different methods:

- Annual Reports to the Board of Trustees Audit Committee, President, and Vice President of the ~~Division Office~~ of ~~Audit and~~ Compliance & Ethics
 - The annual report will review compliance efforts throughout campus, as well as the results of surveying Compliance Partners throughout the University. The report will also identify the goals and progress for each year. (Please see Appendix B for the 3-year plan goals). The annual report will be forwarded to the Board of Governors pursuant to 4.003 (7) 8.
- Campus Climate/Independent Survey
 - The Chief Compliance and Ethics Officer ~~will distribute~~ distributed an initial survey within the first year through focus groups and anonymous survey distribution. The survey ~~will be~~ is conducted annually ~~thereafter~~.
- Internal Program Effectiveness Assessment
 - The Chief Compliance and Ethics Officer will conduct an internal program effectiveness assessment and solicit such review from the SUS counterparts and the Division of Internal Audit and Compliance.
- External Program Effectiveness Review
 - Pursuant to Board of Governors Regulation 4.003, Florida A&M University will solicit an external review of program design and effectiveness in 2020, which will be completed by 2021, and repeated at least once every five years thereafter. The results and recommendations from the external review will be submitted to the Board of Trustees for review and approval. A copy will be provided to the Board of Governors.

V. Response and Enforcement

A timely, consistent, and appropriate response is central to fostering trust and commitment to the plan. Members of the University community and entities conducting business with the University have a responsibility to report concerns about ethical misconduct and compliance to any of the following individuals/Offices (as applicable):

- Immediate supervisor (if one's immediate supervisor is the subject of the report, the second line supervisor)

- Division Vice President
- Chief Compliance Officer
- Division of Audit
- Division Office of Audit and Compliance & Ethics
- Division Compliance Partner (outlined below)
- Office of the University Ombudsman
- Office of the General Counsel

Members of the University community may also submit anonymous reports of misconduct and compliance concerns to the ~~Florida A&M~~ University Compliance and Ethics Hotline, a reporting system maintained and operated by Navex Global (located [here](#)). The ~~Chief Office of Compliance and Ethics Officer will coordinate with Compliance Partners and the Division of Audit and Compliance, as necessary, to investigate~~ investigates complaints based on the standards outlined by the State University Audit Council and in coordination with the Office of General Counsel and Division of Internal Audit. Individuals will not suffer adverse treatment due to reporting a concern or participating in the investigation of any compliance or ethics matter.

Incentives and Accountability

Clear expectations of behavior and accountability at all levels is essential for workforce morale and risk mitigation. The University ~~will~~ continues to apply a combination of incentives and disciplinary measures through the performance evaluation process and internal rewards. Appropriate high-level personnel ~~will~~ enforce accountability within their divisions by responding to findings and coordinating with human resources or student employment/student affairs to implement appropriate disciplinary action. High-level personnel ~~will~~ also collaborate as necessary to employ best practices and explore the implementation of policies and procedures that benefit the institution. The Chief Compliance and Ethics Officer ~~will assess~~ assesses institutional progress by following up with each division and employment function to document the progress and resolution of such matters.

~~Pursuant to Board of Governors Regulation 4.001, the Chief Compliance and Ethics Officer and/or the Vice President of the Division of Audit and Compliance (or designee) will timely report complaints of waste, fraud, or financial mismanagement to the Board of Governor's Inspector General. All employees and business entities conducting business with the University assist the Division of Audit and Compliance in monitoring the misconduct by reporting incidences observed or of which individuals are made aware.~~

Appendix A: Compliance Partners Chart

| Executive Area | Employee Title | Area of Compliance |
|---------------------------------|---|---|
| Director of Athletics | Associate Athletic Director for Academics and Compliance Services | Eligibility, Rattler Boosters (direct support organization), reporting |
| General Counsel | Director, Office of Equal Opportunity Programs and Title IX Coordinator | Title VII, VI, ADA/Rehab Act section 504, ADEA, Title IX, Affirmative Action plan (OFCCP) |
| President | Vice President for Strategic Planning, Analysis and Institutional Effectiveness (or designee) | Southern Association of Colleges and Schools (SACSCOC) Accreditation |
| | Vice President, Division of Audit and Compliance (or designee) | Fraud, waste, abuse, whistleblower |
| | General Counsel (or designee) | Law and policy, contracts, ethics, conflict of interest |
| | Director, Governmental Relations | Legislation, ethics, and disclosure reporting |
| | VP University Advancement (or designee) | Donations/Endowment |
| Provost and VP Academic Affairs | Registrar | FERPA |
| | Music Compliance Officer | Band Compliance |
| | Assistant VP, International Education/Study Abroad | International travel, study abroad |
| | Associate Provost, Faculty Affairs, and Faculty Development | Reporting, collective bargaining, training |
| VP Finance and Administration | Associate Vice President of Human Resources, Chief Human Resources and Diversity Officer | Class/Comp, personnel, recruiting, payroll, employee relations, training and development, reporting |

| | | |
|------------------------------|---|---|
| | Director, Environmental Health and Safety | Biohazardous waste, biosafety, blood borne pathogens, workplace safety reporting |
| | Associate VP Facilities, Planning, Construction, and Safety | Workplace safety, contractor and third-party vendor compliance matters, procurement |
| | Associate Vice President, Information Technology Services | Data security |
| | Department of Campus Safety and Security | Clery Act, emergency management |
| | Director, Office of Procurement Services | Procurement |
| | Assistant VP and Controller | Consolidated Financial Statements, reporting and disclosures, records management |
| | <u>P-Card Compliance Officer</u> | <u>P-Card compliance</u> |
| VP Research | Director, Technology Transfer & Export Control/Coordinator | Export controls; technology transfer |
| | Director, Research Integrity and Compliance | Intellectual property; misconduct in research, financial status reports, grants |
| | Executive Director, Title III | Reporting, financial disclosures |
| VP Student Affairs | Director, Student Health Services | Health insurance, reporting, records |
| | Undergraduate Admissions | Standards, reporting |
| | Student Financial Assistance | Federal and state aid, reporting |
| | Associate VP and Dean of Students | Academic integrity, Title IX, TRIO |
| VP Student Affairs/President | Associate VP and University Ombudsman | Hazing, SGA, monitoring and training |

Appendix B: Florida A&M University Compliance and Ethics Charter
(Updated September 2019)

UNIVERSITY COMPLIANCE AND ETHICS CHARTER

Purpose and Mission

University Compliance and Ethics (C&E) Office provides oversight and guidance to university-wide ethics and compliance activities, and fosters a culture that embeds these disciplines in all university functions and activities. C&E is designed to promote greater coordination of and consistency among individual University compliance programs, covering a wide variety of requirements related to academics, athletics, human resources, research, health care, information technology, and numerous administrative functions.

The mission of C&E is to support the University's mission and strategic plan by proactively partnering with faculty, staff and management to:

- Ensure compliance risks are identified, prioritized and managed appropriately;
- Establish a control environment, level of accountability, and ethical framework that promotes commitment to the highest standards of ethics, integrity, and lawful conduct by promoting adherence to all applicable federal, state, and local laws, regulations, as well as standards and internal policies and protocols;
- Provide general compliance training to employees and faculty and guidance to managers;
- Provide an avenue for anonymous reporting of potential non-compliance or unethical behavior; and
- Develop effective policies and procedures to promote compliance and ethical behavior.

Reporting Structure and Independence

In 2005, the Florida Agricultural & Mechanical University Board of Trustees (BOT) approved Resolution 14-05 adopting a university-wide compliance program as the foundation of the internal control and compliance environment. In support of the compliance program, the BOT maintains an internal audit and compliance function that is an integral component of the governance structure. The Division of Audit and Compliance (DAC) provides insight on the mitigation of business risk to assist the BOT and University management in the effective discharge of their responsibilities as they relate to the University policies, processes, programs, information systems, internal controls, and management reporting.

DAC is managed by the Vice President of Audit and Compliance who oversees both the audit and compliance functions. The compliance function of DAC is the University Compliance and Ethics Office. C&E is managed by the Chief Compliance & Ethics Officer. The Chief Compliance & Ethics Officer reports administratively and functionally to the Vice President of Audit and Compliance. Additionally, the Chief Compliance & Ethics Officer has free and unrestricted access to the University President and BOT Audit

Committee.

The chief compliance and ethics officer and staff shall have organizational independence and objectivity to perform their responsibilities and all activities of the office shall remain free from influence. Therefore, the Chief Compliance & Ethics Officer and staff will not perform or be responsible for any audit duties.

Authority

The Compliance & Ethics Office has the authority to review or investigate all areas of the university, including schools, colleges, administrative departments, auxiliary enterprises, and support organizations. Reviews and investigations shall not be restricted or limited by management, the president, or the Board of Trustees. Accordingly, C&E is authorized to:

- Have unrestricted and timely access to records, data, personnel, and physical property relevant to performing compliance reviews and investigations, and to allow for appropriate oversight and guidance related to compliance, ethics, and risk mitigation efforts;
- Allocate resources, establish schedules, select subjects, determine scopes of work, and apply the techniques required to accomplish objectives;
- Obtain the essential assistance and cooperation of personnel in areas of the University where reviews and investigations are performed, as well as other specialized services from within or outside the University; and
- Have free and unrestricted access to the University President and Board of Trustees.

Documents and records obtained for the above purposes will be handled in compliance with applicable laws, regulations, and university policies and procedures. As required by law, C&E will comply with public records requests.

The chief compliance and ethics officer will notify the Vice President of Audit and Compliance and request remediation of any unresolved restriction or barrier imposed by any individual on the scope of any inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. If unresolved by the Vice President of Audit and Compliance, the chief compliance and ethics officers will take additional remediation steps as outlined in Florida Board of Governors Regulation 4.003.

Organizational Oversight

The Board of Trustees will:

- Approve the charter of the Compliance & Ethics Office. The charter will be reviewed at least every three years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. Subsequent changes will be submitted to the Board of Trustees for approval. A copy of the charter and any subsequent changes will be provided to the Board of Governors;

- Approve the annual Program Plan;
- Receive communications from the Chief Compliance and Ethics Officer on the compliance activity's performance relative to its plan and other matters;
- Make appropriate inquiries of management and the Chief Compliance and Ethics Officer to determine whether there is inappropriate scope or resource limitations; and
- Ensure the Compliance & Ethics Office has appropriate staff and resources in which to fulfill its duties and responsibilities.

Duties and Responsibilities

The duties and responsibilities of the Chief Compliance and Ethics Officer and staff include projects and activities that fulfill the requirements for an effective compliance and ethics program as required by Chapter 8 of the Federal Sentencing Guidelines and Board of Governors Regulation 4.003. The following elements define the duties and responsibilities of the office:

1. Compliance

- Assisting management with the identification and prioritization of compliance risks;
- Assisting management with the development of mandatory risk management plans for compliance high risks;
- Ensuring that compliance high risks are being properly managed by the designated responsible parties;
- Promoting compliance awareness through effective training and education activities;
- Providing compliance advisory services to management, faculty, and staff;
- Evaluating emerging compliance trends in higher education and government and implementing best practices;
- Performing internal monitoring, investigations, and compliance reviews; and
- Enforcing and promoting standards through appropriate incentives and disciplinary guidelines, including the revising and developing of policies and procedures.

2. Ethics

- Establishing a control environment, level of accountability, and ethical framework that promotes commitment to the highest standards of ethics, integrity, and lawful conduct;
- Performing internal monitoring, investigations, and ethic reviews; and
- Promoting ethics awareness through effective training and education activities.

3. Retaliation

- Providing all employees with an opportunity to report issues of potential retaliation for the reporting of wrong doing; and

- Conducting investigations into claims of retaliation and other applicable state and federal laws relating to retaliation that are not covered by whistleblower protection or the Office of Equal Opportunity Programs.

The Chief Compliance and Ethics Officer and staff will:

1. Provide oversight of compliance and ethics activities.
2. Work closely with Internal Audit to assess and prioritize which compliance areas present the greatest risk and need for attention, based on regulatory environment and complexity, overlap with University strategic plans, and consequences of non-compliance.
3. Develop an annual Program plan based on the requirements for an effective program. The Program plan and subsequent changes will be provided to the Board of Trustees for approval. A copy of the approved plan will be provided to the Board of Governors.
4. Provide training to university employees and Board of Trustees' members regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. The Program plan will specify when and how often this training will occur.
5. Obtain an external review of the Program's design and effectiveness at least once every five years or as deemed necessary as dictated by the circumstances. The review and any recommendations for improvement will be provided to the president and Board of Trustees. The assessment will be approved by the Board of Trustees and a copy provided to the Board of Governors.
6. Identify and provide oversight and coordination of compliance partners responsible for compliance and ethics related activities across campus and provide communication, training, and guidance on the Program and compliance and ethics related matters.
7. Assist the Chief Audit Executive in administering and promoting the Florida Agricultural & Mechanical University Compliance and Ethics Hotline, an anonymous mechanism available for individuals to report potential or actual misconduct and violations of university policy, regulations, or law, and ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith.
8. Maintain and communicate the university's policy on reporting misconduct and protection from retaliation and ensure the policy articulates the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.
9. Communicate routinely to the president and the Board of Trustees regarding Program activities. Annually report on the effectiveness of the Program. Any Program plan revisions, based on the chief compliance and ethics officer's report,

shall be approved by the Board of Trustees. A copy of the report and revised plan will be provided to the Board of Governors.

10. Promote and enforce the Program, in consultation with the President and Board of Trustees, consistently through appropriate incentives and disciplinary measures to encourage a culture of compliance and ethics. Failures in compliance and ethics will be addressed through appropriate measures, including education or disciplinary action.
11. Initiate, conduct, supervise, coordinate, or refer to other appropriate offices such inquiries, investigations, or reviews deemed appropriate in accordance with university regulations and policies, state statutes, and/or federal regulations. Submit final reports to appropriate action officials.
12. Make necessary modification to the Program in response to detected non-compliance, unethical behavior, or criminal conduct and take steps to prevent its occurrence.
13. Assist the university in its responsibility to use reasonable efforts to exclude within the university and its affiliated organizations individuals whom it knew or should have known through the exercise of due diligence to have engaged in conduct not consistent with an effective Program.
14. Coordinate or request compliance activity information or assistance as necessary from any university, federal, state, or local government entity.
15. Oversee and coordinate external inquiries into compliance with federal and state laws and take appropriate steps to ensure safe harbor in instances of non-compliance.
16. Maintain a professional staff with sufficient size, knowledge, skills, experience, and professional certifications.
17. Utilize third-party resources as appropriate to supplement the department's efforts.
18. Perform assessments of the program and make appropriate changes and improvements.

Members of the University community having responsibility for a specific area of compliance must ensure the following:

1. Oversight of compliance in their specific functional areas;
2. Adherence to the University's compliance policies;
3. Implementation of corrective action as necessary, arising from compliance reviews and/or investigations;
4. Completion of self-assessments to evaluate their individual compliance efforts against a list of criteria necessary to have an effective compliance program; and
5. Immediate notification to the Chief Compliance and Ethics Officer of any realized or suspected compliance or ethics violations within their functional area.

Professional Standards

Compliance and Ethics Office activities will be governed by adherence to the *Florida Code of Ethics*; the *Code of Professional Ethics for Compliance and Ethics Professionals*; and the *U.S. Federal Sentencing Guidelines'* criteria for an effective compliance program. Investigation activities will be governed by adherence to professional standards issued for the State University System.

Richard E. Munnis
Chief Compliance & Ethics Officer

6/8/2017
Date

Richard E. Munnis
Chief Audit Executive

6/8/2017
Date

Larry Robinson
President

6/9/2017
Date

[Signature]
Audit Committee Chair

6/27/2017
Date

Appendix C: University Code of Conduct

Regulations of Florida A&M University



1.019 University Code of Conduct

(1) *Applicability.* This Code of Conduct applies to the following members of the University community: a) faculty, staff and students who are paid for working for the University; b) consultants, vendors and contractors and other individuals using University resources or facilities, or receiving funds administered by the University; and c) individuals who perform services for the University as volunteers and who assert an association with the University. Any reference to the University community as provided in this policy shall refer to all of the above persons.

(2) *Preamble.* As members of the Florida Agricultural and Mechanical University (University) community, all faculty, staff, students, members of the Board of Trustees, University officers and affiliates are responsible for sustaining the highest ethical standards of professional conduct and integrity for this institution, and for the broader community in which we function. We share responsibility for this institution and of its enterprises. The values we hold as essential to responsible professional behaviour include: integrity, honesty, respect and fairness in dealing with other people, and loyalty toward the ethical principles espoused by the Florida Code of Ethics for Public Officers and Employees in Chapter 112, Part III, Florida Statutes. Therefore, adherence by officers, faculty, staff, student employees and others acting on behalf of the University to standards set forth in this Code of Conduct is an integral part of the University's goal of attracting quality students, faculty and staff, ensuring the use of hazardous materials.

Members also have an obligation to report any noncompliance of regulations that are observed. We are cognizant of and shall comply with the applicable standards, policies, rules, regulations and state and federal laws that govern and guide our work. This Code of Conduct describes standards to guide us in our daily University activities and provides guidelines for those acting on behalf of the University.

(3) *Compliance with Laws and University Rules and Policies.* All members of the University community will strive to ensure that all activity conducted by, at or on behalf of the Institution is in full compliance with applicable federal, state and local laws, and the official rules and policies of the University. Administrators, supervisors and managers

Specific Authority: 120.54, 1001.74, FS. Law Implemented 120.54, 1001.74 FS. History–New

Regulations of Florida A&M University



are responsible for teaching and monitoring compliance. The acceptance of an agreement, including sponsored project funding, may create a legal obligation on the part of the University to comply with the terms and conditions of the agreement and applicable laws and regulations. Therefore, only individuals who have authority delegated by an appropriate University official are authorized to enter into agreements on behalf of the University.

(4) *Conflict of Interest and Commitment.* Faculty and staff of the University owe their primary professional allegiance to the University and its mission to engage in education, scholarship and research. The University has obligations to parents and students, government, external organizations, and donors to use its resources responsibly and, where required, for designated purposes. Thus, all officers, faculty, principal investigators, staff, student employees and others acting on behalf of the University hold positions of trust, and the University expects them to carry out their responsibilities with the highest level of integrity and ethical behavior. In order to protect the University's mission, members of the University community with private or other professional or financial interests which conflict with applicable State of Florida's, state or federal laws and University rules and policies must disclose them in compliance with the University's conflict of interest/conflict of commitment policies and the Florida Code of Ethics for Public Officers and Employees.

(5) *Confidentiality and Privacy.* The University community shall use confidential information acquired in the course of University affiliation only for official or legal purposes, and not for personal or illegal advantage, during or after such affiliation. It is imperative that each community member complies with all federal laws, state laws, agreements with third parties, and University policies and procedures pertaining to the use, protection and disclosure of such information, and such policies apply even after the community member's relationship with the University ends.

(6) *Protection of Assets.* The University community will strive to preserve, protect and enhance the University's assets by making prudent and effective use of University resources and property and by accurately reporting its financial condition. All funds provided for research must be spent in ways consistent with funding requirements and in compliance with guidelines on allowable costs.

Specific Authority: 120.54, 1001.74, FS. Law Implemented 120.54, 1001.74 FS. History–New

**Regulations of
Florida A&M University**



- (7) *Reporting Suspected Violations.*
- a. Reporting to management. The University community should report suspected violations of applicable laws, regulations, government contract and grant requirements of this Code. This reporting should normally be made initially through normal management channels, beginning with one's immediate supervisor. If it is not appropriate to report to the immediate supervisor, e.g., the suspected violation is by the manager, individuals may go to a higher level of management within the college or department.
 - b. Other Reporting. Violations may be reported internally to the Office of the Inspector General, or its successor office, or the Office of the General Counsel. In addition, any suspected violations of state and federal laws may also be reported to the Florida whistleblower's Hotline.
 - c. Confidentiality. Such reports may be made confidentially, and even anonymously.
 - d. Cooperation. All employees are expected to cooperate fully in the investigation of any misconduct.

Specific Authority: 120.54, 1001.74, FS. Law Implemented 120.54, 1001.74 FS. History—New

Appendix D: Florida Board of Governors Regulation 4.003

4.003 State University System Compliance and Ethics Programs

(1) Each board of trustees shall implement a university-wide compliance and ethics program (Program) as a point for coordination of and responsibility for activities that promote ethical conduct and maximize compliance with applicable laws, regulations, rules, policies, and procedures.

(2) The Program shall be:

- (a) Reasonably designed to optimize its effectiveness in preventing or detecting non-compliance, unethical behavior, and criminal conduct, as appropriate to the institution's mission, size, activities, and unique risk profile;
- (b) Developed consistent with the Code of Ethics for Public Officers and Employees contained in Part III, Chapter 112, Florida Statutes; other applicable codes of ethics; and the Federal Sentencing Guidelines Manual, Chapter 8, Part B, Section 2.1(b); and
- (c) Implemented within two (2) years of the effective date of this regulation.

(3) Each board of trustees shall assign responsibility for providing governance oversight of the Program to the committee of the board responsible for audit and compliance. The charter required by Board of Governors Regulation 4.002(2) shall address governance oversight for the Program.

(4) Each university, in coordination with its board of trustees, shall designate a senior-level administrator as the chief compliance officer. The chief compliance officer is the individual responsible for managing or coordinating the Program. Universities may have multiple compliance officers; however, the highest-ranking compliance officer shall be designated the chief compliance officer. Nothing in this regulation shall be construed to conflict with the General Counsel's responsibility to provide legal advice on ethics laws. The chief compliance officer shall not be the same individual as the chief audit executive with the exception of New College of Florida and Florida Polytechnic University who may, due to fiscal and workload considerations, name the same individual as both chief audit executive and chief compliance officer.

(5) The chief compliance officer shall report functionally to the board of trustees 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 shall have five (5) years from the effective date of this regulation to transition the reporting relationship of the chief compliance officer to report functionally to the board of trustees and administratively to the president.

(6) The office of the chief compliance officer shall be governed by a charter approved by the board of trustees and reviewed at least every three (3) years for consistency with applicable Board of Governors and university regulations, professional standards, and best practices. A copy of the approved charter and any subsequent changes shall be provided to the Board of Governors.

(7) The Program shall address the following components:

(a) The president and board of trustees shall be knowledgeable about the Program and shall exercise oversight with respect to its implementation and effectiveness. The board of trustees shall approve a Program plan and any subsequent changes. A copy of the approved plan shall be provided to the Board of Governors.

(b) University employees and board of trustees' members shall receive training regarding their responsibility and accountability for ethical conduct and compliance with applicable laws, regulations, rules, policies, and procedures. The Program plan shall specify when and how often this training shall occur.

(c) At least once every five (5) years, the president and board of trustees shall be provided with an external review of the Program's design and effectiveness and any recommendations for improvement, as appropriate. The first external review shall be initiated within five (5) years from the effective date of this regulation. The assessment shall be approved by the board of trustees and a copy provided to the Board of Governors.

(d) The Program may designate compliance officers for various program areas throughout the university based on an assessment of risk in any particular program or area. If so designated, the individual shall coordinate and communicate with the chief compliance officer on matters relating to the Program.

(e) The Program shall require the university, in a manner which promotes visibility, to publicize a mechanism for individuals to report potential or actual misconduct and violations of university policy, regulations, or law, and to ensure that no individual faces retaliation for reporting a potential or actual violation when such report is made in good faith. If the chief compliance officer determines the reporting process is being abused by an individual, he or she may recommend actions to prevent such abuse.

(f) The Program shall articulate the steps for reporting and escalating matters of alleged misconduct, including criminal conduct, when there are reasonable grounds to believe such conduct has occurred.

(g) The chief compliance officer shall:

1. Have the independence and objectivity to perform the responsibilities of the chief compliance officer function;
2. Have adequate resources and appropriate authority;
3. Communicate routinely to the president and board of trustees regarding Program activities;

4. Conduct and report on compliance and ethics activities and inquiries free of actual or perceived impairment to the independence of the chief compliance officer;
 5. Have timely access to any records, data, and other information in possession or control of the university, including information reported to the university's hotline/helpline;
 6. Coordinate or request compliance activity information or assistance as may be necessary from any university, federal, state, or local government entity;
 7. Notify the president, or the administrative supervisor of the chief compliance officer, of any unresolved restriction or barrier imposed by any individual on the scope of any inquiry, or the failure to provide access to necessary information or people for the purposes of such inquiry. In such circumstances, the chief compliance officer shall request the president remedy the restrictions. If unresolved by the president or if the president is imposing the inappropriate restrictions, the chief compliance officer shall notify the chair of the board of trustees committee charged with governance oversight of the Program. If the matter is not resolved by the board of trustees, the chief compliance officer shall notify the Board of Governors through the Office of Inspector General and Director of Compliance (OIGC);
 8. Report at least annually on the effectiveness of the Program. Any Program plan revisions, based on the chief compliance officer's report shall be approved by the board of trustees. A copy of the report and revised plan shall be provided to the Board of Governors;
 9. Promote and enforce the Program, in consultation with the president and board of trustees, consistently through appropriate incentives and disciplinary measures to encourage a culture of compliance and ethics. Failures in compliance or ethics shall be addressed through appropriate measures, including education or disciplinary action;
 10. Initiate, conduct, supervise, coordinate, or refer to other appropriate offices (such as human resources, audit, Title IX, or general counsel) such inquiries, investigations, or reviews as deemed appropriate and in accordance with university regulations and policies; and
 11. Submit final reports to appropriate action officials.
- (h) When non-compliance, unethical behavior, or criminal conduct has been detected, the university shall take reasonable steps to prevent further similar behavior, including making any necessary modifications to the Program.

(8) The university shall use reasonable efforts not to include within the university and its affiliated organizations individuals whom it knew, or should have known (through the exercise of due diligence), to have engaged in conduct not consistent with an effective Program.

Authority: Section 7(d), Art. IX, Fla. Const.; History: New 11-3-16.

Appendix E: United States Sentencing Commission 2016 Guidelines Manual: Chapter Eight

EFFECTIVE COMPLIANCE AND ETHICS PROGRAM

§8B2.1. Effective Compliance and Ethics Program

(a) To have an effective compliance and ethics program, for purposes of subsection (f) of §8C2.5 (Culpability Score) and subsection (b)(1) of §8D1.4 (Recommended Conditions of Probation — Organizations), an organization shall—

- (1) exercise due diligence to prevent and detect criminal conduct; and
- (2) otherwise promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.

Such compliance and ethics program shall be reasonably designed, implemented, and enforced so that the program is generally effective in preventing and detecting criminal conduct. The failure to prevent or detect the instant offense does not necessarily mean that the program is not generally effective in preventing and detecting criminal conduct.

(b) Due diligence and the promotion of an organizational culture that encourages ethical conduct and a commitment to compliance with the law within the meaning of subsection (a) minimally require the following:

(1) The organization shall establish standards and procedures to prevent and detect criminal conduct.

(2) (A) The organization's governing authority shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to the implementation and effectiveness of the compliance and ethics program.

(B) High-level personnel of the organization shall ensure that the organization has an effective compliance and ethics program, as described in this guideline. Specific individual(s) within high-level personnel shall be assigned overall responsibility for the compliance and ethics program.

(C) Specific individual(s) within the organization shall be delegated day-to-day operational responsibility for the compliance and ethics program. Individual(s) with operational responsibility shall report periodically to high-level personnel and, as appropriate, to the governing authority, or an appropriate subgroup of the governing authority, on the effectiveness of the compliance and ethics program. To carry out such operational responsibility, such individual(s) shall be given adequate resources, appropriate authority, and direct access to the governing authority or an appropriate subgroup of

the governing authority.

- (3) The organization shall use reasonable efforts not to include within the substantial authority personnel of the organization any individual whom the organization knew, or should have known through the exercise of due diligence, has engaged in illegal activities or other conduct inconsistent with an effective compliance and ethics program.
 - (4) (A) The organization shall take reasonable steps to communicate periodically and in a practical manner its standards and procedures, and other aspects of the compliance and ethics program, to the individuals referred to in subparagraph (B) by conducting effective training programs and otherwise disseminating information appropriate to such individuals' respective roles and responsibilities.
(B) The individuals referred to in subparagraph (A) are the members of the governing authority, high-level personnel, substantial authority personnel, the organization's employees, and, as appropriate, the organization's agents.
 - (5) The organization shall take reasonable steps—
 - (A) to ensure that the organization's compliance and ethics program is followed, including monitoring and auditing to detect criminal conduct;
 - (B) to evaluate periodically the effectiveness of the organization's compliance and ethics program; and
 - (C) to have and publicize a system, which may include mechanisms that allow for anonymity or confidentiality, whereby the organization's employees and agents may report or seek guidance regarding potential or actual criminal conduct without fear of retaliation.
 - (6) The organization's compliance and ethics program shall be promoted and enforced consistently throughout the organization through (A) appropriate incentives to perform in accordance with the compliance and ethics program; and (B) appropriate disciplinary measures for engaging in criminal conduct and for failing to take reasonable steps to prevent or detect criminal conduct.
(7) After criminal conduct has been detected, the organization shall take reasonable steps to respond appropriately to the criminal conduct and to prevent further similar criminal conduct, including making any necessary modifications to the organization's compliance and ethics program.
- (c) In implementing subsection (b), the organization shall periodically assess the risk of criminal conduct and shall take appropriate steps to design, implement, or modify each requirement set forth in subsection (b) to reduce the risk of criminal conduct identified through this process.

Program Plan Goals

| Big Seven | Goals | Year One | Year Two | Year Three |
|--------------------------|--|---|--|---|
| Standards and Procedures | Utilize Structure and Operational Processes to Enforce Compliance and Ethics Program | The Chief Compliance and Ethics Officer will: <ol style="list-style-type: none"> 1. Finalize Operational Manual; 2. Review code of conduct and recommend revisions; 3. Collaborate with the Office of General Counsel and other appropriate offices in their policy review activities. | The Chief Compliance and Ethics Officer will: <ol style="list-style-type: none"> 1. Update Operational Manual, as needed; 2. Finalize draft of code of conduct based on feedback; 3. The Chief Compliance and Ethics Officer will continue collaborating with the Office of General Counsel and other appropriate offices in policy review activities. | The Chief Compliance and Ethics Officer will: <ol style="list-style-type: none"> 1. Update Operational Manual, as needed; 2. Enforce Code of Conduct; 3. Continue collaborating with the Office of General Counsel and other appropriate offices in their policy review activities. |
| Oversight and Structure | Establish seamless structural transition and Maintain Effective Oversight and Structure | The Chief Compliance and Ethics Officer will: <ol style="list-style-type: none"> 1. Conduct individual meetings with each board member to discuss their role and solicit feedback regarding their concerns for year 1; 2. Participate in weekly meetings with high level personnel to remain current on institutional compliance matters; 3. Hold individual meetings with Compliance Partners to establish year 1 goals; 4. Distribute monthly updates to the Board via email 5. Establish the Enterprise Compliance Committee and working groups within the committee (i.e.: high risk, workforce, etc.) to establish priorities for year 1. | The Chief Compliance and Ethics Officer will: <ol style="list-style-type: none"> 1. Conduct individual meetings with each board member to discuss their role Provide regular updates to the full board and solicit feedback regarding their concerns for year 2; 2. Distribute monthly bi-monthly updates to the Board's Audit and Compliance Committee; 3. Continue participating in weekly meetings with high level personnel to remain current on institutional compliance matters; 4. Hold individual meetings with Compliance Partners, as needed, to establish year 2 goals; 5. Continue work through the Enterprise Compliance Committee and working groups within the committee (i.e.: high risk, workforce, etc.) to establish priorities for year 2; 6. Coordinate with the Division of Audit and Compliance to facilitate the transition of the Chief Compliance and Ethics Officer to report to the President and the Board of Trustees Audit Committee. | The Chief Compliance and Ethics Officer will: <ol style="list-style-type: none"> 1. Conduct individual meetings with each board member to discuss their role and solicit feedback regarding their concerns for year 3; 2. Distribute monthly updates to the Board; 3. Participate in weekly meetings with high level personnel to remain current on institutional compliance matters; 4. Hold individual meetings with Compliance Partners to determine year 3 goals; 5. Continue engaging the Enterprise Compliance Committee and working groups within the committee (i.e., high risk, workforce, etc.) to establish risk priorities for year 3. |

Program Plan Goals

| Big Seven | Goals | Year One | Year Two | Year Three |
|---------------|---|--|---|--|
| Communication | Promote program elements and increase compliance and ethics visibility | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Coordinate with university marketing to introduce the University community to the Compliance and Ethics Program. 2. Begin a compliance campaign for Corporate Compliance and Ethics Week (annually the first full week of November). 3. Expand the Division of Audit and Compliance webpage to increase the visibility of compliance and ethics. The webpage will serve as a comprehensive destination for resources or reporting misconduct. 4. Assist the Division of Audit and Compliance in evaluating the effectiveness of the compliance and ethics hotline and developing promotion materials in support of the hotline. | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Continue working with university marketing to publicizing the University community to the Compliance and Ethics Program <u>to the University Community</u>; 2. Assess satellite campuses communications via site visits and coordination; 3. Continue year 2 compliance campaign for Corporate Compliance and Ethics Week (annually the first full week of November); 4. Maintain stand-alone websites for Compliance and Ethics with a link to <u>the Division of Audit, DAC</u>. The websites <u>page</u> will serve as a comprehensive destination for resources or reporting misconduct; 5. Continue evaluating the effectiveness of the compliance and ethics hotline and developing promotion materials in support of the hotline. | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Continue broad based marketing of the Compliance and Ethics Program to the University community; 2. Continue compliance campaign for Corporate Compliance and Ethics Week (annually the first full week of November) for year 3; 3. Maintain the Compliance and Ethics webpage to increase the visibility of compliance and ethics and to serve as a comprehensive destination for resources or reporting misconduct; 4. Continue evaluating the effectiveness of the compliance and ethics hotline and developing promotion materials in support of the hotline; 5. Employ additional best practices. |
| Training | Provide ongoing education to the governing authority and University constituents | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Collaborate with the Office of the General Counsel to provide compliance and ethics training to the Board of Trustees and President’s Leadership Team in fall 2018 and annually thereafter. 2. Develop compliance and ethics training for employees of the University in three formats: in- | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Continue to collaborate with the Office of the General Counsel to provide ethics training to the Board of Trustees and President’s Leadership Team annually; 2. Provide compliance and ethics training for employees of the University in three formats: in-person, electronic/physical copy, and interactive online. | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Continue to collaborate with the Office of the General Counsel to provide ethics training to the Board of Trustees and President’s Leadership Team annually; 2. Continue to provide compliance and ethics training for employees of the University: full training annually, in multiple formats, in fall and spring, and overview to all new |

Program Plan Goals

| Big Seven | Goals | Year One | Year Two | Year Three |
|---------------------------------|---|---|---|---|
| <p>Training (continued)</p> | <p>Provide ongoing education to the governing authority and the University community</p> | <p>person, electronic/physical copy, and interactive online.</p> <p>3. Meet with the Office of Human Resources and the Associate Vice President of Student Affairs and Ombudsman to discuss collaborating to develop compliance and ethics training for employees.</p> <p>4. Develop electronic copies of a brief overview of the compliance and ethics program annually to all employees. New employees will receive such training within 30 days of the commencement of employment.</p> <p>5. Meet with the Office of General Counsel and University Technology to discuss collaborating to plan and provide broad based annual online training for employees of the University.</p> | <p>3. Finalize overview of compliance and ethics training for employees.</p> <p>4. Collaborate with the Office of Human Resources to provide electronic copies of the overview to all new employees within 30 days of the commencement of employment. Target for implementation: Spring 2019.</p> <p>5. Provide full ethics training in multiple formats in the fall and spring semesters.</p> <p>6. Coordinate with the Office of the General Counsel and University Technology to implement mandatory annual online training for employees of the University using a third-party platform. Target for implementation: Fall 2019</p> | <p>employees within 30 days of commencement of employment.</p> <p>3. Work with the Office of Human Resources to provide electronic copies of the overview to all new employees within 30 days of the commencement of employment.</p> <p>4. Provide full ethics training in person in the fall and spring semesters.</p> <p>5. Implement mandatory annual online training for employees of the University using a third-party platform.</p> |
| <p>Monitoring</p> | <p>Engage monitoring practices to maintain a culture of compliance and ethical decision making</p> | <p>The Chief Compliance and Ethics Officer will:</p> <p>1. Based on dotted line reporting, the Chief Compliance and Ethics Officer will establish a system in which Compliance Partners immediately report ethical misconduct or compliance concerns to the Chief Compliance and Ethics Officer for follow up to address issue.</p> <p>2. The Chief Compliance and Ethics Officer will conduct investigations and compliance reviews as necessary, reporting such findings to the department and executive compliance owner.</p> <p>3. The Chief Compliance and Ethics Officer will provide resources to Compliance Partners to collaborate in monitoring compliance throughout campus. Resources include</p> | <p>1. Compliance Partners continue to immediately report ethical misconduct or compliance concerns to the Chief Compliance and Ethics Officer for follow up to address issue. The Chief Compliance and Ethics Officer will monitor the process to ensure that communication remains open and gaps are addressed.</p> <p>2. The Chief Compliance and Ethics Officer Office of Compliance and Ethics will continue to conduct investigations and compliance reviews as necessary, reporting such findings to the department and executive compliance owner and document/monitor management action taken.</p> | <p>1. Compliance Partners continue to immediately report ethical misconduct or compliance concerns to the Chief Compliance and Ethics Officer for follow up to address issue. The Chief Compliance and Ethics Officer will monitor the process to ensure that communication remains open and gaps are addressed.</p> <p>2. The Chief Compliance and Ethics Officer will continue to conduct investigations and compliance reviews as necessary, reporting such findings to the department and executive compliance owner and document management taken.</p> |

Program Plan Goals

| Big Seven | Goals | Year One | Year Two | Year Three |
|---------------------------|--|--|--|---|
| Monitoring (continued) | Engage monitoring practices to maintain a culture of compliance and ethical decision making | <p>compliance calendars for each department, compliance literature, and worksheets to assist Compliance Partners in evaluating their areas.</p> <p>4. The Chief Compliance and Ethics Officer will conduct annual surveys of Compliance Partners to assess compliance progress for year 1. Results of the surveys will be included in the Chief Compliance and Ethics Officer’s annual report to the Board.</p> <p>5. The Chief Compliance and Ethics Officer will advocate for the inclusion of items soliciting University community feedback regarding compliance and ethics in existing campus surveys and other measurable instruments (i.e., campus climate surveys). If this is not possible, develop and distribute independent survey instrument to solicit feedback.</p> <p>6. The Chief Compliance and Ethics Officer will draft for review, feedback, and approval investigative procedures to include in the University Code of Conduct for distribution to the University community. The procedures will outline reporting systems, the elements of an investigation, findings, and a non-retaliation provision.</p> <p>7. The Enterprise Compliance Committee will review and brainstorm ways in which to reward ethical behavior and a commitment to compliance.</p> <p>8. The Enterprise Compliance Committee will serve as an additional source of comprehensive monitoring, as Compliance Partners will be able to identify and monitor compliance concerns</p> | <p>3. The Chief Compliance and Ethics Officer will continue to provide resources to Compliance Partners to collaborate in monitoring compliance throughout campus. Resources include compliance calendars for each department, compliance literature, and worksheets to assist Compliance Partners in evaluating their areas.</p> <p>4. The Chief Compliance and Ethics Officer will <u>annually survey the</u>conduct annual surveys of Compliance Partners<u>University community</u> to assess compliance progress for year 2. Results of the surveys will be included in the Chief Compliance and Ethics Officer’s annual report to the Board.</p> <p>5. If year one goal is successful, submit compliance and ethics items for inclusion in existing campus surveys and other measurable instruments (i.e., campus climate surveys) to solicit feedback. Assess program effectiveness, using the prior year’s results as a baseline.</p> <p>6. The Chief Compliance and Ethics Officer will distribute the Code of Conduct to the University community as a reminder.</p> <p>7. The University will adopt appropriate incentives and sanctions to promote trust in the Program.</p> <p>8. The Enterprise Compliance Committee will continue to serve as an additional source of comprehensive monitoring, as Compliance Partners will be able to identify and monitor compliance concerns comprehensively.</p> | <p>3. The Chief Compliance and Ethics Officer will continue to provide resources to Compliance Partners to collaborate in monitoring compliance throughout campus. Resources include compliance calendars for each department, compliance literature, and worksheets to assist Compliance Partners evaluate their areas.</p> <p>4. The Chief Compliance and Ethics Officer will conduct annual surveys of Compliance Partners to assess compliance progress. Results of the surveys will be included in the Chief Compliance and Ethics Officer’s annual report to the Board.</p> <p>5. The Chief Compliance and Ethics Officer will conduct survey and assess program effectiveness, using the prior year’s results as a baseline.</p> <p>6. The Chief Compliance and Ethics Officer will distribute investigative procedures to the University community as a reminder.</p> <p>7. The Chief Compliance and Ethics Officer will monitor incentives and sanctions adopted by the University.</p> <p>8. The Enterprise Compliance Committee will serve as an additional source of comprehensive monitoring, as Compliance Partners will be able to identify and monitor compliance concerns comprehensively as most compliance issues span multiple departments and disciplines.</p> <p>9. The Chief Compliance and Ethics Officer will continue to assess personnel processes</p> |

Program Plan Goals

| Big Seven | Goals | Year One | Year Two | Year Three |
|---------------------------|--|---|--|--|
| Monitoring (continued) | Engage monitoring practices to maintain a culture of compliance and ethical decision making | <p>comprehensively as most compliance issues span multiple departments and disciplines.</p> <p>9. The Chief Compliance and Ethics Officer will coordinate with the Office of Human Resources to review existing processes that will assist the University in its responsibility to employ reasonable efforts to exclude personnel from substantial authority who have engaged in illegal activities or other conduct inconsistent with the University compliance and ethics program.</p> | <p>9. The Chief Compliance and Ethics Officer will assess personnel processes that will assist the University in its responsibility to employ reasonable efforts to exclude personnel from substantial authority who have engaged in illegal activities or other conduct inconsistent with the University compliance and ethics program.</p> | <p>that will assist the University in its responsibility to employ reasonable efforts to exclude personnel from substantial authority who have engaged in illegal activities or other conduct inconsistent with the University compliance and ethics program.</p> |
| Auditing | Assess program effectiveness | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Engage the Office of University Assessment and the Division of Audit and Compliance to develop an assessment model that evaluates the effectiveness of the program. The annual report will review compliance efforts throughout campus, as well as the results of surveying Compliance Partners throughout the University. The report will also identify the goals and progress for each year. This report will be forwarded to the Board of Governors pursuant to 4.003 (7) 8. 2. Develop and distribute a Campus Climate/Independent Survey and host focus groups. | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Utilize assessment model that evaluates the effectiveness of the program. The annual report will review compliance efforts throughout campus, as well as the results of surveying <u>the University community</u> Compliance Partners throughout the University. The report will also identify the goals and progress for each year. This report will be forwarded to the Board of Governors pursuant to 4.003 (7) 8. 2. Distribute annual survey and conduct feedback sessions. | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Utilize assessment model that evaluates the effectiveness of the program. The annual report will review compliance efforts throughout campus, as well as the results of surveying Compliance Partners throughout the University. The report will also identify the goals and progress for each year. This report will be forwarded to the Board of Governors pursuant to 4.003 (7) 8. 2. Distribute annual survey and conduct feedback sessions. 3. In addition to conducting an internal program effectiveness assessment, solicit such review from the Division of Audit and Compliance. |

Program Plan Goals

| Big Seven | Goals | Year One | Year Two | Year Three |
|---------------------------------|---|---|--|--|
| | | <p>3. In addition to conducting an internal program effectiveness assessment, will solicit such review from the Division of Audit and Compliance.</p> | <p>3. In addition to conducting an internal program effectiveness assessment, solicit such review from the Division of Audit and Compliance.</p> | <p>4. Schedule an External review of the program will be conducted pursuant to Board of Governor’s Regulation 4.003.</p> |
| <p>Response and Enforcement</p> | <p>To establish and use the investigative process and proper incentives and disciplinary measures in enforcement of the program. Continue to improve based on best practices and feedback.</p> | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Collaborate with the appropriate offices to conduct investigations related to relevant complaints. The Vice President of DAC (or designee) serves on the Enterprise Compliance Committee to collaborate as appropriate and provide additional guidance. 2. Collaborate with the Vice President of DAC and the General Counsel to develop a triage process in evaluating complaint processing and investigations. 3. Meet with the Office of Human Resources to determine best way to integrate compliance pieces into existing processes (ex: job evaluations) and ways to partner. 4. Determine incentives and disciplinary measures in enforcement of the program. | <p>The Office of Compliance and Ethics Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Conduct investigations pursuant to established procedure; 2. Evaluate the success of integrating compliance language pieces into existing processes (ex: job evaluations) and partner initiatives. 3. Evaluate the effectiveness of incentives and disciplinary measures in <u>the</u> enforcement of the program. | <p>The Chief Compliance and Ethics Officer will:</p> <ol style="list-style-type: none"> 1. Conduct investigations utilizing the investigation procedure; 2. Assess the inclusion of compliance into personnel processes; 3. Evaluate the effectiveness of incentives and disciplinary measures in enforcement of the program. |



FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

Annual Report 2018-2019



ACCOUNTABILITY ● INTEGRITY ● EFFICIENCY

September 6, 2019



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AUTHORITY, VISION, MISSION, VALUES, AND PRIORITY

AUTHORITY

The Division of Audit¹ is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the University. The Division assists the University in accomplishing its objectives by bringing systematic and disciplined approach to evaluate and improve the effectiveness of the University's risk management, control, and governance processes.

The Division of Audit provides audit, advisory, and investigative services to all entities of the University, including schools, colleges, administrative departments, auxiliary enterprises, and support organizations. In accordance with the Division Charter, approved by the FAMU Board of Trustees, the Division is authorized to:

- Have unlimited and unrestricted access to all data, books, records, files, property, information systems, and personnel of the University as necessary to carry out their duties and responsibilities;
- Allocate resources, establish schedules, select subjects, determine scopes of work, and apply the techniques required to accomplish objectives;
- Obtain the essential assistance and cooperation of personnel in areas of the University where audits and investigations are performed, as well as other specialized services from within or outside the University; and
- Have free and unrestricted access to the Board of Trustees.

In order to maintain an effective spirit of independence and objectivity, Division of Audit staff have no day-to-day authority or operating responsibilities for the management processes and activities reviewed. Thus, audit and review activities do not relieve University administrators, staff, and faculty of the responsibilities assigned to them.

VISION

We will be championed by our customers, benchmarked by our peers (counterparts), and dedicated to excellence in our products and services.

¹ Effective July 1, 2019, the Division of Audit and Compliance was renamed as Division of Audit.



MISSION

We add value to FAMU and its stakeholders by promoting accountability, integrity, and efficiency through excellence in auditing, investigations, management reviews, and technical assistance.

VALUES

- Integrity
- Objectivity
- Competence
- Confidentially
- Fairness
- Professionalism
- Personable
- Empathetic

PRIORITIES

- Awareness
- Sufficiency
- Timeliness
- Added-Value

The Division of Audit provides independent, objective assurance and consulting services designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The Division serves as a proactive business partner with University management by evaluating business processes, controls, compliance mechanisms and technologies to ensure:

- Business risks are appropriately identified and managed;
- Assets and resources are properly controlled;
- Operational, financial, and managerial information is accurate and reliable;
- University actions are in compliance with policies, procedures, standards, state and federal laws, and regulations;



- Effective coordination and cooperation is provided to external auditors to avoid duplication of effort;
- Allegations of fraud, waste, and abuse, and complaints received from the Chief Inspector General and Board of Governors are appropriately investigated; and
- Quality and continuous improvement are fostered in the University's control processes.



STANDARDS AND FUNCTIONS

STANDARDS

Audit engagements are performed in accordance with the *International Professional Practices Framework (Standards for the Professional Practice of Internal Auditing)*, published by the Institute of Internal Auditors, Inc.; or, where appropriate, the *Government Auditing Standards*, published by the United States Government Accountability Office; or the *Information Systems Auditing Standards* published by ISACA.² These standards require that auditors plan and perform the audit to obtain sufficient and appropriate evidence that provides a reasonable basis for findings and conclusions.

Advisory engagements are performed in accordance with the *International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards*. These standards require that we plan and perform the advisory engagements to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our engagement objectives.

Investigative assignments are performed in accordance with the principles and standards in the *Standards for Complaint Handling and Investigations for the State University System of Florida*, adapted by the State University Audit Council. These standards require that we plan and perform investigations to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions.

FUNCTIONS

In accordance with its charter, the Division's four main areas of responsibility are audits (assurance services), audit follow-up, consulting (advisory services), and investigations.

1. Audits (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.

² Previously known as the Information Systems Audit and Control Association, ISACA is now known by its acronym only, to reflect the broad range of Information Technology governance professionals it serves.



2. Audit Follow-Up

Follow-up reviews are completed for any audit findings disclosed in assurance engagements and may be completed for other engagements, such as investigations, as deemed necessary. Follow-up reviews are completed for outstanding findings. Periodic reports are provided to the Audit Committee, President, and senior leadership team on the status of implementation of corrective actions.

3. Consulting (Advisory Services)

The Division provides consulting (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 a liaison with the external auditors.

4. Investigations

Investigations result from tips reported to our Division through the University's hotline; correspondence provided direct to our Division in the form of letters and memoranda, emails, and telephone calls; from the Board of Governors, the Governor's Chief Inspector General, and other sources.

The following pages summarize the function activities for fiscal year 2018-2019.



AUDIT ACTIVITIES

During the 2018-2019 fiscal year, the Division completed the following audit projects:

- Cloud Security Governance Audit;
- Performance-Based Funding Data Integrity Audit 2018-2019;
- Risk Assessment 2018-2019 Audit Work Plan; and
- Risk Assessment and 3-Year Audit Work Plan.

Each of these topics is covered in detail on the following pages.

CLOUD SECURITY GOVERNANCE AUDIT

The audit was designed to assess governance controls surrounding the University's iRattler and Microsoft 365 application. iRattler is the University's enterprise resource planning solution, that houses financial, student, and human resources data; while Microsoft 365 is the University's email solution through which the majority of electronic communications take place for the University.

The objectives of the audit included:

- Provide management with an assessment of cloud computing policies and procedures and their operating effectiveness;
- Identify internal control and regulatory deficiencies that could affect the University; and
- Identify cloud computing vendor management control concerns that could affect the reliability, accuracy and security of the enterprise data.

Based on procedures performed, we found the following items that need to be addressed by management:

- The University has a documented disaster recovery plan for iRattler and does annual recovery testing, however, the written Disaster Recovery plan was outdated. The University does not have a formal, documented disaster recovery plan for Microsoft 365.
- The statement of work between the University and an outside cloud-computing vendor does not define parties' roles and responsibilities and obligations to ensure the University's data is safeguarded. In addition, the University had not developed issue monitoring processes to oversee contractual compliance



requirements or identify Information Technology Services (ITS) contractual compliance deficiencies.

- Hardware and software requirements and feasibility for moving from the existing service provider to another provider have not been documented for iRattler and Microsoft Office 365. Service transition planning allows entities to manage risk for new, changed and retired services thereby protecting the product environment. The knowledge gained during the service transition process assist stakeholders in making informed, reliable decisions and support challenges with service delivery.

The Division provided recommendation(s) for each finding and management provided responses and action plan to address the issues identified.

PERFORMANCE-BASED FUNDING DATA INTEGRITY AUDIT 2018-2019

The Performance-Based Funding Data Integrity Audit is conducted to assess controls that address the topic of data integrity, including a detailed analysis of the processes, procedures, system-based controls and other data verification measures in place to support the integrity of information presented to the Florida Board of Governors for the University’s performance funding decisions. The objectives of this audit were to:

- Determine whether the University’s performance-based funding-related controls, processes, and data submissions are complete, accurate, and data submissions are timely; and
- Evaluate the representations included on the Data Integrity Certification.

The focus of the audit was the controls surrounding the development and submission of data upon which the University’s 10 Performance Funding Metrics as outlined and approved by Florida Board of Governors:

1. Percent of Bachelor's Graduates Enrolled or Employed (\$25,000+);
2. Median Wages of Bachelor’s Graduates Employed Full-time One Year After Graduation;
3. Cost to the Student (Net Tuition and Fee Cost to the Student);
4. Four Year FTIC Graduation Rate;
5. Academic Progress Rate (2nd Year Retention with GPA Above 2.0);
6. Bachelor's Degrees within Programs of Strategic Emphasis;



7. University Access Rate (Percent of Undergraduates with a Pell-grant);
8. Graduate Degrees Awarded in Areas of Strategic Emphasis (includes STEM);
9. Percent of Bachelor's Degrees without Excess Hours; and
10. Percent of R&D Expenditures Funded from External Sources.

Based on our audit we concluded that controls and processes FAMU had in place to ensure the accuracy and completeness of data submitted to the Board of Governors in support of performance-based funding were operating effectively. Generally, controls evaluated were adequate, appropriate, and effective to provide reasonable assurance that risks related to performance-based funding are being managed and objectives of data submissions as outlined in Florida Board of Governor file submission guides were met.

RISK ASSESSMENT 2018-2019 AUDIT WORK PLAN

In developing the 2018-19 Internal Audit Work Plan, we performed a university-wide internal audit risk assessment, a process that identified and analyzed risks facing FAMU. The risk assessment served as the primary basis for developing the 2018-19 Internal Audit Work Plan. The objective of the risk assessment was 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 the Internal Audit Work Plan.

While completing the risk assessment, we met with the senior management team to identify risk spheres in which the University's risk changed from the prior year's risk assessment as a result of new programs or initiatives implemented during 2017-18 to mitigate risks, and changes that could adversely impact risks, such as legislation or other factors. Additionally, we involved all departments in the risk assessment process by having department management complete customized risk-assessments which assessed the department's implementation and effectiveness of controls related to areas of risk as defined by the Association of College and University Auditors (ACUA). We also considered results of various Division's audits, investigation, and consulting activities that discussed risks or mitigating controls affecting risk. Also considered were results of external audits (primary the operational audit performed by the Office of the Auditor General). We conducted 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 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.

RISK ASSESSMENT AND 3-YEAR AUDIT WORK PLAN: FY 2019-2020

The work plan is risk-based to provide the most effective coverage of University operations and the Division's responsibilities based on the risk assessment results. In this workplan, we allocated approximately 10 percent of our available project hours for management requests and special projects. Additionally, for the 2019-20 fiscal year, we plan to focus our efforts on engagements such as Performance-Based Funding audit, Athletics - BOT Policy 2005-16 (Section 2) review, Export Controls review, FAMU/FSU College of Engineering review, and IT Change Management review. The approved plan will guide our activities throughout the year, but will be adjusted to meet management's and the Board's needs as other priorities are identified.



AUDIT FOLLOW-UP ACTIVITIES

The Division of Audit continues to make follow-up audits one of our priorities. At the beginning of fiscal year 2018-2019, there were twenty-seven (27) open audit findings including those identified in the Auditor General’s audits. During the year, management had completed and Division of Audit had validated corrective actions for sixteen (16) audit findings, which included:

| No. of Findings | Project Name |
|-----------------|---|
| 1 | 2015-2016 iRattler Application Security Audit |
| 1 | 2016 Accounts Payable Audit |
| 7 | Decentralized Cash Audit - Athletics |
| 4 | 2017-18 Rattler Boosters Athletic Operations |
| 1 | DSO Independent Audits: FAMU Rattler Boosters |
| 2 | NCAA Committee on Infractions - FAMU Case No. 00176 |



CONSULTING (ADVISORY) ACTIVITIES

During the 2018-2019 fiscal year, the Division of Audit issued the following advisory reports:

2018 GRAPE HARVEST ADVISORY REPORT

This advisory service included a review of the on-site cash collection procedures for the August 2018 FAMU Grape Harvest Festival, and the festival's physical safety plans, food vendor liability insurance, volunteer authorization and training, and outside employment approval.

We found that the cash collection process, in general, was satisfactory and internal controls were in place and operating as intended to ensure cash collected was fully accounted for, safeguarded, properly deposited, and reconciled. Furthermore, controls over physical safety plans, food vendor liability insurance, volunteer authorization and training, and outside employment approvals were appropriate.

CYBERSECURITY REPORT

We assessed various facets of the University's cybersecurity program which included:

- Evaluating key cybersecurity concerns currently facing FAMU;
- Reviewing the Universities administrative cybersecurity program priorities and goals for FY 18-19;
- Evaluating the adequacy of ITS resources that are available; and
- Determining the University's cyber security maturity level.

Based on the assessment of the above areas, we concluded that the University's cyber security program will require additional resources and time to bring the program to a mature level that will have a solid foundation upon which to support and protect the University's resources, while ensuring integrity, availability, and reliability of the information technology infrastructure and the information that it contains.

Additionally, the University will need to empower ITS with the authority to effectively implement cybersecurity standards, guidelines, and best practices across the University through a recommended restructure of IT services throughout the University.



ENTERPRISE RISK MANAGEMENT (ERM) ADVISORY SERVICES REPORT

This engagement included review of the benefits of implementing an ERM program as well as an assessment of FAMU’s current risk management practices. We found that FAMU uses a traditional risk management approach but would benefit from implementing an ERM program through a phased approach. FAMU’s risk management practices could be improved by:

- Appointing an executive ERM sponsor – Chief Risk Officer with established administrative and functional reporting lines;
- Establishing an ERM framework;
- Establishing an ERM Advisory Committee, perhaps as a subcommittee to the Enterprise Compliance Committee;
- Implementing an ERM software management system;
- Establishing a risk tolerance/appetite statement;
- Performing an enterprise-wide risk assessment fully aligned with the University’s strategic plan and performance funding goals; and
- Establishing risk treatment plans with periodic monitoring.

We also made recommendations regarding ERM program implementation, structure, costs, and timeline.

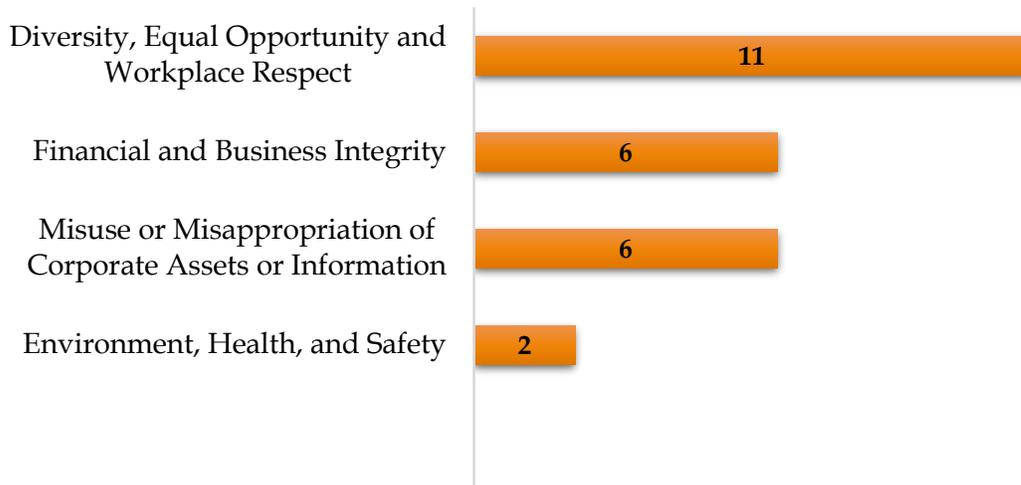


INVESTIGATIVE ACTIVITIES

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, emails, and telephone calls. During fiscal year 2018-2019:

| | |
|---|------------------|
| Total Allegations Received | <u>25</u> |
| Final Reports Issued | 8 |
| Investigation in Process | 3 |
| Allegations Referred Out | 5 |
| Allegations Closed without Investigation ³ | 9 |

Allegation Type



³ Some of the reasons that an investigation may not be conducted include:

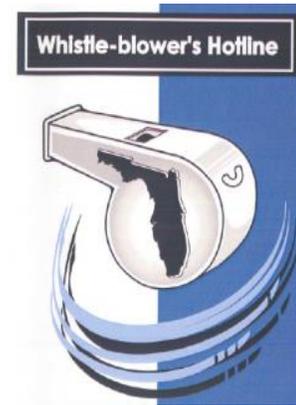
- The gravity of the disclosed information compared to the time and expenses of conducting an investigation;
- The potential for the investigation to yield beneficial recommendations;
- The benefit to the University to have a final report on the disclosed information; or
- Another agency is conducting an investigation.



OTHER DIVISION ACTIVITIES

Some addition selected Division activities are summarized below:

1. The Division coordinated with the Office of Inspector General and Director of Compliance (OIGC) of the State University System of Florida Board of Governors (BOG) to conduct Whistle-blower Training. The Whistle-blower's Act plays a critical role in ensuring accountability. The statute prohibits adverse personnel action against current or former employees and applicants for employment who report certain information. The training included an in-depth review of the requirements of and best practices for Florida's Whistle-blower's Act. BOG's Investigations and Audit Specialist Rebekah Weeks provided the training on July 12, 2019, to key University personnel from departments including Athletics, Equal Opportunity Programs, Human Resources, Information Technology Services, Legal Affairs, Office of Compliance and Ethics, and the Division of Audit.
2. Met with all members of the Senior Leadership Team and many of the Board of Trustees members regarding expectations and perceptions of University risks.
3. Prepared for a follow-up closed session with the Board of Trustees on management actions in response to our audit of Cybersecurity.
4. Participated in the State University Audit Counsel (SUAC) May 2019 meeting. This Counsel meets in person twice per year to share information on university risks and audit matters. They also communicate throughout the year to leverage knowledge and share best practices.





STAFF

Our audit staff currently possess specializations in accounting, fraud auditing, risk, information technology, construction, and financial management. The specializations and training provide our office with the unique ability to provide a dynamic range of services and expertise to the University community.

Joseph K. (Joe) Maleszewski, MBA, CIG, CIGI, CIGA, CIA, CGAP, CISA, CCEP Vice President, Division of Audit

Mr. Maleszewski joined Division of Audit in March 2019. He received an MBA degree from the Florida State University School of Business and holds the following professional certifications:



- Certified Inspector General (CIG),
- Certified Inspector General Investigator (CIGI),
- Certified Inspector General Auditor (CIGA),
- Certified Internal Auditor (CIA),
- Certified Government Auditing Professional (CGAP),
- Certified Information Systems Auditor (CISA), and
- Certified Compliance and Ethics Professional (CCEP).

Mr. Maleszewski has over 27 years of service in state government, serving primarily in Offices of Inspector General at four State agencies.⁴ He also served as statewide Computer Security Administrator for the Florida Department of Transportation. He previously served as City Auditor for the City of Tallahassee and Inspector General and Director of Compliance of the State University System of Florida BOG after serving as inspector general for the Department of Economic Opportunity and the Department of Transportation's director of audit for over seven years.

⁴ Department of Agriculture and Consumer Services, Department of Transportation, Department of State, and Department of Economic Opportunity



Debra Barrington, Notary Public

Administrative Assistance

Ms. Debra Barrington has over 30 years of administrative service in state government, serving primarily in Offices of Gadsden and Leon Counties, City of Tallahassee, and many different state agencies. She also served as a customer service representative in each state office worked. She previously served as Administrative Assistant in FAMU Construction and Facilities Management prior to accepting the current position serving as Administrative Assistant to the Vice President of Division of Audit. Ms. Barrington serves in her role(s) for both Division of Audit and Office of Compliance and Ethics, providing various services including time and labor, travelers representative, purchasing card reconciliations, procurement requisitions, and payments. She is also a Florida Notary Public.

Jessica Hughes, CCA, CFE, CICA

Audit Services/Investigations Administrator



Mrs. Jessica Hughes has been a part of Division of Audit for 6 years. She received an MBA degree from the Troy State University School of Business and holds the following professional certifications:

- Certified Construction Auditor (CCA),
- Certified Fraud Examiner (CFE), and
- Certified Internal Controls Auditor (CICA).

Mrs. Hughes has over 12 years of service in Higher Education working at both Florida State and FAMU. Her experience includes grant compliance, budget management, construction internal control review, auditing, investigations, and various consulting projects. She currently serves as a board member for the Institute of Internal Auditors, Tallahassee chapter and the former Audit Committee Chair. She is also a member of the Association of Government Accountants and Society of Corporate Compliance and Ethics.



Ruoxu (Ruo) Li, CIA, CISA
Audit Services/Investigations Administrator

Ruoxu Li joined the Division of Audit in May 2013. She received a Master's degree in Professional Accountancy from University of Wisconsin-Whitewater. She holds the following professional certifications:

- Certified Internal Auditor (CIA), and
- Certified Information Systems Auditor (CISA).

Ms. Li has 14 years of auditing experiences. Prior to joining Division of Audit, she worked as an external auditor at Deloitte and Touche, and internal auditor at America College Testing (ACT), and Washington State University. She is an ACUA Audit and Accounting Principles Committee member.

Deidre N. Melton, MBA, CFE, CIA, CISA, CISM, CRISC
Internal Auditor/Investigator



Ms. Melton joined the Division of Audit Staff in January 2014. She received an MBA degree from FAMU School of Business & Industry and holds the following professional certifications:

- Certified Fraud Examiner (CFE),
- Certified Internal Auditor (CIA),
- Certified Information Systems Auditor (CISA),
- Certified Information Security Manager (CISM), and
- Certified in Risk and Systems Controls (CRISC).

Ms. Melton has over 14 years of service in the public sector at the Florida Auditor General's Office and FAMU performing audits, investigations, advisory, and risk services within Florida's K-12 and higher education systems. She has specialized in information technology security, risk, and fraud throughout her career.

Ms. Melton is actively involved in sharing her professional knowledge by currently serving in the following leadership roles:

- Chair, State University System of Florida IT Audit Group;
- President, ISACA Tallahassee Chapter;
- Audit Committee, Leon County Clerk of the Circuit Court and Comptroller;
- Advisory Council, Association of Certified Fraud Examiners; and



- Leadership Development Chair, SheLeadsTech Tallahassee.

William Knight, CIGA

Internal Auditor/Investigator (Staff Auditor)

Mr. Knight has over 20 years of auditing experience in state government. Prior to joining FAMU’s Division of Audit in July of 2018, Mr. Knight worked five years as an auditor in the Department of Revenue’s Office of Inspector General, and before that worked in the Department of Financial Services and Office of Insurance Regulation in various auditing positions. Mr. Knight earned his bachelor’s degree in Finance from Florida State University.

Carl E. Threatt Jr., MBA, CIA, CRMA, CFE, CCEP, CIGA, CIGI, LSSGB

Audit Services/Investigations Administrator

Mr. Threatt joined the FAMU Division of Audit in August 2013. He received an MBA degree from the Albany State University School of Business and his Bachelor of Business Administration (BBA) with a concentration in Accounting degree from Georgia Southwestern State University. He holds the following professional certifications:



- Certified Internal Auditor (CIA),
- Certification in Risk Management Assurance (CRMA),
- Certified Fraud Examiner (CFE),
- Certified Compliance and Ethics Professional (CCEP),
- Certified Inspector General Auditor (CIGA),
- Certified Inspector General Investigator (CIGI), and
- Lean Six Sigma Green Belt Process Improvement Certification (LSSGB).

Mr. Threatt has over 27 years of collective experience conducting and coordinating financial, operational and compliance audits of Universities, colleges, technical colleges, libraries and local boards of educations. Fourteen of the years he served as Audit Director/Chief Audit Executive at Albany State University where he established the internal audit function and he also served two additional years as Assistant to the Vice President for Fiscal Affairs. He previously served five years as Principal Auditor conducting financial statements and compliance audits for the Georgia Department of Audits and Accounts (State Auditors) of various State of Georgia entities. He has been employed within the FAMU Division of Audit for the past six years as an Audit Services/Investigations Administrator.



SPECIAL THANKS



Mr. Richard “Rick” Givens, CPA, CGFM, former Vice President, Division of Audit retired from his duties in January 2019. Mr. Givens served as the interim Vice President for Division of Audit in 2012 prior to assuming the permanent role. Prior to coming to FAMU, Mr. Givens worked for the state of Florida Auditor General’s Office.

Mr. Givens led the Division that monitors audits and compliance for the University. Under his leadership, the Division successfully passed two “Generally Conformed” External Quality Assurance Reviews (QARs)⁵ in accordance with the Institute of Internal Auditors (IIA) standards. He also helped the Division to restore integrity and credibility with the University internal audit function during the 2013 Southern Association of Colleges and Schools (SACS) accreditation review process.

We thank you for your dedication, passion, and leadership!

⁵ 2013 QAR report issued by Ernst & Young LLP
2017 QAR report issued by Kaye Kendrick Enterprises, LLC



PROFESSIONAL DEVELOPMENT AND ASSOCIATION

The Division of Audit staff develop and maintain their professional knowledge, skills, and abilities through a number of methods. The following section summarizes the Division staff's professional certifications, professional affiliations, and training.

PROFESSIONAL CERTIFICATIONS

Expertise within the Division of Audit covers a variety of disciplines. Employees are technically qualified in auditing, financial matters, investigations, fraud, compliance, constructions, and information technology. The accomplishments of staff members obtaining certifications represent significant time and effort. Collectively, the Division staff maintain 13 professional designations/certifications.

PROFESSIONAL AFFILIATIONS AND TRAINING

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."

Division of Audit staff members maintain active memberships and attend continuing educational seminars, conferences, webinars, and luncheons in various professional associations. These associations allow Division staff members to maintain currency, establish and advance professional networks, and participate in professional community activities. Staff also serve in leadership roles and or committees in the ISACA, ACUA, and IIA professional organizations.

The Division staff attended continuing education activities provided by the following professional affiliations and are members of the associations:

- Association of Certified Fraud Examiners (ACFE) - Tallahassee Chapter;
- Association of College and University Auditors (ACUA);
- Association of Government Accountants (AGA)- National and Tallahassee Chapters;
- Association of Inspectors General (AIG) -National and State Chapters;
- Florida Audit Forum;



- Florida Government Finance Officers Association (GFOA);
- Institute of Internal Auditors (IIA)- National and Tallahassee Chapters;
- ISACA –National and Tallahassee Chapters;
- National Association of Construction Auditors (NACA); and
- Society for Corporate Compliance and Ethics (SCCE).





CONTACT INFORMATION AND RESOURCES

CONTACT INFORMATION

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Tallahassee, Florida 32307
Phone: (850) 412-5479, Fax: (850) 561-2079
Email: auditandcompliance@famu.edu

RESOURCES

FAMU Division of Audit Web Page, which includes links to the *Division Charter* and mission statement.

<http://www.famu.edu/index.cfm?AuditandCompliance&AboutAuditandCompliance>

Association of Certified Fraud Examiner

<https://www.acfe.com/>

Association of Colleges and Universities Auditors

www.acua.org

Association of Government Accountants

<https://www.agacgfm.org/home.aspx>

Association of Inspectors General

<http://inspectorsgeneral.org/>

Board of Governors Regulations

<http://www.flbog.edu/about/regulations/>

Florida Inspectors General

<http://www.floridaoig.com/>

Institute of Internal Auditors

<http://www.theiia.org/>

ISACA



https://www.isaca.org/Pages/default.aspx?cid=1000270&Appeal=SEM&gclid=CjwKC Ajw4NrpBRBsEiwAUcLcDI5F5hwh7a5PsHR0yDLicN_7DMesCn9PcW4w7iQppS6Nws mSvZQADBoC5ZEQAvD_BwE&gclsrc=aw.ds

National Association of Construction Auditors

<https://thenaca.org/>

Society of Corporate Compliance and Ethics

<https://www.corporatecompliance.org/>



FLORIDA A&M UNIVERSITY

DIVISION OF AUDIT

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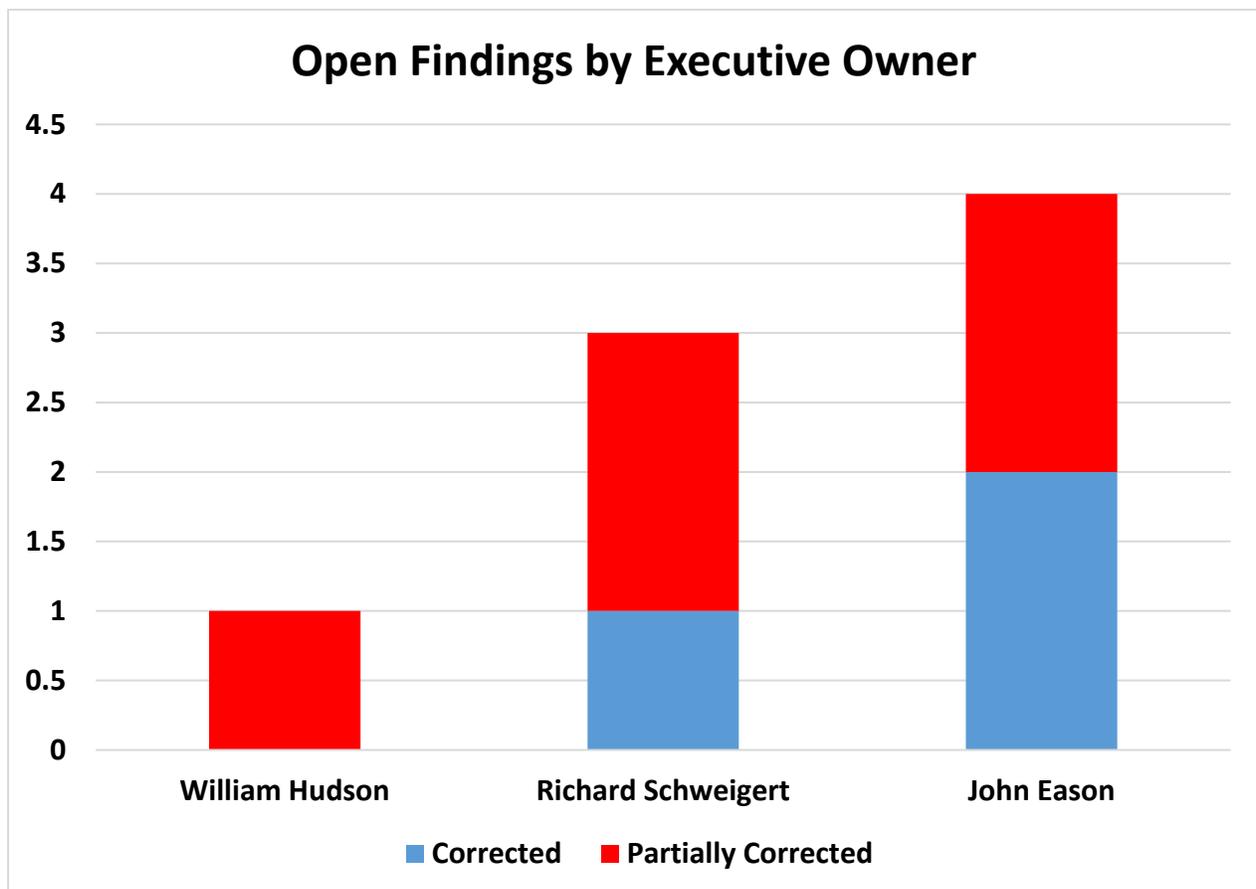
<http://www.famu.edu/index.cfm?AuditandCompliance>

[Email: auditandcompliance@famu.edu](mailto:auditandcompliance@famu.edu)

8 Open Audit Findings as of September 9, 2019

| 2 Corrected Ahead of Schedule Require Validation | 6 Partially Corrected |
|---|---|
| <ul style="list-style-type: none"> ● 2018 Operational Audit Findings: Payroll Processing Time Cards ● NCAA Committee on Infractions – FAMU Case No. 00176: Institutional Obligation to Timely Renew or Non-renew Student Athlete Financial Aid | <ul style="list-style-type: none"> ● 2017 DSO Independent Audits: FAMU Rattler Boosters Proper Accounting Records (Finding No. 2017-1) ● 2018 DSO Independent Audit: FAMU Rattler Boosters - Supporting Documentation ● 2017-18 SGA Follow-Up Audit: Employee Time Reporting – SGA ● 2018 Operational Audit Findings: Intercollegiate Athletic Programs – Deficit Cash Balances ● 2017-18 Cloud Security Governance Audit: Disaster Recovery ● 2017-18 Cloud Security Governance Audit: Service Transition Planning |

Severity Risk Level: ● High Risk ● Medium Risk ● Low Risk



11 Findings Closed or Reassessed Since June BOT Meeting

6

Closed

- **2017-18 Cloud Security Governance Audit:** Legal Compliance
- **NCAA Committee on Infractions – FAMU Case No. 00176:** Student Athlete Statements and Drug Testing Consent Forms
- **NCAA Committee on Infractions – FAMU Case No. 00176:** Institutional Obligation to Timely Renew or Non-renew Student Athlete Financial Aid
- **2017-18 Performance Based Funding Data Integrity Audit:** User Access Privileges & Reviews (Repeat Finding)
- **2016 Accounts Payable Audit:** Access to PeopleSoft Accounts Payable and Purchasing Roles Part II
- **2016-17 BOG IT Compliance Audit:** Information Security Plan Development and Implementation

5

Report Findings Currently Being Reassessed Based on Additional Information

- **Athletics Cash Collection Controls Review:** Ticket Security
- **Athletics Cash Collection Controls Review:** Ticket void/reissue process
- **Athletics Cash Collection Controls Review:** Unsecured cash area
- **Athletics Cash Collection Controls Review:** University processing timely deposit
- **Athletics Cash Collection Controls Review:** Post reconciliation process not entirely completed

Report #18-19-0002

Advisory Service Report

Enterprise Risk Management



May 20, 2019

Division of Audit and Compliance

Joseph K. Maleszewski, MBA, CIA, CGAP, CISA, CIG, CIGA, CIGI, CCEP
Vice President for Audit and Compliance



Advisory Service 18-19-0002

EXECUTIVE SUMMARY

WHAT WE DID

We studied the value proposition of implementing Enterprise Risk Management (ERM) practices at Florida A&M University (FAMU). This engagement included review of the benefits of implementing an ERM program as well as an assessment of FAMU's current risk management practices. We also made recommendations regarding ERM program implementation, structure, costs, and timeline.

WHAT WE FOUND

We found that FAMU uses a traditional risk management approach but would benefit from implementing an ERM program through a phased approach.

OPPORTUNITIES FOR IMPROVEMENT

FAMU's risk management practices could be improved by:

- Appointing an executive ERM sponsor – Chief Risk Officer with established administrative and functional reporting lines;
- Establishing an ERM framework;
- Establishing an ERM Advisory Committee, perhaps as a subcommittee to the Enterprise Compliance Committee;
- Implement an ERM software management system;
- Establishing a risk tolerance/appetite statement;
- Performing an enterprise-wide risk assessment fully aligned with the University's strategic plan and performance funding goals; and
- Establishing risk treatment plans with periodic monitoring.



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BACKGROUND

Risk Management and Enterprise Risk Management:

Risk management is those processes that ensure university management and the board of trustees identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of institutional objectives. Enterprise Risk Management (ERM) is a business process, led by senior leadership and the board, that extends the concepts of risk management to include identifying risks across the entire enterprise; assessing the impact of risks to the operations and mission; developing and practicing response or mitigation plans; monitoring the identified risks, holding the risk owner accountable, and consistently scanning for emerging risks. ERM can be viewed as an extension of traditional risk management with the hallmarks of a good ERM program including:

- Enterprise-wide Approach;
- Executive-level Sponsorship;
- Defined Accountability;
- Intentional, Systematic, and Structured;
- Defined risk tolerance/appetite;
- Establishment and communication of risk management process goals and activities; and
- Monitored treatment plans (i.e., avoidance, accept and monitor, reduce the likelihood, reduce the impact, or transfer).

The underlying premise of ERM is that every institution exists to provide value for its stakeholders and all institutions face uncertainty. The challenge for our board and leadership team is to determine how much uncertainty to accept as we strive to grow stakeholder value. Uncertainty presents both risk and opportunities, with the potential to erode or enhance value.

ERM is widely adopted by industry and required of all federal agencies. However, only about a quarter of institutions of higher education employ some form of ERM. Within the higher education space, the Association of Governing Boards, United Educators, and the National Association of College and University Business Officers (NACUBO) each advocate for and provide supporting resources for ERM programs.

Many key higher education risks such as hazing, underage drinking, mass shootings, sexual assault, and cybersecurity would not be in the purview of the traditional risk manager but would be given consideration under an ERM program. Experience tells us that an institution of higher education cannot effectively manage risk in silos as no one area, in and of itself, is equipped to handle the myriad of risks the institution faces.



ERM Standards:

The Committee on Sponsoring Organizations of the Treadway Commission (COSO) ERM framework is one of two widely accepted risk management standards organizations use to help manage risks:

- COSO *Enterprise Risk Management – Integrating with Strategy and Performance*: Focuses on the importance of considering risk in both the strategy-setting process and in driving performance.
- ISO 31000 – *Risk Management*: A family of standards relating to risk management codified by the International Organization for Standardization.

The following diagram provides an overview of *Enterprise Risk Management – Integrating with Strategy and Performance*’s five interrelated components and 20 principles.



Enterprise Risk Management Framework: Integrating with Strategy and Performance © 2017 Committee of Sponsoring Organizations of the Treadway Commission (COSO). All rights reserved. Used with permission.

Integrating ERM with business practices results in better information that supports improved decision-making and leads to enhanced performance. It helps organizations to:

- Anticipate risks earlier or more explicitly, opening up more options for managing the risks;
- Identify and pursue existing and new opportunities;
- Respond to deviations in performance more quickly and consistently;
- Develop and report a more comprehensive and consistent portfolio view of risk; and
- Improve collaboration, trust, and information-sharing.



Internal Audit's Role:

The Division of Audit and Compliance (DAC) began this study as part of our professional obligations under professional auditing standards. In pertinent part, professional audit standards¹ tell us that the internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes while refraining from assuming any management responsibility by actually managing risks. The auditor's role is determining whether risk management processes are effective by assessing whether:

- Institutional objectives support and align with the institution's mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align risks with the institution's risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the institution, enabling staff, management, and the board to carry out their responsibilities.

State University System of Florida Board of Governors' ERM Focus:

In the fall of 2017, the State University System of Florida Board of Governors surveyed member institutions regarding their risk management practices to determine if the institutions:

1. Utilized traditional risk management practices to manage risks;
2. Communicated risks to senior management;
3. Maintained an enterprise-level risk inventory;
4. Had a board-level committee responsible for risk management;
5. Had a management-level risk committee;
6. Had an enterprise risk management (ERM) governing document; and
7. Board of Trustees communicated a risk tolerance/appetite.

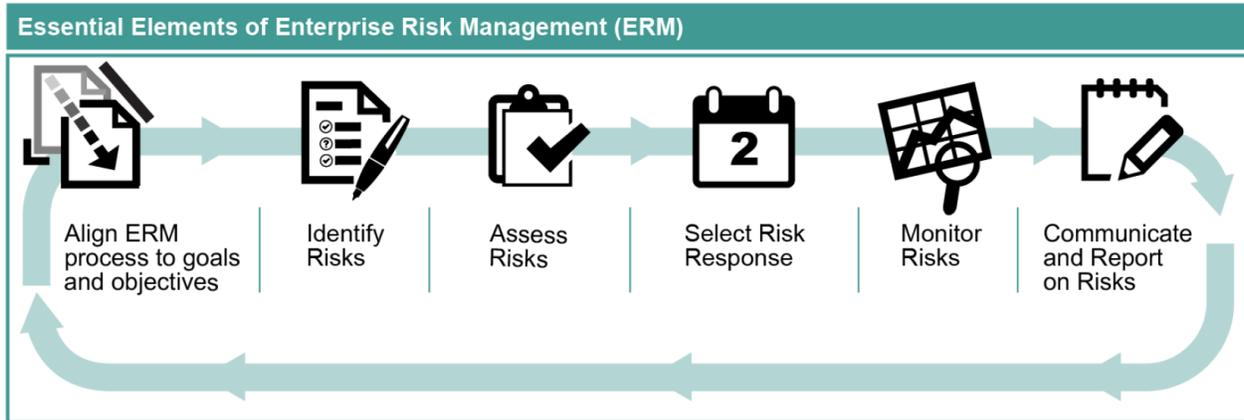
At that time, FAMU only had two of the seven surveyed areas implemented, including traditional risk management (Item 1) and assigning the Board of Trustees Audit and Compliance committee the responsibility of risk management (Item 4). However, as we will cover in the observations section of this report, FAMU already has some essential building blocks for an ERM program in place.

¹ International Standards for the Professional Practice of Internal Auditing, Standard 2120 – Risk Management



Federal Government Focus on ERM:

In July 2016, the Office of Management and Budget (OMB) issued Circular No. A-123 requiring federal agencies to implement ERM to ensure federal managers are effectively managing risks that could affect the achievement of agency strategic objectives. In addition, the Government Accountability Office (GAO) has studied ERM best practices in federal agencies and the graphic below depicts the best practices process they recommend.





OBSERVATIONS

Based on the scope of work and methodologies outlined in Appendix A, we make our observations in the following areas:

- Benefits of implementing an ERM program at FAMU;
- Risk tolerance/appetite;
- FAMU's current risk practices;
- FAMU's status on implementing ERM best practices;
- Recommended ERM program structure;
- Estimated cost for implementing a FAMU ERM program; and
- Recommended ERM implementation timeline.

Benefits of Implementing an ERM Program at FAMU:

The ability of FAMU to transform current risk management practices into an ERM program would allow for the University to develop a systematic approach for monitoring and measuring risk related to the achievement of strategic plan and performance funding goals. According to COSO, implementation of an ERM program could provide the University the following benefits:

- **Increasing the range of opportunities:** By considering all possibilities—both positive and negative aspects of risk—management can identify new opportunities and unique challenges associated with current opportunities.
- **Identifying and managing risk entity-wide:** Every entity faces myriad risks that can affect many parts of the organization. Sometimes a risk can originate in one part of the entity but impact a different part. Consequently, management identifies and manages these entity-wide risks to sustain and improve performance.
- **Increasing positive outcomes and advantage while reducing negative surprises:** Enterprise risk management allows entities to improve their ability to identify risks and establish appropriate responses, reduce surprises and related costs or losses, while profiting from advantageous developments.
- **Reducing performance variability:** For some, the challenge is less with surprises and losses and more with variability in performance. Performing ahead of schedule or beyond expectations may cause as much concern as performing short of scheduling and expectations. Enterprise risk management allows organizations to anticipate the risks that would affect performance and enable them to put in place the actions needed to minimize disruption and maximize opportunity.
- **Improving resource deployment:** Every risk could be considered a request for resources. Obtaining robust information on risk allows management, in the face of finite resources, to assess overall resource needs, prioritize resource deployment and enhance resource allocation.



- **Enhancing enterprise resilience:** An entity’s medium- and long-term viability depends on its ability to anticipate and respond to change, not only to survive but also to evolve and thrive. This is, in part, enabled by effective enterprise risk management. It becomes increasingly important as the pace of change accelerates and business complexity increases.

Beyond these COSO-identified benefits, implementing an ERM program ahead of possible Board of Governor’s regulations allows FAMU time to fully develop a program that is optimal to the University’s structure, goals, and financial constraints at a measured pace that is conducive to current operations. A phased ERM program implementation would allow the University time to adequately train all leadership, faculty, and staff on ERM principles, their roles in the process, and effect a positive cultural change in the way the University does business.

Risk Tolerance/Appetite:

The University of Alberta has an institutional risk tolerance statement² that could be used as a model for a FAMU Board of Trustees risk tolerance/appetite statement. This policy provides a quantitative and qualitative approach to communicating risk tolerance in the following key risk areas:

- Reputation,
- Infrastructure (financial and physical),
- Education/research,
- Human resources, and
- Safety/security.

Adapted to FAMU’s environment and needs, this risk tolerance statement would provide an effective method for communicating risk tolerance, mitigation, and escalations procedures based on the likelihood and impact of certain risks being realized. This is an important step for the Board of Trustees in implementing a board-driven risk approach. A risk tolerance statement sets the tone by defining the Board of Trustees’ risk appetite on a continuum that ranges from risk averse, to risk neutral, to risk aggressive.

Establishing a risk tolerance/appetite statement is an important step to driving risk-aware decision making.

² <https://policiesonline.ualberta.ca/PoliciesProcedures/Procedures/Risk-Management-Policy-Appendix-A-Institutional-Risk-Tolerance-Statement.pdf>



The graphic below highlights the relative placement of establishing risk tolerance/appetite along an ERM maturity continuum from risk-naïve to risk-enabled.



FAMU’s Current Risk Practices:

FAMU’s risk management currently focuses on mitigating the loss of physical and financial assets within each department. FAMU does not have a comprehensive process in place for coordinating risk management actions across departments; requiring identification, reporting, and monitoring of risks; or that require management and staff to consider risk factors in their decision making processes. The Division of Strategic Planning, Analysis, and Institutional Effectiveness does, however, conduct ongoing evaluations of administrative and academic units and makes recommendations for increasing efficiency and effectiveness. These evaluations provide some insight into the risks facing the University.

While not specifically a risk management activity, the Division of Audit and Compliance annually conducts two risk assessments. The first is focused on identifying risks to allocate limited audit resources and ensure appropriate audit coverage. This risk assessment focuses on financial, strategic, compliance, and operational risks across the University. The second risk assessment is performed by the DAC’s compliance function.³ This compliance risk assessment goes in-depth into compliance issues identified by University vice presidents, associate vice presidents, directors, and compliance coordinators. The University’s Enterprise Compliance Committee assigns risk owners for each identified compliance risks and works with the owners to implement risk mitigation plans. University executive leadership is provided updates on the status of these mitigation efforts.

³ The Compliance function will be removed from the Division of Audit and Compliance effective July 1, 2019, and therefore these two risk assessments will be performed by separate functional units in the future.



FAMU’s Status on Implementing ERM Best Practices:

The following table provides a status of FAMU’s implementation of 6 key ERM best practices. The comments section of the table provides details and information relevant to implementing these best practices at FAMU.

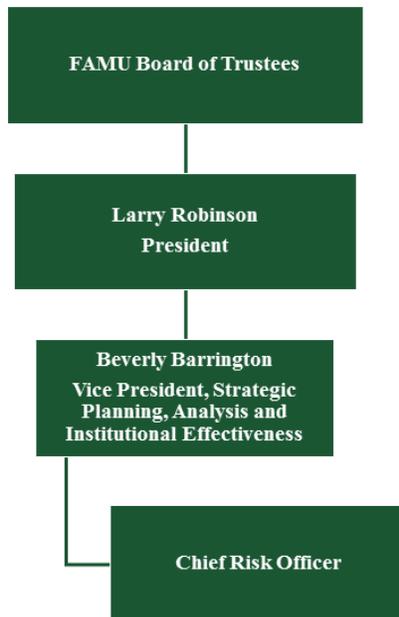
| Best Practice | Implemented at FAMU | Comments |
|---|---------------------|--|
| 1. Establish an ERM Framework | No | The University has not established an enterprise risk management framework. There are two widely accepted risk management standards: COSO and ISO 31000. We recommend FAMU use the COSO ERM Framework for implementation, as it aligns more directly with the University’s focus on strategic plan and performance goals. The ISO 31000 risk management guidelines can be used to provide enhanced guidance around the COSO ERM Framework. |
| 2. Appoint an Executive ERM Sponsor | No | The University has not appointed an Executive ERM Sponsor. However, Mrs. Beverly Barrington, Vice President of Strategic Planning, Analysis, and Institutional Effectiveness agrees that her role would be suitable to serve as the executive sponsor with the Chief Risk Officer (when appointed) housed within her division. |
| 3. Formed a Risk and Compliance Council with accompanying charter | Partially | The University formed an Enterprise Compliance Committee (ECC) that is led by the University’s Chief Compliance Officer. The ECC is comprised of approximately 30 individuals made up of vice presidents, associate vice presidents, directors, and compliance coordinators through-out the University, ensuring that the Committee has a presence and representation throughout the University. The ECC has established a comprehensive process for assessing and identifying compliance risk, identifying risk owners, developing risk mitigation plans, and monitoring plan completion. Additionally the ECC regularly provides advice and feedback to leadership on compliance and risk matters. |
| 4. Develop an Annual Risk Heat Map | Yes | DAC creates two annual risk heat maps. The first heat map is developed by the Chief Audit Executive and encompasses University financial, operational, compliance, and strategic risks. The second heat map is led by the Chief Compliance and Ethics Officer and provides a more focused evaluation of University compliance issues. Implementation of ERM would task the Chief Risk Officer (once appointed) with developing a comprehensive risk heat map aligned to the University’s strategic plan and performance goals. |
| 5. Triennial Enterprise-Wide Risk Assessment Performed | Partially | DAC performs an enterprise-wide annual risk assessment limited in scope to support allocation of audit resources each fiscal year and not designed to align fully with the University’s strategic plan or performance goals. |
| 6. Risk Mitigation Follow-up Process in Place to address identified risks | Partially | DAC will perform assurance activities, consulting services, and compliance reviews in areas of high risk which often results in management implementing risk mitigation processes. However, there is no requirement currently, for management to mitigate moderate or high risk factors outlined during the risk assessment process performed by the DAC. |



Recommended ERM Program Structure:

Our recommended structure for enterprise risk management would include the following:

- Appoint a Chief Risk Officer:** Appoint a Chief Risk Officer (CRO) from within the University community. Gallagher Higher Education Practice stated in their, *Road to Implementation: Enterprise Risk Management for Colleges and Universities* report, “The ERM leader is often appointed from an existing position rather than from outside the institution. Internal candidates are most familiar with the institution and have already established relationships with key individuals. They know how to get things done, which is invaluable for large scale initiatives.”
- Establish Administrative and Functional Reporting Lines:** The CRO would report administratively to the Vice President of Strategic Planning, Analysis, and Institutional Effectiveness (SPAIE) and functionally to the Board of Trustees Audit and Compliance Committee. This reporting structure will ensure any major risks are timely reported to the Board of Trustees without constraints from management. The reporting relationship should be established through policy or charter. Administratively reporting to the VP of SPAIE would collocate the function with one already focused on strategic planning and performance. Furthermore, this organizational placement would avoid independence concerns which would be created if it were placed within the Division of Audit and Compliance.



Chief Risk Officer Responsibilities: The CRO would have the following responsibilities:

- Responsible for the development, oversight and implementation of core ERM tools including risk identification, assessment of risk on the operations and mission, prioritization, development and implementation of response to mitigation plans, monitoring, reporting templates and communications tools.



- Lead the annual and on-going assessment of the ERM framework working directly with risk owners to complete risk analysis and develop risk documentation and reporting mechanisms. Act as an advisor and partner to campus leaders.
 - Responsible for development and maintenance of strong consultative and collaborative relationships across all levels of the organization, especially with other risk assurance professionals; maintain confidentiality and trust-worthy work relationships with management and the corporation.
 - Lead projects to develop and execute risk optimization strategies for key strategic initiatives. Conduct custom strategic risk and opportunity assessments; maintain an ongoing awareness of emerging external and internal risks and opportunities; consult with subject matter experts as needed; report on those risks and/or opportunities; assist responsible officials to assess and respond to emerging risks. Identify and address gaps in the organization, recommend solutions, develop polices and develop standard reporting mechanisms.
 - Oversight and management of the Risk Management Committee/Risk Council including development of agenda, reports and presentations. Consult with and assists Vice Presidents and Deans, Directors and other administrative and academic leaders to develop, maintain and report on a response plan for all risks and opportunities assigned to them to help ensure effective risk management, policies, procedures and controls.
- **Establish an ERM Advisory Committee:** The CRO, would establish and chair an ERM Advisory Committee. The main goal of the ERM Advisory Committee would be to bring people with knowledge of specific risks together with those familiar with institutional policies, procedures, and resources in a coordinated effort to manage strategic planning and performance risks across the University.
 - **ERM Advisory Committee Responsibilities:** The responsibilities of the ERM Advisory Committee may include assisting with the elimination of functional, cultural, and departmental barriers of dealing with risks; assisting with risk identification, mitigation strategies, and monitoring; advocating risk awareness throughout the University through trainings and discussions; advising departmental risk managers on risk management activities; providing risk management reports and advisory services to executive leadership and board of trustees as requested; and developing a common risk vocabulary for the University. To avoid duplication of effort, the ERM Advisory Committee could be a sub-committee of the current Enterprise Compliance Committee (ECC). In this scenario, the ECC responsibilities could be expanded to include financial, operational, and strategic risk.



Estimated Cost for Implementing a FAMU ERM Program:

The following table provides an estimated cost associated with the phased implementation of an ERM program at FAMU.

| ITEM | Description | FY Budget Impact | Approximate Annual Cost |
|---------------------------------------|---|------------------|-------------------------------------|
| ERM Leader: Chief Risk Officer | The Chief Risk Officer (CRO) is a leader and facilitator for the University regarding institution level risk and opportunities. The CRO will lead the evolution of the University’s ERM program through the development and deployment of risk management tools and practices. The CRO will initiate and manage the annual enterprise-wide risk assessment process resulting in the establishment and/or revision of FAMU’s highest risks and opportunities that could impair and/or advance the achievement of the university's mission, vision, strategic goals and competitiveness. The CRO will act as an advisor to executive leadership and provide relevant information for informed decision making. | FY 2019-2020 | \$133,640 ⁴ salary |
| ERM Software Management System | There are various tools that can be utilized for risk management. The University currently has ACL ⁵ which can be expanded to include risk management. There are also other dedicated ERM solutions that were reviewed, including: <i>Active Risk Manager</i> , <i>Cammsrisk</i> , and <i>Logicgate</i> . All offer cloud solutions and comprehensive options for managing risk across the University. User licenses for these products have an annual fee range of \$400 to \$1200. The University would need approximately 40 licenses to ensure each department, school/college, and appropriate leadership have access. However, inclusion onto the system, may best be approached in a phased in process. | FY 2020-2021 | \$16,000 - \$48,000 for 40 licenses |
| TOTAL | | | \$149,640 - \$181,640 |

⁴ Market analysis performed by HR in May 2018.

⁵ ACL Services, Ltd. (Audit Command Language) is a privately owned software as a service company recently joining another company (Rsam) and rebranding as Galvanize.



Recommended ERM Implementation Timeline:

The following table provides a recommended ERM implementation timeline using 4 phases.

| Phase | Phase 1: ERM and FAMU | Phase 2: Building an ERM Foundation | Phase 3: Implementation | Phase 4: Sustain ERM Program |
|--------------|---|---|--|--|
| Time Frame | Present | Year 1 FY 2019-2020 | Year 2 FY 2020-2021 | Year 3 FY 2021-2022 |
| Goals | <ul style="list-style-type: none"> ✓ Understand the University’s plans, environment, and culture ✓ Determine the status of existing risk management processes. Compare with best practices ✓ ERM goals and objectives ✓ Perform cost analysis ✓ Develop implementation timeline ✓ Obtain top-level support for ERM • Obtain top-level commitment, financial support, and participation | <ul style="list-style-type: none"> • Name an ERM leader • Develop ERM policy or charter • Develop ERM plan • Select or design ERM framework • Create a Cross-Functional Risk Committee • Create mission and goals statement for the Risk Committee • Develop a shared vocabulary and definitions • Develop an institution-wide system for communication | <ul style="list-style-type: none"> • Develop a risk portfolio • Assess your risks: validate and prioritize • Assign ownership and take action | <ul style="list-style-type: none"> • Assess results of actions taken in year 2. • Review and align risk treatment with available resources • Collaborate with traditional risk management functions (insurance, claims management, safety, and compliance) • Review ERM framework for any necessary modifications • Refine institution-wide system for communication and tracking progress (technology) |



APPENDICES

APPENDIX A – PURPOSE, SCOPE, AND METHODOLOGY

The **purpose** of this advisory service was to review Florida A&M University’s risk management practices; assess Enterprise Risk Management (ERM) best practices; propose an ERM structure; estimate initial ERM program costs; and suggest a proposed phased implementation timeline.

The **scope** of the engagement was University risk management practices from fall of 2017 to present.

The **methodology** included:

- Conducting interviews with senior management and other key staff regarding ERM;
- Reviewing prior DAC risk assessments and methods;
- Reviewing the State University System of Florida Board of Governors’ 2017 study of System institutions risk management practices;
- Reviewing established university ERM programs throughout the United States (including New York University, University of Vermont, Indiana University, Columbia University, Georgetown University, University of South Carolina, and San Francisco State University);
- Reviewing documentation related to the COSO Enterprise Risk Management Framework and the ISO 31000 Risk Management Guidelines;
- Reviewing ERM articles and consulting reports from the Association of Governing Boards of Universities and Colleges, Gallagher Higher Education Practice, and various other reputable sources; and
- Analyzing the University’s strategic plan, performance goals, current structure, and financial constraints for determining the best methods for integrating enterprise risk management into the University.



APPENDIX B – MANAGEMENT RESPONSE

The Division of Audit and Compliance (DAC), as part of the audit risk assessment process, interviews the Board of Trustee Chair, the Board of Trustees Audit & Compliance Chair, all senior management, and select management in high risk areas. As part of the 2017-18 and 2018-19 risk assessment processes DAC explained the premise of enterprise risk management and inquired regarding whether or not they support the implementation of ERM risk management practices at FAMU from each interviewee. In both years, we received unanimous support for the implementation of an ERM program. Some of the highlights from these interviews over the two year period regarding ERM include:

- Kelvin Lawson, Board of Trustee’s Chair, commented that the establishment of an ERM program could lead the University to making better decisions in regards to allocating funding.
- Dr. Larry Robinson, President, commented that the establishment of an ERM program is a necessity for the University.
- Shira Thomas, Interim General Counsel, commented that the University should begin implementing ERM now to get ahead of the curve.
- Dr. Shawnta Friday-Stroud, Vice President of Advancement/Dean of School of Business & Industry, commented that implementing an ERM program will cause a cultural shift within the University to decision making being more proactive instead of reactive.



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Larry Robinson, Ph.D., President

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- Charles Weatherford, Vice President, Research (Interim)
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Julie Leftheris, Inspector General and Director of Compliance, Board of Governors



PROJECT TEAM

Engagement was conducted by:

Deidre Melton, CFE, CIA, CISA, CISM, CRISC, Internal Auditor/Investigator

Approved by:

Joseph K. Maleszewski, MBA, CIA, CGAP, CISA, CIG, CIGA, CIGI, CCEP
Vice President for Audit and Compliance

STATEMENT OF ACCORDANCE

The Division of Audit and Compliance's mission is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. It helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

We conducted this advisory service in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require we plan and perform the advisory service to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our engagement objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Division of Audit and Compliance at (850) 412-5479.

<http://www.famu.edu/index.cfm?AuditandCompliance&AboutAuditandCompliance>



Internal Controls Framework

PRESENTED BY

Joseph Maleszewski

August 20, 2019

Florida Agricultural and Mechanical University



Agenda

- What are Internal Controls
- Benefits of Internal Controls
- COSO – Committee on Sponsoring Organizations of the Treadway Commission
- Internal Control Guidance
 - Sarbanes-Oxley Act – Section 404
 - OMB Circular A-123
- Specific Recommendations
 - COSO Framework
 - University Policy





What Are Internal Controls?

- Internal Control is a process, effected by people (board, management, etc.) designed to provide reasonable assurance regarding the achievement of objectives in three categories:
 - Effectiveness and efficiency of operations
 - Reliability of financial and operational reporting
 - Compliance with applicable laws/regulations



The Most Effective Control: Management Attitude



**So . . . Accept
Responsibility**



I am responsible . . .

.

. . . for who I am

. . . for what I

have

. . . for what I do

Management must set the tone. Staff won't use internal controls if their management does not take internal controls seriously. *"Code of Conduct"*

Lead by example!





I/C Activities Examples

- Authorizations and approvals
- Performance reviews
- Supervision
- Access controls
- Separation of duties
- Reconciliations
- Verifications
- Regular reviews of processes and activities





Accounting Controls

Plans, procedures and records:

- Safeguarding of assets
- Reliability of financial records

Provide reasonable assurance that:

- Transactions are Authorized
- Transactions are Recorded
- Access is permitted





Types of Controls

- Directive
- Preventive
- Detective
- Corrective





Effective Internal Controls

- Appropriate
- Functioning consistently
- Cost effective
- Comprehensive
- Reasonable
- Directly related to a control objective





Benefits Of Internal Controls

- Ensure internal business is properly transacted.
- Reduce the opportunity for fraud.
- **Protect** elected **officials** and **employees** from personal liability.
- Provide a positive public image by reducing errors, fraud, and mismanagement.





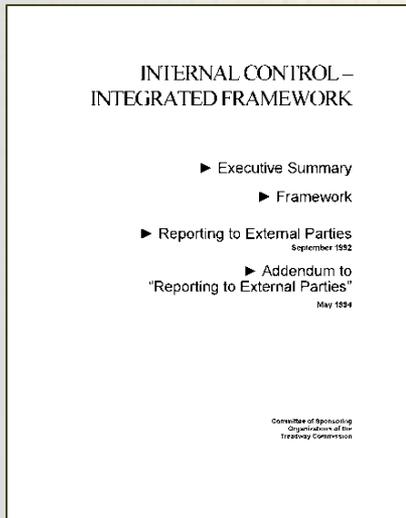
Control Objectives

| Control Objectives | Control Activity |
|--|---|
| Protect assets in your home. | Lock door. Set alarm system. |
| Protect your money. | Keep debit card in safe place and do not write down the PIN number. |
| Detect inappropriate access to your funds and bank errors. | Balance your bank statement each month. |
| We only pay bills for goods actually ordered and received. | Perform three-way match of original PO, goods receipt information and invoice prior to payment to vendor. |

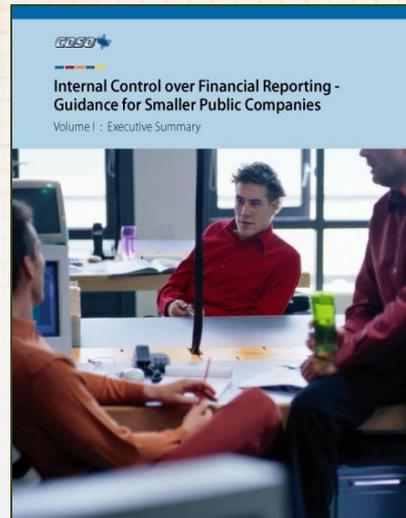




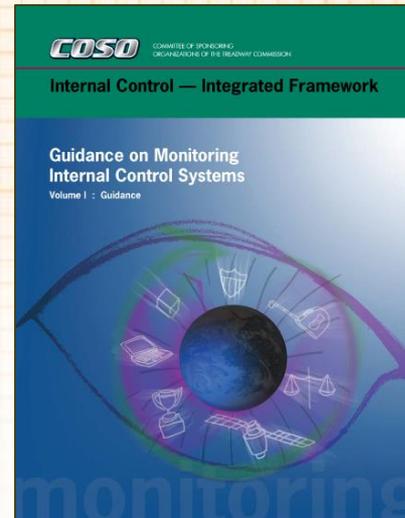
COSO Overview



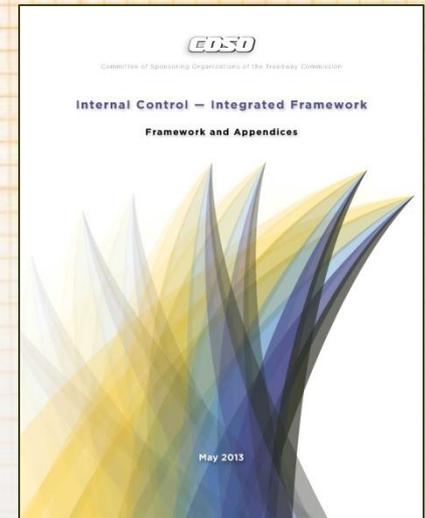
1992



2006



2009



2013





COSO Internal Control Objectives

Committee of Sponsoring Organizations of the Treadway Commission

Three categories of objectives, which allow organizations to focus on differing aspects of internal control:

- **Operations** - effectiveness and efficiency
- **Reporting Objectives** - internal and external financial and non-financial reporting
- **Compliance Objectives** - adherence to laws and regulations





Internal Control Components

- 1- Control Environment**
- 2- Risk Assessment**
- 3- Control Activities**
- 4- Communications**
- 5- Monitoring**



Principles of Effective Internal Control



Control Environment

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

Risk Assessment

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

Control Activities

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

Information & Communication

13. Uses relevant information
14. Communicates internally
15. Communicates externally

Monitoring Activities

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies





Example – Principle 1

Component

Principle

Control Environment

1. The organization demonstrates a commitment to integrity and ethical values.

Points of Focus:

- Sets the Tone at the Top
- Establishes Standards of Conduct
- Evaluates Adherence to Standards of Conduct
- Addresses Deviations in a Timely Manner

- Points of focus may not be suitable or relevant, and others may be identified
- Points of focus may facilitate designing, implementing, and conducting internal control
- There is no requirement to separately assess whether points of focus are in place





Principle Controls embedded in Other Components

Component

Control Environment

Principle

1. The organization demonstrates a commitment to integrity and ethical values.

Principle Controls are embedded in other I/C components

Control Environment

HR review and confirm with employees that standards of conduct are understood and will be followed

Information & Communications

Management review whistleblower hot-line data for underlying potential deviations to conduct standards

Monitoring Activities

Internal Audit evaluates conduct standards and employee adherence to those standards





I/C Standards/Guidance

- Sarbanes-Oxley Act
- COSO Internal Control – Integrated Framework
- OMB Circular No. A-123: Management’s Responsibility for Enterprise Risk Management and Internal Control
- Standards for Internal Control in the Federal Government
- Government Auditing Standards (Yellow Book)
- International Standards for the Professional Practice of Internal Auditing (Red Book)





Sarbanes-Oxley Act (2002)

- Public Companies
- Management's Responsibilities
- Section 404 – Internal Controls Report
 - Management is responsible for establishing and maintaining an adequate internal control structure and procedures for financial reporting.
 - Assessment of the effectiveness of the internal control structure and procedures for financial reporting as of the end of the company's fiscal year.





COSO

Committee of Sponsoring Organizations of the Treadway Commission

Internal Control – Integrated Framework

Executive Summary

May 2013

GAO

United States Government Accountability Office
By the Comptroller General of the
United States

September 2014

Standards for Internal Control in the Federal Government

GAO-14-704G





OMB Circular No. A-123

Management's Responsibility for Enterprise Risk Management and Internal Control

- Origin 1981
- Builds upon:
 - Federal Managers' Financial Integrity Act
 - Government Performance and Results Act Modernization Act
- Annual evaluation of Internal Controls





OMB Circular No. A-123

Internal Control Components

- Control Environment
 - Risk Assessment
 - Control Activities
- Information and Communications
 - Monitoring





OMB Circular No. A-123

Management 's Responsibilities

- Establishing and maintaining internal control
 - Effective and efficient operations,
 - Reliable financial reporting, and
 - Compliance with applicable laws and regulations.
- Consistently apply internal control
- Assess internal control effectiveness
- Annual Performance and Accountability Report
 - Assurance regarding internal control over financial reporting,
 - Identified material weaknesses, and
 - Corrective actions.





SB7014

Section 20. Subsection (5) is added to section 1010.01, Florida Statutes, to read:

1010.01 Uniform records and accounts.—

(5) Each school district, Florida College System institution, and state university shall establish and maintain internal controls designed to:

(a) Prevent and detect fraud, waste, and abuse as defined in s. 11.45(1).

(b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices.

(c) Support economical and efficient operations.

(d) Ensure reliability of financial records and reports.

(e) Safeguard assets.





QUESTIONS/COMMENTS



“At FAMU, Great Things Are Happening Every Day.”

established 1887





FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY
Board of Trustees Policy

| | |
|--|--|
| Board of Trustees Policy Number: 2019-01 | Date of Adoption: Date of Revision: |
|--|--|

| | |
|----------------------|--|
| Subject | Internal Controls and Enterprise Risk Management |
| Authority | Section 7(c), Article IX, Florida Constitution; Section 1010.01(5), Florida Statutes |
| Applicability | This policy applies to all University units and employees. |

I. Policy Statement and Purpose

- A. The Board of Trustees (BOT) has emphasized the importance of having appropriate risk management processes and systems to identify challenges early, to bring them to the attention of University leadership, and to develop solutions. To that end, the University seeks to modernize existing efforts by requiring implementation of both the Enterprise Risk Management (ERM) capability and the internal control framework championed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its publications *Internal Controls – Integrated Framework* and *Enterprise Risk Management - Integrating with Strategy and Performance*. This integrated governance structure will improve mission delivery, reduce costs, and focus corrective actions toward mitigating key risks.
- B. The Board of Trustees expects the University administration to develop an internal control environment governed by policies and procedures necessary to provide reasonable assurances that business processes result in effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. The system of internal control is meant to keep the University focusing on its mission and to minimize surprises.
- C. The University administration has the responsibility to establish and maintain an adequate system of internal controls and to furnish to the BOT, governmental agencies, University creditors and other constituencies with reliable financial information on a timely basis. An adequate system of internal controls is necessary for the administration to discharge these responsibilities.
- D. Controls help ensure that assets are not exposed to unauthorized access and use, transactions are properly recorded in the financial records, and the resultant financial information is reliable. External organizations and supporters of the University rely on financial information to make decisions toward appropriations, loans and other debt, gifts and grants, and other contractual relationships. University resources are dependent upon a system of internal controls. The Auditor General is required annually

to report upon the adequacy of the University's systems for control over financial reporting and compliance. The safeguarding of University assets and the reliability upon which the University and others can place upon the University's financial records are dependent upon the effectiveness of the internal control process.

II. Definitions

- A. **Abuse:** "Abuse" means behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary operational practice given the facts and circumstances. The term includes the misuse of authority or position for personal gain.
- B. **Enterprise Risk Management:** Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.
- C. **Fraud:** "Fraud" means obtaining something of value through willful misrepresentation, including, but not limited to, intentional misstatements or intentional omissions of amounts or disclosures in financial statements to deceive users of financial statements, theft of an entity's assets, bribery, or the use of one's position for personal enrichment through the deliberate misuse or misapplication of an organization's resources.
- D. **Internal Control:** Internal Control is a process, effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
- E. **Waste:** "Waste" means the act of using or expending resources unreasonably, carelessly, extravagantly, or for no useful purpose.

III. Procedures, Approvals/Responsibilities

- A. The President and his/her administration shall be responsible for establishing, maintaining, and consistently applying internal controls designed to:
 - a) Prevent and detect fraud, waste, and abuse as defined in Section 11.45(1), Florida Statutes;
 - b) Promote and encourage compliance with applicable laws, rules, contracts, grant agreements, and best practices;
 - c) Support economical and efficient operations;
 - d) Ensure reliability of financial records and reports; and
 - e) Safeguard University assets.

- B. Each employee is responsible for internal controls relevant to that individual's role within the university and that support the following objectives:
- a) **Operations Objectives** – pertain to effectiveness and efficiency of the university's operations, including operational and financial performance goals. These objectives promote orderly, economical operations and assist in achieving outcomes consistent with the university's mission. Operations should safeguard resources against loss due to waste, mismanagement, errors, and fraud.
 - b) **Reporting Objectives** – pertain to internal and external financial and nonfinancial reporting. These objectives encompass reliability, transparency, and other terms as set forth by regulators, recognized standard setters, and university policies.
 - c) **Compliance Objectives** – pertain to adherence to laws and regulations to which the university is subject.

C. **Components of Internal Controls**

The system of internal controls must be designed and implemented to support the following components:

Control Environment – the set of standards, processes, and structures that provide the basis for carrying out internal controls across the university. The control environment comprises the commitment to integrity and ethical values that establish oversight responsibility and enforce accountability.

Risk Assessment – the process to identify, analyze and assess risks to the achievement of objectives.

Control Activities – the actions established through policies and procedures to mitigate risks to the achievement of institutional objectives.

Information and Communication – the use of relevant information to disseminate clear messages. Sound internal controls establish expectations and procedures to support the reliability and integrity of financial information and reporting.

Monitoring Activities – the use of evaluations to ascertain whether internal controls are present and functioning.

- D. University-implemented internal controls shall be appropriate, reliable, cost effective, comprehensive, reasonable, and directly related to control objectives.
- E. The President shall be responsible for assessing the effectiveness of the University's system of internal controls and reporting annually to the Board of

Trustees regarding the University's internal controls, any identified weaknesses, and associated corrective actions.

IV. Roles and Responsibilities

A. Board of Trustees

1. Internal Controls

- a. Provide oversight for the system of internal controls.
- b. Define expectations about integrity and ethical values, transparency, and accountability for the performance of internal control responsibilities.

2. Enterprise Risk Management

- a. Provide oversight to ensure that management has implemented an effective system to identify, assess, manage, respond to, and monitor risks to the institution and its strategic objectives.
- b. Understand and assess the risks inherent in the University's strategy, and encourage management to pursue prudent risk to generate sustainable performance and value.
- c. Understand the key drivers of success for the institution, and be knowledgeable about business management, governance, and emerging risks that may affect the institution.
- d. Work with management to establish and annually review the institution's risk philosophy.
- e. Review risk information provided by management and the Audit Committee, including ERM annual report, institutional risk portfolio, and reports on the status of risk response.
- f. Collaborate and actively engage with management in discussions of risks, especially regarding philosophy, interaction and aggregation of risks, and underlying assumptions.
- g. Define the role of the full BOT versus its standing or other committees with regard to risks oversight.
- h. Understand and assess risks associated with BOT's decisions and key strategies identified by the BOT.
- i. Provide for an appropriate culture of risk awareness across the University; monitor critical alignments of people, strategy, risks, controls, compliance, and incentives.

B. Board of Trustees Audit and Compliance Committee

1. Internal Controls

- a. Provide oversight of the entire financial reporting process. To do so effectively, the BOT should be familiar with the processes and controls that management has established and determine whether they are designed and operating effectively.
- b. Review major issues regarding accounting principles and the presentation of the financial statements. These include significant changes in the University’s selection or application of accounting principles, the adequacy of internal controls, and any special audit steps adopted in response.

2. Enterprise Risk Management

- a. Represent the BOT in providing oversight of the University’s ERM practices.
- b. Work with management to understand and agree on the types, frequency, and format of risk information that the BOT will review.
- c. Review risk information prior to its presentation to the full BOT, including ERM annual report, institutional risk portfolio, and reports on the status of risk response.
- d. Receive quarterly reports on enterprise risks and the status of risk response.
- e. On behalf of the full Board, periodically assess the BOT’s risk oversight process.

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| Attachment(s) | n/a |
| Hyperlink Addresses | |

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|---|---|---------------------------------|
| University Policy Number: UP-01-02 | | Effective/Revision Date: |
| Subject | Internal Controls and Enterprise Risk Management DRAFT | |
| Authority | Section 7(c), Article IX, Florida Constitution; Section 1010.01(5), Florida Statutes; BOT 2019-01 | |
| Applicability | This policy applies to all University units and employees. | |
| Related | | |

I. POLICY PURPOSE AND INTENT

A. This policy is intended to improve mission delivery, reduce costs, and focus corrective actions toward key risks through the modernization of existing efforts by requiring the implementation an Enterprise Risk Management (ERM) capability coordinated with the strategic planning and strategic review process, and the internal controls processes.

II. STATEMENT OF POLICY

A. The Board of Trustees (BOT) has directed the University to modernize existing efforts by requiring the implementation of an Enterprise Risk Management (ERM) capability coordinated with the strategic planning and strategic review process, and the internal controls processes championed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in its publications Internal Controls - Integrated Framework and Enterprise Risk Management - Integrating with Strategy and Performance.

B. Successful implementation of this policy requires University leadership to establish and foster an open, transparent culture that encourages people to communicate information about potential risks and other concerns with their superiors without fear of retaliation or blame. An open and transparent culture results in the earlier identification of risks and allows the opportunity to develop a collaborative response, ultimately leading to more resilient operations.

C. This policy applies to all members of the Senior Leadership Team and their respective divisions, departments, related activities, supervisors, and employees in carrying out those responsibilities they are charged with in administering the affairs of the University.

III. DEFINITIONS

A. **Abuse:** "Abuse" means behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary operational practice given the facts and circumstances. The term includes the misuse of authority or position for personal gain.

B. **Enterprise Risk Management:** Enterprise risk management is a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect

the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.

- C. **Fraud:** "Fraud" means obtaining something of value through willful misrepresentation, including, but not limited to, intentional misstatements or intentional omissions of amounts or disclosures in financial statements to deceive users of financial statements, theft of an entity's assets, bribery, or the use of one's position for personal enrichment through the deliberate misuse or misapplication of an organization's resources.
- D. **Internal Control:** Internal Control is a process, effected by an entity's board of directors, management, and other personnel designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
- E. **Waste:** "Waste" means the act of using or expending resources unreasonably, carelessly, extravagantly, or for no useful purpose.

IV. PROCEDURES

- A. Annually, the University will develop a risk profile aligned with its strategic and performance goals. Management must provide assurances on internal control effectiveness to the BOT. Information regarding identified material or significant weaknesses and corrective actions should be included in Management assurance reports.
- B. The primary compliance indicators that management must consider when implementing this policy include:
 - a) Management is responsible for the establishing a governance structure that effectively implements, directs and oversees implementation of this policy and all the provisions of a robust process of risk management and internal controls.
 - b) Implementation of this policy should leverage existing offices or functions within the University that currently monitors risks and the effectiveness of the University's internal controls.
 - c) The University should develop a maturity model approach to the adoption of an ERM framework consistent with COSO's Enterprise Risk Management – Integrating with Strategy and Performance. The University must continuously build risks identification capabilities into the framework to identify new or emerging risks, and/or changes in existing risks
 - d) Management must evaluate the effectiveness of internal controls annually using COSO's Internal Controls – Integrated Framework.
- C. Effective systems of internal administrative and accounting control provide the basic foundation upon which a structure of public accountability must be built. Effective systems of internal administrative and accounting control are necessary to attain the University's goals and objectives; promote operational efficiency and effectiveness; comply with applicable Federal, State, and local laws, regulations, and policies;

safeguard assets and funds; and protect the integrity and reliability of financial and operational information.

- D. Effective systems of internal administrative and accounting control are necessarily dynamic and must be continuously evaluated and, where necessary, established, changed, or improved. Irregularities, noncompliance, and failure to meet goals and objectives are more likely to occur from a lack of effective systems of internal administrative and accounting control at the University.
- E. The President and Senior Leadership Team are responsible for establishing and maintaining systems of internal administrative and accounting control. The Division of Audit assists the BOT and the President by examining, evaluating, and reporting on the adequacy and effectiveness of the University's systems of internal control. Reports regarding the adequacy of the systems of internal administrative and accounting control of each University division aid in evaluating the division's performance of its public responsibilities and accountability.
- F. The University will annually, provide to the BOT an assurance statement and summary information including an analysis of the University's systems, controls, and legal compliance. It should include a summary of the University's process for assessing internal control effectiveness and resulting material weaknesses and corrective action plans. The assurance statement is an accountability statement; therefore, only essential information should be included.
- G. Standards:**
- a) FAMU shall have an adequate system of internal administrative control to provide reasonable assurance that:
- a. Goals and objectives of the University will be attained;
 - b. Operating and program results are in accordance with President's and BOT's intent;
 - c. Operations are efficient and effective; and
 - d. Applicable laws, regulations, and policies have been complied with.
- b) FAMU shall have an adequate system of internal accounting control to provide reasonable assurance that:
- a. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
 - b. Revenues, expenditures, obligations, and other transactions applicable to University operations are properly recorded and accounted for in order to permit the preparation of reliable financial and statistical reports and analyses and to maintain accountability over assets.

H. RESPONSIBILITIES:

a. President

i. Internal Control

1. Provide guidance for the establishment of each divisions' systems of internal administrative and accounting control. The President may modify such guidelines from time to time as deemed necessary.
2. Arrange for professional and technical support to the various University departments in establishing systems of internal administrative and accounting control.

ii. Enterprise Risk Management

1. Lead the setting of strategic objectives for the institution.
2. Inspire and foster cultural change in support of ERM as a value and best practice for the institution.
3. Lead management discussions with the BOT regarding institutional strategy and risk philosophy.
4. Review and approve recommendations from the Enterprise Risk Management Advisory Committee (ERMAC) (taking into consideration accompanying independent assessments from non-voting ERMAC members) regarding the development and implementation of the ERM program; ERM policy; institutional risk philosophy; institutional risks or opportunities with sufficient impact on the University's strategic objectives to warrant development of risk response plans; and proposed response plans for these risks.
5. Review and approve risk information and ERM progress reports prior to their submittal to the Audit Committee or the full BOT.

b. Division of Finance and Administration

i. Internal Control

1. The Division of Finance and Administration has the primary responsibility for internal control over financial reporting and compliance with applicable laws, rules, and regulations.
2. Develop, for the President's approval, procedures establishing the guidelines for the establishment of systems on internal control.

These procedures shall be consistent with the COSO's *Internal Controls - Integrated Framework*.

3. Establish guidance for the University, by each department, of its systems for internal control over cash.
4. Arrange for professional and technical support to the various University departments in establishing systems for internal control over cash.
5. The Division of Finance and Administration is the University source for information and assistance to faculty and staff leadership on this topic and will make resources available to any business function on campus to assist in administering this policy.

ii. Enterprise Risk Management

1. University's chief budget officer has the responsibility to ensure that risks associated with achieving the university's strategic goals are captured in the annual budget planning process.

c. Chief Risk Officer

- i. Primary responsibility for the design and implementation of Enterprise Risk Management consistent with COSO's *Enterprise Risk Management: Integrated with Strategy and Performance* under the direction of the Vice President for Strategic Planning, Analysis and Institutional Effectiveness.
- ii. Responsible and accountable to the President for overseeing the development, implementation, and fostering of a collaborative, campus-wide approach to ERM at the University.
- iii. Promote the consistent use of risk management and ownership of risk at all levels of the institution.
- iv. Build a risk-aware culture, including appropriate education and training.
- v. Lead the institution's processes for identifying, analyzing, evaluating, responding to and controlling, monitoring, and reporting on key risks.
- vi. Submit risk information for review on a regular basis to the Board Audit Committee and the full BOT.
- vii. As the Responsible Official for the University's ERM policy, oversee its development and approval by the President.
- viii. Charge, appoint, and oversee the work of an ERM Advisory Committee (ERMAC).

d. General Counsel

- i. Act as legal counsel to the ERMAC.
- ii. Prepare for the President an independent assessment of ERMAC reports/recommendations from the legal perspective.
- iii. As the University's chief legal counsel, advise on risks and opportunities related to governance, legal, and compliance risk.

e. Chief Compliance and Ethics Officer

i. Internal Control

1. The Chief Compliance and Ethics Officer has primary responsibility for the design and implementation of the University's Compliance and Ethics program consistent with Board of Governors Regulation 4.003 *State University System Compliance and Ethics Programs*.

ii. Enterprise Risk Management

1. Non-voting, ex officio member of the ERMAC, provide counsel on compliance and privacy matters.
2. Prepare for the President an independent assessment of ERMAC reports/recommendations from the compliance and privacy perspectives.
3. Evaluate and provide reports on compliance and privacy risks to the University's senior management and ERMAC.
4. Work with ERMAC and the Chief Risk Officer on risks that are both compliance and key risks.

f. Office of Human Resources

- i. The Office of Human Resources is responsible for internal controls over employee recruitment, hiring, separation, promotion, job classification, employee rights, and salary administration.
- ii. The Chief Human Resources and Diversity Officer is the University's source for information and assistance to faculty and staff leadership on this topic and will make resources available to any business function at the University to assist in administering this policy.

g. Division of Audit

i. Internal Control

1. Conduct an independent review and assessment of the adequacy and effectiveness of internal controls at all levels of the university.
 2. Report findings related to the Division of Audit's evaluation of internal control systems to the President and BOT.
 3. Provide technical assistance to the President and the Senior Leadership Team regarding internal control systems.
 4. The Division of Audit must remain independent and objective, and, therefore, shall not have responsibility for establishing or maintaining the university's internal control systems.
- ii. Enterprise Risk Management
1. Non-voting, ex officio member of the ERMAC, provide independent consultation and advice
 2. Provide assurance to the BOT and the President on the effectiveness of the risk management process, including the evaluation, reporting, and management of key risks.
 3. Consult and advise on identifying and responding to risks and on the effectiveness of the risk assessment process.
- h. Senior Management (Vice-Presidents, Deans, and Separate Directors)
- i. Demonstrate full commitment to ERM as a value and best practice.
 - ii. Support the President, Chief Risk Officer, and ERMAC in creating the appropriate internal environment and institutional culture for ERM.
 - iii. Through an interview process, annually identify risks and opportunities that may affect the achievement of University objectives.
 - iv. As responsible officials, assess and manage institutional risks under the oversight of the President, Chief Risk Officer, ERMAC, and the Board of Trustees; may make presentations to the ERMAC or BOT committees upon request.
 - v. Assess and manage unit-level risks within unit-level plans, budgets, and resources.
 - vi. Include a discussion of risks and opportunities relevant to the mission of the senior management's unit or the University, as well as the status of any response to such risks or opportunities, in their annual workplan and budget submission.
- i. Employees

i. Internal Control

1. Each university employee with an oversight role for the use of university funds and for financial operations and budgets is accountable for upholding control principles and is responsible for ensuring that internal controls are established, documented, and functioning to achieve the university's and the unit's mission and objectives. This responsibility includes requiring that staff are educated and well-trained on university financial policies.

ii. Enterprise Risk Management

1. Each employee of the university has a role in the system of internal control. Each employee should understand:
 - a. The risks that relate to their roles and their activities;
 - b. How the management of risks relate to the success of the institution;
 - c. How the management of risks help them to achieve their own goals and objectives;
 - d. Their accountability for particular risks and how they can manage them;
 - e. How they can contribute to continuous improvement of risk management;
 - f. That risk management is a key part of the organization's culture; and
 - g. The need to report in a systematic and timely way to senior management any perceived new or emerging risks and any near misses or failures of existing control measures within the parameters agreed.

I. **EXCEPTIONS:** There shall be no exceptions to this policy.

J. **ADMINISTRATION:** The Division of Finance and Administration shall be responsible for administering this policy.

INSTRUCTIONS:

University Policy Format. Policies presented to the President for consideration and adoption shall include the following:

- *A page design as provided within the University Policy Template;*
- *A numbering system that identifies the responsible division/department (based on the categorical numbering of the BOT Regulations), EN-Dash, and the sequential number based on the number of University policies adopted to date, e.g. "UP-4-25" which means Academic Affairs is the responsible division and 25 represents that 24 University policies were adopted prior to that one.*
- *Policy Name;*
- *Citing Authority. Any new policy must cite the authority for the adoption of the policy. If there are any reservations about the authority to adopt a policy, please contact the Office of the General Counsel.*
- *Applicability and/or Accountability (Identify the personnel, department, division, and/or unit who must comply with the policy);*
- *Policy Statement (a brief statement that explains the objective/purpose and core provisions of the policy);*
- *Definitions of relevant terms;*
- *Procedures that the policy is implementing;*
- *Responsible Vice President and Responsible Office;*
- *Revisions to an existing University policy will replace the previous version and the numbering will reflect the version number, e.g. "UP-4-25.1" would represent a revised version of "UP-4-25."*
- *Attachments - i.e. Forms to be used, if required, to carry out the procedure, which must be attached to the policy.*
- *Hyperlink addresses should be added.*
- *Font type is Cambria Math and font size shall not be smaller than 10.5.*
- *Prior to submitting the proposed University policy to the University President, please submit it to the Office of the General Counsel for review.*

Larry Robinson, Ph.D.
 Interim President

 Date

 Responsible Vice President

 Date

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| Attachments: | n/a |
| Hyperlink Addresses: | |