

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



**Audit & Compliance Committee Meeting**

**Date: Wednesday, December 4, 2019 Time: 10:45 a.m.**

**Location: The Grand Ballroom**

Committee Members: Trustee Craig Reed, Chair  
Trustees Ann Marie Cavazos; 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, September 18, 2019, 9:30 AM | Joe Maleszewski |
| IV.  | Division of Audit Work Plan (Revised)                        | Joe Maleszewski |
| V.   | BOT Internal Control & Enterprise Risk Management Policy     | Joe Maleszewski |
| VI.  | Code of Conduct Policy                                       | Rica Calhoun    |

**INFORMATIONAL ITEMS**

- |       |  |                 |
|-------|--|-----------------|
| VII.  | Update on Division of Audit and Office of Compliance and Ethics Activities |                 |
|       | a. Compliance and Ethics -   | Rica Calhoun    |
|       | i. Mandatory Training Update   |                 |
|       | ii. Office Activities  |                 |
|       | b. Audit -   | Joe Maleszewski |
|       | i. Issued Reports  |                 |
|       | 1. 2018 Athletics Expense Review   |                 |
|       | 2. 2018-2019 Essential Theatre Decentralized Cash Collection Audit         |                 |
|       | 3. Athletics Decentralized Cash Controls Audit                             |                 |
|       | 4. Process for Adopting and Changing Policies Review                       |                 |
|       | ii. Audit/Investigative Follow-up  |                 |
|       | iii. External Audits   |                 |
|       | iv. University Fraud Policy  |                 |
|       | v. Board Risk Appetite/Tolerance Statement                                 |                 |
|       | vi. Audit Director Position Update   |                 |
| VIII. | Adjournment  |                 |

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



**Audit & Compliance Committee Meeting**

**Date: Wednesday, September 18, 2019**

**Time: 9:30 AM**

**Committee Minutes**

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

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

Chair Reed acknowledged several Action Items. The Wednesday, June 5, 2019, meeting minutes were approved. Vice President Maleszewski presented the Division of Audit Charter. Chief Compliance and Ethics Officer Calhoun presented the Office of Compliance and Ethics Charter. Then VP Maleszewski presented the Audit and Compliance Committee Charter. Finally, Chief Compliance and Ethics Officer Calhoun presented the 2018-2019 Compliance and Ethics Annual Report and Program Plan. Questions were asked and answered regarding each presented item. Chair Reed requested a motion for approval of each Action Item. Motions were made, seconded, and each item was approved.

Chair Reed moved into the informational items. Chief Compliance and Ethics Officer Calhoun presented planned changes for the University Code of Conduct (University Regulation 1.019). Comments were expressed by the Board of Trustees; Ms. Calhoun responded accordingly.

VP Maleszewski presented the status of the Division's activities including an update on the Audit Workplan; the Division of Audit Annual Report; the status of corrective actions taken on prior audit findings; an update on ongoing external audits; information about the University's progress towards implementation an Enterprise Risk Management (ERM) program; and draft policies (Board of Trustees and University) for internal controls and ERM.

Chair Reed asked if there were no further questions or discussions. The meeting was adjourned.

Adjourned by Chair Craig Reed.



## FY 2019 – 2020 Audit Work Plan (Revised)



**ACCOUNTABILITY • INTEGRITY • EFFICIENCY**

October 25, 2019



## Audit Work Plan (Revised)

### EXECUTIVE SUMMARY

#### WHAT WE DID

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We performed a quarterly review of the audits, investigations, and advisory work conducted by the Division of Audit during the first quarter of FY 2019-20 and current University priorities and goals to determine alignment with the Board of Trustee approved Audit Work Plan (AWP).

#### WHAT WE FOUND

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We found that fifty percent of the Division of Audit's work plan projects have been started. However, we noted that due to increased focus by University management on athletics, financial management processes, and internal controls that the Division of Audit has spent, and will continue to spend, a significant amount of time and resources providing advisory, audit, and investigative assistance in these areas. As a result, the Division of Audit, has recommended revisions to the AWP to ensure that the Division is able to continue to provide support for the achievement of University priorities and goals; as well as, assessment of newly implemented policies, procedures, and controls.

#### OPPORTUNITIES FOR IMPROVEMENT

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The Division of Audit's approved AWP could be improved by:

- Pushing several lower priority projects approved for the 2019-2020 fiscal year out to years 2 and 3 of the AWP. The projects identified to be moved to subsequent years would include: Export Controls Review, IT Change Management, and Faculty & Staff Leave.
- Adding the following projects to the AWP for FY 2019 -20 to focus on critical areas of University governance and control structures: Internal Controls Advisory Services and Policy and Procedure Advisory Services.
- Increasing Audit Liaison to External Auditors project hours by 300 hours to account for extensive assistance provided to Carr, Riggs, & Ingram during the FAMU Forensic Investigation on Athletics Use of Auxiliary Funds.
- Increasing Athletic Operations & Financial Review project hours by 100% to allow for extensive advisory services to University management regarding the operations, finances, and sustainability of the University Athletics program.
- Increasing Management Request project hours by 20% to allow for flexibility in assisting management with changes to financial management processes and operations.



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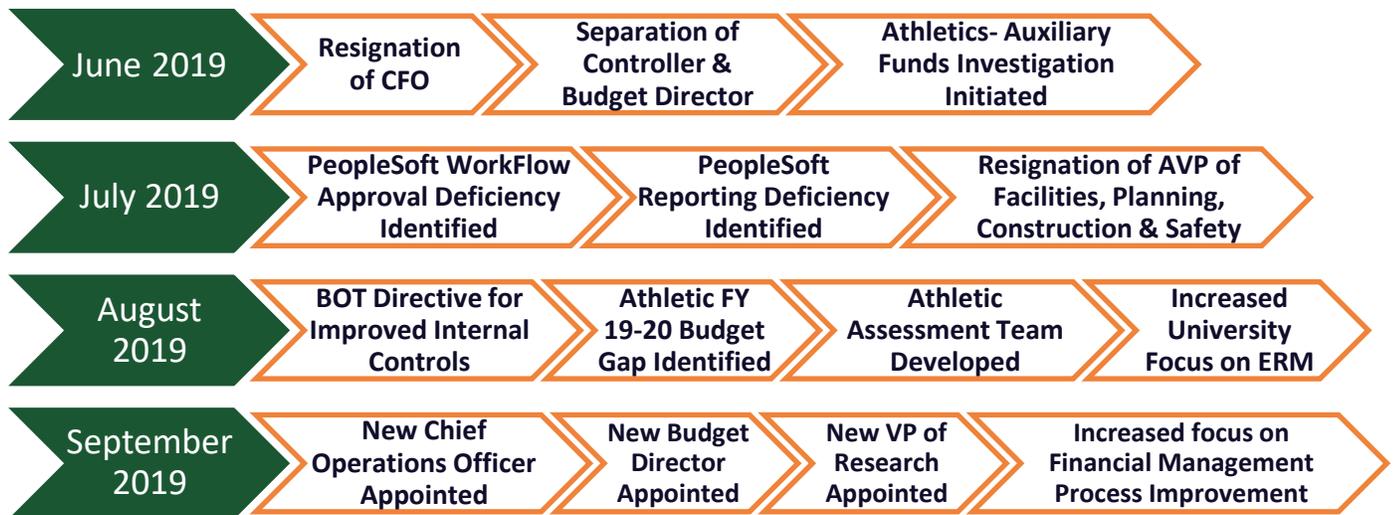
## BACKGROUND

### Work Plan Standards:

Professional auditing standards<sup>1</sup> state that the chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization’s goals. Additionally, the chief audit executive must review and adjust the plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls. The chief audit executive must then communicate the internal audit activity’s plans and resource requirements, including significant interim changes, to senior management and the board for review and approval.

### Significant University Events:

The University has experienced major changes within the institution’s management, operations and programs; and identified deficiencies within University systems and controls which have precipitated the need for the chief audit executive to adjust the AWP. These changes all impact the Division of Audit’s mission to ensure accountability, integrity, and efficiency throughout the University. See a timeline of significant events below:



<sup>1</sup> International Standards for the Professional Practice of Internal Auditing (Standards) – Performance Standards 2010 Planning



## CURRENT YEAR REVISED WORK PLAN (FY 2019 – 2020)

Category	Project Description	Budget Hours
<b>Governance Audits</b>	Performance Based Funding Metrics	600
	Review Process for Adopting and Changing Policies	160
	Culture & Ethics – Red Book 2110.A1	160
<b>Financial Audits</b>	Athletics – BOT Policy 2005-16 (Section 2)	320
	Boosters – BOT Policy 2005-18 (Section 5)	160
	Knight Foundation Grant Quarterly Expense Review	160
	Decentralized Cash Collections	160
<b>Operational Audits</b>	Registrar Office: Department Review	260
	FAMU/FSU College of Engineering	400
	IT Active Directory Security & Management	80
	Construction: Center for Access & Student Success (CASS)	200
	Construction: Source Funding Review	180
	<b>Total Audit Budget Hours</b>	<b>2840</b>
<b>Continuous Monitoring</b>	Athletics Operations & Financial Review	400
		<b>Total Continuous Monitoring Services Hours</b>
<b>Management Advisory Services</b>	Athletics: Budget Review	160
	Athletics: NCAA Compliance	160
	Textbook Affordability	80
	Construction: Florida House Recommendations	160
	Medical Marijuana Program Development	80
	Enterprise Risk Management	40
	State of Cybersecurity	40
	<b>Internal Controls (ADDED)</b>	<b>400</b>
	<b>Policy and Procedures Advisory (ADDED)</b>	<b>200</b>
	Departmental Training Assistance	100
	Audit Liaison with External Auditors	400
	Management Requests	960
	<b>Total Management Advisory Services Hours</b>	<b>2780</b>
<b>Follow-Up, Risk Assessment &amp; Investigations</b>	Follow-Up: Audit	800
	Follow Up: Investigation	400
	Follow-Up: Advisory Services	400
	Risk Assessment	200
	Investigations	1200
	<b>Total Follow-Up, Risk Assessment &amp; Investigations</b>	<b>3000</b>
<b>Internal Audit Administration</b>	Professional Development	695
	Divisional Admin Projects	1280
	Whistle Blower Training	80
	General	2960
	Leave	525
	<b>Total Internal Audit Administration Hours</b>	<b>5540</b>
	<b>Total Audit Work Plan Hours</b>	<b>14560</b>



### 3-YEAR REVISED WORK PLAN (FY 2019 – 2022)

Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
<b>Governance</b>					
Performance Based Funding Metrics	Governance, Academic Reporting, Academic Records Management	X	600	X	X
Review Process for Adopting and Changing Policies	Governance, Legal		160		
Culture & Ethics - Red Book 2110.A1	Governance, Compliance		160		
Effectiveness of Student Success Efforts	Governance, Academic Administration, Academic Support, Student Services Administration			X	
Effectiveness of Customer Service Initiative	Governance, Academic Administration, Academic Support, Student Services Administration, Admissions, Registrar, Financial Aid				X
IT Governance	IT Strategy Planning & Governance				X
<b>Financial</b>					
Athletics - BOT Policy 2005-16 (Section 2)	Athletics		320	X	X
Boosters - BOT Policy 2005-18 (Section 5)	Athletics	X	160	X	X
Decentralized Cash Collections	Cash Handling, Cash Management	X	160	X	X
Knight Foundation Grant Quarterly Expense Review	Financial Management, Grants Accounting		160		
FAMU Foundation: Payment Approval Process	Endowment & Development			X	
P-Card	Financial Management, Purchasing	X			
Athletics Expense Review		X			
<b>Compliance</b>					
Research: Sub-Recipient Monitoring	Research Compliance, Grants Accounting			X	
Export Controls Review	Export Controls		➔	X	
Band Eligibility Compliance Review	Student Centers & Activities, Student Services Administration, Institutional Compliance	X			
IT-DAVID System				X	



Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
Construction: \$125 Million U.S. DOE HBCU Capital Financing Program Loan	Major Repair & Renovation			X	
FAMU Summer Camps	Institutional Compliance, Academic Personnel Administration				X
<b>Operational</b>					
Financial Aid: Department Review	Financial Aid	X		X	
Registrar Office: Department Review	Registration		260		
Admissions Office: Department Review	Admissions				X
Online Education & Support	Academic Administration, Instruction, Academic Support				X
FAMU/FSU College of Engineering	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management		400		
College of Pharmacy	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management			X	
College of Law	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management				X
School of Business & Industry	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management			X	
Licensure Program Assessment	Academic Administration, Course & Curriculum Development, Instruction, Academic Support			X	
Title III: Department Review	Grants Accounting, Research Compliance, Research Administration				X
IT -Active Directory Security & Management	IT Daily Operation	X	80		
IT-Cloud Security (Operations)	IT Daily Operations			X	
IT- Physical Security	IT Daily Operations			X	



Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
IT- ImageNow	IT Compliance, IT Daily Operations				X
IT - Change Management	IT Development & Research			X	
Construction: P3 Process Review	Major Repair & Renovation				X
Construction: Center for Access & Student Success (CASS)	Major Repair & Renovation		200		
Construction: Source Funding Review	Major Repair & Renovation		180	X	X
Procurement Policy & Procedure Review	Purchasing, Legal, Institutional Compliance			X	
Deferred Maintenance	Major Repair & Renovation				X
Intellectual Property	Intellectual Property/Technology Transfer				X
IT-Cloud Security (Governance)	IT Strategy & Governance	X			
<b>Continuous Monitoring Services</b>					
Athletics Operations & Financial Review (Task Force)	Athletics	X	400	X	X
Faculty & Staff Leave	Academic Personnel Administration, Human Resources			X	X
Construction Management Review	Major Repair & Renovation	X			
Total Hours Audits & Assurance		—	3240	—	—
<b>Management Advisory Services</b>					
Athletics Budget Review	Athletics, Financial Management Operations		160		
Athletics: NCAA Compliance	Athletics		160		
Textbook Affordability	Academic Administration, Bookstore, Course & Curriculum Development, Academic Reporting	X	80		
Construction: Florida House Recommendations	Major Repair & Renovation, Purchasing		160		
Band Eligibility Compliance	Student Centers & Activities, Institutional Compliance			X	
Medical Marijuana Program Development	Institutional Compliance, Research Administration	X	80		X



Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
Return of Title IV Funds Process	Financial Aid				X
Monitor Strengthening of Compliance Program	Institutional Compliance	X			
HR Onboarding & Exit Process Review	Human Resources				X
Enterprise Risk Management	Governance	X	40		
State of Cybersecurity	IT Strategy planning & governance, IT daily Operations, IT Compliance	X	40		
Internal Controls (ADDED)	Governance, Financial Management		400	X	X
Policy and Procedures (ADDED)	Governance, Financial Management		200	X	X
Departmental Training Assistance	Various	X	100	X	X
Audit Liaison with External Auditors	Various	X	400	X	X
Management Requests	Various	X	960	X	X
HCM 9.2 Upgrade Review	Human Resources, IT Compliance, IT Development & Research	X			
Knight Foundation Grant Unallowable Cost Review	Grant Accounting	X			
<b>Total Management Services</b>		—	2780	—	—
<b>Follow-ups, Risk Assessment, and Investigations</b>					
Follow-Up: Audit	Various	X	800	X	X
Follow Up: Investigation	Various	X	400		
Follow-Up: Advisory Services	Various	X	400		
Risk Assessment	Various	X	200	X	X
Investigations	Various	X	1200	X	X
<b>Total Follow-Up, Risk Assessment &amp; Investigations</b>		—	3000	—	—
<b>Internal Audit Administration</b>					
Professional Development	Internal Audit	X	695	X	X
Divisional Admin Projects	Internal Audit	X	1280	X	X



Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
Whistle Blower Training	Internal Audit		80		
General	Internal Audit	X	2960	X	X
Leave	Internal Audit	X	525	X	X
<b>Total Internal Audit Administration</b>		—	5540	—	—
<b>Total All Hours</b>		—	14560	—	—



## DISTRIBUTION

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### Responsible Manager:

Joseph K. Maleszewski, Vice President for Audit and Compliance

### Internal Distribution:

- Board of Trustees
- Craig Reed, Audit Committee Chair
- Larry Robinson, Ph.D., President
- Linda F. Barge-Miles, Chief of Staff
- Maurice Edington, Provost and Vice President, Academic Affairs
- Richard Schweigert, Interim Vice President, Finance and Administration/CFO
- William E. Hudson, Vice President, Student Affairs
- Shawnta Friday-Stroud, Vice President, University Advancement/ Executive Director, FAMU Foundation
- Charles Weatherford, Vice President, Research
- Denise Wallace, Vice President, Legal Affairs and General Counsel
- Beverly Barrington, Vice President, Strategic Planning, Analysis and Institutional Effectiveness
- Rica Calhoun, Chief External Compliance & Ethics Officer
- John Eason, Director, Athletics
- Kathy Y. Times, Director, Communications, Marketing, and Media Relations

### External Distribution:

Julie Leftheris, Inspector General and Director of Compliance, Board of Governors



## PROJECT TEAM

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**Engagement was conducted by:**

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

**Engagement was supervised, approved, and distributed by:**

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

## STATEMENT OF ACCORDANCE

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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 work plan revision in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require we review and adjust the work plan, as necessary, in response to changes in the organization’s business, risks, operations, programs, systems, and controls.

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>



**FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY**  
**Board of Trustees Policy**

<b>Board of Trustees Policy Number:</b>	<b>Date of Adoption:</b> <b>Date of Revision:</b>
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<b>Subject</b>	Internal Controls and Enterprise Risk Management
<b>Authority</b>	Section 7(c), Article IX, Florida Constitution; Section 1010.01(5), Florida Statutes
<b>Applicability</b>	This policy applies to all University units and employees.

**I. Policy Statement and Purpose**

- A. The Florida Agricultural and Mechanical University Board of Trustees (BOT) is committed to a sound system of internal controls focused on accountability and oversight of operations. The BOT has prioritized the development of 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 University administration shall 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 Federal, state, local laws, rules, and Florida Board of Governors regulations. The established system of internal control is meant to keep the University focused on its mission and to minimize unforeseen circumstances.
- C. The University administration has the responsibility to establish and maintain an adequate system of internal controls and to furnish to the Florida Board of Governors, 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. Components of Internal Control Program

### A.

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

1. **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.
2. **Risk Assessment** – the process to identify, analyze, and assess risks to the

achievement of objectives.

3. **Control Activities** – the actions established through policies and procedures to mitigate risks to the achievement of institutional objectives.
  4. **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.
  5. **Monitoring Activities** – the use of evaluations to ascertain whether internal controls are present and functioning.
- B. University-implemented internal controls shall be appropriate, reliable, cost-effective, comprehensive, reasonable, and directly related to control objectives.
- C. The University’s system of internal controls will include, without limitation, the following best practices: segregation of duties to ensure one person does not control all aspects of a transaction and to detect error and fraud; safeguarding of assets to prevent unauthorized access, loss or damage; safeguarding of confidential information to secure personal and private information and protect against unauthorized access and threats to security; review and approval of internal processes; timeliness to ensure deadlines are met, avoid fines, and prioritize work ; and documentation to support accuracy and consistency.

#### 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 BOT, periodically assess the BOT's risk oversight process.
- C. The President and the President's 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, regulations, 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.
- D. The President shall also 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.
- E. 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 rules, regulations, and policies.
  - c) **Compliance Objectives** – pertain to adherence to laws and regulations to which the university is subject.

## V. Administrative Procedures

<b>BOT POLICY: Internal Controls and Enterprise Risk Management</b>	<b>POLICY NO: 2019-01</b>	<b>PAGE: 6 of 6</b>
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The President, or the President's designee, shall establish appropriate administrative procedures to implement this Policy.

<b>Attachment(s)</b>	n/a
<b>Hyperlink Addresses</b>	

## 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.

## Florida Agricultural and Mechanical University



### 1.019 University Code of Conduct

(1) *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 for its enterprises. The University's mission outlines the values we hold as essential to responsible professional behavior, which include: integrity, openness, respect and fairness in dealing with others. The ethical principles espoused by the Florida Code of Ethics for Public Officers and Employees in Chapter 112, Part III of the Florida Statutes (Code of Ethics), reinforce our commitment to the University's mission. Therefore, adherence by trustees, officers, faculty, staff, student employees, contractors and others acting on behalf of the University to the standards set forth in this Code of Conduct is an integral part of the University's goal of attracting quality students, faculty and staff, as well to ensure a safe and healthy environment for all members of the campus community.

The Code of Conduct outlines standards for members of the University community and for those acting on behalf of the University.

*Specific Authority: 112.313, FS; Section 7(c), Art. IX, Fla. Const., BOG Regulation 1.001 History-New*

*(2) 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) Board of Trustees; c) consultants, vendors and contractors and other individuals using University resources or facilities, or receiving funds administered by the University; and d) individuals who perform services for the University as volunteers and who assert an association with the University. Any reference to members of the University community as provided in this regulation shall refer to the above referenced persons.

*(3) Compliance with Laws and University Rules and Policies.* Per 1012.80, Fla. Stat., members of the University community shall comply with the applicable standards, policies, rules, regulations and state and federal laws that govern and guide their work. The University promotes ongoing and open communication at all levels of the institution. As such, administrators, supervisors and managers are responsible for supporting and monitoring compliance. Members of the University community have an obligation to report any behavior of which they become aware that is unethical or in violation of state or federal law, regulations, or university policies.

*(4) Conflicts 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 their 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 in addition to their primary responsibilities with the University must disclose those interests in compliance with the University's conflict of interest policies (including University Regulations 6.002 and 10.122) and the Code of Ethics.

(5) *Political Activities.* Employees with intentions to seek election to and hold public office must notify the President or President's designee of such intentions. The President or President's designee will determine whether the employee's candidacy for holding public office will interfere with the full and faithful discharge of the employee's duties, as outlined in the University Regulation 10.123 and Section 104.31, F.S.

(6) *External Communication on Behalf of the University.* Pursuant to the University Communications Policy, the Office of Communications is the official University representative to the media and is tasked with establishing and cultivating relationships with journalists, publications and broadcast

networks/channels, as well as responding to media inquiries, issuing official statements and announcements and providing guidance and leadership to the University community about relevant media guidelines and best practices.

All University leaders, faculty, staff, partners, vendors and contractors must coordinate with the Office of Communications to develop and distribute news and information about the University and to participate in solicited and unsolicited media interviews or media events. Use of University logos and identity must be used in accordance with the University Style Guide and other applicable policies.

*(7) Contract Authority.* 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. All agreements, understandings, and contracts must be reviewed by the Office of General Counsel before execution.

*(8) Confidentiality and Privacy.* The University community shall use confidential information acquired in the course of University business 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 state and federal laws, agreements with third parties, and University policies, regulations and procedures pertaining to the use, protection and disclosure of such information. Such policies apply even after the business

relationship with the University ends.

(9) *Gifts and Entertainment.* Employees must abide by expectations outlined in University regulation, policy, and the Code of Ethics regarding the solicitation or acceptance of anything of value from third parties. Members of the University community are prohibited from soliciting or accepting anything of value based on the understanding that their official position will be influenced by such a gift. Employees identified as a financial disclosure reporting individual or procurement employee have additional restrictions from donors who are lobbyists, principals, political action committees or vendors doing business with the university.

(10) *Record Keeping.* Employees are expected to demonstrate a commitment to transparency in the retention and management of records that have sufficient administrative, legal, fiscal, or historical value pursuant to University policy, the Public Records Law (Chapter 119, Florida Statutes), and the general records schedule published by the Division of Library and Information Services.

Records are defined as “all documents, papers, letters, maps, books, tapes, photographs, films, sound recordings, data processing software, or other material, regardless of physical form or characteristics, or means of transmission, made or received pursuant to law or ordinance or in connection with the transaction of official business by an agency.” Employees are prohibited from destroying documents in violation of law or policy, in response to, or in anticipation of, an investigation, audit, or litigation.

(11) *Proper Use and Protection of University 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.

(12) *Misuse of Public Position.* Employees may not use or attempt to use their official position or any property or resource within their trust to obtain special privilege, benefit, or exemption for themselves or others.

(13) *Fraud.* Fraud is defined as the intentional, false representation, or concealment of a material fact for the purpose of personal gain or to mislead others.

University management is responsible for the detection and prevention of fraud, misappropriations, and other irregularities. Members of the University community must mitigate the risk of fraud by fulfilling their duties honestly, while immediately reporting any observed or suspected irregularities to their immediate supervisor. Additional options for reporting include the University Compliance and Ethics Hotline, the Division of Internal Audit, the Office of Compliance and Ethics, the University Police, and the Office of the General Counsel. In addition to the actual perpetration of fraud, failure to report incidents or good-faith suspected incidents of fraud is a violation of this policy.

Examples of fraud include, but are not limited to:

- Any dishonest or fraudulent act.
- Falsification of documents

- Misappropriation of funds, supplies, or other assets.
- Impropriety in the handling or reporting of money or financial transactions.
- Destruction, removal, or inappropriate use of records, furniture, fixtures, and equipment.
- Any similar or related irregularity.

The Division of Internal Audit has the primary responsibility for the investigation of all suspected fraudulent acts as defined above. The Division of Audit will issue reports to appropriate designated personnel detailing the findings.

(13) *Health and Safety.* Members of the University community are expected to perform their duties in accordance with applicable health and safety laws, regulations, policies, and procedures. Members are also responsible for compliance with the health, safety, and risk management program and are required to immediately report workplace/campus injuries, illnesses, and unsafe conditions to the University Department of Environmental Health and Safety and the Office of Risk Manager.

(14) *Sustainability.* We are all responsible for the continued viability of Florida A&M University and our local and regional communities. The University is committed to operating in an environmentally responsible manner, from the procurement of services to the operation of offices and facilities, and other business activities. Members of the University community must comply with all applicable environmental laws and regulations as well as commitments to sustainable practices and environmental protection outlined by the University's Sustainability Institute.

(15) *Information Technology.* Pursuant to University Regulation 5.003 (Electronic

Connectivity), members of the University community play a role in safeguarding information systems by adhering to established University controls and applicable law and policy. Members do not have an expectation of privacy in the use of University computers and systems. Cyber security and systems training are required of all employees before they are permitted access to these systems. Members are prohibited from using University computers or systems in furtherance of personal or political business.

Information Technology Services tracks software vulnerabilities and applies patches as soon as they become available. To that end, users of the University network shall not:

- Undermine the security or the integrity of computing systems or networks or attempt to gain unauthorized access;
- Use any computer program or device to intercept or decode passwords or similar access control information;
- Knowingly or intentionally transmit, download, or upload any material that contains viruses, trojan horses, worms, time bombs, cancelbots, phishing, or any other harmful programs;
- Transmit, download, or upload any material that contains software or other material protected by federal or state intellectual property laws unless the user owns or controls the rights thereto or has received all necessary consents; or
- Use FAMU electronic connectivity for the exchange of pirated software.

*(16) Reporting Suspected Violations.*

*Specific Authority: 112.313, FS; Section 7(c), Art. IX, Fla. Const., BOG Regulation 1.001 History–New*

- a. Members of the University community are required to report violations of applicable University policy, government contracts, and grant requirements, as well as state and federal laws and regulations. Complainants may initially report their concerns through normal management chain of command, 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 or the complainant is generally uncomfortable), individuals may go to a higher level of management within the college, department, or report directly to the Office of Compliance and Ethics, Division of Audit, and the Office of General Counsel. Managerial and supervisory personnel must maintain an open-door policy and take proactive measures to assure their staff that the institution supports a culture that values ethical behavior and compliance.
- b. Managers/Supervisors are responsible for reporting complaints received to the Office of Compliance and Ethics, either directly or through the University's Compliance and Ethics hotline. The Office of Compliance and Ethics coordinates all investigations with the Division of Internal Audit, the Office of General Counsel, and other relevant areas, both internal and external. Employees are not exempt from the consequences of wrongdoing by self-reporting, although self-reporting may be considered in the determination of an appropriate course of action.
- c. Compliance and Ethics Hotline. Members of the University community may use the University Compliance and Ethics Hotline to report

complaints of misconduct outlined in this policy. The Hotline allows reporting by phone or online, with an option for anonymous reporting.

- d. Other Reporting Avenues. While the Office of Compliance and Ethics coordinates investigations, violations may also be reported internally to the Division of Internal Audit or the Office of the General Counsel. Externally, suspected violations of state and federal laws may be reported to the Florida Board of Governors Office of Inspector General and Director of Compliance or the State of Florida Whistleblower's Hotline.

*(17) Investigation. Preliminary Review and Investigation.* University offices tasked with investigation take every reported concern seriously. All concerns will be assessed through intake to determine the appropriate course of action. If an investigation is warranted, such initial investigation will be completed within a reasonable timeframe. If an investigation takes more than 30 business days from the date of intake, the principal investigator will notify both parties to the complaint of such need.

- a. Independence. Investigators are responsible for establishing and maintaining independence so that conclusions and recommendations are impartial in both fact and appearance. The principal investigator must consider organizational, personal, and external impairments that impact the investigators' ability to perform work impartially
- b. Confidentiality. Such reports may be made confidentially, and even anonymously. Confidentiality will be maintained to the extent legal and practicable, informing only those personnel who have a need to know such

information.

- c. Cooperation. All members of the University community are expected to cooperate fully in investigations of any misconduct. A copy of this policy will be provided to all employees.
- d. Interference. The integrity of an audit, investigation, or administrative action is vital in ensuring a fair and equitable outcome for all parties involved. Members of the University community are prohibited from impeding any audit or investigation. Examples of interference includes, but is not limited to: disclosing information inappropriately, making false statements, failing to respond timely to requests for information or tampering with evidence.
- e. Referral. Decisions to prosecute or refer the investigation results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management.
- f. Investigative Reports. Despite the disposition, investigative activity will result in a written report. Reports shall be fair, and objective, and present the results of investigation in a clear manner.

(18) *Retaliation.* Members of the University community are prohibited from engaging in retaliation against another for reporting compliance or ethics related concerns or participating in an investigation due to such reports. Findings of retaliation are independent of the underlying claim of violation and will result in disciplinary action, up to and including termination.

(19) *Enforcement.* Members of the University community are responsible for maintaining compliance with law, regulation, and policy and making ethical decisions. Failure to follow the standards outlined serves as a violation of this policy, as well as the originating policy, if applicable. Members of the University community who violate this policy will be subject to personnel action, up to and including termination.

(20) *Equal Opportunity.* It is the policy of Florida A&M University that each member of the University community is permitted to work or attend class in an environment free from any form of discrimination including race, religion, color, age, disability, sex, sexual harassment, sexual orientation, gender identity, gender expression, marital status, national origin, and veteran status as prohibited by State and Federal Statues. This commitment applies to all areas affecting students, employees, applicants for admission and applicants for employment. It is also relevant to the University's selection of contractors, suppliers of goods and services and any employment conditions and practices.

# OFFICE OF COMPLIANCE AND ETHICS ACTIVITY REPORT

December 2019

## THE BREAKDOWN

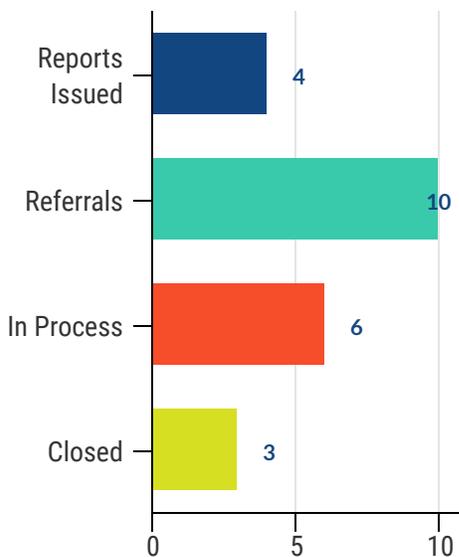
Education, Policy, and Outreach:

Compliance and Ethics Week

Mandatory Training

Conflict of Interest

### Investigation Activities



### Allegation Type



### Mandatory Training Timeline

💡 November 2019: Communication plan kick-off

💡 December 2019: Content Complete (Clery, Compliance and Ethics, Cyber Security, Sexual Harassment Prevention, Title IX)

💡 January-February 2020: Implementation on LinkedIn Learning Platform

💡 March 1-31, 2020: Mandatory training window for all employees

## University Code of Conduct (University Regulation 1.019)

One of the cornerstones of an effective control environment is to have, and enforce, strong policies. The Office of Compliance and Ethics has revised the University Code of Conduct to provide a more detailed outline of expectations for members of the University Community.

New sections include:

1. Political Activities
2. External Communication on Behalf of the University
3. Contract Authority
4. Gifts and Entertainment
5. Record Keeping
6. Misuse of Public Position
7. Fraud
8. Health and Safety
9. Sustainability
10. Information Technology
11. Expanded section on reporting suspected violations
12. Investigations
13. Prohibition on Retaliation
14. Enforcement
15. Equal Opportunity

# Report #18-19-0002

## Assurance Service Report

### FY 2017-18 Athletics Expense Review



September 20, 2019

Department of Audit

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



## Assurance Service #18-19-0001

### EXECUTIVE SUMMARY

#### WHAT WE DID

We audited the FY 2017-18 Athletics Department fiscal and operational activities under the prior Athletic Department management structure. Our audit focused on expenditures to determine whether the Department:

1. Complied with the provisions of the *2013 FAMU Purchasing Manual* when procuring goods and services;
2. Complied with the *February 2016 Purchasing Card Manual* and *BOT Policy Number 2006-04 - Purchasing Cards*;
3. Personnel conducted adequate pre-audit of invoices;
4. In coordination with the Department of Finance and Administration had proper controls around the preparation and monitoring of the Athletics budget; and
5. Personnel received mandatory fiscal and compliance training.

#### WHAT WE FOUND

We found that the transactions collectively contributed to the Department overspending the FY 2017-18 Athletics budget by over \$1.7 million (See Appendix C). Specifically, our audit testing noted exceptions included:

- Twenty-six contractual services purchase order authorizations (totaling approximately \$400,000) executed after the invoice dates (typically after goods and services were rendered);
- Three expenditures (totaling approximately \$500,000) were not included in the budget and were not timely encumbered;
- Twenty FY 2017-18 Athletics Department p-card transactions totaling over \$80,000 were not in compliance with the University's *February 2016 Purchasing Card Manual* related to supporting documentation and reconciliation requirements;
- Two invoices totaling \$7,300 where pre-audit did not detect invoice deficiencies related to the identification of work effort, materials, and services rendered; and
- Two fiscal and compliance training sessions were offered to Athletics Department employees during FY 2017-18 and one session in the following fiscal year. However, with high employee turnover during this period, not all Athletics Department employees received the mandatory fiscal and compliance training.

#### OPPORTUNITIES FOR IMPROVEMENT

We recommend the Athletics Department:

- Implement internal controls to ensure that all expenditures are incurred in accordance with the *2019 Office of Procurement Services Manual*;
- Ensure P-card transactions are accurately recorded by team sport and timely reconciliations are submitted to the Office of Operational Effectiveness and Procurement Services;
- Corroborate athletic-related services and invoice amounts to the contracted rates prior to payment;
- Establish a process to ensure that all expenditures necessary to conduct the athletic program are included in the adopted budget; and
- Provide fiscal and compliance training to all Athletic Department employees and appropriate offices.



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## BACKGROUND

In November 2014, the FAMU President moved the management of the Athletics Department expenditures to the FAMU Budget Office. In December 2017, FAMU Board Chair notified the Board of Governor (BOG) Inspector General and Director of Compliance that FAMU had identified unbudgeted expenses for the Athletics program that could impact the University's ongoing efforts to balance the Athletics budget and repay University Auxiliary funds (e.g., parking and bookstore) as planned<sup>1</sup>. According to the plan, FAMU strategies for avoiding future unbudgeted expenses included:

1. Implement a 3-year budget and cash balance review process to include monthly reports to oversight boards.
2. Require CFO and President approval of auxiliary transfers to athletics to ensure only allowed sources are used.
3. Restrict release of approved annual Athletics budget to 75% based on prior year's history of collected amounts until adequate revenues are realized.
4. Monthly reconciliation of p-card purchases, open purchase orders, and vendor invoices.
5. Reduce team travel expenses.
6. Implement aggressive fundraising campaign from Athletics and DSO groups.
7. Request Board of Governors to conduct a study of SUS institutions on use of auxiliary funds and other funds to support Athletics.
8. Review and update operating guidelines for auxiliary enterprises to establish reporting and accountability requirements.
9. Track expense for spirit groups in separate auxiliary enterprises to establish reporting and accountability requirements.

On January 19, 2018, the Florida Joint Legislative Audit Committee provided a letter to the FAMU Board Chair regarding repeat audit findings<sup>2</sup> associated with the FAMU Intercollegiate Athletics Cash Deficit. This letter requested and the University provided additional corrective actions. The planned actions emphasized increasing revenues through:

- Increases in student enrollment (associated increases in revenues from student athletic fees);
- Growth in the Investing in Champions program;
- Increased advertising sales;
- Increased in-kind donations; and
- Additional fundraisers.

To further strengthen controls over expenses, the University also undertook the following additional actions to enhance the processes and procedures for athletic expenses:

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<sup>1</sup> On September 21, 2016, Chair Lawson and then VP of Finance and Administration/CFO Angela Poole provided the plan to repay \$ 7 million in University Auxiliary funds at zero percent interest over a 12-year period. The funds had been used contrary to BOG Regulation as cited in the Auditor General 2013 Operational Audit (Report Number 2013-103).

<sup>2</sup> Auditor General 2013 Operational Audit (Report Number 2013-103); Audit General 2014 Operational Audit (Report Number 2014-108); Audit General 2017 Operational Audit (Report Number 2017-197); and Auditor General 2018 Operational Audit (Report Number 2019-063).



- De-activate purchase cards (P-cards) for those individuals who did not comply with the University's P-card policies;
- Train athletics staff in fiscal matters;
- Establish an Athletics Oversight Taskforce;
- Develop a strategic plan to include finance, personnel, event planning, compliance, fundraising, and internal controls;
- Provide top-down accountability;
- Enhance the budget process to include the use of forms and checklists to ensure that all expenses are included in the budget;
- Perform periodic reasonableness tests that compare actual game expenses with budgeted expenses and investigate significant differences;
- Improve the pre-audit process to ensure adequate documentation is obtained to support expenses by obtaining itemized expenses for charges;
- Establish appropriate disciplinary measures for violations of the University's procurement policies;
- Hired a Chief Compliance and Ethics Officer to assist in monitoring compliance activities; and
- Continue collaboration with BOG staff to gain input and provide assurance that BOG concerns are adequately addressed.

The FAMU Athletics Task Force was established on February 2, 2018 to:

- Provide the key control to monitor the day-to-day operations;
- Ensure that needed modifications were timely detected; and
- Ensure new strategies were timely implemented.

The Division of Audit noted the following improvements during the 2018 calendar year to the University's control environment to enhance institutional compliance monitoring efforts as well as increase the likelihood that errors will be prevented or detected in a timely manner:

1. The University hired a Chief Ethics and Compliance Officer (2/28/2018)
2. The University hired an Internal Auditor/Investigator (6/11/2018); and
3. The FAMU Athletics Department hired an Athletics Budget Director (7/27/2018).

Additionally, it is significant to note that the management responses disclosed within this report from the current Athletics Deputy Director and Budget Director predate them assuming their present roles and responsibilities within the Athletics Department.

Our audit purpose, scope and methodology are included in Appendix A.



## OBSERVATIONS

Element	Observation 1: Procurement
<b>Criteria</b>	The 2013 FAMU Purchasing Manual policies and procedures requires issuance and approvals of requisitions and purchase orders. When purchases are authorized, a requisition is issued and recorded in the accounting system and a purchase order is approved, issued for the purchase, and recorded in the accounting system. When a requisition is issued, a budget check is performed to ensure that funds are available to make the purchase. Recording the purchase order in the accounting system encumbers available funds in the budget to help prevent over-expenditure of the budget.
<b>Condition</b>	<p>We collected 1,409 Athletic Department 2017-18 procurement transactions totaling \$3,073,394, and judgmentally sampled 50 transactions totaling \$588,336 to assess compliance with the provisions of the 2013 FAMU Purchasing Manual.</p> <p>Our audit testing disclosed twenty-six (26) instances totaling \$402,701 in which contractual services purchase orders were dated after the invoice dates (typically after goods and services were rendered). In some instances, contracts were executed but the contract was not encumbered (through issuance of a purchase order) until after the work was performed. We also noted that invoices for 16 purchases were not timely processed.</p>
<b>Cause</b>	Failure to record encumbrances occurred through management over-ride of procedures (expenses were incurred prior to obtaining a requisition and a requisition was not obtained until services were rendered and invoice received). Employees who initiated and incurred the purchases did not communicate the authorization to the fiscal representative to initiate a requisition, resulting in both the requisition and purchase order neither being timely issued nor timely recorded.
<b>Effect</b>	Failure to issue requisitions and purchase orders prior to the purchase of goods/services circumvents the procurement process, resulting in possible unauthorized purchases and failure to encumber funds until after the goods/services were rendered. Failure to encumber funds and timely record expenses reduces the effectiveness of budget status monitoring. When encumbrances are not timely recorded, the remaining balances available for expenditure are overstated, which allows for continued incurrence of expenses and over-expenditure of the budget.
<b>Recommendation</b>	We recommend that FAMU Athletics Department set expectations, train employees, and hold staff accountable for noncompliance with the 2019 Office of Procurement Services Manual. FAMU Athletics Department should take disciplinary action for Athletics Department employees that are found to be in non-compliance with the University's Purchasing Manual.



<p>Management Response</p>	<p>During the Athletics Department July 17, 2019 retreat, the Business Office staff:</p> <ul style="list-style-type: none"> <li>• Discussed the Department of Audit <i>procurement process improvement observation</i> with the staff and the importance of following University procedures;</li> <li>• Performed a review of the <i>2013 FAMU Purchasing Manual</i> procedure requiring purchase orders for contractual services;</li> <li>• Explained the required backup documentation needed to request a Purchase Order and encouraged Athletics staff to request a quote or proposal (not an invoice) prior to requesting a purchase order for service;</li> <li>• Reminded staff that there are few instances where the department will receive an invoice prior to a purchase order being generated (i.e., MEAC and NCAA); and</li> <li>• Introduced a new Sr. Accountant employee that joined the Athletics Business Office staff which previously consisted of an Accounting Coordinator and Budget Director. The additional Business Office staff will afford for the required attention to be given to the requisitions received from 16 sports and 13 administrative departments.</li> </ul> <p>Responsible Personnel:                      John Eason, Athletics Director              Genyne Boston, Deputy Athletics Director              Erica Wilcox, Athletics Budget Director</p> <p>Anticipated Implementation Date:      October 31, 2019</p>
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<b>Observation 2: Purchasing Cards (P-cards)</b>	
Element	
Criteria	<p>The <i>February 2016 Purchasing Card Policy</i> and procedures requires the P-card holder to:</p> <ul style="list-style-type: none"> <li>Obtain P-card Training;</li> <li>Sign an Application and Agreement;</li> <li>Be committed and responsible to comply with the terms and conditions stated in the P-card University Policy, Manual, Agreement, and basic training;</li> <li>Have an assigned Reconciler and Verifier before a card can be issued to that Cardholder. (The Reconciler and Reviewer cannot be the same person. A Cardholder cannot reconcile their charges as Reconciler);</li> <li>Never “split” the cost of one Single item (goods or services) into multiple charges in order to circumvent the per Single transaction limit;</li> <li>Immediately after the purchase, and no later than 7 days after the purchase and to provide Reconcilers time to appropriately review charges prior to the deadline payment date, submit documents including receipts to support the business purpose of each purchase to the Reconciler directly after the purchase;</li> <li>Provide additional documentation to support when an item/service lends itself to personal use or when the business purpose would not be clear to an auditor;</li> <li>Be responsible regarding handling disputes, reporting fraud or a lost or stolen P-card; and</li> <li>Submit P-card reconciliation packages to the FAMU P-Card Office within 15 calendar days of the P-card statement date.</li> </ul> <p>The purchase of personal or unallowable goods or services is prohibited. Misuse of P-cards may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted by law.</p>
Condition	<p>We collected 946 P-card transactions totaling \$350,406. We judgmentally sampled 12 P-card transactions totaling \$62,598 to determine the propriety of P-card transactions and whether the transactions P-card reconciliation packets were timely prepared and properly approved. While our review efforts did not detect any illegal acts and P-card expenses appeared to be for University business purposes, the following P-card transaction issues were noted:</p> <ul style="list-style-type: none"> <li>One (1) transaction totaling \$30,004 for Aramark Catering (meals) P-card reconciliation was neither completed nor provided to the FAMU Office of Operational Effectiveness and Procurement Services as required;</li> <li>One (1) transaction totaling \$50,004 for Aramark Catering (meals) was split between two FAMU Athletics P-cards, violating FAMU P-Card policies and procedures; and</li> <li>One (1) transaction totaling \$719 was for Women's Softball lodging but a guest roster was not provided with the supporting documentation to corroborate which University employee and/or student athletes resided on this business travel.</li> </ul> <p>Additionally, we found the following additional issues:</p> <ul style="list-style-type: none"> <li><b>Late reconciliations:</b> The <i>February 2016 Purchasing Card Manual</i> requires that the monthly statement be reconciled to the supporting documentation within 15 days of the P-card statement date. Our review disclosed that seventeen (17) out of twenty-one (21)</li> </ul>







## Observation 4: Budget Preparation and Monitoring

Element	Observation 4: Budget Preparation and Monitoring									
<b>Criteria</b>	The FAMU Budget Office Policies and Procedures Manual directs the Athletics Department preparation of the budget to fund athletic-related activities and facilitate monitoring and accountability. Accordingly, the Athletics Director is responsible for reviewing the PeopleSoft budget-to-actual reports on a monthly basis to efficiently monitor and manage the department.									
<b>Condition</b>	<p>Our review disclosed that budgets were prepared for each Athletics office and the Athletic Director met periodically with both the Athletics Budget Office as well as the University’s Budget Director to review the Athletics Department budget. Nonetheless, expenses were incurred by the Athletics Department that were not included in the FY 2017-18 budget and, as noted in observation 1, expenditures were not being timely encumbered, resulting in an over-expenditure of the athletics budget. Our audit revealed that the following three (3) transactions totaling \$496,795 although paid in FY 2017-18 were not part of the original budget:</p> <table style="margin-left: 40px;"> <tr> <td>1) Texas Southern</td> <td style="text-align: right;">\$70,000</td> <td style="text-align: right;">(Paid on 01/30/2018)</td> </tr> <tr> <td>2) Tampa Sports Authority</td> <td style="text-align: right;">\$226,795</td> <td style="text-align: right;">(Paid on 04/23/2018)</td> </tr> <tr> <td>3) Tennessee State</td> <td style="text-align: right;">\$200,000</td> <td style="text-align: right;">(Paid on 04/24/2018)</td> </tr> </table> <p>Finally, our review revealed that the FY 2017-18 Athletics Budget was \$9,800,600 and recorded athletic-related encumbrances and expenses were \$11,585,474<sup>4</sup>, (including Athletics staff leave payout payments totaling \$338,282 – See Appendix B), resulting in the Athletics FY 2017-18 budget being overspent by \$1,784,874 (See Appendix C).</p>	1) Texas Southern	\$70,000	(Paid on 01/30/2018)	2) Tampa Sports Authority	\$226,795	(Paid on 04/23/2018)	3) Tennessee State	\$200,000	(Paid on 04/24/2018)
1) Texas Southern	\$70,000	(Paid on 01/30/2018)								
2) Tampa Sports Authority	\$226,795	(Paid on 04/23/2018)								
3) Tennessee State	\$200,000	(Paid on 04/24/2018)								
<b>Cause</b>	<p>The following factors contributed to the ineffective budget monitoring and associated over-expenditure:</p> <ul style="list-style-type: none"> <li>• Funds were not being timely encumbered, which overstated the funds available for expenditure and allowed for continued program expenditures;</li> <li>• Expenses for one sport were charged to the budget for another sport through the use of P-cards;</li> <li>• Expenses, such as insurance and game guarantees, were not included in the budget; and</li> <li>• FY 2017-18 Athletics Department leave payouts due to significant turnover (See Appendix B).</li> </ul>									
<b>Effect</b>	Effectiveness of budget monitoring was reduced since expenses were not accurately recorded and reported. Consequently, the athletics budget was overspent.									

<sup>4</sup> On September 12, 2018, FAMU BOT Chair presented a *FAMU Athletic Financial Summary* to the Board of Governors disclosing actual expenditures being \$11,579,595. Expenditures per FAMU Department of Audit review as of July 2018 in Appendix C was \$11,585,474 which results in a \$5,879 immaterial timing difference variance.





Element	Observation 5: Fiscal Training
<b>Criteria</b>	Based upon the University’s September 21, 2016, plan to repay \$7 million in Auxiliary funds at zero percent interest over a 12-year period, a corrective action was established that all FAMU Athletic employees be required to receive fiscal and compliance training <sup>5</sup> .
<b>Condition</b>	<p>According to the Athletics Department’s February 2018 and May 2019 Cost Center reports, eighty-five (85) and sixty (60) FAMU employees were respectively charged to the FAMU Athletics Department. Review of the March 22, and March 29, 2018, and May 13, 2019, fiscal and compliance training sign in sheets revealed that:</p> <ul style="list-style-type: none"> <li>• Forty-nine (49) Athletic Department employees received fiscal and compliance training during one of the three training sessions offered;</li> <li>• The Athletics Department experienced significant turnover during the same time period with thirty-one (31) employees separated; and</li> <li>• Seven (7) Athletics Department employees required fiscal and compliance training as of May 14, 2019.</li> </ul>
<b>Cause</b>	The FAMU Athletics Department, Finance and Administration and Office of Compliance and Ethics did not collaborate to administer the fiscal and compliance training.
<b>Effect</b>	Forty-nine Athletic Department employees have received fiscal and compliance training as required and with turnover seven employees now need training. All Athletic Department receiving fiscal and compliance training will reduce the risk that errors or noncompliance with University fiscal policies, procedures, regulations and laws could occur and not be prevented or timely detected and corrected.
<b>Recommendation</b>	We recommend FAMU Athletic employees identified as not attending the fiscal and compliance training session register and attend the next Athletics fiscal and compliance training session. Additionally, FAMU Athletics administrators must administer the fiscal and compliance training sessions as a continuous process to ensure that all employees are identified and timely trained as part of the Athletics Department on-boarding process. Finally, the Athletics Department should update the Athletics Department Policies and Procedures to require all Athletics Employees receive fiscal and compliance training.
<b>Management Response</b>	<p>The Athletics Department was aware that some Athletics staff members (i.e., baseball and football team coaches) were not in attendance at the May 13, 2019 training because they were on travel as baseball was still competing and football staff were on recruitment trips.</p> <p>To improve the education and training process, the Athletics Department has made training a part of the onboarding process for all new Athletics Department employees and will be scheduling another fiscal and compliance training session to occur during August 2019.</p>

<sup>5</sup> The training is coordinated by the Athletics Department and includes training presentations prepared and presented by the Finance and Administration Division personnel as well as the University’s Chief Ethics and Compliance Officer.



The Athletics Department will continue to work with Finance and Administration officials and will schedule fiscal and compliance training sessions that will cover the following topics: Procurement process; Human Resources; recruitment process; travel and accounts payable procedures; budget process; cash collections; and university property.

Responsible Personnel:                      John Eason, Athletics Director  
    Genyne Boston, Deputy Athletics Director  
    Erica Wilcox, Athletics Budget Director

Anticipated Implementation Date: October 31, 2019



## APPENDICES

### APPENDIX A – PURPOSE, SCOPE, AND METHODOLOGY

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The **purpose** of this audit engagement was to review the effectiveness of the University’s fiscal year 2017-18 Athletics Department processes, controls, and procedures encompassing procurement and P-card transactions. Our engagement objectives were to determine whether:

1. Adequate accountability is provided over Athletics Department expenses in compliance with the *2013 FAMU Purchasing Manual*;
2. The Athletics Department complied with the *February 2016 Purchasing Card Manual* and *BOT Policy Number 2006-04 - Purchasing Cards*;
3. Athletics Department personnel received fiscal training; and
4. Athletics Department personnel conducted adequate pre-audit of invoices.

The **scope** of the Athletics Expense Review engagement was to review and assess the propriety of the University’s 2017-18 Athletics Department procurement and P-card internal controls and expenses for FY 2017-18. We judgmentally sampled 50 athletics department procurement transactions and 12 athletics department P-card transactions to assess the existence and operational effectiveness of internal controls.

The **methodology** included obtaining an understanding of the internal controls by interviewing University Athletics Department and Finance and Administration personnel and, as appropriate, applying procedures to determine that internal controls were working as designed, and to determine the University’s compliance related to our objectives.



**APPENDIX B – FY 2017-18 ATHLETICS DEPARTMENT EMPLOYEE LEAVE PAYOUT**

Last Name	First Name	Date Leave Payout Occurred	Annual Leave	Sick Leave	Total Leave Payout Amount
Charles	Elliott	8/3/2017	13,079.32		13,079.32
Chatman	Terrance	1/4/2018	4,689.08		4,689.08
Dottery-Wiggins	Veronica	7/12/2017	12,980.84		12,980.84
Ellenwood	Joycelyn	7/12/2017	8,628.88		8,628.88
Glasgow	Travis	6/8/2018	12,767.04		12,767.04
Green	Marvin	3/30/2018	16,684.80	22,752.00	39,436.80
Hankton	Gregory	10/12/2017	4,511.45		4,511.45
Jerry	Steven	5/11/2018	5,959.36		5,959.36
Kee	Alphonza	8/3/2017	4,134.10		4,134.10
Lemon	Theophilus	5/10/2018	15,322.56		15,322.56
Middleton	Williams	5/10/2018	8,346.60		8,346.60
Overton	Milton	5/30/2018	42,950.40		42,950.40
Pierre Pata	Edwin	5/10/2018	9,532.16		9,532.16
Plummer	Roderick	5/10/2018	5,108.10		5,108.10
Samuels	Byron	8/17/2017	28,094.25		28,094.25
Soloman	Richard	5/10/2018	9,940.48		9,940.48
Spieler	Martin	5/10/2018	15,322.56		15,322.56
Suggs	Angela	9/20/2017	14,472.80		14,472.80
Tice	John	5/10/2018	3,370.20		3,370.20
Tidwell	Porscha	3/30/2018	5,027.52		5,027.52
Trifonov	Tanio	6/7/2018	10,387.52	14,164.08	24,551.60
Vite	Michael	5/10/2018	7,663.04		7,663.04
Wallace	Robin	3/30/2018	4,101.60	4,239.17	8,340.77
Wood	Alexander	2/21/2018	34,052.48		34,052.48
Athletics Leave					
Payout Balance					
As of 6/22/2018			297,127.14	41,155.25	338,282.39

Source: The 2017-18 Athletic Department Employee Leave Payout Schedule was provided by FAMU Payroll Office.



**APPENDIX C – 6/30/18 ATHLETICS DEPARTMENT BUDGET STATUS REPORT**

DEPT #	DEPARTMENT	2017-18 BUDGET	2017-18 ENCUMBRANCES/EXPENSES	REMAINING
370100	Athletics Administration	\$1,128,716.00	\$1,612,100.01	\$-483,384.01
370110	Athletics Compliance	95,161.00	93,683.23	1,477.77
370115	Athletics SAF/SAOF	278,625.00	403,073.33	-124,448.33
370120	Athletics Business Office	65,306.00	65,028.95	277.05
370125	Athletics Ticket Office	201,759.00	201,843.02	-84.02
370130	Athletics Sports Information	149,057.00	151,997.88	-2,940.88
370140	Athletics Coach Shaw	73,400.00	72,897.55	502.45
370145	Athletics Marketing	117,948.00	116,202.39	1,745.61
370150	Athletics Cheerleading	14,100.00	12,838.19	1,261.81
370155	Athletics Band	120,000.00	118,350.36	1,649.64
370160	Athletics Facilities	46,162.00	44,881.74	1,280.26
370165	Athletics Bragg Stadium	130,099.00	165,220.12	-35,121.12
370170	Athletics Event Management	462,236.00	541,672.53	-79,436.53
370175	Athletics Equipment	63,194.00	70,247.50	-7053.50
370180	Athletics Strength & Conditioning	164,362.00	174,487.89	-10,125.89
370185	Athletics Sports Medicine	228,390.00	214,183.47	14,206.53
370190	Athletics Transportation	26,000.00	28,162.66	-2,162.66
380150	Director of Athletics	2,450,000.00	2,643,780.03	-193,780.03
380200	Men's Football	1,752,420.00	2,464,658.71	-712,238.71
380300	Men's Basketball	588,451.00	646,791.95	-58,340.95
380400	Men's Baseball	409,784.00	402,077.56	7,706.44
380500	Men's Track	107,045.00	111,766.08	-4,721.08
380600	Men's Tennis	31,000.00	31,475.73	-475.73
380710	Tampa Classic	121,569.00	121,115.31	453.69
380900	Men's Golf	56,962.00	62,899.13	-5,937.13
390200	Women's Softball	396,941.00	398,734.17	-1,793.17
390300	Women's Track	168,090.00	207,412.99	-39,322.99
390400	Women's Volleyball	81,200.00	97,084.89	-15,884.89
390500	Women's Tennis	53,800.00	52,849.19	950.81
390700	Women's Bowling	56,500.00	55,652.89	847.11
390900	Women's Basketball	162,323.00	202,304.64	-39,981.64
	Report generated on 7/23/18	\$9,800,600.00	\$11,585,474.09	\$-1,784,874.09

Source: The 6/30/18 Athletics Department Budget Status Report was provided by the FAMU Budget Office



## APPENDIX D – ATHLETICS DEPARTMENT CORRECTIVE ACTION RESPONSE

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August 27, 2019

**TO:** Joseph Maleszewski, Vice President for Audit and Compliance

**FROM:** Dr. John Eason, Athletic Director

**RE:** FY 2017-2018 Audit Response/Actions

### Observation 1: Procurement

We concur with the recommendation.

During the Athletics Department July 17, 2019 retreat, the Business Office staff:

- Discussed the Department of Audit *procurement process improvement observation* with the staff and the importance of following University procedures;
- Performed a review of the *2013 FAMU Purchasing Manual* procedure requiring purchase orders for contractual services;
- Explained the required backup documentation needed to request a Purchase Order and encouraged Athletics staff to request a quote or proposal, not an invoice, to request a purchase order for service;
- Reminded staff that there are few instances where the department will receive an invoice and a purchase order will be followed (i.e., MEAC and NCAA); and
- Introduced a new Sr. Accountant employee that joined the Athletics Business Office staff which previously consisted of an Accounting Coordinator and Budget Director. The additional Business Office staff will afford for the required attention to be given to the requisitions received from 16 sports and 13 administrative departments.

Responsible Personnel:                      John Eason, Athletics Director  
  Genyne Boston, Deputy Athletics Director  
  Erica Wilcox, Athletics Budget Director

Anticipated Implementation Date:      October 31, 2019



## Observation 2: Purchasing Cards (P-cards)

We concur with the recommendation

The Athletics Department has removed all but one P-card. The Budget Director is the only employee with a card. Staff are required to submit a P-card request form to the Business Office for approval. P-card expenditures can be charged only by the Business Office after approval.

Responsible Personnel:                      John Eason, Athletics Director  
    Genyne Boston, Deputy Athletics Director  
    Erica Wilcox, Athletics Budget Director

Anticipated Implementation Date:      October 31, 2019

## Observation 3: Pre-audit of Invoices

We concur with the recommendation

On July 12, 2019, the Athletics Department added a Sr. Accountant employee within the Athletics Business Office staff which previously consisted of an Accounting Coordinator and Budget Director. The additional Business Office staff will afford the Athletics Business Office more time to properly pre-audit invoices for the 16 sports and 13 administrative departments.

Responsible Personnel:                      John Eason, Athletics Director  
    Genyne Boston, Deputy Athletics Director  
    Erica Wilcox, Athletics Budget Director

Anticipated Implementation Date:      October 31, 2019



## Observation 4: Budget Preparation and Monitoring

We concur with the recommendation.

The Athletics Department budget preparation is driven by projected revenues from student fees, gate receipts, season tickets, guarantees, NCAA, Florida Classic, and the MEAC Conference.

Department expenditures are driven by staffing, conference travel, equipment apparel, pre/post game meals, recruiting, guarantees, conference dues, officials, tournaments, insurance, scholarships, Game Day, facilities, media, transportation, medical, and administrative travel.

To assist in the prevention of over spending of budget, the department will monitor closely the approval of expenditure request. Additionally, the department will pursue additional revenue streams, booster, alumni and corporate sponsorship. Finally, the department will do an in-depth review of actual revenue/expenditures to determine a more realistic budget for the department.

Responsible Personnel:                      John Eason, Athletics Director  
    Genyne Boston, Deputy Athletics Director  
    Erica Wilcox, Athletics Budget Director

Anticipated Implementation Date:      October 31, 2019

## Observation 5: Fiscal Training

We concur with the recommendation.

The Athletics Department was aware that some Athletics staff members (i.e., baseball and football team coaches) were not in attendance at the May 13, 2019 training because they were on travel as baseball was still competing and football staff were on recruitment trips.

To improve the education and training process, the Athletics Department has made training a part of the onboarding process for all new Athletics Department employees and will be scheduling another fiscal and compliance training session to occur during August 2019.

The Athletics Department will continue to work with Finance and Administration officials and will schedule fiscal and compliance training sessions that will cover the following topics: Procurement process; Human Resources; recruitment process; travel and accounts payable procedures; budget process; cash collections; and university property.

Responsible Personnel:                      John Eason, Athletics Director  
    Genyne Boston, Deputy Athletics Director  
    Erica Wilcox, Athletics Budget Director

Anticipated Implementation Date:      October 31, 2019



## **DISTRIBUTION**

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### **Responsible Manager:**

John Eason, Athletics Director

### **Internal Distribution:**

- Board of Trustees
- Craig Reed, Audit Committee Chair
- Larry Robinson, President
- Rica Calhoun, Chief Compliance and Ethics Officer
- Genyne Boston, Deputy Athletics Director
- Richard W. Schweigert, Interim Vice President for Finance and Administration
- Joyce Ingram, Chief Operations Officer for Finance and Administration, Associate Vice President, Chief Human Resources and Diversity Officer
- Rebecca Brown, Assistant Vice President of Finance and Administration
- Archie Bouie, Associate Vice President of Administrative and Financial Services
- Nichole Murry, Budget Director
- Mattie Hood, Director of Procurement Services
- Erica Wilcox, Athletics Budget Director

### **External Distribution:**

Julie Leftheris, Inspector General and Director of Compliance, Board of Governors



## PROJECT TEAM

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**Engagement was conducted by:**

Carl E. Threatt Jr., MBA, CIA, CRMA, CFE, CCEP, CIGA, CIGI, LSSGB  
Audit Services/Investigations Administrator

**Engagement was supervised by:**

Richard E. Givens, CPA, CGFM  
Former Vice President for Audit and Compliance  
(Retired from FAMU January 2019)

**Engagement was approved and distributed by:**

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

## STATEMENT OF ACCORDANCE

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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 assurance service in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the assurance service to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings 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>

# Report #19-20-0001

## Assurance Services Report

### FY 2018-19 Essential Theatre Decentralized Cash Collection



September 20, 2019

Division of Audit

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



## Assurance Service #19-20-0001

### EXECUTIVE SUMMARY

#### WHAT WE DID

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In accordance with the 2018-19 Audit Work Plan, we conducted an audit of the Essential Theatre Decentralized Cash Collection location to ascertain if the Visual Arts, Humanities and Theatre Department (Essential Theatre):

1. Completed necessary documents to be authorized as a decentralized cash collection location;
2. Complied with the University's *March 2016 Cash Collection and Controls Manual*; and
3. Complied with the provisions of the *February 2016 FAMU Purchasing Card Manual* when procuring goods and services.

#### WHAT WE FOUND

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The cash collection process, in general, was satisfactory and internal controls ensured cash collected was fully accounted for, adequately safeguarded, reconciled, properly approved, and timely deposited. Contrary to the University's *March 2016 Cash Collection and Control Manual*, one employee and seven student workers from the Essential Theatre department did not have documentation on-hand to corroborate that a criminal background check had been performed. Additionally, two Essential Theatre employees and seven student volunteers did not attend cash collections and controls training. Finally, we found the internal controls were operational and effective regarding the p-card purchases and transactions complied with the *February 2016 FAMU Purchasing Card Manual* for the period under review.

#### OPPORTUNITIES FOR IMPROVEMENT

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We recommend Essential Theatre Department and cash handlers work collaboratively with the FAMU Human Resources and Student Financial Services Office to:

- Ensure that department documentation is retained to corroborate that all employees and students that are Essential Theater cash handlers complied with the University's Criminal Background Check process and procedures prior to assuming cash handling responsibilities; and
- Ensure that all cash handlers receive training regarding the University's *March 2016 Cash Collection and Controls Manual*.



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## BACKGROUND

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A cash collection point is an authorized operation within the University which collects cash belonging to the University. As of March 31, 2019, the University had 22 cash collection sites. The FAMU Cashier's Office is the primary cash collection point and the other cash collection sites exist for the convenience of students and the general public. In order for a department to collect cash and make direct deposits (deposit their cash directly with an authorized depository banking institution) the department director must first make a request to the University Controller to become a cash collection point. Only those departments or University-related entities that can demonstrate the ability to establish appropriate control procedures and comply with prescribed cash handling guidelines will be approved as cash collection point. Each cash collection site must abide by the University's *March 2016 Cash Collection and Control Manual*. Accordingly, all cash collection points have the following responsibilities:

- Receive funds and deposit them in accordance with the Cashier's Office or the appropriate depository banking institution as approved by the University Controller;
- Supervise all cash handling activities so that all funds received are properly recorded and deposited;
- Ensure that proper records are maintained and that entries are promptly and accurately made;
- Ensure that all funds are adequately safeguarded;
- Conduct periodic reviews of their cash handling activities to determine that all systems are functioning as intended and that all approved procedures are being followed; and
- Maintain evidence that these reviews were completed at least annually and reported to the Vice President with responsibility for that cash collection point.

On June, 15, 2018, Essential Theatre officials completed the University Revenue Collection Confirmation form and received continued authorization from the University Controller to be a decentralized cash collection location. For the period reviewed (July 1, 2018 through March 31, 2019), the Essential Theatre had cash receipts totaling \$8,911.51.

The Essential Theatre is one of two campus locations (FAMU Educational Research for Child Development) to have a petty cash fund and presently maintains a \$900 imprest petty cash fund. Essential Theatre petty cash funds are used to support FAMU Theatre Box Office Productions and small expenditure departmental operations fiscal activity each academic semester. The Essential Theatre established departmental cash handling procedures and designated three cash handler employees with primary responsibilities encompassing collections, deposits and reconciliations.<sup>1</sup> The department also utilizes seven student workers each academic year to assist with cash handling activities at the FAMU Essential Theatre Box Office and these student workers earn academic credits for their time and efforts.

Our audit scope and methodology are included in Appendix A.

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<sup>1</sup> Kimberly Harding, Director of Ticket Sales and Services and Associate Professor of Theatre (Deposits); Lisa Lauray, Adjunct Instructor of Theatre, Box Office Manager (Collections) and Luther D. Wells, Associate Director of Theatre and Chair of Visual Arts, Humanities and Theatre (Reconciliations)



## OBSERVATIONS

Observation 1: Cash Collection Process	
Element	
Criteria	<p>Section 1.4 C of the <i>2016 Cash Collections and Control Manual</i> requires all Cash Collection Points of the University to accept responsibility to:</p> <ol style="list-style-type: none"> <li>1. Receive funds and deposit them in accordance with the Cashier's Office or the appropriate depository banking institution, as approved by the Associate Vice President and University Controller;</li> <li>2. Supervise all cash handling activities so that all funds received are properly recorded and deposited;</li> <li>3. Ensure that proper records are maintained and that entries are promptly and accurately made;</li> <li>4. Ensure that funds are adequately safeguarded; and</li> <li>5. Conduct periodic reviews of their cash handling activities to determine that all systems are functioning as intended and that all approved procedures are being followed.</li> </ol>
Condition	<p>We reviewed all Essential Theatre fiscal activity from July 1, 2018 through March 31, 2019, totaling \$8,911.51, to determine if cash handling internal controls existed and were operational and effective for the period under review.</p> <p>Our review efforts did not detect any deficiencies, irregularities or illegal acts. The department's cash handling internal controls were accurate, timely, adequate and effective for the period under review.</p>
Cause	<p>Essential Theatre personnel implemented appropriate cash handling internal controls to ensure that the department complied with the University's <i>2016 Cash Collections and Control Manual</i>.</p>
Effect	<p>The Essential Theatre cash handling internal controls were operational, effective and in compliance with the University's <i>2016 Cash Collections and Control Manual</i>.</p>
Recommendation	<p>No recommendations for the period under review.</p>



Element	Observation 2: Criminal Background Checks
Criteria	<p>Section 1012.915 of Florida Statute require State Universities and Colleges to designate personnel for level one and level two background screenings. This statutory requirement is intended to allow background screenings requested by the State College System and the State University System to include federal information.<sup>2</sup></p> <p>The <i>2016 Cash Collections and Control Manual</i> requires before any individual can be offered a position working in or supervising a Cash Collection Point, he must undergo a criminal background check performed by the Florida Department of Law Enforcement.<sup>3</sup> However, Human Resources offer letters informs employment prospects that their respective offer is contingent upon the results of the criminal background check.</p> <p>Additionally, FAMU BOT Regulation 10.131, <i>Employee Background Screening and Fingerprinting</i>, paragraph 2(a) indicates, security background screenings will be conducted on all job candidates to whom an offer of employment has been made for positions of special trust or responsibility or positions located in safety sensitive areas whose duties may include one or more of the following:</p> <ol style="list-style-type: none"> <li>1. Working with children/minors (National Child Protection Act 1993 as amended). A child/minor is defined as any person under the age of 18 in accordance with Section 827.01, Florida Statutes;</li> <li>2. Access to cash, credit card numbers and/or demand deposits;</li> <li>3. Access to campus buildings, including residences as a result of being assigned building master keys;</li> <li>4. Access to surplus property;</li> <li>5. Ability to complete final processing of payroll or payroll corrections, investments, security access transactions or purchase orders;</li> <li>6. Ability to process a payment, print or distribute checks;</li> <li>7. Ability to update, prepare, generate or enter a transaction that will result in one of the following: refund, wire transfer, automatic clearing house transaction, vendor add/change or vendor address change; or</li> <li>8. Ability to access underlying codes/processing protocol supporting the University’s Enterprise Information Technology (EIT) systems applications or complete final processing of EIT security access transactions.</li> </ol> <p>This criminal background check will ascertain if the individual has been convicted of theft, embezzlement or any other form of misdemeanor or felony crime involving the misappropriation of cash or property, or defrauding any individual or organization.</p>

<sup>2</sup> SB 190 – Government Accountability passed during June 2019 and has an effective date of 7/1/2019. From November 2018 to-date the University is utilizing a vendor called “Castle Branch” to conduct criminal background checks.

<sup>3</sup> The University received the particulars of the new F.S. 1012.915 legislation during mid-July 2019 and is in the process of establishing an account with Florida Department of Law Enforcement to conduct national criminal background checks.



<b>Condition</b>	We discovered that one employee did not have supporting documentation retained to corroborate that they completed a criminal background check prior to working or supervising cash handling activities at the Essential Theatre cash collection location. Additionally, seven student workers did not have criminal background checks conducted prior to working in the Essential Theatre Decentralized cash collection location.
<b>Cause</b>	Essential Theatre personnel did not complete the signed and approved disclosure and authorization form or a completed and signed FDLE waiver formally requesting Human Resources to conduct criminal background checks on seven student workers.  Additionally, Essential Theatre personnel did not ensure that documentation was retained for administrative and audit purposes to corroborate that a criminal background check had occurred prior to an employee or student being assigned cash handling duties collecting, depositing and reconciling cash.
<b>Effect</b>	Without documentation to corroborate that a criminal background check was conducted, risk is escalated that misappropriation of cash, or theft of cash could have occurred by an individual that the University is assigning cash handling responsibilities.
<b>Recommendation</b>	We recommend that the FAMU Essential Theatre Department establish procedures to ensure that supporting documentation is retained to corroborate that all cash handlers have completed a criminal background check prior to working or supervising at a cash collection point.
<b>Management Response</b>	<p>Though several of the Essential faculty and student workers have been subjected to criminal background checks, the Essential Theatre Department realizes it must be accountable for adequate records. To this end, the following procedures shall be followed:</p> <ul style="list-style-type: none"> <li>• The Director of Ticket Sales and Services shall identify box office personnel at least 45 days prior “as practicable” to start of box office activities;</li> <li>• A list of names shall be emailed to the Associate Director of Theatre and copied to the Dean of the College of Social Sciences, Arts and Humanities;</li> <li>• Hard copies of accompanying documents shall be retained in the Essential Theatre Box office administrative files;</li> <li>• The Associate Director of Theatre shall forward such names and accompanying documents to the Office of Human Resources’ background check officer; and</li> <li>• Electronic copies of emails and communications regarding the background check process will be retained in an electronic file.</li> </ul> <p>Responsible Personnel: Luther D. Wells, Associate Director of Theatre</p> <p>Implementation Date: August 31, 2019</p>



Observation 3: Cash Handler Training	
Element	
Criteria	<p>The <i>March 2016 Cash Collection and Control Manual</i> (Manual) requires that each approved Cash Collection Point will be responsible for printing and distributing a copy of the entire Manual to each of its employees who are involved in the collection, deposit, or recording of University cash, and conducting training on the use and application of the Manual. Each such employee shall maintain a copy of the Manual at his/her workstation for reference purposes. The Associate Vice President for Finance and University Controller shall keep a copy of each department's Cash Collections and Controls Manual on file in the Student Financial Services Office.</p> <p>According to the U.S. Federal Sentencing Guidelines two of the seven essential elements necessary for an effective compliance and ethics program are standards of conduct and education/training. These guidelines encourage organizations to implement appropriate compliance and ethics programs (i.e., education and training) to prevent wrongdoing from occurring in the first place.</p> <p>Accordingly, all cash handlers, including individuals providing oversight at an approved Cash Collection Point, should receive cash handler training.</p>
Condition	Two employees and seven student workers from the Essential Theatre Department had not been trained in accordance with the <i>March 2016 Cash Collection and Control Manual</i> .
Cause	The Essential Theatre Department did not ensure that all cash handlers were identified and trained.
Effect	Risk is enhanced that errors and/or irregularities may occur due to all cash handlers not attending and receiving cash collections training.
Recommendation	We recommend that Essential Theatre officials identify all Essential Theatre cash handlers and ensure that they receive cash handling training.
Management Response	<p>The training of box office employees, and student workers and volunteer cashiers shall be under the supervision of the Director of Ticket Sales and Services who shall abide by the rules and regulations of the <i>March 2016 Cash Collection and Control Manual</i>. Training will occur at the beginning of each academic semester, as needed.</p> <p>All Essential Theatre faculty, student and volunteer box office personnel shall be identified at least 45 days prior "as practicable" to the start of box office activities.</p> <p>Responsible Personnel: Kimberly Harding, Director of Ticket Sales and Services</p> <p>Implementation Date: August 31, 2019</p>



Observation 4: Purchasing Cards (P-Cards)	
Criteria	<p>The <i>February 2016 Purchasing Card Policy</i> and procedures requires the P-card holder to:</p> <ul style="list-style-type: none"> <li>• Obtain P-card training;</li> <li>• Sign an application and agreement;</li> <li>• Be committed and responsible to comply with the terms and conditions stated in the P-card University Policy, Manual, Agreement and basic training;</li> <li>• Have an assigned Reconciler and Verifier before a card can be issued to that Cardholder. (The Reconciler and Reviewer cannot be the same person. A Cardholder cannot reconcile their charges as Reconciler);</li> <li>• Never “split” the cost of one Single item (goods or services) into multiple charges in order to circumvent the per Single transaction limit;</li> <li>• Immediately after the purchase, and no later than 7 days after the purchase and to provide Reconcilers time to appropriately review charges prior to the deadline payment date, submit documents including receipts to support the business purpose of each purchase to the Reconciler directly after the purchase;</li> <li>• Provide additional documentation to support when an item/service lends itself to personal use or when the business purpose would not be clear to an auditor;</li> <li>• Be responsible regarding handling disputes, reporting fraud or a lost or stolen P-card; and</li> <li>• Submit P-card reconciliation packages to the FAMU P-Card Office within 15 calendar days of the p-card statement date.</li> </ul> <p>The purchase of personal or disallowable goods or services is prohibited. Misuse of P-cards may result in disciplinary action up to and including termination of employment and prosecution to the extent permitted by law.</p>
Condition	<p>We reviewed all Essential Theatre P-card transactions from July 1, 2018, through March 31, 2019, totaling \$6008.86 to determine the propriety of P-card transactions as well as if the transactions P-card reconciliation packets were timely prepared and properly approved.</p> <p>Our review efforts did not detect any irregularities or illegal acts. P-card expenses reviewed were for University business purposes, timely reconciled and adequately approved and documented.</p>
Cause	<p>Essential Theatre personnel implemented appropriate operational and compliance internal controls to ensure that the department complied with the University’s <i>February 2016 Purchasing Card Policy</i>.</p>
Effect	<p>The Essential Theatre purchasing card expenditures for the period under review were in compliance with the University’s <i>February 2016 Purchasing Card Policy</i>.</p>
Recommendation	<p>No recommendations for the period under review.</p>



## APPENDICES

### APPENDIX A – PURPOSE, SCOPE, AND METHODOLOGY

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The **purpose** of this audit engagement was to review the effectiveness of the University’s fiscal year 2018-19 Essential Theatre Decentralized Cash Collection processes, controls, and procedures encompassing cash collections and p-card transactions and provide recommendations for improvement as discovered and detected during the accomplishment of the following engagement objectives to ascertain if the Department:

1. Complied with the University’s *March 2016 Cash Collection and Controls Manual*;
2. Completed necessary documents to be authorized as a decentralized cash collection location; and
3. Complied with the provisions of the *February 2016 FAMU Purchasing Card Manual* when procuring goods and services.

The **scope** of the 2018-19 Essential Theatre Decentralized Cash Collection audit engagement was to review and assess the propriety of the department’s fiscal, operational and p-card internal controls and expenses for FY 2018-2019. We reviewed all petty cash and p-card transactions from July 2018 through March 2019 to assess the existence and operational effectiveness of internal controls.

The **methodology** included obtaining an understanding of the internal controls by interviewing Essential Theatre, Student Financial Services and Finance and Administration personnel; applying procedures to determine that internal controls were working as designed; and to determine the University’s compliance related to our objectives.



## **DISTRIBUTION**

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### **Responsible Manager:**

Valencia Mathews, Dean, Social Sciences, Arts and Humanities

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- Board of Trustees
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- Archie Bouie, Associate Vice President for Administrative and Financial Services
- D'Andrea Cotton, Associate Controller, Finance and Administration
- Natasha Ray, Assistant Controller, Finance and Administration
- Luther Wells, Chair, Visual Arts, Humanities and Theatre and Associate Director of Theatre
- Kimberly Harding, Director of Ticket Sales and Services and Associate Professor of Theatre

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Julie Leftheris, Inspector General and Director of Compliance, Board of Governors



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**Engagement was approved and distributed by:**

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

## STATEMENT OF ACCORDANCE

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The Division of Audit 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 assurance service in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the assurance service to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings 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>



**Decentralized Cash Collections Audit:  
Athletics Department  
Report: 19-20-0003**



**ACCOUNTABILITY • INTEGRITY • EFFICIENCY**

October 4, 2019



## Assurance Service 19-20-0003

### EXECUTIVE SUMMARY

#### WHAT WE DID

---

We audited the decentralized cash collection procedures and on-site football game day cash collections for the Athletics department. We tested the first two home games on September 1, 2018, and September 15, 2018, and observed the third home game on September 22, 2018. The audit included processes associated with the Box Office, Game Day Operations, and Parking.

#### WHAT WE FOUND

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Cash collection processes were satisfactory in the areas of: internal controls, proper segregation of duties, cash deposits, and game day operations including parking and concessions.

#### OPPORTUNITIES FOR IMPROVEMENT

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Areas that needed improvement included, proper safeguarding of cash, Box Office manual, post-game reconciliation, and ticket validity/void processes. To better align with the University's Cash Collection and Controls manual, we recommend the Athletics Department and the Controller's Office consider the following items:

##### Athletics Department

- Securing the cash room with sufficient locks;
- Timely completing post-game reconciliations;

##### Controller's Office

- Enhancements to the ticket void/reissue process;
- Upgrading the Ticket Scanner System;
- Preparing a comprehensive manual to include guidance on preprinted tickets, vault access, and segregation of duties processes; and
- Timely deposit of proceeds by the Cashier's Office.



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## BACKGROUND

Cash Collection points are authorized operations within the University which collect cash at various sites. The University Cashier’s Office is the primary collection point; however, collection points are authorized to assist in streamlining cash collections as well as for the convenience of students and customers.

The university has designated seventeen collection sites. This audit covers one site: FAMU Athletics Department. The Athletics Department is responsible for collecting payments associated with sporting events, hosted events, and parking fees associated with football games.

The Division of Audit conducted this audit as part of our annual work plan. Prior decentralized cash collection audits and input from the Athletics Taskforce<sup>1</sup> confirmed the need to perform a decentralized cash collection audit for Athletics.

## OBSERVATIONS SUMMARY

Observation	Description	Owner	Risk Level	Remediation Deadline
Observation 1	Cash Room	John Eason	High	Corrected
Observation 2	Reconciliation Process	John Eason	High	Corrected
Observation 3	Ticket Security	Richard Schweigert	Medium	Corrected
Observation 4	Ticket Scanners	Richard Schweigert	Medium	Corrected
Observation 5	Ticket Void/Reissue Process	Richard Schweigert	Medium	October 31, 2019
Observation 6	University Processing Timely Deposit	Richard Schweigert	Medium	Corrected

<sup>1</sup> The Athletics Taskforce was established February 2, 2018, for the purpose of providing oversight. The Athletics Taskforce is composed of staff members from the Athletics department, Finance and Budget office, Provost office, Controller’s office, Foundation, Division of Audit, and Office of Compliance and Ethics. Other staff members attend if their area of specialization is needed or requested.



## OBSERVATION DETAILS

### Observation 1: Cash Room

#### Observation Information

**Criteria:** University Cash Collection & Controls Manual 1.3.C.3

**Condition:** The cash room at Bragg Stadium, which serves to collect cash from the concession vendors and provide change, remained unlocked. The Bragg Stadium cash room is not equipped with sufficient locks and a properly functioning door (the door would stick when completely closed). During game day operations security personnel and/or police are present in the area.

**Cause:** Management did not ensure proper maintenance of the door or a proper lock/key prior to the start of football season for the designated cash room.

**Effect:** Without sufficient cash room security, the risk of theft and robbery are increased.

**Recommendation:** We recommend the Bragg Stadium cash room be equipped with sufficient locks or relocated to a more secure room.

**Management Response/Remediation Plan:** An alternative, secure room to serve as a cash handling hub for game day will be determined prior to the 2019 Football season.

**Remediation Status:** Corrected.



## Observation 2: Reconciliation Process

### Observation Information

**Criteria:** University Cash Collection & Controls Manual 2.2.H.5.a.4

**Condition:** Post-game reconciliations could not be supplied upon request; however, audit testing determined that general ledger and deposit transmittal information agreed.

**Cause:** Management did not perform post-game reconciliations timely due to workload and staffing.

**Effect:** Without performing post-game reconciliations, deposit amounts or chart field information could be incorrectly recorded into the university Peoplesoft system.

**Recommendation:** We recommend post-game reconciliations be completed within one week after the game as outlined in Game Day Operations manual.

**Management Response/ Remediation Plan:** Both Concessions staff and Ticket Office staff will perform reconciliations timely to confirm accurate deposits within Peoplesoft general ledger.

**Remediation Status:** Corrected



## Observation 3: Ticket Security

### Observation Information

**Criteria:** University Cash Collection & Controls Manual 2.2.B

**Condition:** Controls around Ticket Box Office procedures including preprinted tickets, vault access, and segregation of duties are not comprehensive as presented in the revised Ticket Office Procedures manual dated September 2018.

**Cause:** Adequate procedures, training and staffing was not in place due to restructuring within the Athletics Department.

**Effect:** Improper access restrictions could lead to inadequate segregation of duties and/or personnel having access to the ticketing system that does not match their responsibilities. Collectively this situation could lead to an increased risk of theft and a loss of revenue.

**Recommendation:** We recommend management readdresses the Ticket Office Procedures manual to include comprehensive controls around preprinted tickets, vault access, and segregation of duties processes. Ticket Box Office should assist with the revision of the Investing in Champions packages and process development as it relates to the preprinting of tickets. Vault procedures should include dual controls or compensating controls such as cameras to ensure proper security of preprinted tickets and money.

**Management Response/ Remediation Plan:** Beginning with the Fall 2019 season, the Ticket Office plans to cease all pre-printed ticketing for Investing in Champions. Tickets will be printed as needed, which will be dependent on member payment status. Cameras are located in the Ticket Office (at the safe location) as well as in the Cashier's Office (at the vault location). The Controller's Office maintains restricted access to both locations. The Ticket Office manual will be revised accordingly

**Remediation Status:** Corrected



## Observation 4: Ticket Scanners

### Observation Information

**Criteria:** University Cash Collection & Controls Manual 1.3.C.3

**Condition:** Fan-created duplicate tickets could not be detected at the gate due to ticket scanners malfunctioning.

**Cause:** Ticket scanner equipment did not consistently connect to the stadium wireless and when not connected, did not perform the automated check for duplicate tickets.

**Effect:** Poor scanning capabilities increase the risk of fraudulent tickets and lost revenue.

**Recommendation:** We recommend the Ticket Box Office upgrade the ticket scanner system or invest in other low-cost ticket security features such as holograms, glossmark printing, or ultraviolet technology to assist in ticket fraud prevention.

**Management Response/ Remediation Plan:** New scanning equipment has been ordered and will be functional by the 2019 football season.

**Remediation Status:** Corrected



## Observation 5: Ticket Void/Reissue Process

### Observation Information

**Criteria:** University Cash Collection & Controls Manual 1.3.C.3

**Condition:** The process for reissuing tickets did not always void the original ticket, allowing persons in possession of either ticket (original and reissued) game entrance. System controls do not include proper job-related access restrictions and segregation of duties for the ticket reissuing processes.

**Cause:** As used, the Ticketmaster reissue process did not effectively void the originally issued ticket.

**Effect:** Without proper job-related access restrictions and segregation of duties, personnel could improperly void and reissue tickets without detection. This could lead a single seat being sold to two customers.

**Recommendation:** We recommend Box Office management implement Ticketmaster access restrictions for all ticket voids or reissued tickets. If the Ticketmaster system does not provide for such access restrictions then Ticketmaster void and reissue reports should be printed and reviewed by a supervisor as part of the daily close out procedures.

**Management Response/ Remediation Plan:** Tickets that are reissued properly in the system void the original tickets. However, ticket reissues will be monitored more closely and approved on a timely basis.

**Remediation Status:** In Process – October 31, 2019.



## Observation 6: University Timely Deposit

### Observation Information

**Criteria:** University Cash Collection & Controls Manual 2.2.H.4

**Condition:** Timely deposit of gameday proceeds were not entered into the University's system.

**Cause:** University Cashier's Office did not process gameday proceeds within the Peoplesoft system in a timely manner due to workload and staffing.

**Effect:** Without proper accounting controls over depositing money at the earliest point possible, intact and in a timely manner, the university is more susceptible to theft and fraud.

**Recommendation:** We recommend the Cashier's Office process deposits in a timely manner which will ensure deposits are properly accounted, as well as assist departments with their post reconciliation process as outlined in the Cash Collection Manual.

**Management Response/ Remediation Plan:** The Cashier's Office will take necessary steps to ensure adequate staffing levels during peak periods. Additional OPS budgets have been requested for the 2019-20 fiscal year.

**Remediation Status:** Corrected



## APPENDICES

### APPENDIX A – PURPOSE, SCOPE, AND METHODOLOGY

The **purpose** of this audit was to obtain an understanding and make overall judgments as to whether internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the operations are performed efficiently and achieve desired results; the financial and operational records and reports are reliable and possess integrity; and the safeguarding of assets from fraud, waste, or abuse. The areas of focus were Ticket Box office process, Game Day operations, and the Parking process. The objective of each area are as follows:

#### Ticket Process

- To determine whether policies and procedures for voiding and replacing tickets within the Ticket Master ticketing system are adequate;
- To determine whether security of preprinted tickets are adequate to prevent unauthorized access and shortages;
- To determine adherence to FAMU Athletics’ policies and procedures regarding distribution of complimentary tickets for student athletics and potential student athletics;
- To determine whether FAMU Athletics’ operational procedures regarding Athletic Ticket Sales for football are functioning properly and effectively including accurate and valid ticket information.

#### Game Day Cash Operations

- To determine whether security for game day cash collection deposits are adequate;
- To determine whether adequate controls are in place to ensure authentic access to events /activities;
- To determine adherence to FAMU Athletics’ policies and procedures regarding game day operations;
- To determine whether proper cash controls are in place including segregation of duties and reconciliations.

#### Parking Process

- To determine whether adequate parking records are kept;
- To determine adherence to FAMU Ticket Box office policies and procedures regarding paid parking operations;
- To determine whether security for paid parking cash collection is adequate.

The **scope** of the engagement included the first two home games on September 1, 2018, and September 15, 2018 (tested) and the third home game on September 22, 2018 (observed).

The **methodology** included obtaining an understanding of the internal controls by interviewing University personnel and, as appropriate, applying procedures to determine that internal controls were



working as designed as described in the Cash Collection & Controls manual, and to determine the University's compliance related to our objectives. We reviewed the Game Day Operations Manual which outlined the game day, concessions and parking process; cash collection procedures; observed the cash collection activities onsite; and examined records related to cash collected, deposited, reconciled, and recorded. These procedures included reviewing policies and procedures, current year's event records, walkthroughs, interviews, onsite-observation, and testing of selected transactions.



## **APPENDIX B – UNIVERSITY CASH COLLECTIONS & CONTROLS MANUAL**

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### **1.3. C - INTERNAL CONTROLS OVER CASH RECEIPTS/HANDLING**

3. Safeguarding of Assets - By their nature, cash receipts are prone to theft or misappropriation.

Accordingly, it is important to have the following internal controls in place to safeguard these assets.

- a. Physical access to cash must be strictly limited to authorized individuals.
- b. During working hours cash must be kept in locked boxes or drawers, or closed cash register drawers, out of sight of, out of reach of, and otherwise inaccessible to unauthorized individuals.

### **2.2. B - OPENING PROCEDURE GUIDELINES**

Each Cash Collection Point must develop comprehensive and fully descriptive procedures for the daily opening of the collection activity. These procedures must include, at a minimum, the following elements:

1. Description of the process for removal of the cash drawer from overnight safekeeping (note: where the term “cash drawer” is used, it means any physical vehicle for the temporary storage of cash during periods of time when transactions are being conducted).
2. A procedure for determining that the opening amount is correct.
3. A procedure for setting up to accept and process transactions.

### **2.2. H - DEPOSIT PROCEDURE GUIDELINES**

4. Cash transmittal forms are provided by the Cashier’s Office and are to be used to accompany and record a Cash Collection Point’s indirect deposit of cash with the Cashier’s Office, and to support Direct Deposits made by authorized Cash Collection Points. The Cashier’s Office will generate the accounting entries to record the transaction so it is essential that all required information is provided by the department making the deposit. Each Cash Collection Point will have responsibility for controlling the use of the forms under their control

5. Cash transmittal forms must be prepared and deposits made according to the following guidelines:

a. For Indirect Deposits made to the Cashier’s Office:

- 1) Complete all standard information required on each cash transmittal form, being sure to include the department number. Leave the cash receipt number blank, as this will be entered by the Cashier’s Office.
- 2) Credit and debit card transactions should be recorded on a separate cash transmittal form.
- 3) A copy should be retained by the Cash Collection Point. The original and a copy should accompany the deposit to the Cashier’s Office.
- 4) The Cashier’s Office will enter the deposit and return a copy of the cash transmittal form and PeopleSoft receipt or an A-receipt to the originating department. Departments should use this copy of the cash transmittal and receipt to verify the amount received by the Cashier’s Office and to reconcile the recording of the transaction on a monthly ledger sheet



## DISTRIBUTION

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### Responsible Managers:

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Richard Schweigert, VP for Finance and Administration/CFO

### Internal Distribution:

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- Dr. Maurice Edington, Provost and Vice President for Academic Affairs
- Dr. Shawnta Friday-Stroud, Vice President, University Advancement and Executive Director, FAMU Foundation
- Dr. Genyne Boston, Deputy Athletics Director
- Kelvin Rosier, Associate Director of Athletics
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### External Distribution:

Julie Leftheris, Inspector General and Director of Compliance, Board of Governors



## PROJECT TEAM

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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 assurance service in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the advisory service to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings 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 at (850) 412-5479.

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**Report No. 19-20-0005**  
**Advisory Services Report**  
**Process for Adopting and Changing Policies**



**ACCOUNTABILITY • INTEGRITY • EFFICIENCY**

November 20, 2019



# Processes for Adopting and Changing Policies

## EXECUTIVE SUMMARY

### WHAT WE DID

---

We performed a review of the processes for adopting and changing policies. As part of the review, we submitted a Board of Trustee policy and University policy through the current policy adoption process. Additionally, we reviewed four adopted policies to determine if they had been updated to align with current regulations, laws, and best practices. The four policies reviewed addressed the adoption and review process, athletics, and direct support organizations.

### WHAT WE FOUND

---

We found that the processes for adopting and changing policies were not operating effectively to establish a sound system of internal controls. Specifically:

- The University did not possess a central repository for University policies. Instead, policies are posted on individual department websites. Therefore, staff, students, and management are unable to determine, in totality, the policies in place with which they are expected to comply.
- The University does not use technology to manage the policy review and adoption process. The manual process the University currently uses is cumbersome, time consuming, and inefficient.
- All four policies reviewed required updating due to out dated legal or regulatory references, inconsistencies with current University practice, or were not in alignment either Florida Statutes or best practices.

### OPPORTUNITIES FOR IMPROVEMENT

---

The University could improve the current process for adopting and changing policies by implementing:

- A central repository for all University policies, procedures, and regulations.
- Additional dedicated personnel resources either through staffing or contract.
- Policy management software to automate and manage the process for adopting and changing policies.
- A policy review checklist to help guide reviewers.
- An annual policy review requirement.
- Training for all regulation and policy representatives.



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## BACKGROUND

### Internal Audit Standards:

Professional auditing standards<sup>1</sup> state that the internal audit activity must assist the organization in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Additionally, the internal audit activity must evaluate the adequacy and effectiveness of controls in responding to risks within the organization’s governance, operations, and information systems regarding compliance with laws, regulations, policies, procedures, and contracts. The University must have current policies to guide the behavior and expectations of management, staff, and students.

### COSO Internal Control – Integrated Framework:

The Committee of Sponsoring Organizations of The Treadway Commission (COSO) established the Internal Control – Integrated Framework<sup>2</sup> (Framework), which is currently the leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control. The Framework is composed of five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. Establishing and managing an effective policy adoption and review process directly impacts Florida A&M University’s ability to meet the following control principles included in the COSO Framework:

- **Control Environment:** Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
- **Control Environment:** The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.
- **Control Activities:** The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- **Information and Communication:** The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.
- **Monitoring Activities:** The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

<sup>1</sup> International Standards for the Professional Practice of Internal Auditing (Standards) – Performance Standards 2130 - Control

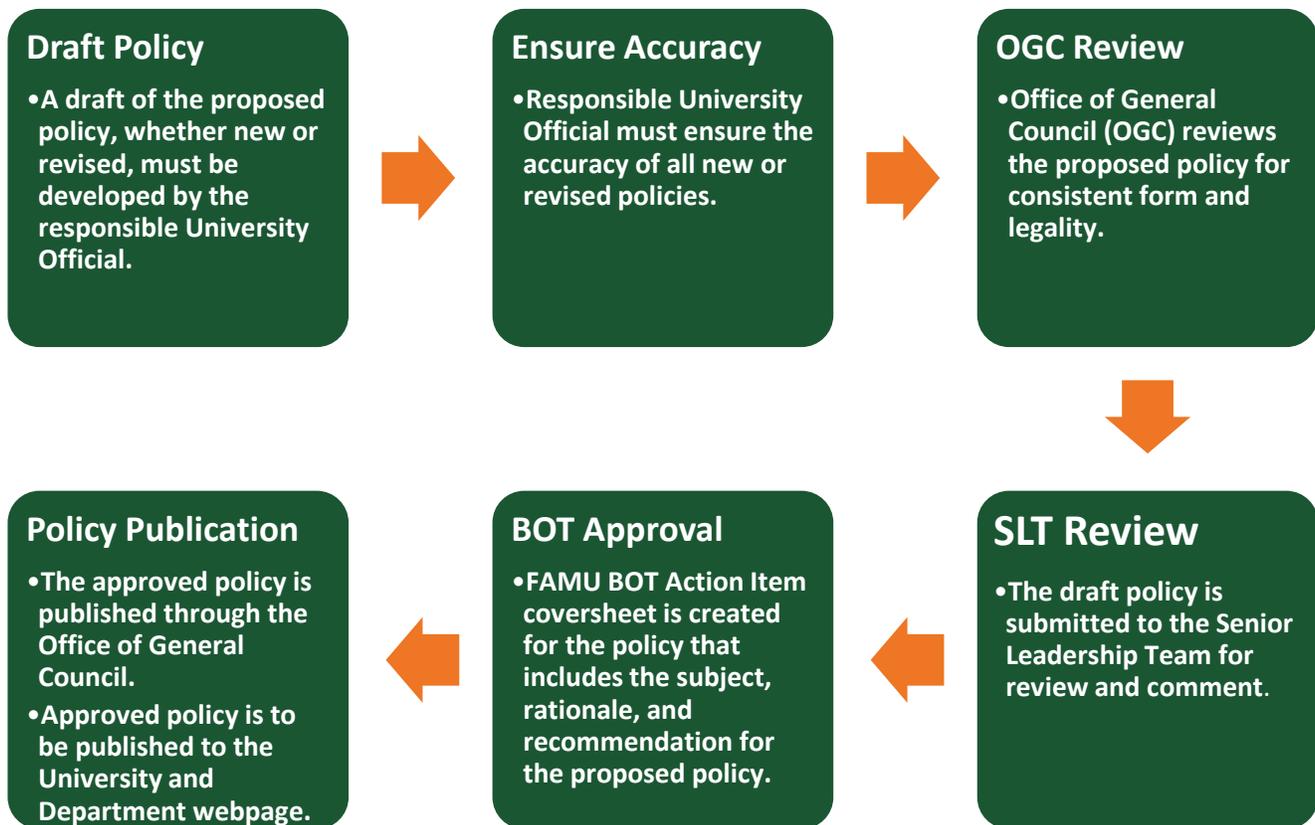
<sup>2</sup> COSO Internal Control – Integrated Framework (2013) - Components and Principles



### FAMU Policy Process Overview

The process for adopting and changing policies at the University is governed by University Policy UP-01-01: Regulations, Policies, and Internal Operating Procedures. The purpose of the policy was to establish “a framework for the creation and revision of regulations, policies, and internal operating procedures, this Policy is established to ensure that all University regulations, polices, and internal operating procedures are developed and adopted with uniformity.”<sup>3</sup> The policy discusses the development and revision of new policies, administrative areas of responsibilities for policy development by topic area, publication of policies, policy annual review requirement, and the hierarchy of policies to resolve conflicts. The policy was last revised and approved by Legal Affairs and the University President on October 9, 2017. Figure 1 and Figure 2 provide flowcharts of the BOT and University policy adoption processes respectively. Please note that the revision of adopted policies, follow the same process, but changes must be indicated in redline format.

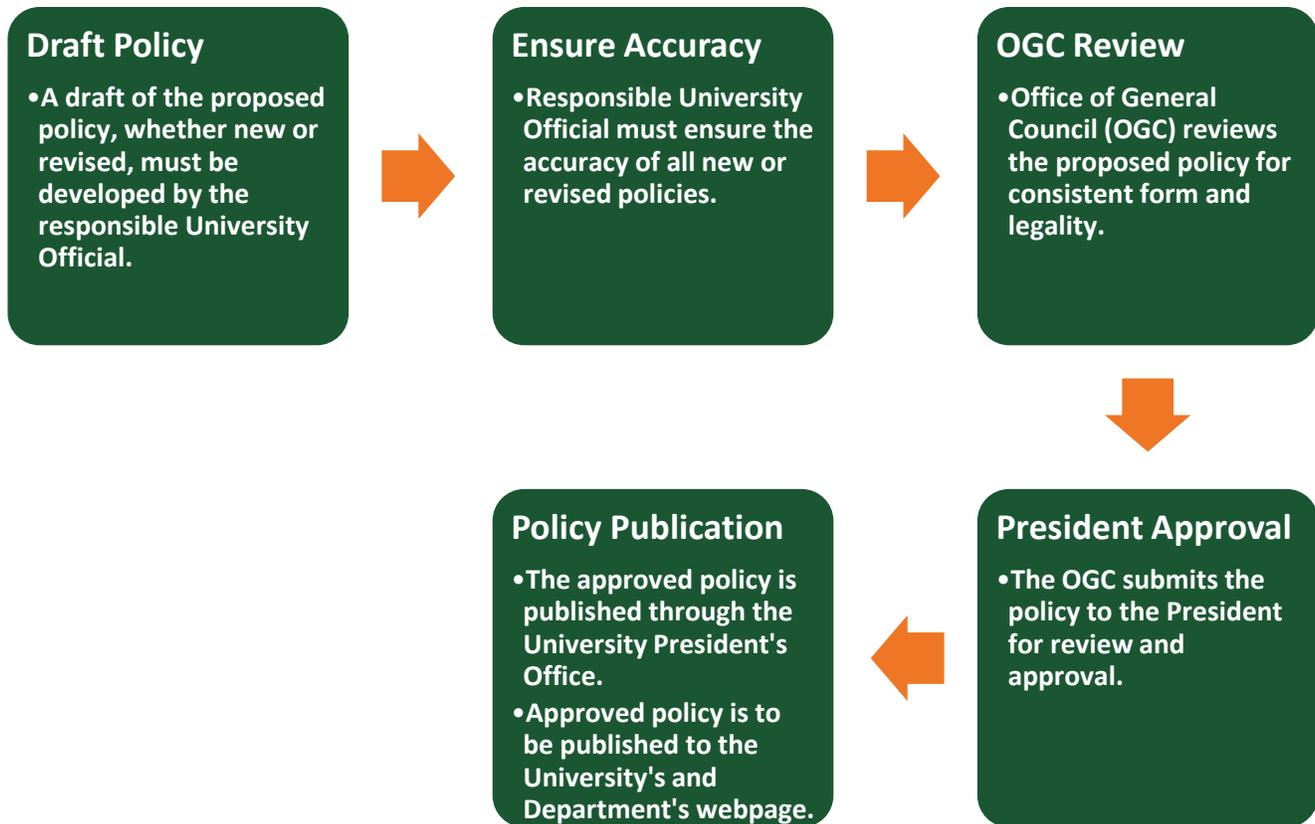
**Figure 1: FAMU BOT Policy Adoption Flowchart**



<sup>3</sup> Florida A&M University Policy UP-01-01: Regulations, Policies, and Internal Operating Procedures – Policy Purpose and Intent.



**Figure 2. University Policy Adoption Flowchart**





## POLICY ADOPTION PROCESS REVIEW

The Division of Audit performed a review of the process for adopting policies. As part of that process, we submitted a Board of Trustee policy and University policy through the current policy adoption process after assessing that the University had a fundamental need to provide governance over internal controls and enterprise risk management. Specifically, we submitted a draft BOT Policy: Internal Controls and Enterprise Risk Management (Appendix B) and University Policy: Internal Controls and Enterprise Risk Management (Appendix C).

Policy Review Steps	Description	Comments
<b>Draft Policy</b>	Joseph Maleszewski, Vice President and Deidre Melton, Internal Auditor/Investigator from the Division Audit drafted for consideration a BOT & University policy related to internal controls and enterprise risk management.	The draft was in response to commentary from the Board of Trustees during the June 6, 2019, Audit and Compliance Committee meeting and the August 16, 2019, Board of Trustee Meetings.
<b>Ensure Accuracy</b>	Mr. Maleszewski reviewed the policies for form, content, and alignment with the COSO Internal Controls – Integrated Framework, COSO Enterprise Risk Management – Integrating with Strategy and Performance Framework, and education industry best practices for the governance of internal control and enterprise risk management.	Due to the fact that the policies would impact all University Departments, VP Maleszewski presented both policies to the entire Senior Leadership Team for review and feedback on August 20, 2019. Based on feedback received, modifications were made to the original draft.
<b>Office of General Counsel Review</b>	Drafts of the University and BOT Policy were provided to the Office of General Counsel for review of September 9, 2019.	Revisions were made to the policies by General Counsel Denise Wallace and submitted back to VP Maleszewski on September 9, 2019.
<b>Senior Leadership Team Review</b>	Due to the policies already being reviewed by the Senior Leadership Team. Both policies were presented to the Board of Trustees for review and feedback during the September 19, 2019, Board of Trustees Meeting.	Members of the Board of Trustees did not provide feedback during or after the meeting regarding changes for either document.



<b>Board of Trustee/President Approval</b>	<p>Board of Trustee Approval: On the agenda for the December 4 – 5 Board of Trustee Meetings.</p> <p>University President: Submitted for approval on _____.</p>	
<b>Policy Publication</b>	N/A	N/A



## POLICY REVIEW PROCESS REVIEW

The Division of Audit reviewed the University’s policy review process to determine whether policies were being reviewed regularly for updates to regulations, statutes, industry best practices, forms and alignment with University practices. Four policies were selected for this review:

- **Regulations, Policies, and Internal Operating Procedures (University Policy Number: UP-01-01):** The purpose of this policy is to provide a framework for the creation and revision of regulations, policies, and internal operating procedures and are developed and adopted with uniformity.
- **Audits of University Athletics Finances (Board of Trustees Policy Number: 2005-16):** The purpose of this policy is to provide guidance regarding annual audits, internal audits, and reviews of the financial condition of University Athletics.
- **FAMU Direct Support Organizations (Board of Trustees Policy Number: 2018-01):** The purpose of this policy is to establish uniform criteria for certifying FAMU Direct Support Organizations and uniform policies regarding the operation and oversight of FAMU Direct Support Organizations.
- **Intercollegiate Athletics Policy (Board of Trustees Policy Number 2005-17):** The purpose of this policy is to establish the guiding principles, implementation, and authority for University Athletics.

The below chart depicts the results of our review of each policy by category. For any indicated deficiency noted in the chart, the Division of Audit provided recommended changes to the policy in redline format in the referenced appendix.

Policy	Up to Date Regulations?	Up to Date Statutes?	Up to Date Industry Best Practices?	Up to Date Forms?	Aligned with University Practice?	Appendix
UP-01-01	No	No	No	No	No	D
BOT 2005-16	No	No	No	N/A	No	F
BOT 2005-17	No	Yes	No	N/A	No	G
BOT 2018-01	Yes	Yes	No	Yes	No	H

Additionally, based on the results above the Division of Audit created a recommended Policy Review Checklist to help guide reviewers during the policy review process (See Appendix E).



## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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### **Purpose and Scope**

The purpose of this advisory service was to review the process for adopting and changing policies for efficiency, effectiveness, and completeness. As part of the review, we submitted a Board of Trustee policy and University policy through the current policy adoption process. Additionally, we reviewed four adopted policies to determine if they had been updated to align with current regulations, laws, and best practices. The four policies reviewed addressed the adoption and review process, athletics, and direct support organizations.

### **Methodology**

As part of the engagement we:

- Reviewed current University policy, Florida Statutes, Florida Board of Governors Regulations; NCAA bylaws and constitution, and industry best practices related to athletics, audits, and policy developments;
- Reviewed past audits, investigations, advisory work, risk assessments, University practices, and University website information; and
- Engaged senior leadership and Legal Affairs staff in discussions on the current policy development process and areas of athletics that require strengthening through policy.



## APPENDIX B: DRAFT BOT Policy: Internal Controls and Enterprise Risk Management



### FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY Board of Trustees Policy

<b>Board of Trustees Policy Number:</b> 2019-01	<b>Date of Adoption:</b> <b>Date of Revision:</b>
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<b>Subject</b>	Internal Controls and Enterprise Risk Management
<b>Authority</b>	Section 7(c), Article IX, Florida Constitution; Section 1010.01(5), Florida Statutes
<b>Applicability</b>	This policy applies to all University units and employees.

<p><b>I. Policy Statement and Purpose</b></p> <p>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 <i>Internal Controls – Integrated Framework</i> and <i>Enterprise Risk Management - Integrating with Strategy and Performance</i>. This integrated governance structure will improve mission delivery, reduce costs, and focus corrective actions toward mitigating key risks.</p> <p>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 on focusing on its mission and to minimize surprises.</p> <p>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.</p> <p>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</p>
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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.

<b>Attachment(s)</b>	n/a
<b>Hyperlink Addresses</b>	



## APPENDIX C: DRAFT BOT Policy: Internal Controls and Enterprise Risk Management



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

### 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. **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.
- B. **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.

**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, which must remain independent and objective, 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.



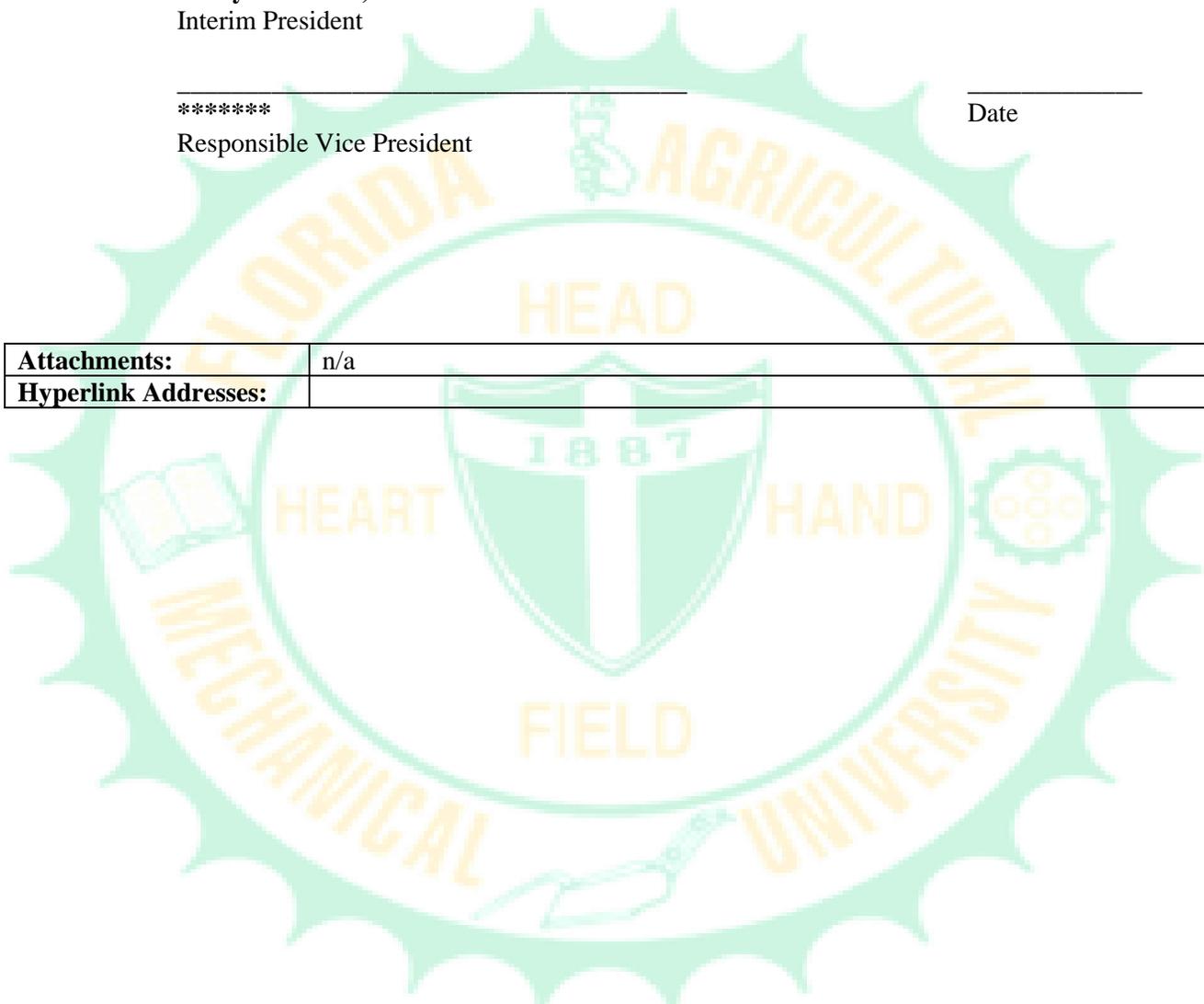
\_\_\_\_\_  
**Larry Robinson, Ph.D.**  
Interim President

\_\_\_\_\_  
Date

\_\_\_\_\_  
\*\*\*\*\*  
Responsible Vice President

\_\_\_\_\_  
Date

<b>Attachments:</b>	n/a
<b>Hyperlink Addresses:</b>	





## APPENDIX D: REGULATIONS, POLICIES, AND INTERNAL OPERATING PROCEDURES (UP-01-01) - RECOMMENDED UPDATES



<b>University Policy Number: UP-01-01</b>	<b>Effective/Revision Date: October 9, 2017</b>
<b>Subject</b>	Regulations, Policies, and Internal Operating Procedures
<b>Authority</b>	BOG 1.001; BOT 1.021
<b>Applicability</b>	This policy pertains to all University colleges, departments, units, employees, faculty, adjuncts, students, and staff.

### A. POLICY PURPOSE AND INTENT

It is essential that the Florida Agricultural and Mechanical University ("FAMU" or "University"), in discharging its obligations and achieving its stated objectives, have uniform policymaking. By providing a framework for the creation and revision of regulations, policies, and internal operating procedures, this Policy is established to ensure that all University regulations, policies, and internal operating procedures are developed and adopted with uniformity.

### II. STATEMENT OF POLICY

Regulations and policies are adopted to provide reference and guidance in the administration, operation, management or implementation of the various programs, services, facilities, and activities of FAMU. Such regulations and policies shall be consistent with the Florida Board of Governors (BOG) Regulation Development Procedure for State University Board of Trustees and FAMU Board of Trustees ("FAMU BOT") regulations.

The University President has the authority and responsibility for developing, recommending, and implementing regulations and policies, and the authority to establish a uniform procedure for policymaking.

The University President has further delegated some of his/her authority to various University Officials, such as vice presidents. Vice presidents are charged with the responsibility for creating, implementing, and updating University policies in his/her respective departments when statutes, rules, and regulations do not provide specific guidance, or do not offer procedures or Implementation directives necessary for efficient University operations. Such policies must be approved in accordance with procedures outlined herein. However, the final determination of whether a particular matter should be governed by a regulation or policy will be made by the University President, in consultation with the Office of the General Counsel (OGC), if necessary.

### III. REGULATIONS, POLICIES AND INTERNAL OPERATING PROCEDURES



- A. Regulations are statements of broad and general applicability, and are university-wide law adopted by the FAMU BOT under specific authority of the BOG. Regulations are required to be enacted in certain areas or are chosen to govern certain rights or interests of University constituents or those outside of the University community and must be consistent with state and federal law.
  - 1. Select Regulations pertain to subject matters that must be adopted as regulations such as: student tuition and fees to include parking fees, admissions, articulation and require approval by the FAMU BOT and BOG prior to becoming effective.
- B. Policies are a detailed system of guidelines that implement state and federal law and BOG and FAMU BOT regulations; assist with institutional compliance of laws and regulations; promote operational and management efficiencies; implement the various programs, services, facilities, and activities of FAMU; and/or enhance FAMU’s mission. Policies are adopted by the FAMU BOT or the University President under the specific executive authorities granted by the FAMU BOT. FAMU has two types of policies, which are FAMU BOT and University policies.
  - 1. Board of Trustees Policies (BOT Policies) are policies that implement state and federal law or BOG Regulations, and require FAMU BOT approval. BOT Policies become effective upon adoption by the FAMU BOT in a noticed open meeting.
  - 2. University Policies are statements to implement FAMU BOT regulations to assist with the conduct, compliance and operational efficiencies of FAMU. University policies must be approved by the University President and become effective upon the President's signature.
- C. Internal Operating Procedures (Internal Guidelines, Procedures or Protocols) (“IOPs”) are area specific procedures with limited application that are approved by the appropriate vice president and do not apply University-wide. IOPs affect activities under the authority of only one Vice President, addressing matters within the operational authority of the administrative or academic unit. IOPs may have detailed instructions, definitions, and/or forms that facilitate policy compliance. IOPs must not create or contain policy.

**IV. PROCEDURES, APPROVALS, AND RESPONSIBILITIES**

- A. Development of Regulations - Regulations will be adopted in accordance with the BOG [Regulations Development Procedure](#). The University President, through the appropriate vice president, must ensure the accuracy of all new or revised regulations within the vice president’s particular area of responsibility and authority, prior to the new or revised regulation being submitted to the FAMU BOT.
  - 1. A draft of the proposed regulation, whether new or revised, must be developed by the University President or the responsible vice president, along with his/her designees, in accordance with law and BOG regulations.
    - a. New and revised regulations are to be submitted in a redlined format in accordance with [FAMU’s regulation format](#).
  - 2. Proposed regulations must be reviewed by all affected Divisions, Departments or Units.
  - 3. The proposed regulation is then forwarded to the Office of the General Counsel (“OGC”) to review for consistent form prior to the adoption or amendment by the FAMU BOT. If the proposed draft regulation is inconsistent in form or substance as determined by the OGC, then it will be returned to the responsible vice president for appropriate revision.



4. Once the OGC has reviewed the proposed regulation, the responsible vice president will then provide the proposed regulation to the Senior Leadership Team for review and comments.
5. Once the comments are reviewed and no further modification is needed, the proposed draft regulation will be submitted by the responsible vice president to the FAMU BOT's liaison for placement on the respective FAMU BOT committee and the full FAMU BOT agendas for final review and approval.
  - a. A FAMU BOT Action Item coversheet must accompany the proposed regulation which shall include the subject, rationale, and recommendation for the proposed regulation.
6. Once the Board of Trustees has voted to approve the proposed regulation, the approved regulation will be published for 30 days by the OGC. After 30 days of publication and if no substantive comments are received, the regulation becomes effective. Select regulations are submitted to the BOG for final review and take effect after BOG approval.
  - a. A Regulation Development Notice must accompany the proposed regulation.
  - b. An electronic version of the final copy of the proposed regulation shall be submitted along with the redlined version.
7. Corrections to Adopted Regulations. When the substance of a regulation is not altered, the Corporate Secretary of the FAMU BOT is authorized to make appropriate corrections after publication of the adopted regulation. When there is a minor or technical correction(s) required that is not substantive in nature, the responsible vice president shall notify the OGC who will review the corrections prior to publication of the corrected regulation. Examples are: updates to hyperlinks, formatting, punctuation, and spelling will be made on a regular basis. Technical amendments include minor corrections of FAMU BOT regulations that include administrative titles or customary language usage changes.
8. Rescission of Adopted Regulation. The University President or responsible vice president may request that an adopted regulation be rescinded. The request, along with a detailed explanation for the proposed rescission, must be submitted in writing to the OGC and approved by the FAMU BOT.

**B. Development of New or Revised Policies**

1. FAMU BOT policies will be adopted as outlined below.
  - a. A draft of the proposed policy, whether new or revised, must be developed by the responsible University Official, along with his/her designees, in accordance with the [policy format](#) specified herein. Policies to be revised are to be submitted in a redlined format.
  - b. The responsible University Official must ensure the accuracy of all new or revised policies within his/her particular area of responsibility and authority, prior to the new or revised policy being submitted to the FAMU BOT. Proposed policies must be reviewed by the respective staff of the Division, Department or Unit and by all affected departments.
  - c. The proposed policy is then forwarded to the OGC for review for consistent form and legality prior to the adoption or amendment by the FAMU BOT. If the



proposed draft policy is inconsistent in form or substance as determined by the OGC, then it will be returned to the responsible University Official for appropriate modification.

d. Once the OGC has reviewed the proposed policy, the responsible vice president then submits the proposed policy to the Senior Leadership Team.

i. Once the comments are reviewed and no further modification is needed, the proposed draft policy will be submitted to the FAMU BOT for final review and approval. A FAMU BOT Action Item coversheet must accompany the proposed policy which shall include the subject, rationale, and recommendation for the proposed policy.

e. Once the FAMU BOT has voted to approve the proposed policy, the approved policy takes effect on the date of the approval, and will be published through the OGC. A final copy of the proposed policy shall be submitted along with the redlined version.

i. Revisions to Approved Policies. Policies to be revised are to be submitted in a redlined format. A final copy of the proposed policy shall be submitted along with the redlined version. Once the revised version is in effect, the older policy is automatically rescinded.

ii. Corrections to Approved Policies. When the substance of a policy is not altered, the Corporate Secretary of the FAMU Board of Trustees is authorized to make appropriate corrections after publication of the approved policy. When there is a minor or technical correction(s) required that is not substantive in nature, the responsible vice president shall notify the OGC, which will review the corrections prior to publication of the corrected FAMU BOT policy. Examples are: updates to hyperlinks, formatting, punctuation, and spelling will be made on a regular basis. Technical amendments include minor corrections of FAMU BOT policies that include administrative titles or customary language usage changes.

iii. Rescission of Approved Policies. A responsible vice president may request that an approved policy be rescinded. The request, along with a detailed explanation for the proposed rescission, must be submitted in writing to the OGC and approved by the FAMU BOT.

2. **University Policies** will be adopted as outlined below:

a. A draft of the proposed University policy, whether new or revised, must be developed by the responsible University Official, along with his/her designees, in accordance with the [University policy format](#) specified herein. A policy should be numbered consistent with the BOT's categorical numbering system used for the BOT Regulations (e.g. Chapter 2, Student Affairs).

b. The responsible University Official must ensure the accuracy of all new or revised University policies within his/her particular area of responsibility and authority, prior to the new or revised policy being submitted to the University President.

c. Proposed University policies must be reviewed by the respective staff of the Division, Department or Unit and by all affected departments.



- d. The proposed University policy is then forwarded to the Office of the General Counsel ("OGC") for review for consistent form and legality prior to the approval by the University President. If the proposed University policy is inconsistent in form or substance as determined by the OGC, then it will be returned to the responsible University Official for appropriate modification.
- e. Once the OGC has reviewed the proposed policy, the responsible University Official will then provide the proposed policy to the University President.
- f. Once the University President has approved and signed the proposed University policy, the approved University policy takes effect on that date and will be published through the University President's Office.
  - i. **Revisions to Approved Policies.** University Policies to be revised are to be submitted in a redlined format. This means that the language that is being revised, deleted, and/or modified will be stricken through so that the old language can be distinguished from the new proposed language being added to the last approved policy.
  - ii. **Corrections to Approved Policies.** When the substance of a policy is not altered, the OGC is authorized to make appropriate corrections after publication of the approved University policy. When there is a minor or technical correction(s) required that is not substantive in nature, the responsible vice president shall notify the OGC who will review the corrections prior to publication of the corrected policy. Examples are: updates to hyperlinks, formatting, punctuation, and spelling will be made on a regular basis. Technical amendments include minor corrections of policies that include administrative titles or customary language usage changes.
  - iii. **Rescission of Approved Policies.** A responsible vice president may request that an approved policy be rescinded. The request along with a detailed explanation for the proposed rescission must be submitted in writing to the OGC and approved by the University President.

3. **Internal Operating Procedures** will be adopted as outlined below:

- a. Proposed IOPs, whether new or revised, must be developed by the responsible vice president or his or her designee in accordance with the IOP format specified herein.
- b. IOPs become effective upon signature by the responsible vice president or if delegated, the associate vice president of the responsible department.
- c. IOPs must be published on the responsible division/department/unit's webpage.

**V. Administrative Areas of Responsibility**

- A. **Legal Affairs, at the direction of the President, is responsible for oversight of the approval and revision process for developing and revising regulations, policies, and internal operating procedures.**
- B. Academic Affairs will normally propose regulations, policies and procedures regarding academic and other matters related to the institution's mission of teaching, research and service.



- C. Administrative and Financial Services will normally propose regulations, policies and procedures primarily in the areas of administrative services, campus business services, cost allocation services, human resources, financial services, facilities planning, construction and maintenance.
- D. Office of Communications will normally propose regulations, policies and procedures primarily in the areas of marketing and branding, FAMU logos, institutional development, community relations, special events, media protocols, and public records.
- E. Student Affairs will normally propose regulations, policies and procedures in areas pertaining primarily to student government, student housing, recreation, counseling, student involvement, student recruitment, public safety, and the promotion of student development and learning, and fundraising.
- F. Research will propose regulations, policies and procedures that pertain to sponsored programs, export control, general research, and research contracts and grants. Research University policies will be numbered as 4, e.g. UP-4-26, as it is a related unit of Academic Affairs.
- G. Strategic Planning and Institutional Effectiveness will propose policies and procedures in various areas in order to provide guidance and ensure compliance with the University’s strategic plan, assessment, and accreditation. University policies will be numbered pursuant to the areas that will be impacted and signatory approval will be required of the impacted vice president.
- H. ~~General Administration~~ **University Administrators** will propose regulations, policies and procedures in areas that report directly to the University President, such as Athletics and the Office of Communications and matters addressed by Audit, ~~and~~ **Office of Compliance and Ethics**, and Legal Affairs. These policies will be numbered as 1, e.g. UP-01-26.

**VI. General**

- A. Publication. To promote transparency and to ensure that regulations and policies are made widely available to the University community, ~~all new or revised regulations, or~~ **and** policies must be electronically published **in a central location** on the University’s website. **In addition, a link to relevant Department/Unit regulations and polices must be prominently displayed on each ~~and the~~ Department's/Unit’s webpage ~~with a prominent separate link.~~**
- B. Each vice president must designate at least one regulation and policy representative for its Division.
  - a. **The policy and regulation representative must register with the Florida Board of Governors to receive email updates of BOG regulation changes.**
  - b. **The policy and regulation representative shall work with the Office of Government Affairs following the close of each legislative session to determine the impact of legislative changes on current University policies for which they are responsible. Additionally, the policy and regulation representative and appropriate University Official, must assess if a new policy should be developed based off of new legislation.**
- C. The appropriate vice president is responsible for an annual review of their respective policies and procedures. **The review of each policy should be documented by completion of the Policy Annual Review Checklist<sup>4</sup> and submitted to Legal Affairs, no later than June 30<sup>th</sup> of each.**

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<sup>4</sup> An Annual Policy Review Checklist should be developed to guide the policy review process. An example, Annual Policy Review Checklist is located in Appendix E.



D. Conflict. If policies conflict with regulations, then regulations supersede policies. If FAMU BOT policies or University policies conflict, then the FAMU BOT policies supersede the University policies. If University policies conflict, then the newest version supersedes the older version. The older version of the University policy which conflicts will be automatically rescinded by the newer policy language.



## APPENDIX E: REGULATIONS, POLICIES, AND INTERNAL OPERATING PROCEDURES UPDATE CHECKLIST

### Annual Policy Review Checklist

<b>Policy Number</b>	
<b>Policy Subject</b>	
<b>Responsible Department</b>	
<b>BOT or University?</b>	

AUTHORITY	Yes	No	N/A	Notes/Comments
<i>References the applicable statute, rule, regulation, or other document governing the function covered by the procedure.</i>				
A) Are the citations current and are they properly cited?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
B) Are all known relevant citations included for this procedure?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
C) If this is a revised document, have all <i>new</i> authorities been added?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
D) Does the policy appear to meet the requirements of the authority?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
E) Does the policy help provide reasonable assurance that target audience will comply with all applicable laws, rules, and statutes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

APPLICABILITY	Yes	No	N/A	Notes/Comments
<i>Identifies principal users of the document.</i>				
Is the target audience identified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

POLICY STATEMENT & PURPOSE	Yes	No	N/A	Notes/Comments
<i>Explains the intent of the document. For manuals, this is the purpose of the manual.</i>				
A) Is the intent of the policy clearly identified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
B) Are the objectives clearly stated?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
C) Will the stated objectives be accomplished if the instructions in the procedure are followed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



Does the purpose exclude unnecessary language, i.e., confusing or ambiguous language?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
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REFERENCES	Yes	No	N/A	Notes/Comments
Identifies other documents relevant to or referenced in the procedure; however, those identified should not be considered regulatory authority for the document. References may include Department procedures, policies, manuals, handbook, and other governmental documents.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
A) Are the procedure references identified by number and title, as required?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
B) Are referenced documents current?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
C) Have all known procedures related to the subject been referenced?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

DEFINITIONS	Yes	No	N/A	Notes/Comments
<i>Defines all pertinent words, terms, or acronyms</i>				
A) Are all necessary definitions included?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
B) Are definitions succinct and free of instructional information? (Instructional information includes anything that describes how to execute the procedure or comply with the process.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

PROCEDURES	Yes	No	N/A	Notes/Comments
A) Review divisional policies against changes to Florida Board of Governors regulations to determine impacts to current policies. Each policy and regulation representative must register with the Board of Governors to receive email updates of all regulation changes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
B) Review division policies against changes made to Florida Statutes during the legislative session. Each policy and regulation representative should work with Government Affairs following the close of each legislative session to determine the	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



impact of legislative changes on current University policies.				
C) Assess changes made to divisional business processes and procedures that impact internal controls. Divisional policies should be updated to include all significant internal controls guidance.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
D) Is the procedure complete? Have all necessary directives and other temporary instructions (such as memorandums) been appropriately incorporated into the procedure under review? This question can be answered by in-depth research. The staff member may need to pose this question to the contact person in the Responsible Office.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
E) Does the procedure reflect recommendations of previous Quality Assurance Reviews, previous audits, or other reviews? The staff member should review Auditor General, Office of Program Policy Analysis and Government Accountability, Division of Audit, and other possible audit sources to identify and review the results of these audits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
F) Does this procedure stand alone? If not, what other document should it be combined with?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
G) Does a valid need still exist for the procedure? If not, what would be the impact on meeting existing requirements if this procedure were deleted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
H) Is accountability for carrying out the procedure clearly assigned to the appropriate party?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
I) Are all required time frames included (i.e., specify calendar or work days)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
J) Do internal controls seem appropriate for the procedure being reviewed? If not, are there too many or are there too few?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



TRAINING	Yes	No	N/A	Notes/Comments
<i>Identifies any mandatory training required. If none required, must indicate, "None required." May identify training courses by number and title.</i>				
A) Does the procedure clearly identify training as either required or optional?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
B) If no training is required, does the procedure state, "none required"?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

FORMS	Yes	No	N/A	Notes/Comments
<i>Lists forms referenced or required within the procedure by number, title, and supply source (e.g., Forms Library).</i>				
A) Do referenced forms include both number, title, and link?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
B) Is each form necessary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
C) Do all forms referenced stand alone? If not, which forms should be combined with another?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
D) Are all forms current and relevant? If not, which forms need revision?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

\_\_\_\_\_  
Regulation & Policy Representative

\_\_\_\_\_  
Date

\_\_\_\_\_  
Vice President

\_\_\_\_\_  
Date

\_\_\_\_\_  
Office of Legal Affairs Representative

\_\_\_\_\_  
Date



## APPENDIX F: AUDIT OF UNIVERSITY ATHLETICS FINANCES (BOT POLICY NUMBER: 2005-16) – RECOMMENDED UPDATES

 <b>FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY</b> <b>Board of Trustees Policy</b>	
<b>Board of Trustees Policy Number:</b> 2005 -16	<b>Date of Adoption/Date of Revision:</b> October 6, 2005
<b>Subject</b>	<b>AUDITS OF UNIVERSITY ATHLETICS FINANCES</b>
<b>Authority Authority</b>	Sections <del>1004.28, F.S.</del> , 1010.30-1010.34, F.S., <b>BOG Regulation 1.001(4) (d), NCAA Bylaw 3.2.4.15.1</b>
<b>Applicability</b>	University booster organization(s) and intercollegiate athletic programs
<p><b>Section 1. <del>Annual Audit. Financial Reporting, Agreed Upon Procedures, and Financial Audits</del></b>  <del>All sources and expenditure of funds associated with the University's Interecollegiate Athletic Programs shall be annually audited by an independent outside auditor, as mandated by NCAA Constitution 6.2.3.</del></p> <ol style="list-style-type: none"> <li>1. <del>NCAA</del> <ol style="list-style-type: none"> <li>a. <del>FAMU shall submit financial data detailing operating revenues, expenses and capital related to its intercollegiate athletics program (report) to the NCAA on an annual basis in accordance with the NCAA financial reporting policies and procedures.</del></li> <li>b. <del>The report shall be subject to annual agreed-on verification procedures approved by the NCAA membership (in addition to any regular financial reporting policies and procedures of the institution) and conducted by a qualified independent accountant who is not a staff member of the institution and who is selected by the institution's president or by an institutional administrator from outside the athletics department designated by the president. The independent accountant shall verify the accuracy and completeness of the data prior to submission to the institution's president and the NCAA. The institution's president shall certify the financial report prior to submission to the NCAA.</del></li> </ol> </li> <li>2. <del>Financial Audit</del> <ol style="list-style-type: none"> <li>a. <del>Annually, FAMU shall hire an independent Certified Public Accounting (CPA) firm to perform an audit of the financial statements of Intercollegiate Athletics Program. Both the CPA report and the written corrective action plan shall be submitted, along with the audited financial statements, to the BOT for review and oversight.</del></li> </ol> </li> <li>3. <del>The University must adhere to, and enforce, the following guidelines when using independent accountants to perform financial audits:</del> <ol style="list-style-type: none"> <li>a. <del>All new audit firm contracts will be for up to a five-year period. At the end of the period, the University may elect to extend the first contract for up to an additional five-year period or, at its option, issue another Request for Proposal (RFP) for the next period. If the University chooses to issue an RFP for the second period, the current audit firm may respond to the RFP for consideration for the additional period.</del></li> <li>b. <del>An audit firm entering into a second contract shall designate a new lead audit partner for the second term.</del></li> </ol> </li> </ol>	



- c. Unless approved by the Board of Trustees, no audit firm may have an audit contract for more than Five continuous years including previous years already served through the 2019-2020 fiscal year.
- d. The RFP issued shall identify criteria for evaluation of audit firm proposals to include, for example, areas such as: experience and ability; understanding of applicable laws, rules, and regulations; familiarity auditing similar organizations; project requirements, approach and method; and fee proposal.
- e. Negotiations shall then be held with the first ranked audit firm to agree on a contract to include the audit fee and related expenses.
- f. If a contract cannot be agreed upon, negotiations shall be formally ended with that audit firm and negotiations shall be conducted with the second ranked firm and so on until a contract is agreed upon.

**Section 2. Annual Internal Audits.**

~~Periodic internal audits of the University’s Athletic Department shall occur as follows the following:~~

- ~~1. During the fall and spring semesters of all purchases and receipt of goods by the Athletics Department to ensure centralization of procedures.~~
- ~~2. Sport checks or audits of deposits during for the fall and spring semesters to verify accounts receivables, (e.g., advertising revenues, season ticket revenues, etc.,) receipts and their timely deposit.~~

Include the University Athletics Department in the annual Audit risk assessment process to ensure consideration for internal audit coverage which addresses key Athletics Department risks not already covered by external audits or compliance reviews. This risk assessment process will include consultation with the President to ensure any Presidential priorities are addressed. Internal Audit coverage will include an annual review of auxiliary transfers to Athletics to ensure only allowed sources were used.

**Section 3. Review of Athletics Financial Condition**

- 1. A monthly report of Intercollegiate Athletic Programs’ budget status shall be submitted by the Athletic Director to the President and University Athletic Committee.
- 2. A financial report of the University’s Intercollegiate Athletic Programs shall be provided on a regular basis to the Board of Trustee’s committee as designated by the Chair of the Board of Trustees for oversight and review.

**Section 4. Implementation of Provisions**

The President shall ensure the provisions of this policy are timely implemented.



## APPENDIX G: INTERCOLLEGIATE ATHLETICS POLICY (BOT POLICY NUMBER: 2005-17)



### FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY Board of Trustees Policy

<b>Board of Trustees Policy Number:</b> 2005-17	<b>Date of Adoption/Date of Revision:</b> October 6, 2005
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<b>Subject</b>	<b>INTERCOLLEGIATE ATHLETICS POLICY</b>
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<b>Authority</b>	Sections 1001.74 and 1001.75, Florida Statutes; NCAA Constitution & Bylaws
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<b>Applicability</b>	The University's Intercollegiate Athletics Program
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**Section 1. Scope of Policy**  
This policy shall apply to the University's Intercollegiate Athletics Program of Florida A&M University (University).

**Section 2. Guiding Principles for Intercollegiate Athletics**  
The University shall implement and engage in Intercollegiate Athletics in a manner consistent with the following guiding principles:

- (a) The University President shall administer the University's Intercollegiate Athletics Program.
- (b) Intercollegiate Athletics shall have a mission consistent with the mission of the University, emphasizing the pursuit of academic and athletic excellence while honoring the highest commitment of integrity.
- (c) Intercollegiate Athletics shall serve the well-being of student athletes by promoting academic and athletic accomplishment, encouraging their graduation, and supporting their development as individuals in an educational setting.
- (d) Student-athletes shall be held to the same academic and social standards, shall receive the same fair and equitable treatment, and shall be afforded the same opportunities to enjoy a well-balanced experience as all students at the University.
- (e) Student-athletes shall meet all appropriate academic standards for admission to the University and for continued progress toward a degree, as required by the University, Florida Board of Governors and the State of Florida.
- (f) Participation in Intercollegiate Athletics is a privilege, not a right, and student-athletes are expected to adhere to National Collegiate Athletic Association (NCAA) and Mid-Eastern Athletic Conference (MEAC) bylaws and rules and University regulations and policies.
- (g) The University's Intercollegiate Athletics Programs shall conform to institutional



rules and those of the NCAA, MEAC and other appropriate governing bodies.

(h) The University shall provide equal opportunity in Intercollegiate Athletics and promote equitable treatment of all sports in a manner consistent with University policies, Sec. 1006.71, F.S., and Title IX requirements.

(i) The University shall honestly and responsibly recruit student-athletes who can benefit from a University education and who can contribute to the University as members of its academic and athletic programs.

(j) The University shall promote a culture that integrates Intercollegiate Athletics into the campus mainstream.

(k) The University welcomes the support of, and involvement by, alumni, booster groups, and others who help serve the outreach mission of the Intercollegiate Athletics Program, provided their activities conform with all applicable laws and University policies and with oversight by the appropriate University personnel.

(l) Intercollegiate Athletics shall work cooperatively with all departments of the University to promote the best interests of the athletics programs, the University and the University community.

(m) Intercollegiate Athletics shall administer its budgetary, financial and managerial affairs with transparency and shall comply with the uniform business and audit standards of the University.

(n) Intercollegiate Athletics shall serve as an ambassador for the University with the purpose of fostering institutional pride and goodwill for the state through academic and athletic accomplishment, while providing opportunities to unite the University's students, faculty, staff, and alumni and citizens of the State of Florida.

**Section 3. Implementation**

1. *Competition Level.* Intercollegiate Athletics shall participate at the NCAA Division 1 level of competition.
2. *Compliance.* In all areas of Intercollegiate Athletics, the University shall comply with the letter and spirit of all institutional policies and procedures, MEAC and NCAA rules and regulations, and civil laws.
  - a. The president shall attest annually (by October 15), that he or she understands the institutional obligations and personal responsibilities imposed by NCAA Constitution 2.1 (Principle of Institutional Control and Responsibility) and Constitution 2.8 (Principle of Rules Compliance).
  - b. The Athletics Director shall certify, annually by October 15, the institution's compliance with NCAA Bylaw 18.4.2.1.1.



3. *Compliance Administration.* To avoid conflicts of interest, athletics compliance shall work cooperatively with Intercollegiate Athletics, but shall report **administratively** to the President and **functionally to the Audit and Compliance** Committee of the Board of Trustees.
  
4. *Budget.*
  - a. The Athletics Director shall exercise fiscal integrity at all times and shall be responsible for developing, implementing, and establishing and adhering to the University’s intercollegiate athletic programs’ annual budget.
  - b. Intercollegiate Athletics shall build an annual budget informed by a minimum of three-years trend data, current events, athletic program trends, game and event plans, feedback from the University Athletics Committee, and the President’s expectations. The athletics budget must be aligned with the University’s strategic plan and President’s goals, where appropriate.
  - c. Intercollegiate Athletics shall submit monthly budget reports to the President and University Athletics Committee, as stipulated in FAMU Board of Trustee Policy 2005-16: Audits of University Athletics Finances.
  - d. The University Budget Office shall monitor the Intercollegiate Athletics budget and work with Intercollegiate Athletics to ensure proper controls are in place, compliance with state regulations, and that each year ends with a balanced budget.
  - e. The President must establish Intercollegiate Athletics budget shortfall protocols to include a notification process (internal/external), financial procedures for staff to follow in-order to remediate the shortfall, and the identification of allowable sources of funds than can be transferred to Intercollegiate Athletics.
  
5. *Reporting.*
  - a. Intercollegiate Athletics shall report to the President and Vice President of Academic Affairs on matters related to student-athlete academic progress.
  - b. Intercollegiate Athletics shall report to the President and Board of Trustees on matters related to athletic accomplishment, athletic budget and finances, and facilities.

**Section 4. Delegation of Authority**

1. Each board of trustees shall require that institutional control and oversight of its intercollegiate athletics program is in compliance with the rules and regulations of the National Collegiate Athletic Association. ~~The President shall be ultimately responsible for the control and oversight of Intercollegiate Athletics.~~
2. The President is responsible for the administration of all aspects of the athletics program, including approval of the budget and audit of all expenditures.
3. ~~The President or the President’s~~ The Athletics Director ~~designee~~ shall administer all day-to-day operational aspects of Intercollegiate Athletics, with active participation, consultation, and oversight by the faculty athletic representative and the athletic committee appointed by the President on matters involving student-athlete welfare, academic performance and integrity, and athletic policy and compliance.



## APPENDIX H: FAMU DIRECT SUPPORT ORGANIZATIONS (BOT POLICY NUMBER: 2018-01) - RECOMMENDED UPDATES

 <b>FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY</b> <b>Board of Trustees Policy</b>	
<b>Board of Trustees Policy Number:</b> 2018-01	<b>Date of Adoption: June 7, 2018</b> <b>Date of Revision:</b> (Formerly IMM 2003-01) June 24, 2003, May 22, 2003
<b>Subject</b>	FAMU Direct Support Organizations
<b>Authority</b>	Sections 1001.706, 1004.06, 1004.28; 1010.09; 1013.171, 1013.78, Florida Statutes;
<b>Authority</b>	Board of Governors Regulation 9.011; FAMU Regulation Chapter 11
<b>Applicability</b>	FAMU Direct Support Organizations
<p><b>I. Rescinding of FAMU Internal Management Memorandum No. 2003-01</b></p> <p>FAMU Internal Management Memorandum No. 2003-01, FAMU Direct Support Organizations adopted on May 22, 2003 and revised on June 24, 2003 is hereby repealed or rescinded effective at the time of adoption of this policy.</p> <p><b>II. Policy Statement and Purpose</b></p> <p>To establish uniform criteria for certifying FAMU Direct Support Organizations and uniform policies regarding the operation and oversight of FAMU Direct Support Organizations.</p> <p><b>III. Procedures, Approvals/Responsibilities</b></p> <p>A. Florida Agricultural and Mechanical University Direct Support Organizations (“DSO” or “organization”) are approved by the University President (the “President”) and the Florida Agricultural and Mechanical University Board of Trustees (the “Board”) for certification. If the President determines that the organization is no longer serving the best interests of the University, the President may request that the Board decertify a DSO. The Board has the authority to request that the President investigate any DSO that is acting inconsistently with the best interests of the University. The request for decertification shall include a plan for disposition of the organization’s assets and liabilities.</p> <p>B. Certification as a DSO is required if the organization will:</p> <ol style="list-style-type: none"> <li>1. Use the property, facilities, personal services, or name of the University; or</li> <li>2. Receive, hold, invest, or administer assets or property or make expenditures for the benefit of the University.</li> </ol>	



- C. A request for initial and continued certification of a DSO to the Board shall include:
1. The Articles of Incorporation.
  2. The Bylaws, which shall describe the operating procedures and specific individual responsibilities of the organizations' boards, committees, and officers as related to the activities of the organization, and shall incorporate this policy and the Board of Trustees' Regulation 11.001 by reference.
- D. The Articles of Incorporation and the Bylaws, together, shall:
1. Provide that the organization shall comply with the provisions of Section 1004.28, Florida Statutes.
  2. Provide that any person employed by the organization shall not be considered to be a state or public employee of Florida by virtue of employment by the organization.
  3. Provide that the chief executive officer, executive director or senior operating officer of the organization shall be selected and appointed by the governing board of the organization, with prior approval by the President. The chief executive officer, executive director or senior operating officer of the DSO shall report to the President.
  4. Provide that the Board shall approve all appointments, including elected board members, to any DSO board.
  5. Include or reference the organization's policy and procedures on public access to records and open meetings. The policy shall ensure public access to information in accordance with Section 1004.28(5), Florida Statutes, while also protecting the confidentiality of personal or financial information about donors or prospective donors, in accordance with Section 1004.28(5), Florida Statutes. The policy shall also include the organization's policy and procedures on access to meetings in accordance with Chapter 286, Florida Statutes.
  6. Provide that any subsequent amendments to the Articles of Incorporation or Bylaws of the organization shall be approved by the President and the Board, prior to becoming effective.
  7. Provide that the President shall have the following powers and duties:
    - a. Monitor and control the use of University resources by the DSO.
    - b. Control the use of the University name by the DSO.
    - c. Monitor compliance of the DSO with state and federal laws and rules of the Board.
    - d. Recommend to the Board an annual budget, pursuant to paragraph
    - e. Review and approve expenditure plans, pursuant to paragraph



f. Approve salary supplements and other compensation or benefits paid to the University faculty and staff from DSO assets and salaries, benefits, and other compensation paid to employees of the DSO, consistent with the Board’s policies provided in paragraph O. The President may designate an individual who shall be a vice president of the University or other senior officer of the University reporting directly to the President to serve in this capacity. Determination of compensation of athletic personnel from DSO assets may be made at the discretion of the President and may not be delegated.

g. Approve contribution of funds or supplements to support intercollegiate athletics.

8. Provide that the organization shall provide equal employment opportunities for all persons regardless of race, color, religion, gender, age, or national origin.

9. Provide that personal services must comply with Section 1012.976, Florida Statutes.

10. Provide that state funds cannot be used for the organization’s travel expenses.

11. Provide that organizations shall comply with University set thresholds for approval of purchases, acquisitions, projects, and issuance of debt by DSOs.

12. Prohibit the giving, directly or indirectly, of any gift to a political committee or committee of continuous existence as defined in Section 106.011, Florida Statutes.

E. The Chair of the Board shall appoint at least one representative to the board of directors and executive committee of the organization, and the President or the President’s designee will serve on the board of directors and executive committee of the organization.

F. The DSO shall, immediately upon certification by the Board, file with the Department of State as a Florida not-for-profit corporation under the provisions of Chapter 617, Florida Statutes.

G. The Board shall not transfer any funds to and/or allow any DSO to use the property, facilities, or personal services of the University if the organization violates D.8.

H. The DSO shall conduct its financial operations observing a fiscal year ending on either June 30 of each year, unless otherwise approved by the Board.

Entity	Year-End	Report Due Date
1. FAMU Foundation, Inc.	June 30	Jan. 1 (following year)
2. FAMU National Alumni Association, Inc.	June 30	Jan. 1 (following year)
3. FAMU Rattler Boosters, Inc.	June 30	Jan. 1 (following year)
4. FAMU Research Foundation, Inc.	June 30	Jan. 1 (following year)



- I. The DSO shall submit an annual operating budget, which has been approved by the DSO's governing board and by the President and submitted to the Board for approval. The budget shall be submitted in the format of the Attachment no later than sixty (60) days after the first day of the fiscal year for which the budget pertains.
  1. The construction of physical facilities shall be set forth in the budget, including those on leased public property, as authorized and defined in Section 1013.171, Florida Statutes. The construction of facilities, although set forth in the budget, shall be consistent with the system wide strategic plan adopted by the State Board of Education if the project is to be constructed on state land or with state funds and consistent with Section 1013.78, Florida Statutes. Any other construction project shall require notification to the President prior to commencement of construction.
  2. Salary supplements, compensation, and benefits provided to the President, to University faculty, and to staff and to employees of the DSO with DSO assets shall be detailed in the budget.
  3. A schedule of the names of the organization's governing board members, their dates of service, and committee membership lists shall be submitted with the budget. The schedule of names shall include a statement signed by the President, or the President's designee, certifying that the composition of the organization's governing board is in accordance with its Bylaws. The individuals appointed by the Chair of the Board and by the President shall be clearly identified.
- J. A DSO shall have the authority to amend its budget. Budget amendment requests for less than 15%, but not to exceed \$40,000, of the total amount of the annual budget shall require the approval of the President, provided that no budget amendment affecting the President or the President's compensation, salary or other benefits shall be made without the approval of the Board. Other budget amendment requests shall require the approval of the President and the Board.
- K. As required by the President and University Regulations and Policies, the DSO shall prepare and submit to the President, an expenditure plan that separately delineates planned actions which will result in a commitment of University resources or which represent a significant commitment of the resources of the DSO, including but not limited to:
  1. Major fund-raising events and campaigns along with their purpose.
  2. Compensation and benefits to University employees and employees of the organization.
  3. Capital projects including land acquisition, construction, renovation, or repair.
  4. Other major commitments of the resources of the DSO as defined by the President.



- L. The DSO shall annually prepare an audit and related financial documents, in accordance with applicable laws and rules, which shall be submitted to the President and to the Audit Committee of the Board for Board review and approval.
1. Each DSO shall cause a financial audit of its accounts and records to be conducted by an independent certified public account, after the close of each fiscal year, in accordance with rules adopted by the Auditor General pursuant to Section 11.45(8), Florida Statutes, and University Regulations and Policies.
  2. Each DSO must adhere to, and enforce, the following independent outside auditor guidelines:
    - a. All new audit firm contracts will be for up to a five-year period. At the end of the period, the DSO-year period or, at its option, issue another Request for Proposal (RFP) for the next period. If the DSO chooses to issue an RFP for the second period, the current audit firm may respond to the RFP for consideration for the additional period.
    - b. An audit firm entering into a second contract shall designate a new lead audit partner for the second term.
    - c. Unless approved by the Board of Trustees, no audit firm may have an audit contract for more than Five continuous years including previous years already served through the 2019-2020 fiscal year.
    - d. The RFP issued shall identify criteria for evaluation of audit firm proposals to include, for example, areas such as: experience and ability; understanding of applicable laws, rules, and regulations; familiarity auditing similar organizations; project requirements, approach and method; and fee proposal.
    - e. Negotiations shall then be held with the first ranked audit firm to agree on a contract to include the audit fee and related expenses.
    - f. If a contract cannot be agreed upon, negotiations shall be formally ended with that audit firm and negotiations shall be conducted with the second ranked firm and so on until a contract is agreed upon.
  3. The audit report shall be submitted by the President or his designee to the Board of Trustees no later than the end of the sixth month following the close of the organization’s fiscal year. The President or his designee shall submit the annual audit report to the Auditor General, ~~the State Board of Education~~, and the Board of Governors no later than nine (9) months after the close of the organization’s fiscal year.
- M. Beginning July 1, 2019, and annually thereafter, each DSO shall report to the Board of Trustees the amount of state appropriations transferred to the DSO during the previous fiscal year, the purpose for which the funds were transferred, and the remaining balance of any funds transferred.



- N. The DSO shall submit to the President, the State Board of Education, and the Board of Governors its federal Internal Revenue Service Application for Recognition of Exemption (Form 1023) and its annual federal Internal Revenue Service Return of Organization Exempt from Income Tax (Form 990).
- O. The following policies concerning salary supplements, compensations, and benefits provided to the President, to University faculty and staff, and to employees of the DSO with DSO assets are applicable:
1. Full or part-time employees of DSOs are not state or public employees of Florida and may not participate in State Retirement or other fringe benefits available to employees of the state or public employees.
  2. Any salary supplement provided by a DSO to the President shall be consistent with any applicable state law and rules and approved by the Board.
  3. Salary supplements and other compensation or benefits provided for University employees will be paid using the State of Florida payroll payment process or the University payroll system, and will not be subject to state retirement contributions nor included in salary averaging for the purpose of computing retirement benefits.
    - a. The President or the President’s designee shall approve all supplemental compensation to be paid to University employees by DSOs. Determination of compensation of athletic personnel from DSO assets is to be made at the discretion of the President and may not be delegated.
    - b. The list of approved payees shall be provided to the University payroll office for processing as prescribed by the Bureau of State Payrolls or University payroll procedures.
    - c. The DSO, in coordination with the appropriate personnel of the University, shall transfer the appropriate funds from the DSO into a State Treasury account for disbursement in accordance with State Comptroller’s guidelines. These funds shall be sufficient to pay all federally required employer matching. The appropriate withholding taxes, as dictated by the State Comptroller, will also be applicable.
    - d. Prior to increasing the salary or changing the salary source for an individual who receives compensation from a DSO fund source that does not contribute to the Florida Retirement System (FRS) and from a fund source that does contribute to FRS, the University shall request a written analysis from the Division of Retirement, Florida Department of Management Services, or other appropriate state agency, if the proposed change in salary increases the proportion of the total salary that is paid from state funds. This analysis, assessing the potential impact of such action on FRS, shall be provided prior to the President’s approval of the change in salary. If the change in salary results in a significant fiscal impact on the FRS, an assessment payable to the FRS may be required.



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<b>Attachment(s)</b>	Florida Agricultural and Mechanical University Direct Support Organization Annual Budget and Expenditure Form
<b>Hyperlink Addresses</b>	N/A



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## PROJECT TEAM

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**Engagement was supervised, approved, and distributed by:**

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

## STATEMENT OF ACCORDANCE

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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 findings 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.

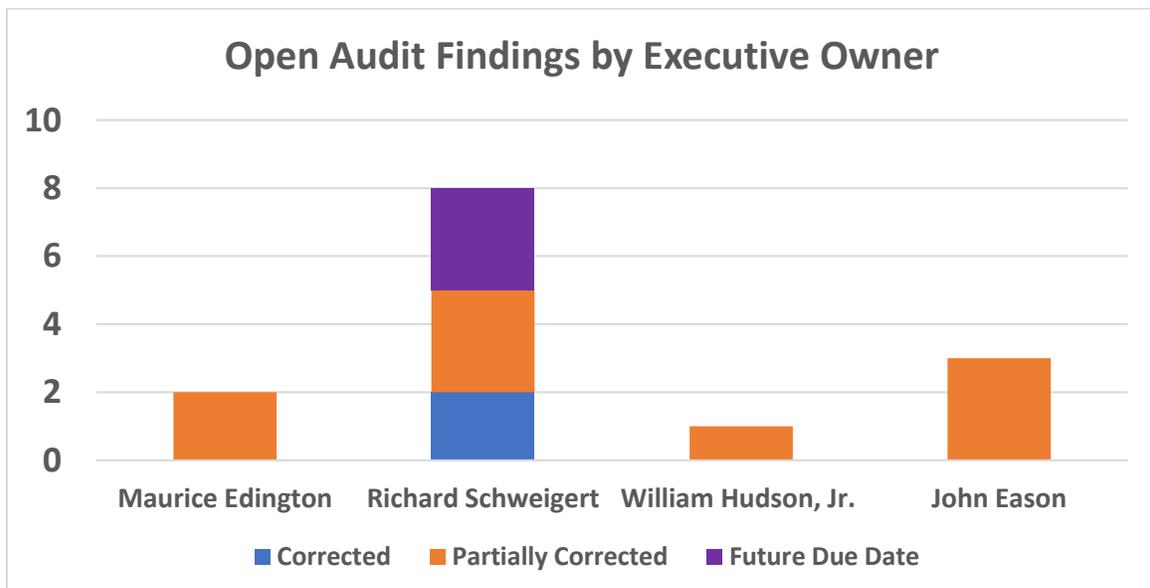
Please address inquiries regarding this report to the Division of Audit at (850) 412-5479.

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## 14 Open Audit Findings as of November 20, 2019

<b>2</b> <u>Corrected</u> Ahead of Schedule Require Validation	<b>9</b> <u>Partially Corrected</u>	<b>3</b> <u>Future Due Date</u>
 <b>Athletics Decentralized Cash Controls Audit:</b> Ticket Void/Reissue Process	 <b>2018 Operational Audit Findings:</b> Intercollegiate Athletic Programs – Deficit Cash Balances	 <b>IT Governance Committee:</b> The University Lacked the Establishment of an IT Governance Committee.
 <b>Athletics Decentralized Cash Controls Audit:</b> University Processing Timely Deposit	 <b>2017-18 Cloud Security Governance Audit:</b> Disaster Recovery	 <b>Purchasing – Vendor Contracts:</b> Subject Matter Expert Review of Contracts
	 <b>2017-18 Athletic Expense Review:</b> Failure to Attend Mandatory University Fiscal and Compliance Training	 <b>ADA Website Compliance:</b> The University’s Website is Not Fully ADA Compliant
	 <b>2017-18 Athletic Expense Review:</b> Inadequate Athletics Procurement Practices	
	 <b>2018-19 Decentralized Cash Collections – Essential Theatre:</b> Criminal Background Screenings	
	 <b>Athletics Decentralized Cash Controls Audit:</b> Ticket Security	
	 <b>2018-19 Decentralized Cash Collections – Essential Theatre:</b> Cash Handler Training	
	 <b>2017-18 SGA Follow-Up Audit:</b> Student Employee Time Reporting – SGA	
	 <b>Purchasing - Vendor Contracts:</b> Procurement Processing Guidelines Were Not Consistently Followed by University Personnel.	

Severity Risk Level     High Risk     Medium Risk     Low Risk



## 8

## Findings Closed Since September 19, 2019 BOT Meeting

	<b>Athletics Decentralized Cash Controls Audit:</b> Unsecured cash area
	<b>2018 Operational Audit Findings:</b> Payroll Processing Time Cards
	<b>NCAA Committee on Infractions – FAMU Case No. 00176:</b> Institutional Obligation to Timely Renew or Non-renew Student Athlete Financial Aid
	<b>2016-17 BOG IT Compliance Audit:</b> Information Security Plan Development and Implementation
	<b>2017 DSO Independent Audits:</b> FAMU Rattler Boosters Proper Accounting Records (Finding No. 2017-1)
	<b>Athletics Decentralized Cash Controls Audit:</b> Post reconciliation process not entirely completed
	<b>2018 DSO Independent Audit:</b> Supporting Documentation
	<b>2017-18 Cloud Security Governance Audit:</b> Service Transition Planning

Severity Risk Level



High Risk



Medium Risk



Low Risk

### 33 Open Investigative Recommendations as of October 31, 2019

27	Corrected - Require Validation	6	Future Due Date
	<b>FAMU Foundation:</b> Separation of Duties for Authorizing & Receiving Awards		<b>College of Education:</b> New Hire and Change of Position Background Checks (12/2019)
	<b>FAMU Development Research School:</b> Policy on Background Checks		<b>Human Resources:</b> Guidance on Background and Reference Check Procedures (11/2019)
	<b>FAMU Development Research School:</b> Faculty and Staff Guidance and Expectations for Student Interactions		<b>College of Education:</b> Process for Confirming Interview Information (12/2019)
	<b>FAMU Foundation:</b> Checks Issued to Authorized Individuals or Departments		<b>College of Social Sciences, Arts and Humanities:</b> Procedures for Cash Collection by Authorized Cash Collection Points (3/2020)
	<b>FAMU Foundation:</b> Approval of Check Changes		<b>Office of International Education and Development:</b> Central Oversight and Approval of all Study Abroad Programs (12/2019)
	<b>College of Education:</b> Falsified Credentials - Take Appropriate Personnel Actions		<b>Human Resources:</b> Amend Onboarding Process to include Outside Employment Form (11/2019)
	<b>College of Agriculture and Food Sciences:</b> Services Within Scope of Grant Award		
	<b>College of Pharmacy and Pharmaceutical Sciences:</b> Receipt and Deposit of Travel Proceeds		
	<b>College of Pharmacy and Pharmaceutical Sciences:</b> Payment Process and Travel Reimbursements Training		
	<b>College of Pharmacy and Pharmaceutical Sciences:</b> Procedures for Trip Forms		
	<b>College of Pharmacy and Pharmaceutical Sciences:</b> Foreign Travel – Take Appropriate Personnel Actions		
	<b>FAMU Development Research School:</b> Follow Grade Change Policies and Procedures		
	<b>FAMU Development Research School:</b> Policies and Procedures for Attendance Redemption Programs		
	<b>FAMU Development Research School:</b> Document All Background Check Activities		
	<b>FAMU Development Research School:</b> Background Checks for University Employee Transfers		
	<b>FAMU Foundation:</b> Authorized Individuals for Check Pick-Up		
	<b>FAMU Foundation:</b> Guidelines for Emergency and Need-Based Funding		
	<b>FAMU Foundation:</b> Adherence to Scholarship Requirements by All Recipients		
	<b>FAMU Foundation:</b> Verification of Scholarship Eligibility Requirements		
	<b>Sponsored Research:</b> Monitoring of Compliance with Award Policies		
	<b>College of Agriculture and Food Sciences:</b> Alternative Student Transportation		
	<b>College of Agriculture and Food Sciences:</b> Create a Daily Sign-In/Out Log		
	<b>College of Agriculture and Food Sciences:</b> Alternate Authority to Sign Work Verification Logs		
	<b>College of Pharmacy and Pharmaceutical Sciences:</b> Use of Authorized University Cash Collection Points		
	<b>FAMU Development Research School:</b> Random Background Checks for Faculty & Staff		
	<b>FAMU Foundation:</b> Alternative Offline Scholarship Application Process		
	<b>FAMU Foundation:</b> Recall Check		

### Chart Legend

Severity Risk Level    High Risk    Medium Risk    Low Risk

