Audit and Compliance Committee

February 16, 2022
Action Items

01
Minutes: Consideration of Approval – December 1, 2021
- Trustee Reed

02
Update BOT Policy 2020-01:
Fraud Prevention and Detection
- Joseph Maleszewski

03
Performance Based Funding Certification Document
- Joseph Maleszewski
AACC Meeting Minutes

December 2, 2021

Florida Agricultural and Mechanical University
Board of Trustees

Audit & Compliance Committee Meeting
Trustee Craig Reed, Chair
Grand Ball Room
Wednesday, December 01, 2021 – 11:00 AM

Committee Minutes

Members Present: Trustee Craig Reed, Chair, Trustee Ann Marie Cavazos, Trustee Michael Dubose, Trustee Kelvin Perry, Jr., and Trustee Carrington M. Whigham

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

The first action item – Chair Reed requested the approval of Audit and Compliance Committee, September 15, 2021, meeting minutes. Trustee Perry motioned to accept the minutes and Trustee Cavazos, seconded the motion. Chair Reed called for a vote and the minutes were approved.

The second action item – Chair Reed acknowledged VP Malezewski to present the Audit and Compliance Committee Charter for consideration of approval. VP Malezewski conveyed that the Audit and Compliance Committee Charter was updated to add the committee’s responsibility for oversight of the Enterprise Risk Management (ERM). VP Malezewski indicated that the changes were in keeping with the Board’s action to adopt the Committee on Sponsoring Organizations of the Treadway Commission’s (COSO’s) Internal Controls and ERM frameworks. The language additions speak to the Committee’s oversight of the ERM the program to ensure it is designed so that risks are appropriately identified, assessed, managed, and considered in institutional decision making. VP Malezewski offered to respond to any questions.

Chair Reed recognized Trustee Cavazos who discussed her perspective on the topic of where the ERM function should report – expressing that having a separate ERM function from the audit function would provide for clearer delineation of roles and responsibilities. Trustee Cavazos expressed that this separation would provide for basic checks and balances between the two functions and ensure the continued independence and objectivity of the internal audit regardless of who held that position. Trustee Cavazos referenced her review of peer institutions and related literature supporting the benefits of having a separate organizational structure for the two functions.

Chair Reed then asked VP Malezewski to speak to the organizational structure currently used for the ERM function. VP Malezewski first clarified that the action time under consideration relates to the Audit and Compliance Committee Charter which is associated with the Committee’s responsibilities and that Trustee Cavazos’ remarks relate to the organizational structure which is more closely aligned with the second charter document – the Division of Audit Charter.
Update BOT Policy 2020-01: Fraud Prevention and Detection

Change 1: Added Section IV. E. Significant and Credible Allegations of Waste, Fraud, Mismanagement, Misconduct, and other Abuses made against the Chief Audit Executive or the Chief Compliance Officer

**Review Matter**
- AACC Chair, President determines if further investigation is warranted

**Report**
- Subject Response (20 days)
- Investigator Rebuttal (5 days)
- Final Report: President, AACC Chair, BOT, BOG

**Disciplinary Action**
- President determines disciplinary action

**Law Enforcement**
- President confers with law enforcement for criminal violations
Update BOT Policy 2020-01: Fraud Prevention and Detection

Change 2: Added Section IV. F. Significant and Credible Allegations of Waste, Fraud, Mismanagement, Misconduct, and other Abuses Made Against the President or a Board Member

**BOG Notification**
- Vice President for Audit timely notifies BOG

**Review/Inquiry**
- Conducted by BOT Chair (or AACC Chair) and BOG Chair

**Investigation**
- BOT hire independent outside firm with OIGC guidance and monitoring, or
- OIGC performs investigation

**Report**
- Subject Response (20 days)
- Final Report: FAMU BOT or AACC Chair, BOG AACC
Data Integrity Certification

Performance Based Funding

Certification Submission Deadline:
• March 1, 2022

Division of Audit PBF Audit Results:
• Adequate controls and processes for data submissions
• No material errors within data files

Division of Audit Recommendation:
• No modifications of representations for the Data Integrity Certification
Performance Based Funding Data Integrity Audit
- 0 Reportable Findings

Data Administrator Process and Procedures
Process, controls and procedures established to provide assurance accuracy and completeness of data files

Metric Data Testing
No material errors found in data files supporting metrics 4, 6, 8, 9a, 9b

Data File Submission and Validation
- Data files met BOG requirements
- Critical error resolved related to Full-Time First Time in College Students

Review of Internal Controls
Degree certification and course substitution process controls strengthened since prior audit
FAMU Fundamentals 2022
Investigations
Conflict of Interest
Foreign Influence
What’s Next

Presented By:
Rica Calhoun
Chief Compliance & Ethics Officer
FAMU Fundamentals 2022

“Knowing is not enough, we must apply. Willing is not enough, we must do.” - Goethe

Cybersecurity

Emergency Management

Discrimination and Harassment

Compliance, Law, and Policy

Learning Platform Implementation: January – February 2022

Training Window: March 1 – 31, 2022
Investigations

40 Complaints Logged Since July 1, 2021

- Employee Misconduct: 7
- Fraud: 3
- Waste, Abuse or Misuse of Institution Resources: 3
- Workplace Relation or Retribution: 3
- Conflict of Interest: 2
- Discrimination: 2
- General Concern: 2
- Workplace Harassment: 2
- Academic Misconduct: 1
- Discrimination or Harassment: 1
- Environmental and Safety Matters: 1
- Sexual Harassment: 1
- Theft: 1
- Violence or Threat: 1
- Other: 10
Conflict of Interest Disclosure

“Conflicts of interest may exist, but we cannot allow them to be hidden conflicts of interest.”

Employee Disclosure

Must disclose any situation that may be, or that gives the appearance of, a conflict of interest

University Disclosure

Required to disclose any potential conflict of interest to appropriate offices and external agencies

Process Automation

Moving the conflict of interest process from manual to automated. Anticipated completion: March 2022
Foreign Influence

HB 7017
Research Working Group developed processes that align with the screening and reporting requirements

Foreign Influence Survey
• 65 Researchers Screened
• 27 Additional Screenings
• 04 Due Diligence Screenings

BOG Reporting
Foreign gifts BOG reporting submitted January 28, 2022

Policy Updates
OCE is assisting University Offices in creating or updating related policies and regulations
What’s Next

Implementation of External Review

Recommendations
• Increased Resources
• Enhanced Monitoring

Implementation of FAMU Fundamentals 2022
• Communications
• Rollout Training Modules

Conflict of Interest Disclosure Automation
• Provide Continued Education
• Rollout Streamlined Process
Performance Based Funding Audit

QAIP: Internal Quality Assessment Review

Risk Assessment Follow-Up

Audit and Investigative Follow-Up

External Audit Updates

Division of Audit Update

Presented By:

Joseph Maleszewski
Vice President for Audit/CAE

Deidre Melton
Associate Vice President for Audit/CRO
QAIP: Internal Quality Assessment Review
- Generally Conforms

- Attribute Standards
- Performance Standards
- Code of Ethics
QAIP: Division of Audit Strengths
- 4 Key Strength Areas
QAIP: Division of Audit Improvement Opportunity

- 2 Areas of Focus for Enhancement

Policies & Procedures

• Review and Update Policy and Procedure Manual
• Complete – 1/2022

QAIP Program

• Expand Frequency of Documented/Formal Internal Assessment
• CAP: Annual Assessment using HighBond IPPF Compliance Map
FAMU Management

- Implement an enterprise-wide risk management function
- Keep internal audit activity as the “second line of defense”
- Ensure the prompt resolution of findings
- Position specification career ladder for DoA
- Recognition program for accomplishments of DoA staff

Internal Audit

- Establish goals for more technology use
- Implement a time management system
- Implement strategies for monitoring and achieving desired audit duration times
- Incorporate risk assessment and work plan changes throughout the year
- Enhance operational policy and procedure manual
Risk Assessment Follow-Up Process

2021 Risk Assessment
June 2021 – Risk Assessment with Risk Themes, Heat Map, and Recommendations Issued

Risk Monitoring & Inputs
February 2022 – May 2022
Division of Audit will continue to monitor progress of mitigation plans and meet with management to identify new and emerging risks

Mitigation Plans
July 2021 – January 2022 – Management developed and began implementation of mitigation plans

2022 Risk Assessment
June 2022 – Updated Risk Profile
Presented to the Board of Trustees
Audit Follow-Up
- 1 Closed Finding / 4 Open Findings

**CLOSED – Medium Risk**
AG Prior-Audit Finding Follow-Up: Finding Resolved

**OPEN – Medium Risk**
Phase 1 Complete, Phase 2 In-Process, Future Scope Items Identified, Monitoring for Resolution of ADA and Safety Issues

**OPEN – High Risk**
Reviewing Campus Facilities for Hardening, Updating Emergency Management Plan, Budget Under Development

**OPEN – Medium Risk**
2018-2021 reportable payments disclosures were not made as of January 27, 2022

**OPEN – Medium Risk**
Policies and Regulations continue to be updated; Progress made on creation of new policies to close compliance gaps

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1. **2018 Operational Audit: Intercollegiate Athletics Programs – Deficit Cash Balances**
   - Finding Resolved

2. **2018-19 Risk Assessment: Bragg Stadium Safety and Maintenance**
   - Phase 1 Complete, Phase 2 In-Process, Future Scope Items Identified, Monitoring for Resolution of ADA and Safety Issues

   - Reviewing Campus Facilities for Hardening, Updating Emergency Management Plan, Budget Under Development

4. **Federal Contracts and Grants Disclosure Audit: Federal Contracts Not Reported to USDOE**
   - 2018-2021 reportable payments disclosures were not made as of January 27, 2022

   - Policies and Regulations continue to be updated; Progress made on creation of new policies to close compliance gaps
Investigative Internal Controls Recommendations Follow-Up
- 11 Open Internal Control Recommendations

01. Determine if Grants Position Payments Require Repayment to Grantor
   Owner: Dr. Robert Taylor, Dean CAFS
   Anticipated Completion Date: 5/31/2022

02. Ensure Appropriate Funding Sources for CAFS Administrative Positions
   Owner: Dr. Robert Taylor, CAFS
   Anticipated Completion Date: 5/31/2022

03. Automate the Conflict of Interest Disclosure Process
   Owner: Rica Calhoun, OCE
   Anticipated Completion Date: 5/31/2022

04. Consider HR Liaison Function in the Office of the Provost
   Owner: Sandi Smith-Anderson, HR
   Anticipated Completion Date: 5/31/2022
   CAFS should notify the involved parties of the violations.

05. Owner: Dr. Robert Taylor, CAFS
    Anticipated Completion Date: 5/31/2022
Investigative Internal Controls Recommendations Follow-Up

- 11 Open Internal Control Recommendations

06 Determine if Portion of the Employee’s Salary Require Repayment to the University For Time Worked on Unapproved Tasks
Owner: Dr. Robert Taylor, Dean CAFS
Anticipated Completion Date: 5/31/2022

07 HR should coordinate with Complainant to Determine Course of Action for Personnel File Documents
Owner: Sandi Smith-Anderson, HR
Anticipated Completion Date: TBD

08 HR Should Consider the Feasibility of Centralizing Maintenance of All Personnel Records
Owner: Sandi Smith-Anderson, HR
Anticipated Completion Date: TBD

09 University Should Assess FAMU PD’s Salary Structure and Staffing Levels
Owner: Dr. William Hudson, Jr., Student Affairs
Anticipated Completion Date: 5/31/2022
Investigative Internal Controls Recommendations Follow-Up

- **11 Open Internal Control Recommendations**

**10**

**Athletics Should Develop and Maintain an Inventory Control System that Addresses Concerns in Memorandum**
Owner: Kortne Gosha, Athletics
Anticipated Completion Date: TBD

**11**

**Athletics should develop and implement a method for tracking apparel and implement appropriate controls related to apparel tax reporting**
Owner: Kortne Gosha, Athletics
Anticipated Completion Date: TBD
External Audit Updates: AG Operational Audit Findings

- Increased focus on Compliance, Internal Controls, & Accountability Showing Results

Special Investments with State Treasury Account (SPIA)
- University could not demonstrate basis for recording SPIA balances
External Audit Updates: In Progress

- **FAMU Financial Statement Audit (FYE 2021)**
  - Florida Auditor General: March 2022 Tentative Completion

- **Athletics Financial Statement Audit (FYE 2021)**
  - James Moore, CPA: February 2022 Tentative Completion

- **Athletics Agreed Upon Procedures (FYE 2021)**
  - James Moore, CPA: February 2022 Tentative Completion

- **DSO Internal Control Reviews**
  - Crowe: March 2022 Tentative Completion
Division of Audit Updates

1. Internal Controls Assessment Process
2. Hiring: Senior Auditor Vacancy
3. Professional Development
4. External Quality Assessment Review
5. Enterprise Risk Management
Vision Statement
The FAMU ERM program strives to become a thought leader in enterprise risk management practices through development of innovative and cost-effective methodologies that integrates enterprise risk management practices into the culture and strategic decision-making processes of academic, student, and administrative functions within educational institutions.

Mission Statement
To provide meaningful, actionable, and timely strategic and performance risk intelligence to our stakeholders to enhance decision making and resource alignment while appropriately balancing risk and opportunity.
Spotlight on the DoA Work Plan

- **Complete**
  - Performance Based Funding Audit
  - 2020 Knight Foundation Expenditure Review
  - Federal Stimulus Funding (Internal Reviews)
  - FAMU-FSU Joint College of Engineering Audit

- **Reporting**
  - 2021 Knight Foundation Expenditure Review
  - Athletics Auxiliary Transfer Review
  - IT – Remote Working

- **In-Progress**
  - CAFS Advisory (Planning)
  - Title IX (Planning)
  - Intern Controls Assurance Statement (Planning)
  - Procurement Services Advisory (Planning)
  - Continuous Monitoring Services Projects

- **Deferred**
  - FAMU Foundation – Endowment Operations
  - Athletics Budget Process
  - Controller’s Office Advisory

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Closing