

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



Audit and Compliance Committee Meeting

Date: Wednesday, September 10, 2014

Time: 8:30 AM

Location: Grand Ballroom

Committee Members: Karl White, Chair
Torey Alston, Spurgeon McWilliams, Narayan Persaud, Belinda Shannon

AGENDA

- | | | |
|-----|---------------|-------------|
| I. | Call to Order | Chair White |
| II. | Roll Call | |

ACTION ITEMS

- | | | |
|------|---|-------------|
| III. | Approval of Minutes | Chair White |
| IV. | Presentation of Risk Assessment & Internal Audit Plan | Chair White |
| V. | Approval of Audit Plan | Chair White |

INFORMATION ITEMS

- | | | |
|------|----------------------------------|-------------------|
| VI. | Presentation of Committee Report | VP Richard Givens |
| VII. | Adjournment | |



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

**Audit and Compliance Committee
Date: Thursday, September 11, 2014
Agenda Item: III**

Item Origination and Authorization			
Policy ____	Award of Bid ____	Budget Amendment ____	Change Order ____
Resolution ____	Contract ____	Grant ____	Other ____

Action of Board				
Approved ____	Approved w/ Conditions ____	Disapproved ____	Continued ____	Withdrawn ____

Subject: Audit and Compliance – Minutes (March 5, 2014)

Rationale: In accordance with the Florida Statutes, a governmental body shall prepare and keep minutes or make a tape recording of each open meeting of the body.

Attachments: Audit and Compliance Committee Minutes (March 5, 2014)

Recommendation: Approve the Minutes of March 5, 2014.

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**Audit and Compliance Committee Minutes
Trustee Narayan Persaud, Acting Chair**

Date: Wednesday, March 5, 2014

Trustee Narayan Persaud, Acting Chair, called the meeting to order.

Members Present: Trustee Solomon L. Badger, (Chairman), Trustee Spurgeon McWilliams, Trustee Kimberly Moore, Trustee Cleve Warren, Trustee Kelvin Lawson, Trustee Marjorie Turnbull, Trustee Karl White, Trustee Belinda Shannon, Trustee Anthony Siders, Trustee Rufus Montgomery, *Trustee Torey Alston (late), Trustee Karl White (Conferenced in)*

Debra M. Barrington, Administrative Assistant to the Vice President, called the roll.

It was motioned and seconded that the minutes from the October 6, 2013 meeting of the Audit Committee be approved. The motion carried. The minutes were approved.

VP Givens provided an overview of the Division's activities for the period from October 2013 through February 2014:

- Grade Change Audit for the 2012–2013 fiscal year was completed and issued with three findings, two of which were considered *High Risk* or **Red** findings. Both of the high risk findings have been implemented.
- Audit of the Administrative Services Assistant Program is in progress.
- Two reviews were issued:
 - 1) The procurement of the Food Service Contract was reviewed to be sure that the University Procurement Process was followed. There were no findings.
 - 2) The eligibility of Band members who participated in the football games in October and November 2013, and their travel were reviewed to be certain University procedures were followed. There were no findings in either report.
- The Investigation related to the Athletics Department was completed (NCAA related violations). Two reports were issued with a total of 10 findings, two of which we considered to be **Red** classification.

There are three additional projects in the planning stages - Academic Center for Excellence, Audit of Information Technology Functions that relate to the general controls, and a second phase of the Athletic Investigations for allegations not related to NCAA violations.

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A summary status of the follow-up of prior audit findings was presented. The implementation of the findings will be validated through the follow up of audit findings. It was reported that 41% of the findings are still open, and 59% are closed. There aren't any late findings, which would be defined as corrective actions not implemented by the time the follow up was done.

The committee requested the inclusion of a chart that would show follow up audit by audit, including the person responsible for seeing that corrective actions are done, and presented as part of the report.

VP Givens reported that there are no late findings. Once management is given time to implement corrective actions, a follow up will be done to validate implementation.

The audit of the grade change process included two red comments and one yellow. The Dining Service Contract Procurement Review had no findings. The review of the Band Compliance for eligibility in Travel and Performance Compliance had no findings. A report on the Athletics Investigation (NCAA Related) was given by VP Givens.

VP Givens gave a report on the Operational Audit performed by the Auditor General for the 2012-13 fiscal year. There were three comments compared to 24 in the operational audit for the 2011-12 fiscal year. The three findings were classified as red primarily because they were all repeat findings, and findings reported in three consecutive audits by the Auditor General are reported to the Legislature for potential action by the Legislature.

VP Givens gave a report on the federal awards audit for the 2012-13 year. There were two findings. Both were repeat findings from 2011-12, and corrective actions on both were implemented too late for the 2012-2013. Corrective actions have been subsequently implemented.

A report on the status of investigations was given. For the last 14 months 75 allegations were received. Of these, 38 have been closed; 21 are in process; 8 have been referred to other departments for review, and 8 are pending investigation. It was requested that the investigations be classified to provide the types of complaints being received.

VP Givens addressed the staffing level of the Division. A significant amount of time is spent on investigations and at least one additional investigator is needed. It was noted that none of the audits on the 2013-2014 Plan have been completed as of March 2014. Trustee Persaud asked Interim President Robinson to explore this more because of the level of scrutiny and the sanctions that FAMU received as a result of campus safety, hazing, and the increased number of complaints.

Interim President Robinson indicated hazing will be reported in a separate committee. The staffing issue is a budget question and would be added to the dialogue at the May 24, 2014 meeting.

Trustee Persaud requested an update be given on the audit of the ASAP Program. Trustee White indicated that generally we have not, as a matter of practice, and also given some of our previous issues, provided updates. Since we can assert that all the work was done consistently with the audit standards, an update can be given. However, it is advisable to be very careful.

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A report was given by VP Givens on the Audit of ASAP. Findings were developed and preliminary findings were delivered for management response by March 14, 2014. The audit field work has been completed, and a working conference with Division of Administrative and Financial Services was held to discuss the preliminary findings. It was emphasized that the findings were *preliminary* findings and management will provide a written response for inclusion in the final report.

The Preliminary and Tentative Findings for the Bright Futures Program were received on February 28, 2014. There is one finding related to untimely return of advances of Bright Futures money to the University. Corrective actions have been implemented through establishing a calendar to monitor due dates.

The Division continues to work on formalizing a compliance function with the goal to increase compliance activities. We have discussed with other universities how they have implemented and structured the roles and duties of a compliance function. There was a discussion regarding what areas the compliance function would cover and of the importance of monitoring compliance.

Interim President Robinson indicated that one of the major concerns from SACS was lack of compliance with our procedures. This is one of the reason we need a formal compliance function. An exercise was started last January following the SACS sanction to begin an assessment of the adequacy of our policies and whether the procedures were appropriately implemented. The next step is to track implementation of these corrective actions.

Submitted by,

Trustee Narayan Persaud, Acting Chair

**Florida Agricultural and Mechanical University
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**Division of Audit and Compliance Risk Assessment Report
Date: Wednesday, September 10, 2014**

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2014-15 Risk Assessment & Internal Audit Plan

Executive Summary

In developing the 2014-2015 Internal Audit Plan, we performed a university-wide internal audit risk assessment, a process that identified and analyzed risks facing Florida A&M University (FAMU). The risk assessment served as the primary basis for developing the 2014-2015 Internal Audit Plan. The objective of the risk assessment is to align internal audit resources to those processes that pose the highest risk to the University's ability to achieve its objectives. In addition, we considered fraud risk factors in the development of this Internal Audit Plan.

While completing this year's risk assessment, we conducted 15 interviews with certain members of the Executive Staff and members of FAMU's Board of Trustees related to the University's overall risk universe. Each interview was scheduled for approximately one hour, and each interviewee was asked to comment on the risks associated with FAMU's ability to execute its core objectives and risks specifically related to their span of control. Additionally, a survey was distributed to deans and certain academic staff to solicit feedback on risks associated with significant processes, and to assist in ranking the overall risk of major processes in the different risk universe spheres.

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Risk Assessment Matrix Development Process

The development of the Risk Assessment Matrix is a three step process:

1. Determine the risk universe for FAMU
2. Determine the likelihood of occurrence having a material impact on the University
3. Risk definition – low, medium and high

Risk Universe

The risk universe was compiled using a standard risk universe for Universities and adjusting for applicability to FAMU. The adjustments to the risk universe were made from knowledge of the University, prior Internal Audit reports, and from discussions with Executive Staff.

Likelihood of Material Impact of Occurrence

The risk related to each category was scored based on the likelihood of having a material impact on the University. Interviewees and survey recipients completed the risk ranking, where each risk was scored on an impact and likelihood scale. Guidance on risk ranking (listed below) was provided to survey recipients for measuring impact and likelihood on a 1-5 scale.

Likelihood

Score	Rating	Probability
5	Expected	>90%
4	Highly likely	≤ 90%
3	Likely	≤ 60%
2	Not likely	≤ 30%
1	Slight	≤ 10%

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Impact

Score	Rating	Strategic		Operations	Compliance	Financial
5	Significant	Loss of confidence in all stakeholder* groups	Potential closing of University	Enterprise wide; inability to continue normal operations across entire University	Management indictments; Large-scale legal action; Regulatory sanctions	Financial impact greater than \$100M
4	High	Loss of confidence by 3 or more stakeholder* groups	2 or more changes in senior leadership; significant changes to University's strategic plan	Significant interruptions to University operations	Management challenges; Large legal liabilities; Regulatory fines	Financial impact of \$70M-\$100M
3	Moderate	Loss of confidence by 2 or more stakeholder* groups	1 or more changes in senior leadership; significant changes to University's operating plans and execution	Moderate interruptions to University operations	Management reviewed; Legal reserve established; Regulatory investigation	Financial impact of \$50-\$70M
2	Low	Loss of confidence limited to 1 stakeholder* group	Refinements or adjustments to University's operating plans and execution	Minor interruptions to University operations	Management unaffected; Minimal liabilities; Regulatory attention	Financial impact between \$100K - \$50M
1	Limited	Limited impact to 1 stakeholder* group	Limited adjustment necessary	Limited interruptions to University operations	Limited liabilities or Regulatory impact	Financial impact of less than \$100K

***Note: example stakeholder groups include students, faculty, Board of Governors, Board of Trustees, donors, alumni, SACS, USDOE, etc.**

Upon receipt of the surveys, we multiplied impact and likelihood and used that number to calculate overall risk, which was then grouped into risk categories of low, moderate and high.

Risk Definition

- Low risk** – FAMU has an *unlikely* probability of risks occurring that would have at least a material impact on the Company's ability to achieve its strategic objectives.
- Moderate risk** – FAMU has a *medium* probability of risks occurring that would have at least a material impact on the Company's ability to achieve its strategic objectives.
- High risk** – FAMU has an *expected* probability of risks occurring that would have at least a material impact on the Company's ability to achieve its strategic objectives.

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Risk Assessment Matrix

There are many definitions and categories of risk. Entities perceive risk based on the nature of their operations, the organization’s culture and other factors unique to them. Risk Management is broadly defined as a process designed to identify potential events that may affect the entity, and to manage risks to provide reasonable assurance regarding achievement of entity objectives. ¹

Every entity exists to realize value for its stakeholders. Value is created, preserved or eroded by management decisions in all aspects of an entity’s activities, from strategy setting to daily operations. Entities failing to recognize the risks they face, from external or internal sources, and to manage them effectively, can destroy value. An effective starting point for understanding risk is to take a look at all aspects of an entity’s activities.

The matrix below classifies and ranks FAMU’s risks according to the risk universe and scoring as discussed above. Additionally, prior year and planned internal audit coverage is noted in the table below. The Auditor General also performed operational audits around many of these areas for the 2012 – 2013 year. During the 2013-14 year, Accretive Solutions also performed procedures to validate that corrective actions had been implemented for findings noted in the operational audit conducted by the Auditor General for the 2011-12 year.

		Overall Ranking (Impact * Likelihood)	Prior/ Planned Internal Audit Coverage		
			2013-14	2014-15	2015-16
Strategic Risks					
Governance					
1.01	Corporate Governance	M			
1.02	Leadership Effectiveness	H			
1.03	Control Environment/Internal Controls	H	x	x	x
1.04	Roles, Responsibility & Accountability	M			
1.05	Culture	H			
Planning & Resource Allocation					
2.01	Strategic Planning & Direction	L			
2.02	Annual Budgeting & Forecasting	M			
2.03	IT Enablement & Process Automation	H			x
2.04	Alliances & Partnerships	M			
Strategic Initiatives					
3.01	Program Planning & Governance	M			
3.02	Program Execution & Monitoring	M	x		
3.03	Business Acceptance & Change Management	M			
Industry Dynamics					
4.01	Macro-economic Factors	M			
4.02	Regulatory Uncertainty / Government Advocacy	M			

¹ Source: COSO Enterprise Risk Management – Integrated Framework, 2004 COSO

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		Overall Ranking (Impact * Likelihood)	Prior/ Planned Internal Audit Coverage		
			2013-14	2014-15	2015-16
4.03	Educational Standard / Preference Changes	L			
Communications					
5.01	Alumni Relations	H			
5.02	Community/Media Relations	H			
5.03	Crisis Communication	M			x
5.04	Faculty, Staff & Student Communication	M			
Operational Risks					
Academic Operations					
6.01	Curriculum Strategy & Development	L			
6.02	Faculty Recruiting & Retention Strategy	H			
6.03	Student Recruiting & Retention Strategy	H		x	x
6.04	Tuition - Cost of Education	M			
6.05	Admission & Enrollment	H			
6.06	Financial Aid	H	x	x	
6.07	Billings (tuition/services)	H		x	
6.08	Student Support Services	H	x		
Education Delivery					
7.01	Capacity Planning & Scheduling	M			
7.02	On-line Education & Support	H			
7.03	Licensing & Classroom Technology Support	H			
Contracts & Grants					
8.01	Contract Management	H		x	
8.02	Sponsor Funding	H			
8.03	Intellectual Property	M			
8.04	Clinical Trials Research Billing	L			
8.05	Research & Data Integrity	M			
Donor Management					
9.01	Fundraising/Development Infrastructure	H			
9.02	Donor Compliance / Intent	M			x
9.03	Gifts & Donation Management	M			
Supply Chain					
10.01	Vendor Management & Supplier Quality	M			x
10.02	Procurement & Supplier Rationalization	M	x		
People / Human Resources					
11.01	Human Capital Strategy / Planning	H			x
11.02	Faculty & Staff Performance	H			x
11.03	Development & Training	M			
11.04	Succession Planning	H			x

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		Overall Ranking (Impact * Likelihood)	Prior/ Planned Internal Audit Coverage		
			2013-14	2014-15	2015-16
Information Technology					
12.01	IT Strategy & Planning	H			x
12.02	IT Network Infrastructure & Architecture	H		x	
12.03	IT Availability	H			
12.04	Information Security	H		x	
Environmental Health & Safety / Hazards					
13.01	Physical Security	H			
13.02	Public & Student Safety	H		x	
13.03	Lab Safety	L			
13.04	Business Continuity Planning / Resiliency	M			
Physical Assets					
14.01	Real Estate Optimization	M			
14.02	Property, Plant & Equipment Optimization	M			
14.03	Construction Management	M			
14.04	Facilities Management	M			
Compliance Risks					
Code of Conduct					
15.01	Ethics & Integrity	H	x		
15.02	Fraud / Asset Misappropriation	M			
15.03	Academic Misconduct	M			
15.04	Conflict of Interest	L			
Legal & Regulatory					
16.01	Anti-corruption	L			
16.02	Research Compliance	H		x	
16.03	Labor Laws	L			
16.04	Sales Tax Compliance	L			
16.05	Athletic Programs & NCAA	H	x		
16.06	HIPAA (Privacy & Security)	L			
16.07	FERPA	L			
16.08	Maintain 501(c)3 Tax-Exempt Status	L			
Finance Risks					
Accounting & Reporting					
17.01	Financial Accounting, Reporting and Disclosure	H		x	x
17.02	Management Reporting & Business Intelligence	H			
Liquidity & Credit					
18.01	Cash Planning & Management	M			x
18.02	Credit & Collections	M			
18.03	Investment Strategy & Management	L			
18.04	Funding & Refinancing	M			
18.05	Debt Structure & Management	M			

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		Overall Ranking (Impact * Likelihood)	Prior/ Planned Internal Audit Coverage		
			2013-14	2014-15	2015-16
18.06	Bond Compliance	M			
18.07	Pension Fund Liability	L			
Risk Management					
19.01	Insurance Coverage & Optimization	L			

Risk Themes

Listed below is a summary of risks consistently cited by interviewees and survey recipients during this year’s Risk Assessment. These are summarized here to provide the Audit Committee and management with areas represented to the Division of Audit & Compliance to be “top of mind” for key executives and managers within the organization.

► Governance

An area noted during our Risk Assessment interview process was that while the University has policies and procedures in place, oftentimes certain areas or departments are not following these policies. Failure to follow policies and procedures increases the University’s risk in all risk categories, and affect the ability to safeguard resources and deliver education services.

Internal audit coverage – Policies and procedures reviews (conducted as part of each audit)

► Funding

Diminishing funding from the State and a continued soft economy is a high risk for the University. Decreased government funding results in increased dependence on tuition and donations in a current state where enrollment is declining. The result of the accreditation probation has continued to have several flow-down effects: there is an adverse effect on faculty and student morale; enrollment has decreased, and outside funding from corporations has decreased. Reductions in Federal funding for student financial aid (PLUS loans) provides continued concern for students’ ability to obtain financial aid (as approximately 90% of the student body is on some sort of financial aid).

Continued funding from the State relies on meeting certain metrics, including retention, graduation rates, and employment after graduation. The Board of Governors has mandated that it receive assurance that the process for submitting data related to performance funding metrics is reliable. Additionally, Florida Statute 1009.286 was recently passed, which requires a student to be responsible for 100% of course costs if the student exceeds 110% of the required credit hours to obtain a degree.

Donor relations and donor management also were cited as a risk to the University. Capital campaigns are challenging with the recent SACS probation and continued media scrutiny surrounding the University. FAMU should continue attracting funds and donations from alumni and other constituents, and process and manage these gifts timely and accurately.

Internal audit coverage – Process review for performance based funding metrics; Assessment of Compliance with Florida Statute 1009.286 (2014-15); and FAMU Foundation process review (2015-16)

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► Student Recruitment and Retention

A main goal of the University is the ability to recruit the best and the brightest students. Historically, the University has enrolled a higher than normal mix of “profile admit” students (i.e., students who do not meet all requirements for admission to the University). Although the University reduced the number of profile admits in the last year, the high mix of profile admit students may continue to have an impact on graduation rates (on average 6 years) and progression rates, which could affect the University in future years, as the state system has moved to performance-based funding. The University has implemented an initiative to reduce the number of profile admits accepted; however, the University will need to invest money and resources to continue this initiative and to increase the number of students who apply for admission. Additionally, money and resources will need to be invested to provide the support services to retain students, such as housing, advisement, and counseling.

Internal audit coverage – Student Recruitment and Retention process assessment (2014-15)

► Financial Aid

Risk Assessment interviewees and survey respondents consistently noted the management of financial aid funds (including administering to students and return of funds to the government) as a high risk area for the University. If financial aid is not administered according to federal regulations, penalties and fines could occur. Additionally, if FAMU fails to administer financial aid to students in a timely manner, this could adversely affect student recruitment.

It was also noted that the University’s IT systems are not used to their full functionality, and financial aid processes were noted as being more manual than necessary.

A new Director of Financial Aid has been hired and plans to implement an annual process of benchmarking the University against leading practices.

Internal audit coverage – Financial aid process review (2014-15)

► Athletics & NCAA Compliance

One high compliance risk noted by Risk Assessment participants was the potential for a major NCAA or Title IX infraction. The University is required to have a certain number of players eligible to field a team. During 2013-14, the NCAA imposed penalties on some athletic teams as a result of a low academic progress rate. Additionally, there is elevated media scrutiny around college athletics, and an infraction could potentially cause increased reputational risk for FAMU.

Another risk related to the athletic department is lack of funding and the operating deficit. Much of the department’s funding comes from the athletic fees assessed to students; consequently, declining enrollment increases the risk of funding for the Athletic Department.

Internal audit coverage – Follow-up on certain financial and operational Athletic Department processes (2014-15); ACE Academic Support Services review (2015-16)

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► Human Resources

During the Risk Assessment, several respondents noted the University continues to face challenges in recruiting and retaining talented faculty and staff. Additionally, several positions at the University are currently held by interim positions, which is not consistent with the long-term vision for the University. Respondents noted University salaries are low compared to other state universities, and rank as one of the lowest in the State of Florida. An additional risk to the University is retaining institutional knowledge. Respondents also mentioned that certain areas lacked either enough resources or lacked qualified resources to effectively carry out University objectives.

Formal succession planning is not consistently performed at FAMU, which could result in loss of institutional knowledge when individuals leave the University.

The University is currently conducting an enterprise-wide review of staffing against position descriptions.

Internal audit coverage – HR skills gap assessment (2015-16)

► Information Technology (IT)

Almost all Risk Assessment participants noted some aspect of IT as a high risk for the University. A theme consistently mentioned was that the University's ERP System (PeopleSoft) is not configured to provide maximum system functionality. One root cause of this issue noted is that the IT Department does not have the appropriate people in place to configure, design, and make timely updates to the system. The under-utilized system was also noted as causing inefficiencies in several departments, as manual processes are required to supplement and/or be used in place of processes that could be automated (including systemic approvals, reconciliations, segregation of duties controls, etc.).

The growing cost of IT security is also a high risk for the University. During the Risk Assessment, individuals noted it is difficult to meet salary demands of rising IT professionals, and also difficult to retain the talent needed to maintain the University systems. Maintaining the resources the University has spent time to train, specifically with particular applications (PeopleSoft), is a challenge that creates further risk. The CIO position has been occupied by an interim employee for the past four years.

The establishment of a disaster recovery plan is important for the University to reduce the likelihood of interrupted operations. The University currently does not have a comprehensive and formalized disaster recovery plan; however, the applications that run on the PeopleSoft system are hosted by a third party, Cedar Creststone, which has a disaster recovery plan and could recover PeopleSoft data. However, the University uses several other IT applications that do not have formal disaster recovery plans and which could cause significant interruptions if not easily recoverable.

Finally, online classes are in the early stages of development at the University. This is a large revenue opportunity for the University, and it will be important to have the system infrastructure to be able to effectively offer courses via this platform. The University has not moved to the cloud; however, a move to the cloud is being considered.

Internal audit coverage – Information Technology General Controls (ITGC) assessment, IT network security (2014-15); IT Automated Controls Assessment; Disaster Recovery Assessment (2015-16)

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► Physical Security / Public and Student Safety

Physical security and public/student safety was noted as a high risk at the University. During the Risk Assessment, respondents noted that funding is not adequate to secure the campus, and upgrades should be made to more fully secure the campus and its buildings. While a rogue student or person on campus can always pose a risk, the University should consider if current security measures are sufficient and if the University is in compliance with annual reporting requirements of the Clery Act.

Internal audit coverage – Department of Public Safety review (2014-15)

► Media Relations and Crisis Communication

Due to the recent events, the University has had extensive media coverage over the past few years. Publishing inaccurate information and creating a negative image of the University is a high risk for the University. As previously mentioned, this could also lead to an adverse impact on fundraising and enrollment.

When a crisis occurs related to FAMU, the University could be unfavorably affected if the crisis is not addressed with a swift, formal action plan, including clearly defined roles and responsibilities. Additionally, all stakeholders of the University should be considered in crisis communications – students, faculty, staff, alumni, community, and the media.

Internal audit coverage – Crisis communication plan development advisory project (2015-16)

► Procurement and Accounts Payable

Risk assessment participants noted that the procurement function (including vendor management and accounts payables) is a risk to FAMU.

Interviewees noted that the procurement process is slow and often takes longer than expected to generate purchase orders. This was noted as especially affecting the area of research and grants, as many grants are on a restricted timeline for using funds. This area in particular has had to create system work-arounds to procure goods/services. System work-arounds create elevated risk for the University in the areas of following policies and procedures, potential for fraud, and other downstream inefficiencies.

Respondents also noted that certain vendors are hesitant to work with FAMU as timely payment is not consistent. Limited ability to work with preferred vendors could affect performance of the University and its ability to meet key objectives.

Internal audit coverage – Accounts Payable review; Contracts and Grants review; Research Compliance assessment (2014-15); Vendor performance management review (2015-16)

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► Cash Management

Decreasing enrollment, uncertainty around donations and state funding, and flattening of tuition increases have caused an uncertainty in the level of funding the University will receive in coming years. As such, participants noted that planning and forecasting at the University has become a challenge. Having a solid cash forecasting process in place allows the University to more appropriately allocate resources and reduce liquidity issues. The University is in the process of reviewing and revising its budget process.

The University collects cash at sites other than the central cashier's office. The decentralization of cash collections increases the risk of misappropriation of assets.

Internal audit coverage – Decentralized cash collections (2014-15); Cash forecasting and budget review (2015-16)

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Proposed Internal Audit Plan

In determining the internal audit coverage for 2014-2015, we considered factors such as the assessed rating of the risk, whether internal audit projects have been performed previously in the area, and whether the area was expected to undergo changes during 2014-2015.

AUDITS AND ASSURANCE				
Financial				
15-01	Accounts Payable review	Accounting & Reporting		250
15-02	Decentralized cash collections	Accounting & Reporting		200
Compliance				
15-03	Research compliance assessment	Legal & Regulatory		250
Operational				
15-04	Financial aid process review	Academic Operations		400
15-05	Contracts and Grants review	Contracts & Grants		800
15-06	Information Technology General Controls (ITGC) assessment	Information Technology		300
15-07	IT Network Security	Information Technology		300
15-08	Department of Public Safety review	Environmental Health & Safety / Hazards		300
15-09	Assessment of Compliance with Florida Statute 1009.286	Academic Operations		250
Strategic				
15-10	Student retention and recruitment process	Academic Operations		300
15-11	Performance based funding metrics	Control Environment/Internal Controls		<u>1,000</u>
	Total Hours - Audits and Assurance			4,350
FOLLOW-UPS, INVESTIGATIONS AND COMPLIANCE ACTIVITY				
	Follow-up audit findings			1,000
	Investigations			4,800
	Compliance Activities & Management Requests			<u>1,000</u>
	Total Hours - Follow-ups, Investigations and Compliance			6,800
INTERNAL AUDIT ADMINISTRATION AND COMMUNICATION				
	Training			320
	Administration			4,500
	Leave			560
	Total Hours Internal Audit Administration and Communication			<u>5,380</u>
	Total Hours - IA Plan (approximate)			16,530
ALTERNATE PROJECTS				
	FAMU Foundation process review	Crisis communication plan development		
	Disaster Recovery Assessment	Policies and procedures review		
	Cash forecasting and budget review	ACE Academic Support Services Review		
	Vendor performance management	IT automated controls assessment		
	HR Gap analysis			

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Risk Assessment Process

In preparation for the risk assessment interviews, the team researched FAMU and its industry risks by utilizing experiences from FAMU and other university internal audits, and reviewing Ernst & Young's Higher Education Risk Universe. Based on the research performed, the team members discussed the views of risk facing FAMU and reviewed a listing of potential projects performed for other clients.

The team then solicited feedback on the relevant risk points and potential projects during the risk assessment interview process.

The interviews are an integral part of the risk assessment process, as Ernst & Young brings internal audit experience and FAMU management expertise on the risks facing the University. We serve as advisors to FAMU management bringing the perspective gained from other universities, a national network of advisory services professionals, and an internal audit methodology based on COSO's Enterprise Risk Management Framework.

In addition, we distributed an automated risk assessment survey to the next level of FAMU administrators, soliciting their confidential input on risks facing the organization. The result of this process is a comprehensive view of the important risks at FAMU and an audit plan responsive to those risks.

Interviewee Listing

In conducting the University risk assessment, we interviewed fifteen individuals across the organization in key financial, operational, strategic and compliance functions. Each interview was scheduled for one hour.

Interviewees were asked to specifically consider and comment on the following items:

- ▶ The scope of their responsibilities
- ▶ Inherent risk in their functional area
- ▶ Their view of risks related to the processes in their area of responsibility
- ▶ Their view on overall risk to the University
- ▶ Their view of fraud risk for the University

Florida Agricultural and Mechanical University Board of Trustees



Interview Listing *(continuation)*

The following members of FAMU's Board of Trustees, Executive Staff, and other members of Administration were interviewed:

Name	Title
Chairman, Dr. Solomon L. Badger	Chairman, Board of Trustees
Trustee Karl E. White	Chairman, Audit Committee
Dr. Elmira Mangum	President
Joseph Bakker	Interim CFO & Vice President , Administrative & Financial Services
Terrence Calloway	Director, Public Safety
Dr. William Featherstone	Assistant Vice President & Controller of Administrative & Financial Services
Shamis Abdi	Chief of Staff
Dr. Thomas Haynes	Vice President, University Advancement
Kellen Winslow	Athletic Director
Dr. William E. Hudson, Jr.	Vice President, Student Affairs
Michael James	Interim Chief Information Officer
Avery D. McKnight, Esq.	Vice President & General Counsel
Dr. Kinfe K. Redda	Professor & Interim Vice President, Division of Sponsored Research
Jimmy Miller	Vice President Communications and External Relations
Dr. Rodner Wright	Interim Provost & Vice President, Academic Affairs

In addition, we distributed the risk assessment survey to the next level of FAMU administration soliciting their confidential input on risks facing the University.

Florida Agricultural and Mechanical University Board of Trustees



An Overview of surveys received is provided below:

Assessment Survey Overview of Surveys Used in Risk Matrix	
	% of Total Surveys Received
Colleges & Schools	37.50%
Executive Management & Board of Trustees	43.75%
Management	18.75%
Total	100%



Audit Committee Meeting

PRESENTED BY

Vice President Rick Givens

September 10, 2014

Florida Agricultural and Mechanical University



Action Items

Risk Assessment and Internal Audit Plan

- A risk assessment was performed for developing the audit plan
 - Determine the risk universe
 - Determine likelihood of occurrence having material impact
 - Risk definition





Action Items

Risk Assessment and Internal Audit Plan

- Risk Assessment Matrix
 - Classifies and ranks risks according to the risk universe and scoring
 - Shows prior year and planned audit coverage
 - 31 high risk categories





Action Items

Risk Assessment and Internal Audit Plan

- Risks consistently identified in interviews and surveys were summarized into risk themes
 - Governance
 - Funding
 - Student recruitment and retention
 - Financial Aid
 - Athletics and NCAA compliance
 - Human Resources
 - Information Technology
 - Physical security/public and student safety
 - Media relations and crisis communication
 - Procurement and accounts payable
 - Cash management





Action Items

Risk Assessment and Internal Audit Plan

- Audits to be conducted during 2014-15
 - Accounts payable review
 - Decentralized cash collections
 - Research compliance assessment
 - Financial aid process review
 - Contracts and grants review
 - IT General controls review
 - IT network security
 - Department of Public Safety review
 - Assessment of compliance with Florida Statute 1009.286
 - Student recruitment and retention
 - Performance based funding review





Action Items

Risk Assessment and Internal Audit Plan

- Follow ups, Investigations, and Compliance Activity
- Internal Audit Administration and Communication





Information Item

- Report on Division Activities
 - 2013/2014 Internal Audit Dashboard
 - ASAP audit completed with 7 findings (3 red)
 - Audit of IT general controls in process (70% complete)
 - Financial aid process review in process (15% complete)
 - Decentralized cash collections in process (90% complete)
 - Finding follow-up in process and results to be presented at December meeting





Information Items

Report on Division Activities

– Results of ASAP audit

- Benchmarking measurements for efficiency for processes other than travel prior to formation of ASAP were not established
- A survey of academic departments reported that ASAP was not adding value or increasing effectiveness of administrative processes
- We concluded that ASAP has not had a clear direction. ASAP does not appear to be cost-effective or efficient in processing academic department transactions and has not achieved its goals





Information Items

Report on Division Activities

- Status of Investigations
 - From July 2013 through June 2014, 73 allegations/complaints were received
 - Of the 73 allegations received, 24 reports were issued, 12 were closed with no investigation, 16 are in process, 18 were referred to another department for review, and 3 are pending investigation
 - Several complaints included multiple allegations, but were counted as one investigation. Approximately 65 allegations were included in the 24 reports issued
 - Investigations can be classified as follows
 - Diversity, equal opportunity, and workplace respect 37.8%
 - Environment, health, and safety 6.8%
 - Financial and business integrity 31.1%
 - Misuse or misappropriation of assets or information 24.3%





Information Items

Report on Division Activities

- Upcoming projects
 - Accounts payable review
- Other projects and information
 - Ernst & Young follow-up on financial aid issues projected to be completed September 2014
 - Financial and Federal Program audits for 2013-14 started by the Auditor General September 8





Information Items

Report on Division Activities

- Formalization of compliance function
 - A plan to formalize and increase compliance activities has been developed
 - Staffing needs and costs are being assessed to develop a proposal to be completed by October
- Self Assessment
 - Required by the Quality Assurance Improvement Program
 - Will provide assurance that Division's activities are maintaining the standard of performance required by IIA





Information Items

Report on Division Activities

- Resources

- Currently, the Division has 7 audit/investigative positions (1 is vacant) and a half time OPS position

- Time was spent as follows

	<u>Actual %</u>	<u>Planned %</u>
• Audits	25	32
• Investigations	48	28
• Follow up	25	17
• Compliance & management requests	2	23





Information Items

Report on Division Activities

- Time spent on investigations resulted from the allegations related to the compliance with NCAA regulations
- To assist in the best allocation of resources, a process for evaluating allegations was developed
 - Evaluate the credibility of allegations
 - Link the allegation to the risk matrix to prioritize the Division's work





Information Items

Report on Division Activities

- Questions?





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

established 1887

