

**FLORIDA A&M UNIVERSITY  
BOARD OF TRUSTEES**

**Meeting of the Audit Committee  
Wednesday, April 10, 2013**

Committee Members: Chairman Karl White  
Trustee Torey Alston  
Trustee Spurgeon McWilliams  
Trustee Narayan Persaud  
Trustee Belinda Shannon

**AGENDA**

Call to Order

Chairman Karl White

**Action Item:**

1. Approval of Minutes of the May 24, 2012 and February 6, 2013 Meetings  
Chairman White
2. Approve amended audit plan

**Information Item:**

VP Richard Givens

1. Update on DAC Activities
2. Standard Reporting to Audit Committee
3. Report on Decentralized Cash Collections Audit
4. Update on Operational Audit
5. Update on Federal Awards Audit
6. Report on status of Ernst & Young work
  - a. Follow up on FDLE Report
  - b. Follow up on Re-performance of Audits
  - c. Risk Assessment

**DRAFT**

Florida A&M University  
Minutes of the Meeting of the Audit Committee  
Wednesday, February 6, 2013

Trustee Karl White, Chairman, called the meeting to order.

Members Present: Trustee Karl White (Chairman), Trustee Torey L. Alston, Trustee Spurgeon McWilliams, Trustee Belinda Reed Shannon, and Trustee Narayan Persaud; other Board members present were Trustee Rufus Montgomery, Trustee William "Bill" Jennings, Trustee Charles Langston, Trustee Solomon L. Badger, Trustee Kelvin Lawson, Trustee Marjorie Turnbull, Trustee Cleve Warren, and Trustee Marissa A. West

Others Present: Interim President Larry Robinson, Vice President Richard Givens, Interim Provost Rodner Wright, Vice President William Hudson, Vice President Thomas Haynes, Attorney Linda barge-Miles, Deputy General Counsel Shira Thomas, Attorney David Self, and Attorney Avery McKnight

Trustee Montgomery asked for the review and approval of the October 31, 2012, committee minutes which was motioned, seconded, and approved.

The Audit Committee had several items for information.

**Informational Items Report**

Kristen Spreyer with the International firm of Ernst & Young shared and provided training to the audit committee and the Board of Trustee on its roles and responsibilities. Training was provided primarily through questions and answers and related discussion.

There was also discussion regarding the need to have and/or develop a Risk Assessment and a standard reporting format for reporting to the audit committee. The reporting format could take several forms, such as presentation of only high risk audit findings and the presentation of various metrics related to the activities of the division of Audit and Compliance. Metrics formation depends on what the audit committee would like to see.

Vice President Givens gave a report o the operational audit prepared by the Auditor general and indicated the University is preparing a response to include a corrective action plan, which is due February 11, 2013.

Discussion was held regarding the need for the University to develop a Risk Map and the audit committee's role in developing and monitoring the University's risks.

Discussion was held regarding the need to bring resolutions to audit findings, including any needed resources and deadlines.

A report the Division of Audit and Compliance activities was presented by VP Richard Givens.

The meeting was adjourned by Chair White.

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**SUMMARY MINUTES  
BOARD OF TRUSTEES AUDIT COMMITTEE  
Called Meeting via Telephone Conference Call  
May 24, 2012**

Committee Chairman Karl White called the meeting to order of the Audit Committee. He welcomed committee members, other members of the board, and those members of the public on the call.

Chairman White asked Attorney Fuse-Hall to call the roll. Committee members present were: Committee Chairman Karl White, Trustee Torey Alston, Trustee Spurgeon McWilliams, Trustee Narayan Persaud, and Trustee Belinda Shannon. A quorum was established.

Chairman White noted that this meeting of the FAMU Board of Trustees Audit Committee "has been called to consider the recommended appointment of the Vice President for Audit and Compliance, which shall be effective only upon final approval by the FAMU Board of Trustees." He recognized President Ammons for his recommendation for this position.

President Ammons noted that on February 13, 2012, he appointed a committee to conduct a search for the Vice President of Audit and Compliance. The committee consisted of:

- Teresa Hardee, CFO & Vice President for Administrative & Financial Services, who served as chair
- Rosalind Fuse-Hall, Chief of Staff
- Mike Smith, Assistant Athletic Director
- Breyon Love, Former SGA President
- Juanita Johnson, Interim CFO for the Foundation
- Ronald Henry, Director of EIT

He informed the committee that the search committee met on February 28, 2012, to discuss the expectations of the committee and decide on the initial scoring of applications. Twelve (12) applications were submitted to Human Resources in response to the advertisement for the position. Eleven (11) of those applicants were qualified for further consideration. The committee reviewed these applications based on the following categories:

- Degree and/or Certification
- Higher Education/Governmental Experience
- Leadership/Management Experience
- Auditing Experience
- Knowledge of ERP (PeopleSoft)
- Compliance Experience

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- Communication experience both with internal departments and external agencies
- Presentation experience, specially with Board of Trustees

The 11 applications were narrowed down to the top four (4) applicants for a campus interview. One of the top four (4) applicants withdrew his application before the interview process begun. The committee interviewed three (3) candidates on March 14th and 15<sup>th</sup>. Based on these interviews, the committee recommended two unranked names.

On April 20, 2012, the chair of the search committee forwarded two (2) unranked names to the Chair of the Board, Chair of the Audit Committee and the President. President Ammons interviewed the two (2) candidates and "I am recommending that Mr. Rick Givens be selected as the new vice president for Audit and Compliance. "

President Ammons informed the committee that Mr. Givens has more than 25 years of experience in performing and reviewing financial, operational, and compliance audits with the State Auditor General's Office, including serving as an audit supervisor overseeing financial, operational, and compliance audits of universities and colleges. Mr. Givens also supervised a staff of eight (8) auditors, developed audit plans, developed budgets for audits, assigned staff to audits, reviewed work papers for conformity with applicable audit standards and has written audit reports. Mr. Givens is a Certified Public Accountant (CPA) and would be a welcomed addition to the leadership team.

Chairman White added that, "In accordance with the Charter this board approved in April regarding the Division of Audit and Compliance, the Vice President of Division of Audit and Compliance, serves as the Chief Audit Executive (CAE), reports functionally to the Chair of the Board of Trustees and to the Chair of the board's Audit Committee, and therefore communicates and interacts directly with the Trustees. The board of trustees approves all decisions regarding the performance evaluation, appointment, removal, and annual compensation and salary adjustment of the CAE. The CAE is appointed by and reports administratively and operationally to the University President. Chairman White reminded the members that this committee approves the appointment of the Chief Audit Executive who is the Vice President of the Division of Audit and Compliance.

**Trustee Alston moved that the committee recommend to the full board approval of the President's recommendation to hire Mr. Rick Givens as the Vice President for the Division of Audit and Compliance. Trustee Shannon seconded the motion and it was approved.**

The chairman thanked President Ammons and the staff for completing the search process. "As I noted earlier, this action is not final until voted on by the full board at its June meeting." He reminded the participants that the board would hold its annual retreat on June 6-7<sup>th</sup> on campus and the details will be sent to you later.

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There being no further business, the meeting adjourned.

Respectfully submitted,

*Rosalind Fuse-Hall*

Rosalind Fuse-Hall

## AMENDED AUDIT PLAN

### Deletion

The audit plan, as approved by the audit committee, included an audit to determine if expenses paid from the student activity fees (included on the audit plan as SGA Expenses and Reporting) were in accordance with requirements of Florida Statutes. The Auditor General included a review in the operational audit for the 2011-12 fiscal year. The objectives were to determine if student activity fee expenses were in accordance with the approved budget, made timely, and were lawful and beneficial to the student body in general. There were no findings related to student activity fee expenses. It is recommended that the audit plan be amended to delete this audit.

### Additions

It is recommended that the following audits be approved to add to the audit plan:

- Lifetime gets Better Scholarship Programs – To determine if scholarships were awarded in accordance with applicable program requirements
- Voyager Card Program – To determine if controls over use of the card were adequate and whether expenses charged on the cards were appropriate

Both of these topics were assessed as higher risk areas for potential noncompliance. It is believed that newly hired staff will provide sufficient resources to per from the additional work.

**AUDITS**

Audit Follow up Operational  
Audit Follow up IT  
SGA Expenses & reporting  
Athletics Revenue Collection  
Travel Compliance with laws & University policies  
Contracts & grants  
Accountability over auxiliary contracts  
Cash Cash collection points & bank accounts  
P card monitoring  
Grade change controls

Status/comments

In process with estimated completion by June 2013  
In process with estimated completion by June 2013  
Propose to delete based on coverage in Auditor General operational audit  
Follow up by Ernst & Young to be completed by June 2013  
Follow up by Ernst & Young to be completed by April 2013  
Expected start April 2013 with estimated completion May 2013  
Expected start May 2013 with estimated completion June 2013  
Completed April 2013  
Follow up by Ernst & Young to be completed by April 2013  
Estimated completion April 2013

**ADDITIONS TO AUDIT PLAN**

800 bed facility  
Lifetime Gets Better Scholarship  
Voyager Card Program

Approved by Audit Committee August 2012  
Expected start date April 2013 with estimated completion May 2013  
Expected start date April 2013 with estimated completion May 2013

We continue to spend significant time on investigations and corrective action plans.

## Reporting to Audit Committee

The reports could include the following (per discussion with Kristen Speyrer of EY):

1. Status against annual internal audit plan (Completed, in-progress, planned)
2. Status of follow-up on findings, including detail of un-resolved findings and management's explanation for delinquency
3. High-rated findings from internal audit results to be presented at current meeting (for reports issued since the last meeting)
4. Investigations: number of investigations fielded since last audit committee and whether the investigation was handed off to another department/agency or resolved by Internal Audit
5. Any special projects and status

Additionally, other metrics to consider would include:

1. Number of repeat audit findings
2. Level of customer satisfaction (based on post-audit surveys distributed)
3. Elapsed time from completed report to final (14 days) – discuss findings on continuous basis



Florida A&M University  
Division of Audit and Compliance  
Audit of Cash Collection Points  
Audit 2013-1

We reviewed 3 of 16 cash collection sites for Fiscal Year 2011/2012

**Findings and Recommendations**

Our review of the process of receiving, depositing, and recording of cash disclosed the following:

- Checks were not restrictively endorsed
- There was an inadequate separation of duties in some locations
- Collection sites did not always have the most current version of the Cash Collection and Control Manual
- Receipts were not issued at the point of collection at one location
- An employee involved in the collection process did not have a background check for one location

**Recommendations**

We recommend that the locations continue their efforts to implement the proposed action plans to bring its collection activities in compliance with the University's Cash Collection and Control Manual and help ensure proper internal controls.

We also recommend that the University's Controllors conduct training for the staff of all cash collection sites to ensure that all the requirements contained in the Cash Collection and Control Manual are understood and properly implemented.

**Florida A&M University**  
**Operational Audit Findings, Recommendations and Corrective Actions**  
**For the Fiscal Year Ended June 30, 2012**

#	Audit Issue/SACS Principles	Audit Findings	Recommendations of the Auditor General	Corrective Actions Taken or Planned	Unit(s) and Staff Responsible	Projected Completion Date
8	Intercollegiate Athletic Programs	The University's intercollegiate athletic programs have experienced cash deficits for several years. Although University personnel prepared a five-year deficit reduction plan to eliminate the operating deficits, the Plan did not adequately address eliminating the cash deficit or improving the financial position of the intercollegiate athletic programs auxiliary enterprise fund.	The Board should continue to monitor its intercollegiate athletic programs and revise its Five-Year Deficit Reduction Plan as necessary to ensure that its intercollegiate athletic programs are self-supporting	The University is revising its current 5-year deficit reduction plan. The revised plan will focus on the: (a) addition of new sources of revenues; (b) reduction of expenditures; (c) return to a balanced budget and; (d) repayment plan for the cumulative deficit. The plan will be presented to the Board of Trustees for review and approval. At least quarterly updates will be given to the Board.	Unit : Department of Intercollegiate Athletics Staff: Derek Horne	July, 2013
10	Tuition Differential Fee	The University needed to enhance its procedures to ensure that tuition differential fees are used in accordance with Florida Law, and to ensure that tuition differential fee information reported to the Board of Governors (BOG) is accurate and adequately supported. Also, our tests disclosed payments totaling \$46,705 to five employees from tuition differential fees for which University records did not evidence that these employees were entitled to these salary payments.	The University should establish procedures to ensure that tuition differential fees are expended in accordance with Section 1009.24(16), Florida Statutes, and that tuition differential fee information reported to the BOG in its annual Work Plan is accurate and adequately supported. Additionally, the University should restore the remaining \$85,803 of questioned uses of tuition differential fees to the tuition differential fee fund. Further, the University should document of record that the five employees whose salaries were paid from tuition differential fees provided services to the University, or seek to recover the \$46,705 paid to these employees.	The University is developing procedures to ensure that tuition differential fees are expended in accordance with statutory and other regulatory requirements. The procedures will include the method for verifying accuracy and timeliness for maintaining appropriate records. Training will also be provided to all employees involved in the tuition differential accounting. The University will restore any incorrectly allocated funds from the tuition differential fee fund.	Unit : Office of Academic Affairs Staff: Herbert Bailey	June, 2013

**Florida A&M University**  
**Operational Audit Findings, Recommendations and Corrective Actions**  
**For the Fiscal Year Ended June 30, 2012**

13	Travel Expenses	<p>The University needed to enhance controls over employee travel reimbursements.</p>	<p>The University should enhance its monitoring procedures over travel expenses to ensure travel expenses are properly approved, timely documented, reasonable and necessary, and for a valid public purpose. The University should also document to the grantor the allowability of the \$2,066 of questioned costs or restore this amount to the Title III program. In addition, the University should take actions, as appropriate, to recover the \$2,723 of questioned reimbursements to the former employee and \$69 overpayment to the current employee.</p>	<p>The University has implemented the following procedures to ensure travel expenses are properly approved, timely documented, reasonable and necessary, and for a valid public purpose:</p> <ul style="list-style-type: none"> <li>• The University is hiring a Music Compliance Officer whose responsibility will include reviewing of group travel expenses for the Music Department.</li> <li>• The employee charged by FDLE was terminated as a result of the FDLE findings.</li> <li>• The University revised the group travel form required of all group travelers.</li> <li>• The University implemented procedures to reconcile travel-related expenditures placed on the monthly P-card reports to expense reports submitted to the Travel Office.</li> <li>• The University continues to provide monthly training on travel processes, policies and procedures as outlined in the Board of Trustees Travel and Expense Policy and Procedures Manual. The university is in the process of further investigating and identifying all questioned reimbursements and overpayments and will restore them as appropriate.</li> </ul>	<p>Unit : Office of the Controller          Staff:          Dr. William Featherstone</p> <p style="text-align: right;">June, 2013</p>
14	Purchasing Card	<p>The University needed to improve controls over its purchasing card program.</p>	<p>The University should enhance its monitoring procedures to ensure that P-card purchases are timely submitted for supervisory approval and sufficiently documented.</p>	<p>The University revised its P-card reconciliation report to include justification for purchases; a description of items purchased, Travel Authorization number, if applicable, and implemented a lost receipt form. The lost receipt form requires the same documentation as noted above. In addition, supervisory approval is required on both the reconciliation report and lost receipt form. The University also held a mandatory P-card training session in September 2012 to reinforce the importance of following Board of Trustees P-card Policy and Procedures. The University will also require training at the issuance and renewal of P-cards for each card holder. The University will revise its procedures accordingly.</p>	<p>Unit : Office of Procurement          Services Staff:          Stephany Fall</p> <p style="text-align: right;">June, 2013</p>

**Florida A&M University**  
**Operational Audit Findings, Recommendations and Corrective Actions**  
**For the Fiscal Year Ended June 30, 2012**

<b>18</b>	Construction Contract Management	<p>The University needed to improve its procedures for negotiating and documenting construction-related fees and guaranteed maximum price for construction projects.</p>	<p>The University should evaluate and revise as appropriate, its procedures for contracting with design-build firms to ensure that a GMP contract is based on a detailed final proposal for total construction costs and is established prior to the start of construction, a performance and payment bond is executed for the entire construction GMP amount and properly filed with the Clerk of the Court, and subcontractors are bid after the GMP is established. The University should also establish written policies and procedures addressing the negotiation of overhead and profit and general conditions and require documentation of the methodology used and application of various factors considered in evaluating the reasonableness of such costs.</p>	<p>The University has completed drafts of the following documents: (a) "Project Manager's Procedure Manual"; (b) "Service Guide for Design and Construction Professionals"; (c) "Design Standards for Professionals". These documents will include enhanced procedures for contracting with design-build firms to ensure appropriate solicitation, negotiation, and documentation for all contracts and subcontracts. The documents will be submitted for BOT approval.</p>	Unit: Facilities Planning and Construction Staff: Samuel Houston	June, 2013
<b>22</b>	Insurance Coverage	<p>The University needed to implement a policy establishing minimum professional liability insurance requirements for design professionals, and establish monitoring procedures to ensure that construction contractors and architects are properly insured.</p>	<p>The University should implement a policy establishing minimum professional liability insurance requirements for design professionals. The University should also establish monitoring procedures to ensure that construction contractors and architects are properly insured in accordance with applicable contractual requirements and timely provide to the University certificates of insurance evidencing the required coverage through completion of the projects.</p>	<p>The University has completed drafts of the following documents: (a) "Project Manager's Procedure Manual" (b) "Service Guide for Design and Construction Professionals" (c) "Design Standards for Professionals" These documents will include enhanced procedures to ensure insurance requirements are established, met, and filed. The documents will be submitted for BOT approval at the June 2013 meeting.</p>	Unit: Facilities Planning and Construction Staff: Samuel Houston	June, 2013

**Florida A&M University**  
**Operational Audit Findings, Recommendations and Corrective Actions**  
**For the Fiscal Year Ended June 30, 2012**

23	Information Technology	<p>Some inappropriate or unnecessary information technology (IT) access privileges existed, indicating a need for an improved review of access privileges.</p>	<p>The University should modify access privileges assigned within the ERP finance and HR applications to ensure that privileges enforce an appropriate separation of incompatible duties and do not exceed what is necessary for assigned job responsibilities. In addition, the University should continue its efforts to enhance the recertification procedure to ensure that a comprehensive periodic review of employee access privileges is performed.</p>	<p><b>Access Privileges :</b> The University is working with the various offices to remove access privileges which permitted employees to be able perform incompatible duties or were not necessary for their responsibilities. Some of the access which was documented has already been corrected. Other access requires a detailed review of PeopleSoft roles and permission lists as they relate to access to individual screens, and further agreement by the respective departments.  The University is also working to address the unique situation within EIT which requires their employees to have access to PeopleSoft Production which is contrary to state recommendations. Resolution to this issue will involve a careful combination of removing some access privileges as noted, while developing and placing compensating controls to mitigate risk for other users where access cannot be removed.  <b>Annual Review:</b> The University is developing a PeopleSoft utility which will force all managers to perform an annual review of the access privileges of the employees who directly report to them. Managers will be required to verify that each employee listed is still employed at the university, and that their roles have not changed. Failure to perform this verification may result in suspension of access until such time as verification is completed. We are developing an annual review policy which will enforce this procedure.</p>	<p>Unit: Enterprise Information Technology Staff: Arthur Bialowas</p>	August, 2013
24	Security Controls	<p>University IT security controls related to user authentication and data loss prevention needed improvement.</p>	<p>The University should improve IT security controls related to user authentication and data loss prevention to ensure the continued confidentiality, integrity, and availability of University data and IT resources.</p>	<p>The University has evaluated the security controls which have been recommended to be changed, and will make the necessary changes in 2 phases. We have currently scheduled to execute these changes beginning in February, following completion of other concurrent upgrades sharing the same infrastructure. The changes will be enforced by the systems on which they are applied. The University will institute procedures to evaluate security controls on an annual basis.</p>	<p>Unit: Enterprise Information Technology Staff: Arthur Bialowas</p>	August, 2013

Florida A&M University  
Federal Audit Findings, Recommendations and Corrective Actions  
For the Fiscal Year Ended June 30, 2012

#	Audit Issue/Finding	Audit Findings	Recommendations of the Auditor	Corrective Actions Taken or Planned	Unit(s) and Staff Responsible	Projected Completion Date
1	IT General Controls	Access controls protecting the IT resources need improvement	Enhance access controls by providing access to IT resources based on employee's need to view, change, or delete data and restrict employees from performing incompatible functions outside their area of responsibility	Evaluate the security controls and changes to be scheduled in 2 phases. Communicate changes to the FAMU community through EIT advisories.	EIT, Michael James	Mar-13
2	SFA SAP	Policies and procedures were not adequate to ensure that students meet SAP requirements and were eligible for Title IV HEA funds	Implement controls to ensure compliance with policies and procedures and Federal Regulations. Review SAP eligibility for all recipients of Title IV HEA funds for the 2011-12 award year to determine if other ineligible students received Title IV HEA funds. Return all questioned costs.	Refine the appeals process and seek guidance from USDOE regarding implementation of the SAP regulations. Review SAP eligibility for all recipients for the 2011-12 award year to determine if other ineligible students received Title IV HEA funds.	Financial Aid and Student Affairs, Lisa Stewart and William Hudson	Fall 2013
3	SFA Exit Counseling	Exit counseling materials were not provided timely (within 30 days) for FDSL student loan borrowers who graduated, withdrew, or ceased to be enrolled at least half time.	Enhance procedures to ensure that exit counseling is performed, or exit counseling material provided, within 30 days of an FDSL student loan borrower ceased at least half time enrollment.	Procedures have been enhanced to ensure exit counseling information is provided within 30 days of the student ceasing enrollment at least half time. The registrar's office provides the financial aid office with a report of all students that are graduating prior to the end of the term, copies of official withdrawal forms, and a report of unofficial withdrawals after grades are posted each term.	Financial Aid and Student Affairs, Lisa Stewart and William Hudson	

#	Audit Issue/Finding	Audit Findings	Recommendations of the Auditor	Corrective Actions Taken or Planned	Unit(s) and Staff Responsible	Projected Completion Date
4	Sponsored Research	Procedures were not adequate to ensure that CAS exemptions used for R&D grants were properly determined in accordance with USDHHS and OMB Circular guidelines	Enhance procedures to include use of a baseline or threshold for determining whether directly charged F&A costs are above the routine level of support provided by a related academic department and meet "major project" criteria and adequately document such determinations.	The procedure was enhanced to provide additional clarity regarding the determination of "major Project" or "unlike circumstances" according to the OMB Circulars. A "frequently Asked Questions" document was developed to enhance the procedure and assist the departments in identifying CAS exemptions. Continue to seek USDHHS guidance regarding clarity on this issue.	Ken Redda	Fall 2013
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## Report on Status of Ernst & Young Work

### Follow up of FDLE Report

The work for the P-Card and travel are in process and the report is expected to be issued by the end of 2013.

### Re-performance of Audits

Ernst & Young has been requested to follow up on the corrective actions taken related to the findings in the eight audits that were conducted as a result of the findings in the Sniffen & Spellman report. The review is to be completed by June 2013.

### Risk Assessment

A risk assessment is to be performed every year to be used to identify risks to be considered in developing the audit plan. Ernst & Young has been requested to perform the assessment. We expect to receive a Statement of work by the end of April and the assessment is to be completed by May 2013.