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FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

Audit and Compliance Committee

June 2021 Report:

Division Activities and Updates

Prepared by:

Joseph Maleszewski
MBA, CIA, CISA, CIG, CIGA, CIGI, CGAP, CCEP
Vice President of Audit

Deidre Melton
MBA, CIA, CISA, CFE, CRISC, CISM, CDPSE
Director of Audit

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FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

Report No. 20-21-0006

FY 2021-2022

Annual Audit Work Plan

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

Report No. 20-21-0006
FY 2021-22 Annual Audit Work Plan

ACCOUNTABILITY ● INTEGRITY ● EFFICIENCY

June 3, 2021

EXECUTIVE SUMMARY

During FY 2020-2021, the COVID-19 pandemic increased risks and impacted business operations across the University. Last year, the uncertainty and rapid operational changes resulting from the pandemic prompted the Division of Audit (DoA) to move from a three-year audit work plan to a six-month audit work plan cycle.

The University is currently reintegrating to pre-COVID business operations, but still faces lasting impacts moving forward. Additionally, Florida Agricultural and Mechanical University (FAMU) and other State University System of Florida (SUS) institutions are challenged to integrate rapidly changing federal/state laws and Board of Governors regulation into operations. As a result, the DoA will move to a one-year audit work plan cycle with this current document covering FY 2021-2022.

Our work plan is risk-based to provide the most effective coverage of University operations and utilization of DoA resources in areas where assurance or advisory services can assist management in achievement of the University's strategic priorities and business objectives. In planning our work, we heavily weighted the operational and financial impacts of the pandemic, statutory and regulation changes, and the university's associated responses while taking into consideration where our efforts could best support the University's Strategic Plan priorities and goals (Appendix A), and the President's Goals (Appendix B). The plan allocates 1,500 of our available project hours for management requests and special projects. The plan will guide our activities over the next year, but will be adjusted to meet the needs of management and the Board as other priorities are identified.

The audit work plan also allocates 1,300 hours on projects within DoA to assess and improve the overall efficiency and effectiveness of divisional operations. These hours will help us ensure that we can continue to provide our customers (University management, faculty, staff, students, and other stakeholders) quality service and information through our assurance, advisory, and investigative services in the new and agile business environment in which the University operates.

In addition to our planned projects we have included a section titled "Audit and Advisory Services on the Horizon." Identified within this section are areas that warrant assurance, advisory, or continuous monitoring services for which adequate staffing resources are currently unavailable.

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BACKGROUND

Every entity exists to realize value for its stakeholders. Value is created, preserved or eroded by management decisions in all aspects of the University'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. As Vice President for Audit, Joseph K. Maleszewski serves as FAMU's Chief Audit Executive (CAE). Professional auditing standards[1] state that the CAE must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals.

An effective starting point for understanding risk is to take a look at all aspects of the University's activities. In developing the FY 2021-2022 Audit Work Plan, we performed a university-wide internal risk assessment that identified and analyzed existing and emerging risks facing FAMU. The risk assessment served as the primary basis for developing the DoA audit work plan. The sole 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. As a result, the DoA provides valuable information to FAMU senior management, the Board, and stakeholders for decision-making purposes through the assurance and advisory activities it performs.

The CAE is required to review and adjust the audit work plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. The CAE 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. Accordingly, the DoA's FY 2021-2022 Audit Work Plan is outlined in the following pages.

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[1] International Standards for the Professional Practice of Internal Auditing (Standards) – Performance Standards 2010 Planning

AUDIT WORK PLAN: JULY 2021 – JUNE 2022

Project Description	Hours	Strategic Support of University Priorities and Goals	
		Strategic Plan	President Goals
Assurance Services			
Performance Based Funding Data Integrity Audit • Review of processes that ensure completeness, accuracy, and timeliness of data submissions • Testing of data that supports performance funding metrics	**600**	**Strategic Priority 5:** Goal 3 Goal 5	**Goal 3**
Knight Foundation Expenditure Review: Quarterly Audits • Review expenditures for proper approvals and alignment with grant terms and spending memorandums.	**320**	**Strategic Priority 2:** Goal 1 **Strategic Priority 5:** Goal 3	**Goal 8.3**
Auxiliary Transfer Review • Review transfers from Auxiliary to Athletics for the period of July 1, 2020 – June 30, 2021	**120**	**Strategic Priority 5:** Goal 3	**Goal 8.3**
CRRSSA Funding • Compliance with funding requirements to ensure funds were disbursed and utilized for designated purposes • Review deviations from University approved spending plan for required approvals	**320**	**Strategic Priority 5:** Goal 2 Goal 3 Goal 4	**Goal 8.2**
American Rescue Plan (ARP) Funding • Compliance with funding requirements to ensure funds were disbursed and utilized for designated purposes	**320**	**Strategic Priority 5:** Goal 2 Goal 3 Goal 4	**Goal 8.2**
College of Agriculture and Food Sciences • Review of operations for compliance with University policies and procedures	**480**	**Strategic Priority 5:** Goal 3 Goal 5	**Goal 3**
FAMU Foundation – Endowment Operations • Assessment of the effectiveness of internal controls • Assessment of compliance with FAMU Foundation policies and procedures • Assessment of compliance with donor expectations and restrictions	**480**	**Strategic Priority 5:** Goal 3 Goal 5	**Goal 5**
Total Hours - Assurance Services	**2,640**		
Management Advisory Services			
Title IX Review	**360**	**Strategic Priority 5:** Goal 3	

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Project Description	Hours	Strategic Support of University Priorities and Goals	
		Strategic Plan	President Goals
• Evaluation of University framework for Title IX compliance against federal regulations effective August 2020 • Assess resolution and appeal processes • Assess coordination and communication with campus law enforcement personnel • Verify existence of controls to secure confidential information			
Information Technology – Remote Working • Assess whether security controls are adequate for remote operations • Assess the impact of any changes that may have been made to facilitate remote operations	**80**	**Strategic Priority 5:** Goal 5	
Athletics Budget Process • Compliance with University Budgeting Processes • Process for Tracking Expenses and Revenues • Methodology for Monitoring and Communicating Budget to Actual Reporting • Budgeting for Future Capital Outlay and Maintenance Costs • Title IX Compliance	**360**	**Strategic Priority 5:** Goal 2	**Goal 8.5**
Internal Control Assurance Statement • Assist President Robinson with facilitating internal control divisional self-assessments • Provide training on internal control self-statement tools	**180**	**Strategic Priority 5:** Goal 3	**Goal 7.4**
Management Requests • Board of Trustees Requests • Senior Leadership Team Requests • External Party Requests (i.e. BOG)	**1,500**	**Strategic Priority 6:** Goal 1	
Procurement Services • Review departmental operations, policies, and procedures for alignment with industry best practices and statutory and regulation compliance • Identify opportunities to improve function's ability to provide effective support to University units • Review manual processes for automation opportunities using existing University software	**360**	**Strategic Priority 5:** Goal 3 Goal 4 Goal 5	

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Project Description	Hours	Strategic Support of University Priorities and Goals	
		Strategic Plan	President Goals
Controller's Office • Review departmental operations, policies, and procedures for alignment with industry best practices and statutory and regulation compliance • Review manual processes for automation opportunities using existing University software	**360**	**Strategic Priority 5:** Goal 3 Goal 4 Goal 5	
Training • Provide internal controls, fraud and governance training to the University staff, faculty, and board of trustee members	**240**	**Strategic Priority 5:** Goal 3	**Goal 7.4**
Total Hours - Management Advisory	**3,440**		
Continuous Monitoring Services			
Foreign Influence • Review of foreign travel and screening of foreign researchers as well as foreign gifts and contracts to assess effectiveness and compliance with disclosure and compliance reporting requirements	**400**	**Strategic Priority 5:** Goal 3 Goal 5	
Construction • Review of the funding and monitoring of the process to prevent cost overruns and ensure efficiency, effectiveness, and compliance of related operations	**400**	**Strategic Priority 5:** Goal 3 Goal 4	**Goal 8**
Purchase Cards • Analytics focused on unallowable expenses and identifying data trends • Reconciliation Compliance	**400**	**Strategic Priority 5:** Goal 3	
NIST 800-171/NIST800-53 Implementation • Q1: Access Controls • Q2: Awareness and Training • Q3: Audit and Accountability • Q4: Configuration Management	**640**	**Strategic Priority 5:** Goal 3 Goal 4	
Total Hours - Continuous Monitoring Services	**1,840**		
Follow-ups, Risk Assessment, and Investigations			
External Audit and Programs	**360**		
Internal Audit, Investigation & Advisory	**480**		
Investigations – Whistleblower, Fraud, Waste, & Abuse	**1,040**		
Division of Audit Risk Assessment	**160**		
Fraud Risk Management Framework	**160**		
2022-23-Annual Work Plan	**40**		
Total Follow-Up, Risk Assessment & Investigations	**2,240**		

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Project Description	Hours	Strategic Support of University Priorities and Goals	
		Strategic Plan	President Goals
University and State University System Taskforces and Committees			
Enterprise Compliance Committee	**50**		
Information Technology Governance Committee	**50**		
Diversity & Inclusion Council	**50**		
Emergency Management Team	**50**		
State University System - Information Technology Auditor Group	**50**		
State University Audit Council	**50**		
Total Taskforce and Committees	**300**		
Internal Audit Administration			
Professional Development • Enhance knowledge of FAMU business processes, strategic goals, and business objectives • Enhance knowledge of data analytics, risk factors impacting higher education, information technology, and fraud • Development of leadership skills and soft skills • Continuing education to maintain or obtain professional certifications	**700**	**Strategic Priority 5:** Goal 1	
Divisional Admin Projects and External Audit Coordination • External Audit Coordination • Operational Manual Updates • Data Analytics Program • Quality Assurance Improvement Plan (QAIP) • Annual Report	**1,100**	**Strategic Priority 5:** Goal 4 Goal 5	
Quality Assurance Review (Self – Assessment) • Evaluation of the Division of Audit's conformance with the Definition of Internal Auditing and the International Standards for the Professional Practice of Internal Auditing (Standards) • Evaluation of whether internal auditors comply with the professional Code of Ethics • Assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement	**200**	**Strategic Priority 5:** Goal 3 Goal 4 **Strategic Priority 6:** Goal 2	
General	**1,575**		
Leave	**525**		
Total Internal Audit Administration	**4,100**		
Total All Hours	**14,560**		

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AUDITS AND ADVISORY SERVICES ON THE HORIZON

Assurance Services			
	Decentralized Cash Collections		Property Management
🎯	Academic Honesty Framework	🎯	Colleges/Schools – Academic and Business Operations
	Registrar Office – Structure, Processes, Automation		Sponsored Programs
	Boosters – BOT Policy 2005-15		Athletics – BOT Policy 2005-16
	Environmental Health and Safety		Payroll – OPS, Cost Center
	FAMU Foundation: Payment Approval Process		Culture & Ethics – Red Book 2110.A1
	Export Controls Review		Effectiveness of Customer Service Initiative
	FAMU Summer Camps		Research – Sub-Recipient Monitoring
	IT – ImageNow		IT – DAVID System
	IT – Physical Security	🎯	Online Education and Support
	Construction: P3 Process Review		IT – Cloud Security (Operations)
	Deferred Maintenance		IT – Canvas
	Intellectual Property		IT – Change Management
	Office of International Students Review		
Advisory Services			
🎯	Succession Planning		Student Wellness Infrastructure
	Strategic Financial Management – Performance Based Funding		Housing – Business Operations & Student Safety (COVID-19)
	Clery Compliance		Hazing Compliance
🎯	Privacy – Governance, Processes, Training (FERPA, GLBA, State Privacy Laws)		Athletics Fundraising – Donor Compliance, Cultivation, and Management
	Contract Template and Process Review		Athletics –Ticketing Operations
🎯	HR Onboarding & Exit Process Review		Return of Title IV Funds Process
🎯	IT Governance & Structure	🎯	IT – State of Cybersecurity

🎯 High Priority/Time Sensitive Projects the Division of Audit is unable to perform within the next fiscal year due to staffing limitations

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APPENDIX A: FAMU RISING STRATEGIC PLAN 2017-2022[2]

STRATEGIC PRIORITY 1: EXCEPTIONAL STUDENT EXPERIENCE

- Goal 1: Enhance pathways to degree attainment
- Goal 2: Achieve national distinction for success in retention and graduation rates
- Goal 3: Increase the proportion of students completing high-impact co-curricular experiences to 60%
- Goal 4: Increase the number of students graduating from programs in areas of high employer demand
- Goal 5: Strategically enhance campus residence, athletics, recreational, instructional and research facilities

STRATEGIC PRIORITY 2: EXCELLENT AND RENOWNED FACULTY

- Goal 1: Promote faculty excellence by recruiting, supporting and retaining a diverse faculty with a commitment to teaching, research, and community engagement, consistent with a doctoral-research university
- Goal 2: Maintain and develop sustainable state-of-the-art facilities that support the academic enterprise of the University

STRATEGIC PRIORITY 3: HIGH IMPACT RESEARCH, COMMERCIALIZATION, OUTREACH, AND EXTENSION SERVICES

- Goal 1: Expand and enhance cutting-edge research and creative scholarship for the benefit of the state of Florida, the nation, and the world
- Goal 2: Increase research productivity, commercialization and return on investment
- Goal 3: Increase the number of nationally recognized graduate programs
- Goal 4: Provide outstanding outreach and extension services in the tradition of a land-grant institution

STRATEGIC PRIORITY 4: TRANSFORMATIVE ALUMNI, COMMUNITY, AND BUSINESS ENGAGEMENT

- Goal 1: Enhance the University fundraising infrastructure and capacity to generate increased support for the University
- Goal 2: Enhance public-private partnerships to support teaching, research, and service
- Goal 3: Build and lead strong networks of supporters and partners

[2] Source: http://www.famu.edu/Strategic/FAMU%20Strategic%20Plan%202017-2022%20Final_reduced%20size.pdf

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- Goal 4: Implement effective communication and marketing initiatives to increase visibility and promote the FAMU brand
- Goal 5: Leverage the distinctive capabilities and signature programs of the University to strengthen the FAMU brand and economic viability of the University

STRATEGIC PRIORITY 5: FIRST-CLASS BUSINESS INFRASTRUCTURE

- Goal 1: Recruit, develop, and retain diverse and excellent staff
- Goal 2: Adopt a new budgeting model to support institutional strategic priorities more effectively
- Goal 3: Improve transparency and strengthen internal controls to improve compliance and support strategic decisions
- Goal 4: Enhance business processes to improve efficiency and cost effectiveness in University operations
- Goal 5: Leverage technology and establish a data-driven culture

STRATEGIC PRIORITY 6: OUTSTANDING CUSTOMER EXPERIENCES

- Goal 1: Develop and maintain a University-wide culture of service excellence
- Goal 2: Sustain superior service levels with ongoing monitoring, accountability, and recognition programs to reward excellent customer service

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APPENDIX B: PRESIDENT'S GOALS

President's Annual Goals for 2020-21

Goal 1: Four-year Graduation Rate: Increase the University's four-year graduation rate (*PBF metric*) **from 27.7% to 35%.***

Goal 2: Academic Progress Rate: Increase the second year retention rate [Second Fall Retention Rate with at Least a 2.0 GPA for Full-time FTIC students] (*PBF Metric*) **from 73.0% to 86.0%.***

Goal 3: **Excess Credit Hours**: Increase the percent of baccalaureate degrees awarded without excess hours **from 53.5% to 62%.***

**Note: At this time, the University is awaiting guidance from the BOG on the potential adjustments on the annual PBF goals to accommodate COVID-19 pandemic impacts.*

Goal 4: Licensure Pass Rate: Develop and execute action plans that deliver first-time licensure pass rates of:

4.1 **Nursing: from 63% to 80%**
4.2 **Law: from 57% to 75%**
4.3 **Pharmacy: from 83% to 85%**
4.4 **Physical Therapy: from 86.4% to 88%**

Goal 5: Annual Giving:

5.1 Increase annual giving **by 5% (from $7.3M to $7.7M).**
5.2 Increase the annual alumni giving rate **from (7.7% to 9%).**

Goal 6: R&D Expenditures: Increase total R&D expenditures **by 1% (from $39.6M to $40M).**

Goal 7: Organizational Leadership:

7.1 **Emergency Management** – Effectively manage the University through the COVID-19 pandemic by ensuring the delivery of instruction, research and business operations and **provide timely communications of the University's reopening plan to all stakeholders**.
7.2 **Staffing Efficiency** – Conduct Organizational Staffing Efficiency Study.
7.3 **Effective Decision Making** – Expand and promote the use of data and evidence across the University through **quarterly reports and dashboards**, thus leading to effective decision-making.
7.4 **Operational Efficiencies –** Provide to the Board an **assurance statement and summary information** of the University's system of internal controls using the Committee on Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework and the **status of corrective actions taken** on **prior audit findings to minimize internal control deficiencies and repeat audit findings**.

Goal 8: University Budget/Fiscal Management:

8.1 **Financial Health** – Strengthen the University's financial health by achieving or exceeding a minimum **debt coverage ratio ≥ 1.0.**
8.2 **Strategic Resource Allocations –** Develop and align resource allocations to adequately support the University's annual strategic priorities.
8.3 **Operational Control** – Ensure controls are in place to drive the proper use of all funding sources, in accordance with state statutes by **maintaining a financial reserve of 7%** of the total Educational & General (E&G) Operating Budget as required by Florida Statutes 1011.45 and **conducting periodic reviews of expenditures to ensure budget compliance and identify opportunities for cost savings**.
8.4 **Sustainability** – Increase the reserve **by 1%.****
8.5 **Athletics** – Demonstrate effective leadership over the athletics program as evidenced by proper **oversight of expenditures**, **compliance with NCAA guidelines** and plans for **athletic facilities**.

***Note: This goal may be revisited by the Board to accommodate expenditures required as a result of the COVID-19 pandemic and/or other emergencies (i.e., natural or man-made).*

Goal 9: **Internal/External Relations**: Continue to expand relationship-building with key stakeholders, including students, faculty, staff, Boards, alumni, elected officials (local, state, national), corporations and the local community.

Approved by Board of Trustees on September 4, 2020 1

DISTRIBUTION

Responsible Manager:

- Joseph K. Maleszewski, Vice President for Audit

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External Distribution:

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

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PROJECT TEAM

Engagement was conducted by

Carl E. Threatt Jr., MBA, CIA, CRMA, CFE, CCEP, CIGA, CIGI
Lean Six Sigma Green Belt Process Improvement Certification
Lead Senior Auditor

Engagement was supervised by:

Deidre Melton, MBA, CFE, CIA, CISA, CISM, CDPSE, CRISC
Audit Director

Engagement was approved, and distributed by:

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

STATEMENT OF ACCORDANCE

The Division of Audit'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 risk assessment in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require we plan and conduct a risk assessment to use as a basis for the development of the audit work plan aligned with university goals.

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

https://www.famu.edu/index.cfm?AuditandCompliance

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FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

FAMU Regulation

1.023

Fraud Prevention and Detection

FLORIDA A&M UNIVERSITY BOARD OF TRUSTEES

NOTICE OF PROPOSED NEW REGULATION

DATE: May 20, 2021

REGULATION CHAPTER NO.: Chapter 1

REGULATION CHAPTER TITLE: Organization, Function and Faculty Affairs

REGULATION TITLE AND NUMBER: Fraud Prevention and Detection, (1.023)

SUMMARY OF REGULATION: This new regulation establishes risk management strategies to prevent and detect fraud.

AUTHORITY FOR REGULATION: Section 7, Article IX, Florida Constitution and Board of Governors Regulations 1.001, 3.003, and 4.001.

RESPONSIBLE VICE PRESIDENT/UNIVERSITY OFFICAL INITIATING THIS REGULATION: Joseph Maleszewski, Vice President for Audit .

PROCEDURE FOR COMMENTS: Written comments concerning this proposed regulation shall be submitted within 14 days of the date of this notice to the person identified below. The comments must specifically identify the regulation you are commenting on.

THE PERSON TO BE CONTACTED REGARDING THE PROPOSED REGULATION IS: Joseph Maleszewski, Vice President for Audit, Tallahassee, Florida 32307-3100, (850) 412-5479 (Telephone), (850)561-2079 (fax), joseph.maleszewski@famu.edu.

FULL TEXT OF THE PROPOSED REGULATION: The full text of this new regulation follows:

Florida A&M University Regulation

1.023 Fraud Prevention and Detection

(1) **Applicability.** This Regulation is applicable to all members of the Florida Agricultural and Mechanical University (University or FAMU) community, including all FAMU Board of Trustees' (Board) members, University employees, students, volunteers, and all contractors and guests attending, doing business with or affiliating with the University or any of its employees, organizations, components, campuses, facilities, or events.

(2) **Definitions.**

(a) **Fraud.** Obtaining something of value through willful misrepresentation. Refer to FAMU Board of Trustees' Fraud Policy 2020-01 (Fraud Policy 2020-01) for additional information.

(b) **Fraud Prevention.** Hindering, precluding, stopping, or intercepting the performance of fraud.

(c) **Fraud Detection.** Finding, discovering or bringing out facts which have been hidden related to the occurrence of fraud.

(d) **Employee.** A person who performs services for, and under the control and direction of, FAMU.

(e) **Management.** Vice presidents, directors, deans and/or chairs, managers, and supervisors.

(3) **Fraud Prevention and Detection Criteria.** The Board of Trustees is committed to creating an organizational culture where risk management structures are established to prevent and detect fraud within the University and directs the President to establish criteria related to appropriate institutional controls and risk management framework to provide reasonable assurance that fraudulent activities within the University's areas of responsibility are prevented, detected, reported, and investigated. Accordingly, the University hereby identifies the following fraud prevention and detection criteria:

(a) **Zero Tolerance.** The Board expects the President to establish a "zero tolerance" for fraudulent, unethical and other dishonest activities. FAMU will promote consistent organizational behavior and institute preventive measures and controls designed to deter, prevent and/or detect fraudulent activities as outlined in Fraud Policy 2020-01.

(b) **Acts Constituting Fraud**. The Board expects the President to provide a definition of fraud and a description of what constitutes fraudulent activities. The terms fraud, impropriety, misappropriation, and fiscal wrongdoings refer to, but are not limited:

1. Forgery or alteration of any document or account belonging to FAMU;
2. The destruction, alteration or concealment of any records used in the conduct of an audit;

3. Misappropriation of funds, securities, supplies, equipment, or other assets of FAMU;
4. Theft of a check or other diversion of payment;
5. Deliberately and inappropriately disclosing University or University-related confidential or proprietary information to outside parties;
6. Accepting or seeking gifts or any other items of value from contractors, vendors, or persons providing goods or services to FAMU where it is understood that such gifts or items are intended to influence the judgment or official action of the University employee.
7. Unauthorized destruction, removal or inappropriate use of records, furniture, fixtures, equipment and other University property;
8. Taking information, using it or providing information that would lead to identity theft; and
9. Any similar or related inappropriate conduct or irregularity and/or dishonest or fraudulent act in the course of performing University functions.
10. Refer to Fraud Policy 2020-01 for additional examples of acts constituting fraud.

(c) **Anti-Fraud Framework and Strategies.**

1. **Framework.** The University shall adopt anti-fraud framework and strategies, which shall include, but not be limited to:
    - Committing to combating fraud by creating an organizational culture and structure conducive to fraud risk management;
    - Planning regular fraud risk assessments and assessing risks to determine the University's fraud risk profile;
    - Designing and implementing a strategy with specific control activities to mitigate assessed fraud risks and fostering collaboration at all levels to help ensure effective implementation of strategies and control activities; and,
    - Evaluating outcomes using a risk-based approach and adapting activities to improve fraud risk management.
2. **Management Commitment.** All levels of management are responsible for establishing and following controls as applicable for their division or unit in accordance with Fraud Policy 2020-01. Management is responsible for ensuring their controls are functioning effectively and designed to prevent and/or detect fraud. Any instance of fraud, misappropriation, or irregularity that is detected or suspected must be reported immediately to the Vice President for Audit.
3. **Division of Audit.** The Division of Audit has the primary responsibility for the investigation of all suspected fraudulent acts as defined by Fraud Policy 2020-01.

4. **Risk Assessment.** The Division of Audit, with the assistance and active participation of other divisions, will periodically perform a fraud risk assessment and advise management of the actions needed to reduce the risk of fraud.

(d) **Delineation of Responsibilities.** The delineation of responsibilities for the prevention, detection, reporting, investigation, and remediation of fraud shall operate in accordance with the roles and responsibilities outlined for Vice Presidents, Management, Employees and the Division of Audit in Fraud Policy 2020-01.

(e) **Reporting.**

1. **Requirement to Report.** University employees, consultants, vendors, or persons doing business with FAMU who have knowledge of a fraud, misappropriation, or other impropriety shall immediately notify his/her supervisor and/or the Division of Audit. Complaints may be made anonymously.
2. **Requirement to Act in Good Faith.** Anyone reporting an irregularity that is detected or suspected must be acting in good faith and have reasonable grounds for believing the information provided. Allegations made maliciously or with knowledge of their falsity will not be tolerated. People making such allegations may be subject to appropriate institutional disciplinary action.
3. **Complainant Notification Procedure.** Reports of fraud should be made to any of the following:
    - **Supervisor.** Employees may notify their supervisor of concerns. The supervisor is responsible for notifying the Division of Audit.
    - **Compliance and Ethics Hotline.** The University's Compliance and Ethics Hotline may be used to submit complaints and also allows anonymous reporting: https://secure.ethicspoint.com/domain/media/en/gui/74408/index.html
    - **Division of Audit.** The Division of Audit may be emailed at auditandcompliance@famu.edu or reached by phone at 850-412-5479.

(f) **Rights and Protections of the Reporting Individual**

1. **Confidentiality.** The University will treat all information received confidentially to the extent permitted under applicable law. To the extent permitted under law, investigation results will not be disclosed or discussed with anyone other than those individuals who have a legitimate need to know.
2. **Whistleblower Protection.** The Vice President of Audit shall assess each reported complaint to determine if the allegations fall under the Whistle-blower Act (Sections 112.3187 – 112.31895, Florida Statutes). If the reported allegations fall under the Whistle-blower

Act, that employee who reported the wrongful acts, or suspected acts in good faith, is protected against retaliation for making such report.

3. **Retaliation.** FAMU does not tolerate any form of retaliation against individuals providing information concerning fraud or suspected fraud. An employee or other person who lawfully, appropriately, and in good faith reports suspected fraud or other improper activity shall not be discharged, demoted, suspended, threatened, harassed, or suffer adverse personnel action of any kind because of such individual's lawful actions in providing information or assistance to an investigation into fraudulent or other inappropriate activity.

(g) **Alert Process.**

1. **General.** The results of investigations will not be disclosed or discussed with anyone, unless required by law, regulation, or University policy. When a report is issued the Division of Audit will abide by the notification guidance outlined in Board of Governor's Regulation 4.001.
2. **Substantiated Fraudulent Activities.** If the investigation substantiates that fraudulent activities have occurred, the Division of Audit will issue reports to appropriate designated University personnel.
3. **Notification to Board of Governors.** The Vice President of Audit shall timely notify the Board of Governors Office of Inspector General and Director of Compliance (OIGC) of any significant and credible allegation(s) of fraud, waste, mismanagement, misconduct, and other abuses against a University board of trustees' member or president; and, shall provide copies of all final investigative reports to the Board of Governors, if the allegations are determined to be significant and credible.

(h) **Actions.**

1. **General.** Employees determined to have participated in fraudulent, unethical or dishonest acts will be subject to disciplinary action (i.e. demotion, suspension, termination, etc.) in accordance with University policies and regulations and any applicable collective bargaining agreements.
2. **Criminal, Civil, or Administrative.** Criminal, civil and/or other administrative actions may also be taken against any person or entity who is found to have participated in unlawful acts or who knowingly withheld information that would have revealed fraudulent or other improper activities.
3. **Non-employee.** Failure to comply by a consultant, vendor, contractor, outside agency, or person doing business with FAMU or in any other relationship with FAMU could result in cancellation of the business or other relationship between the entity and FAMU.

(4) **Periodic Review.** This Regulation shall be reviewed every five years for currency and consistency with applicable Board of Governors and Florida A&M University regulations. The Board of Trustees shall be notified, at least annually, of the efficacy

of the University's antifraud framework and any necessary revisions to improve the framework.

Specific Authority: Article IX, Section 7, Florida Constitution, Board of Governors Regulations 1.001, 3.003 and 4.001. History-New June , 2021.

FAMU

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

Report No. 20-21-0005

Risk Assessment

July 2020 – June 2021

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

Report No. 20-21-0005

Risk Assessment

July 2020 – June 2021

ACCOUNTABILITY ● INTEGRITY ● EFFICIENCY

May 26, 2021

EXECUTIVE SUMMARY

In today's unprecedented environment, effective internal auditing requires thorough planning coupled with nimble responsiveness to quickly changing risks.

This past year, we observed real-time the University's response to the COVID-19 pandemic - successfully implementing and executing a business plans for continued University academic and administrative operations without significant interruption. Now, the University is moving deliberatively forward with reintegration plans expecting to bring back academic, athletic, and administrative activities to their pre-COVID levels with the reintegration starring this summer.

We conducted our annual risk assessment in this changing business environment to allow us to develop a meaningful audit work plan for FY2021-2022. Our risk assessment includes the development of a risk assessment heat map (Page 13) based upon categories of risk from the Association of College and University Auditors' risk dictionary that fall within the University's audit universe. This heat map illustrates the University's changing risks over a three-year period (FY 2018-2019 to FY 2020-2021) in 136 risk categories.

The risk information contained in this report should inform management decision-making around opportunities to improve operational efficiencies, enhance academic and operational effectiveness, enhance compliance, and allocate limited staffing, financial, and other resources to their highest and best use.

The University can enhance operations and risk management practices in the upcoming 2021-2022 fiscal year by:

Utilizing the risk themes communicated in this report, in conjunction with the President's *Internal Control Assurance Statement* identified opportunities for improvement, to develop management action plans

Continuing efforts to implement the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Controls – Integrated Framework

Implementing a comprehensive Enterprise Risk Management program called for by the Board of Trustees

Building upon the University's successful implementation of an effective Compliance and Ethics program – Implementing recommendations from Huron

Enhancing the policy and procedure governance framework to ensure up-to-date and aligned guidance

Continuing to cultivate a culture of transparency and accountability

Implementing the new fraud regulation called for by the Board of Governors

Continuing efforts to align resource allocation with strategic priorities

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BACKGROUND

The Value of a Risk Assessment:

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 the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value.[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 Division of Audit's risk assessment provides the basis for developing our FY 2021-2022 Audit Work 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.

Risk Assessment Standards:

Professional auditing standards[2] state that the chief audit executive (CAE) must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plans and resources, including significant interim changes, must be communicated to senior management and the board for review and approval. Additionally, the impact of resource limitations is required to be communicated.

[1] Source: COSO Enterprise Risk Management – Integrating with Strategy and Performance, 2017 COSO
[2] International Standards for the Professional Practice of Internal Auditing (Standards) – Performance Standards 2010 Planning

Overview of University Risk Themes

The following risk themes provide University management insights into key risks by areas that can impact the University's ability to achieve its strategic and business goals and objectives:

Asset and Risk Management

- Lack of a dedicated and experienced Emergency Management Director to spearhead University preparedness and response activities
- Outdated crisis communication plans for major disasters or significant interruptions
- Lack of an Enterprise Risk Management function to proactively address risks to minimize disruptions and increase the likelihood to achieve performance, strategic, and business objectives
- Loss of Environmental Health and Safety Director who shared emergency management responsibilities (i.e. COOP/CEMP plans, SharePoint)
- Loss of experienced Insurance and Risk Manager
- Lack of dedicated budget to handle emergency preparedness and response

Auxiliary and Service Departments

- Need to evaluate the sustainability of cost models for housing and meal plans to ensure continued viability of these services
- Need to adapt safety protocols and prepare the campus for impacts related to recent legislation signed into law: House Bill 1: Combatting Public Disorder and House Bill 233: Post-Secondary Education (intellectual freedom and viewpoint diversity)
- Possibility of enrollment declines (As a result of Biden Administration proposal related to tuition-free community college) potentially impacting auxiliary operations
- Need to address significant deferred maintenance expense as a result of older housing facilities

Financial Management

Need to improve year-end financial closing processes to reduce the need for year-end adjustments, likelihood of financial misstatements, and external audit criticism related to controls over financial reporting

Sufficient staffing with the knowledge and expertise to accurately implement changing accounting principles, financial rules, and laws

Accounts payable controls enhancements needed to ensure the timely payment of University obligations to improve vendor relations and avoid late-payment penalties

Peoplesoft (iRattler) will be sunsetting 2032. There is a need for a strategic plan to transition to a new platform, achieve cost savings, and support the automation of University processes through the use of a new ERP system to achieve operational efficiencies

Unrealized value of current ERP system (iRattler) through lack of process automation, module implementation and governance

Loss of key positions over the past year in the Controller's Office, and anticipated staff turnover during FY 2021-2022 resulting in the loss of institutional knowledge and expertise

Plant Operations and Maintenance

Insufficient resources to address University deferred maintenance needs

Inability to attract and retain maintenance and grounds staff

Lack of an automated project management system for construction and contract monitoring and oversight

Lack of a campus-wide motor pool concept encompassing shared use and maintenance of vehicles

Information Technology

- Loss of Key Employee - Chief Information and Security Officer (vacant since October 2020)
- Inconsistency in the application of IT policies, procedures, and best practices to protect the University and ensure operational efficiencies as a result of a decentralized structure
- Insufficient levels of staffing with the expertise and training to meet University business needs and maintain a secure infrastructure
- Lack of a comprehensive, year-round, cybersecurity awareness program
- Inability to obtain competitive cybersecurity insurance premiums and coverage

Athletics

- NCAA awarded an additional year of athlete eligibility which could increase scholarship obligations and expenses, unless recruiting is limited
- NCAA allowed student-athletes to be paid for the use of their name, image and likeness that increases the compliance responsibilities for the University with contracts and regulations
- Continued focus to ensure compliance with NCAA requirements related to sports medicine and athletic trainers
- Increased efforts required to ensure equity for female staff, athletes, and sports to meet federal (Title IX) and state (1006.71 FS), and BOG (Regulation 2.003) requirements
- Transitioning from MEAC to SWAC in FY2021-2022 continues the need for enhanced revenue and expense forecasting and management for Athletics to remain a self-supporting entity under BOG Regulation 9.013
- Lack of a shared and common understanding around expense charging related to the use of E&G and Athletic facilities

Human Resources

Loss of key employee - Chief of Staff for Finance and Administration, Associate Vice President for Human Resources announces retirement effective June 2021

Resource allocations and organizational structures are not fully aligned with University priorities and can result in inefficient operations and inability to sustain and/or grow viable business units and academic programs

Without a fully implemented succession planning program, the University remains vulnerable to loss of institutional knowledge, disruptions to operations, and criticism from accreditation bodies for use of interims in executive leadership roles

Inconsistency in the application of HR polices, best practices, and accountability measures are increased as a result of a decentralized HR structure

Loss of key employees and faculty as a result of pay differentials with market rates and internally between divisions, colleges, and schools

Expanded onboarding procedures need to acclimate employees to University, State University System of Florida, and State of Florida statutes, policies, and procedure to enhance compliance

Employee conflict of interest recognition and reporting can be enhanced with process automation and additional training regarding what activities constitute “outside employment”

The Organizational Development and Training (ODT) is not sufficiently resourced to facilitate Univesity-wide training needs and accountability for fulfillment of mandatory training

Instruction and Academic Support

Maintaining low producing programs and inadequately resourcing top performing programs may impact the University's ability to achieve Top 100 University status

Long-term academic success and ability for graduates to be competitive in the job market may decline without additional measures to prevent and detect academic dishonesty

Ability for graduates to be competitive in the job market may decline without routine reviews of core curriculums to ensure alignment with industry standards and practices

Low licensure pass rates at academic colleges or schools (i.e., Law, Nursing, Pharmacy, etc..) may impact the University's ability to recruit and retain high performing students and negatively impact performance-based funding and other key metrics

Leadership and Governance

Need to provide focused management attention on the strategies, resources, and tactics to achieve the President's goal of becoming a Top 100 University

Inadequate staffing levels within General Counsel Office to diligently update policies and procedures and efficiently address EEO, public record and risk management issues

Need for a strategic budgeting process that better aligns resources to the University's strategic priorities and objectives

Need for continued focus on service excellence to both the external and internal customer base

Need to implement an Enterprise Risk Management function as called for by Board of Trustee policy

Continued diligence on implementation of the University's internal control framework

Continued need to focus on faculty and staff recruitment, development and retention

Cultivate a strong "Tone at the Top" regarding accountability for compliance and performance

Research and Development

- Loss of federal grant funding, or ability to compete for federal grants, due to NIST 800-171[3] compliance issues
- Need for enhanced management focus around expenditure of grant funds within the applicable time periods
- Need for enhanced control to deter, prevent, and detect the loss or theft of intellectual property
- Need for enhanced controls to ensure complete disclosure and reporting of patents, licenses and inventions
- Lack of or inadequate training for Principle Investigators and support staff on requirements of specific grant terms
- Lack of a financial strategy to utilize research program surpluses for the repayment of debt, building a contingency fund for "lean" years, and incentivize research production

Purchasing

- Inadequate staff to expand the University's Purchasing Card program which could increase efficiencies across campus
- Lack of a travel card program which could benefit Univesity employees who do not make other purchases but travel routinely on FAMU business
- Lack of a central repository for contracts which would enhance the ability of managment, procurement, and controller staff to confirm compliance with contractual terms and conditions
- Need to revise polices and forms to comply with statutory and regulatory requirements and align with industry best practices
- Inadequate staffing levels to service university needs for contract procurement and management as well as to provide expanded training for procurement officials and contract managers

[3] Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations

University Relations and Alumni Affairs

Need for continued vigilance in further developing the FAMU brand to enhance giving

Opportunity risk associated with the need to leverage the rise of corporate and social interest in giving to HBCUs and furthering Diversity, Equity, an Inclusion effort through partnership with FAMU

Low interest rates adversely impacting endowment earnings

Student Services

Ability to retain students who are financially fragile and require additional financial support

Ability to retain or recruit international students due to restrictions on distance learning, financial hardships, and changes to travel guidelines and VISA processes

Ability to convey value proposition of University education for out-of-state students

Risk Assessment Heat Map

Based on the scope of work and methodologies outlined in Appendix A, we developed a Risk Assessment Heat Map (RAHM) and made our observations in the following risk theme areas:

- Asset and Risk Management;
- Auxiliary and Service Departments;
- Financial Management;
- Human Resources Development;
- Information Technology;
- Instruction and Academic Support;
- Leadership and Governance;
- Plant Operations and Maintenance;
- Purchasing and Warehousing;
- Research and Development;
- Student Services; and
- University Relations and Alumni Affairs.

The RAHM provides a central repository of risks that impact FAMU along with an assessment of whether each risk area presents a low, moderate, or high risk to the achievement of organizational objectives. The risk map provides a three-year view of risk levels from FY 2018-2019 to 2020-2021.

The Risk Assessment Heat Map Legend:

Low Risk– FAMU has an *unlikely* probability of risks occurring that would have at least a material impact on the University's ability to achieve its strategic objectives.

Low & Rising Risk – FAMU management (or DoA) has noted new areas of concern that if not addressed in the upcoming fiscal year, will lead to this area being reclassified as a moderate risk.

Moderate & Falling– FAMU management (or DoA) has noted new controls, processes, or initiatives that were implemented that are expected to decrease the residual risk in this area and could lead to this area being reclassified as a low risk during the upcoming fiscal year.

Moderate Risk – FAMU has a *medium* probability of risks occurring that would have at least a material impact on the University's ability to achieve its strategic objectives.

Moderate & Rising Risk – FAMU management (or DoA) has noted new areas of concern that if not addressed in the upcoming fiscal year, will lead to this area being reclassified as a high risk.

High & Falling Risk – FAMU management (or DoA) has noted new controls, processes, or initiatives that were implemented that are expected to decrease the residual risk in this area and could lead to this area being reclassified as a moderate risk in the upcoming fiscal year.

High Risk – FAMU has a *likely* probability of risks occurring that would have at least a material impact on the University's ability to achieve its strategic objectives.

High & Rising – FAMU management (or DoA) has noted areas of concern that is causing risk to increase to an *expected* probability of risks occurring that would have at least a material impact on the University's ability to achieve its strategic objectives.

Risk Area	2018-2019 Risk Level	2019-2020 Risk Level	2020-2021 Risk Level
ASSET AND RISK MANAGEMENT			
Emergency Preparedness	Moderate & Rising	Moderate & Rising	Moderate & Rising
Endowment & Development	Moderate	Moderate & Rising	Moderate
Environmental Health & Safety	High	High	High
Insurance	2021 New Risk Area	2021 New Risk Area	Moderate
AUXILIARY AND SERVICE DEPARTMENTS			
Athletics	High & Rising	High & Rising	High
Auxiliary Enterprise Administration	Low	Low	Low & Rising
Bookstore	Low	Low & Rising	Moderate
Child Development Center	2021 New Risk Area	2021 New Risk Area	Moderate
Housing	Moderate	Moderate	Moderate
Police	Moderate	High	High
Recreation & Athletic Centers	Moderate	Moderate	Moderate
Service Centers Auxiliary	Moderate	Low	Low
Special Events Center	Moderate	Moderate	Moderate
FINANCIAL MANAGEMENT			
Accounting	Low	Low & Rising	Low & Rising
Accounts Payable	Moderate	Moderate & Rising	Moderate
Accounts Receivable	Low	Moderate	Moderate & Rising
Budgetary / Decision Support	2021 New Risk Area	2021 New Risk Area	Moderate
Capital Asset Depreciation	Low	Low	Low
Cash Handling	High	High	Moderate
Cash Management	High	High	Low
Closing Process	Low	Low	Moderate
Debt Service	2021 New Risk Area	2021 New Risk Area	Low
Expenses	Moderate	High	Moderate
Financial Management Operations	Low	Low	Moderate
Financial Reporting	Low	Moderate	Moderate
General Finance	2021 New Risk Area	2021 New Risk Area	Moderate
Grants and Contracts	2021 New Risk Area	2021 New Risk Area	Moderate
Payroll	Moderate	Moderate	Moderate
Revenue	Moderate	High	Moderate
Travel and Entertainment	2021 New Risk Area	2021 New Risk Area	Low

Risk Area	2018-2019 Risk Level	2019-2020 Risk Level	2020-2021 Risk Level
Tuition and Fees Management	2021 New Risk Area	2021 New Risk Area	Moderate
HUMAN RESOURCES DEVELOPMENT			
Human Resources	Moderate	Moderate & Rising	Moderate & Rising
Benefits	2021 New Risk Area	2021 New Risk Area	Low
Compensation	2021 New Risk Area	2021 New Risk Area	Moderate
Employee Records	2021 New Risk Area	2021 New Risk Area	Low
Employee Relations	2021 New Risk Area	2021 New Risk Area	Low
Employee Retention and Succession	2021 New Risk Area	2021 New Risk Area	Moderate
Recruiting	2021 New Risk Area	2021 New Risk Area	Moderate
Training	2021 New Risk Area	2021 New Risk Area	Moderate
INFORMATION TECHNOLOGY			
IT Compliance	High	Moderate	Moderate
IT Daily Operations	High	High	High
IT Strategy Planning & Governance	High	Moderate	Moderate
Information Security & Governance	2021 New Risk Area	2021 New Risk Area	Moderate
IT Leadership & Governance	2021 New Risk Area	2021 New Risk Area	Moderate
IT Customer Service	Moderate	Moderate	Moderate
IT Development & Research	High	Moderate	Moderate
IT Infrastructure	2021 New Risk Area	2021 New Risk Area	High
IT Admin Support	Moderate	High	High
INSTRUCTION AND ACADEMIC SUPPORT			
Academic Administration	Moderate & Rising	Moderate	Moderate
Management of Departments	2021 New Risk Area	2021 New Risk Area	Low
Student Retention and Graduation	2021 New Risk Area	2021 New Risk Area	Low
Student Records – Registrar	2021 New Risk Area	2021 New Risk Area	Low
Academic IT	Moderate	Moderate & Falling	Moderate & Falling
Academic Personnel Administration	Moderate	Moderate & Rising	Moderate & Rising
Academic Records Management	Moderate & Rising	Moderate & Rising	Moderate & Rising
Academic Reporting	Low	Moderate	Moderate
Academic Support	Moderate	Moderate	Moderate
Course & Curriculum Development	High	High	High
Course Scheduling	2021 New Risk Area	2021 New Risk Area	Moderate
Degree Program Development	2021 New Risk Area	2021 New Risk Area	Moderate
Faculty	2021 New Risk Area	2021 New Risk Area	Low
Grading Practices	2021 New Risk Area	2021 New Risk Area	Moderate
Instruction	Moderate	High	High
International Affairs	Moderate	High	High
LEADERSHIP AND GOVERNANCE			

Risk Area	2018-2019 Risk Level	2019-2020 Risk Level	2020-2021 Risk Level
Governance	High	High & Falling	High & Falling
Ethics and Standard of Conduct	2021 New Risk Area	2021 New Risk Area	Low
Business Continuity	2021 New Risk Area	2021 New Risk Area	Moderate
Institutional Compliance	High & Falling	Moderate	Moderate
Internal Audit	Low & Rising	Low & Rising	Low & Rising
Legal	Low & Rising	Moderate	Moderate
Contract Oversight	2021 New Risk Area	2021 New Risk Area	Low
Open Records and Retention	2021 New Risk Area	2021 New Risk Area	Low
Policy Management	2021 New Risk Area	2021 New Risk Area	High
Strategic Financial Management	Moderate	High	High
PLANT OPERATIONS AND MAINTENANCE			
Building Maintenance	High	High	High
Construction	2021 New Risk Area	2021 New Risk Area	High
Custodial Services	Low	Moderate	Moderate
Fixed Asset / Capital Management	2021 New Risk Area	2021 New Risk Area	Moderate
Landscape & Grounds	Low	Low & Rising	Low & Rising
Major Repair and Renovation	High	High	High
Motor Pool	Moderate	Moderate	Moderate
Planning and Design	2021 New Risk Area	2021 New Risk Area	Low
Physical Plant and Administration	Low	Low & Rising	Low & Rising
Property Management	2021 New Risk Area	2021 New Risk Area	Moderate
Utilities	Moderate	Moderate	Moderate
PURCHASING AND WAREHOUSING			
Purchasing	High & Falling	High & Falling	High & Falling
Agreements	2021 New Risk Area	2021 New Risk Area	Moderate
Bidding	2021 New Risk Area	2021 New Risk Area	Moderate
Contracting	2021 New Risk Area	2021 New Risk Area	High
Materials Management	2021 New Risk Area	2021 New Risk Area	Low
Receiving & Warehouse	2021 New Risk Area	2021 New Risk Area	Low
RESEARCH AND DEVELOPMENT			
Animal Research	Low	Low	Low
Research Compliance	Moderate	Moderate	Moderate & Rising
Conflict of Interest	Moderate	Low	Low & Rising
Export Controls	High	Moderate	Moderate
Research Facilities & Equipment	Low	Low	Moderate
Financial Fraud (Research)	Low	Low	Low
Grants Accounting	Moderate	Moderate	Moderate
Human Subjects Research	Low	Low	Low
Intellectual Property/Tech Transfer	Low	Low	Moderate

Risk Area	2018-2019 Risk Level	2019-2020 Risk Level	2020-2021 Risk Level
Partnerships	2021 New Risk Area	2021 New Risk Area	Low
Pre-Award & Award Acceptance	Low	Low	Low
Research Administration	Moderate	Moderate	Moderate
Research Financial	Moderate	Moderate	Moderate
Research Quality	Low	Low	Low
Research Safety	Moderate	Moderate	Moderate
Research Security	High	High	High
Trademark Licensing	Low	Low	Low & Rising
STUDENT SERVICES			
Academic Advising	2021 New Risk Area	2021 New Risk Area	Low
Admissions	Moderate	Moderate	Moderate & Rising
Recruitment	2021 New Risk Area	2021 New Risk Area	Low
Career Centers	2021 New Risk Area	2021 New Risk Area	Low
Counseling Services	Moderate	Moderate	Moderate
Dining	Low	High	Moderate
Disability and Counseling Services	2021 New Risk Area	2021 New Risk Area	Low
Enrollment Management	Moderate	Moderate	Moderate
Financial Aid	Moderate	Moderate	Moderate
General Student Services	2021 New Risk Area	2021 New Risk Area	Low
Health Services	Low & Rising	Moderate	Moderate
Recreational Activities	2021 New Risk Area	2021 New Risk Area	Low
Registration	Moderate	Moderate	Moderate
Student Centers & Activities	Low	Low	Low
Student Judicial Affairs	Low	Moderate	Moderate
Student Organizations	2021 New Risk Area	2021 New Risk Area	Low
Student Services Administration	Moderate	Moderate & Falling	Moderate & Falling
UNIVERSITY RELATIONS AND ALUMNI AFFAIRS			
Alumni Programs	2021 New Risk Area	2021 New Risk Area	Low
Capital Campaign	2021 New Risk Area	2021 New Risk Area	Low
External Services	Low	Low	Low
General University Relations	2021 New Risk Area	2021 New Risk Area	Low
Gifts and Endowments	2021 New Risk Area	2021 New Risk Area	Low
Government Affairs	2021 New Risk Area	2021 New Risk Area	Low
Marketing and Communication	2021 New Risk Area	2021 New Risk Area	Moderate
Public Affairs	2021 New Risk Area	2021 New Risk Area	Low
Stakeholder Relations	Moderate	Low	Low
Stewardship Activities	2021 New Risk Area	2021 New Risk Area	Low
University Development	2021 New Risk Area	2021 New Risk Area	Low

APPENDICES

APPENDIX A – RISK ASSESSMENT SCOPE AND METHODOLOGY

The **scope** of the engagement included assessing changes in risk levels from June 2020 to May 2021.

Methodology

We performed this risk assessment by:

- **Interviews:** We interviewed the President, senior management team members, Board of Trustees members, Florida Auditor General Audit Team Lead for FAMU Operational and Financial Statements Audits, and the State University System of Florida, Inspector General and Director of Compliance. (A list of interviews is provided in Appendix B)
- **Focus Groups:** We conducted four focus groups to determine new or changed processes, policies, procedures, staffing changes, or initiatives implemented during FY 2020-2021 to mitigate risks, and other changes that could adversely impact the achievement of university objectives. (A list of focus groups if provided in Appendix B)
- **Environmental Scan:** We participated in industry webinars and forums to gain insights on COVID-19 related risks, as well as conducted extensive research into risks impacting the educational industry.
- **Internal Audit:** We reviewed the results of various Division of Audit audits, investigations, and advisory activities that disclosed risks or mitigating controls.
- **External Audit:** We reviewed the results of external audits and assessments for further insights into the risks impacting the University and any mitigating controls.

We developed a Risk Assessment Heat Map by defining the FAMU risk universe; evaluating the likelihood and impact of each risk, and assigning a risk ranking (low, moderate and high).

Risk Universe

The risk universe was compiled using a standard risk universe[4] for universities and adjusting for operations applicable to FAMU. The adjustments to the risk universe were made from our knowledge and experience with the University's operations, prior internal audit reports, and from discussions with executive staff and department management.

Likelihood of Material Impact of Occurrence

Likelihood: The risk related to each category was scored based on the likelihood of having a material impact on the University. Likelihood was assessed based on the risk assessment risk assessment

[4] Association of College and University Auditors Risk Dictionary: https://acua.org/

interviews which assessed the controls that are in place to mitigate risks related to that particular category. Improper, incomplete, or insufficient controls, when identified, increased the likelihood that a risk event could occur in that area.

Impact: We determined the impact of the control not being in place by information gathered through the leadership interview process; our review of audits, investigation and advisory work related to the department performed during FY 2020-2021; and knowledge obtained through information sharing with our staff from management, staff, faculty, and others.

APPENDIX B – RISK ASSESSMENT INTERVIEWS & FOCUS GROUPS

	Senior Leadership Team		
	Name	**Title**	**Interview Date**
1	Linda Barge-Miles	Chief of Staff/Board Liaison	April 29, 2021
2	Beverly Barrington	VP, Strategic Planning, Analysis and Institutional Effectiveness	March 29, 2021
3	Rica Calhoun	Chief Compliance and Ethics Officer	April 29, 2021
4	Dr. Maurice Edington	Provost/VP, Academic Affairs	April 29, 2021
5	Dr. Shawnta Friday-Stroud	VP, University Advancement	April 26, 2021
6	Dr. William Hudson	VP, Student Affairs	April 29, 2021
7	Carmen Cummings Martin	AVP, Alumni Affairs/University Advancement	April 29, 2021
8	Danielle McBeth	Government Relations Officer	May 4, 2021
9	Dr. Alan Robertson	VP, Finance and Administration/CFO	April 26, 2021
10	Dr. Larry Robinson	President	April 19, 2021
11	Dr. Denise Wallace	VP, Legal Affairs/General Counsel	April 19, 2021
12	Dr. Charles Weatherford	VP, Research	April 23, 2021
13	Kortne Gosha	VP of Athletics/AD	April 30, 2021
14	Erick Akins	Executive Director, Title III	April 30, 2021
15	Keith Miles	Director of Communications	May 4, 2021
	Board of Trustees		
	Name	**Title**	**Interview Date**
1	Kelvin Lawson	BOT Chair	April 22, 2021
2	Craig Reed	Audit Committee Chair	May 4, 2021
3	Ann Marie Cavazos	Faculty Senate President	May 4, 2021
	Middle Management		
	Name	**Title**	**Interview Date**
1	Rebecca Brown	Assistant Vice President, Administrative Affairs	April 26, 2021
2	Ronald Henry	Associate Vice President Information Technology Services/Chief Information Officer	April 29, 2021
3	Chris Hessel	Associate Vice President, Facilities, Planning, Construction, and Safety	April 29, 2021
4	Mattie Hood	Operational Effectiveness & Procurement Services Director	April 26, 2021
5	Joyce Ingram	Chief of Staff for Finance and Administration, Associate Vice President for Human Resources	April 16, 2021
6	Tonya Jackson	Assistant Vice President and University Controller	April 23, 2021

	Senior Leadership Team		
	Name	**Title**	**Interview Date**
1	Linda Barge-Miles	Chief of Staff/Board Liaison	April 29, 2021
7	Nichole Murry	University Budgets Director	April 22, 2021
8	Bryan Smith	Vice President Student Affairs/Ombudsman	April 22, 2021
	External Audit		
	Name	**Title**	**Interview Date**
1	Julie Leftheris	Florida SUS, Inspector General and Director of Compliance	May 3, 2021
2	Craig Pohlmann	Florida Auditor General, Audit Team Lead for FAMU Financial and Operational Audits	April 22, 2021
	Focus Groups		
	Group		**Interview Date**
1	Academic Affairs		April 22, 2021
2	Student Affairs		April 26, 2021
3	Faculty Senate Overview		April 20, 2021
4	Division of Audit and Office of Compliance and Ethics		April 20, 2021

DISTRIBUTION

Responsible Manager:

Larry Robinson, Ph.D., President

Internal Distribution:

- Board of Trustees
  - Kelvin Lawson, Chair
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  - Otis Cliatt, II
  - Thomas W. Dortch, Jr.
  - Michael Dubose
  - Kristin Harper
  - David Lawrence, Jr.
  - Belvin Perry, Jr.
  - Kenward Stone
  - Nicole Washington
- Maurice Edington, Provost and Vice President, Academic Affairs
- Linda F. Barge-Miles, Chief of Staff
- Lewis Johnson, Interim Vice President, Strategic Planning, Analysis and Institutional Effectiveness
- Rica Calhoun, Chief Compliance & Ethics Officer
- Shawnta Friday-Stroud, Vice President, University Advancement/Executive Director of FAMU Foundation
- William E. Hudson, Vice President, Student Affairs
- Carmen Cummings Martin, Assistant Vice President, Alumni Affairs/University Advancement
- Alan Robertson, Vice President, Finance and Administration
- Novell Tani, Faculty Senate Representative
- Denise Wallace, Vice President, Legal Affairs and General Counsel
- Charles Weatherford, Vice President, Research
- Danielle McBeth, Government Relations Director
- Kortne Gosha, Vice President & Director of Athletics
- Keith Miles, Communications, Marketing, and Media Relations Director
- Eric Akins, Title III Director

External Distribution:

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

PROJECT TEAM

Engagement was conducted by

Carl E. Threatt Jr., MBA, CIA, CRMA, CFE, CCEP, CIGA, CIGI
Lean Six Sigma Green Belt Process Improvement Certification
Lead Senior Auditor

Engagement was supervised by:

Deidre Melton, MBA, CFE, CIA, CISA, CISM, CDPSE, CRISC
Audit Director

Engagement was approved, and distributed by:

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

STATEMENT OF ACCORDANCE

The Division of Audit'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 risk assessment in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require we plan and conduct a risk assessment to use as a basis for the development of the audit work plan aligned with university goals. We believe the evidence obtained provides a reasonable basis for our risk assessment.

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

https://www.famu.edu/index.cfm?AuditandCompliance

FAMU

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

May 20, 2021

Memorandum

Status of Open Audit Findings

Memorandum

To: Craig Reed, Chair, Board of Trustees, Audit and Compliance Committee

From: Joseph K. Maleszewski, Vice President, Division of Audit
Deidre Melton, Director for Audit

CC: Larry Robinson, Ph.D., University President
Board of Trustees Members
Senior Leadership Team Members

Date: May 20, 2021

Re: Status of Open Audit Findings

The Division of Audit worked with management to obtain an understanding of the actions taken by management since our February 16, 2021, report to the Audit and Compliance Committee. After validating each action taken by management, the Division of Audit prepared the following summary table followed by detailed information from management regarding the status of corrective actions and the level of residual risk for each audit finding.

	Finding	Status	Original Risk Level	Current Risk Level
1	2019 Crowe Report: Information Security – Policies and Procedures	**OPEN**	**LOW**	**LOW**
2	2018 Operational Audit Findings: Intercollegiate Athletics Programs – Deficit Cash Balances	**OPEN**	**HIGH**	**HIGH**
3	2018-19 Risk Assessment: Bragg Stadium Safety and Maintenance	**OPEN**	**HIGH**	**MEDIUM**
4	2018-19 Risk Assessment – Emergency Preparedness	**OPEN**	**HIGH**	**HIGH**

The following pages provide a detailed description of the status of each of these open items.

Information Technology Services

1. **2019 Crowe Report: Information Security – Policies and Procedures**
   a. **Status:** As part of the IT Centralization initiative, ITS completed an analysis of the findings included in the 2017-2018 Cloud Security Governance Audit, 2018-2019 Risk Assessment, and the 2019 Crowe Report. In addition to this analysis, ITS reviewed all existing information technology policy and procedures in order to determine a baseline for establishing best practices going forward. ITS has identified that over the past few years all of the audits and assessments have clearly established that the FAMU Information Technology security standards need to address National Institute of Standards and Technology (NIST) SP 800-53: *Security and Privacy Controls for Information Systems and Organizations* and NIST SP 800-171: *Protecting Controlled Unclassified Information in Nonfederal Systems and Organizations*. The comprehensive analysis and review process have led to the formulation of the **NIST Compliance Approach** in which ITS believes that every effort related to Information Technology Security controls should be made in accordance to overall compliance with NIST SP 800-53 and NIST SP 800-171.

   The five polices that were identified within the Crowe report represent 5 of the 18 Security Control families identified within NIST SP 800-53 and NIST SP 800-171. In order to properly address the underlying intent of the Crowe Report, as well as previous audit findings, the University needs to revise the current BOT Enterprise Information Systems Security and Controls Policy 2008-01a. The revision of BOT Policy 2008-01a is necessary in order to fully comply with NIST SP 800-53 and NIST SP 800-171 and is the primary objective of the University Information Technology Security Policy. The draft policy was approved by FAMU Board of Trustees in its March 2021 meeting. Since the approval of the policy, ITS initiated development of the standards required by the policy. ITS expects to complete these standards by July 2021. As a result, this item is considered **OPEN**.

   b. **Risk:** The original risk level of this item was assessed as **LOW**. The risk level continues to be **LOW** until the supporting standards are completed in July 2021.

Athletics

1. **2018 Operational Audit Findings: Intercollegiate Athletics Programs – Deficit Cash Balances**
   a. **Status:** Athletics took appropriate actions to balance their 2018-2019 and 2019-2020 budgets thereby avoiding deficit cash balances for those two fiscal years. Additionally, the Athletics Department has taken steps to reduce expenses and increase fundraising in efforts to achieve a balanced budget for the 2020-2021 fiscal year. These efforts, if successful, will resolve the Board of Governors regulatory requirement that Athletics be a self-sustaining entity which was one issue related to this finding.

   The second issue related to this finding was the University's repayment of transfers of unallowable auxiliary funds to cover athletic expenditures. While the University has successfully met the terms of the original 2016 repayment plan, in August 2019 an independent audit firm, noted additional unallowable transfers of auxiliary funds were made to Athletics. The University adjusted their receivables to account for the additional unallowable expenses and developed a revised repayment schedule that reflect the full amount owed. As of May 20, 2021, the FY 2021 -Year 5, Athletics' ($115,000) and FAMU Foundation ($269,594) debt repayment obligations to Auxiliaries, totaling $384,594 had not been made. In response to audit inquiry, the FAMU Foundation and the Finance and Administration Controller Office officials indicated that both repayments are scheduled to be made prior to fiscal year end.

   Due to the deficit remaining, and the likelihood that this issue will remain in the University's Auditor General Operational Audit, this item is considered **OPEN**.

   b. **Risk:** The original risk level of this item was assessed as **HIGH**. While Athletics has taken considerable actions to address the issues related to this finding, the risk remains **HIGH** for this finding to be repeated in the 2021 Operational Audit as a result of the additional unallowable transfers that were made by the University and the outstanding balance owed to auxiliaries.

2. **2018-19 Risk Assessment: Bragg Stadium Safety and Maintenance**
   a. **Status:** Athletics, working in conjunction with Finance and Administration, developed a schedule and timeline to address ADA, safety, and maintenance issues at Bragg Stadium. The plan is broken into the following two phases:
      i. **Phase 1:** November 3, 2020 – September 30, 2021
         1. Metal pan and seat replacement, steel frame water blasting and repainting is essential to the safety of Bragg Stadium. This phase also includes replacing all steel pans and seats. The design will also include the water blasting and repainting of the steel frame seating replacement and we will entertain alternates pricing for the Restrooms for Handicap/ ADA accessibility. Any steel repair details will be included.
         2. **Actions Taken to Complete Phase I:** The University entered into a contract with Barkley Engineering for design services for Phase I of the Bragg Stadium Renovation Project. The University also entered into contract with Southern

Bleachers to expedite the design on the replacement bleacher system. Ram Construction continues to obtain pricing for phase I construction scope.

ii. **Phase 2:** January 11, 2021 – February 1, 2022

1. This phase includes the removal and replacement of the press box. The initial portion of phase would include an analysis of the needs of the University for the size and use of this facility. The Concession stands and restroom renovation would be to upgrade and modernize the existing concession stands and restrooms. In addition, this phase includes upgrading the stadium lighting and sound system.
2. **Actions Taken to Complete Phase II:** The Request for Design Services for Phase II was awarded to Clemons Rutherford and Associates.

FAMU secured $10 million in funding through the BluePrint Intergovernmental Agency Grant for Phase I and Phase II to cover the cost of the above construction. Barkley Engineering has certified the use of the Bragg Stadium press box and seating for the 2021 season. This item remains **OPEN** until construction is completed to resolve the safety and ADA issues.

b. **Risk:** The original risk level of this item was assessed as **HIGH**. After taking into consideration the actions by Finance and Administration to-date, the risk level is adjusted to **MEDIUM**.

Finance and Administration

1. **2018-19 Risk Assessment – Emergency Preparedness**
    a. **Status:** The original emergency preparedness findings centered around issues related to the University adequately preparing for hurricanes, or other weather-related events. This included identifying a dedicated funding source, establishing an evacuation plan, and hardening a building on FAMU campus that meet state requirements as a hurricane shelter. The University has taken several steps related to Emergency Preparedness to address these issues:
        i. **Identifying a Dedicated Funding Source.** The University created a cross-functional team to develop a three-year financial plan to address emergency preparedness needs. FAMU Budgets across divisions (i.e., Police Department, Environmental Health and Safety, Health Services, Plant Operations and Maintenance, etc.) were evaluated to assess if some of the emergency preparedness needs can be addressed by existing budgets. In the interim, the University remains committed to using contingency funding to cover any gaps in funding should an emergency arise.
        ii. **Establishing an Evacuation Plan.** General emergency evacuation plans are posted in multiple locations in each building. The Continuity of Operations Plan identifies a process for evacuation of students residing on campus prior to weather related emergencies such as hurricanes (page 25-26). The plan includes closely monitoring the weather to determine the likely path of impact, contacting possible alternate facilities and coordinating with the Red Cross regarding shelter locations. Considering the uncertainty of hurricane impacts, the University has relied on relationships with a variety of other institutions within the SUS or throughout the southeast to provide aid as needed. It was determined by the Housing Director, that approximately 5-10% of the students in on campus housing may need assistance evacuating. The vast majority of students either return home or do not need assistance evacuating.
        iii. **Hardening a Building on FAMU Campus.** The University is in the process of researching grant funding opportunities that could be used to address the hardening of current infrastructure that would meet State guidelines for a hurricane shelter. FEMA has been identified as the agency that may assist the University with funding to enhance University building(s) for emergency readiness.
        iv. **Emergency Management Director.** The University is continuing with the hiring process for an Emergency Management Director. This director will be responsible for overseeing all emergency preparedness efforts. The position will report to the University's Vice President for Student Affairs. As of May 17, 2021, the position was being advertised. The Chair of the Search Committee for this position indicated that the goal is to submit candidate recommendations by July 1, 2021.

    While the University has made progress on the issues related to identifying a dedicated funding source and establishing an evacuation plan, the Division of Audit will discuss these actions with the new Emergency Management Director, to ensure the actions fully meet industry standards and best practices. Additionally, the issues related to hardening a building on FAMU campus

remains unresolved. Therefore, the finding remains **OPEN**, until these plans for building hardening have been finalized and/or implemented.

b. **Risk:** The original risk level of this item was assessed as **HIGH**. The risk remains **HIGH** for this finding while the University identifies new leadership to oversee the emergency management function, and works to develop comprehensive plans to address issues identified within the current budgetary constraints placed on the University.

FAMU

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

May 20, 2021

Memorandum

Status of Investigative Internal Control Recommendations

Memorandum

To: Craig Reed, Chair, Board of Trustees, Audit and Compliance Committee

From: Joseph K. Maleszewski, Vice President, Division of Audit
Deidre Melton, Director for Audit

CC: Larry Robinson, Ph.D., University President
Board of Trustees Members
Senior Leadership Team Members

Date: May 20, 2021

Re: Status of Investigative Internal Control Recommendations

The Division of Audit assesses internal controls within departments, colleges, and schools as part of the investigative process in an effort to assist with preventing future reoccurrence of a similar issue or complaint.

The table on the next page highlights the internal controls recommendations, and their status, that were identified in three investigations over the past year. In the table, the internal controls are mapped to the five components of control within the COSO *Internal Controls – Integrated Framework* that the University adopted in December 2019.

A control assessment was also conducted to determine the severity of the deficiency using the following criteria:

- **Control Deficiency:** The control was not in place.
- **Control Weakness:** The control was in place but not functioning as intended to comply with regulations or management expectations.
- **Control Process Improvement:** The control is in place and functioning; however, process improvements could be made for optimal performance.

In summary, five of the six recommendations remain open while one item was closed. Details regarding each recommendation and the current status follows.

Report #	Issue	Control Assessment	COSO Component	Recommendation	Status
19-08-002 Issued 06/19/2020	Improper use of P-card	Control Deficiency	Control Environment	• Provide travel training to all travelers, travel representatives, and travel approvers within CAFS.	Closed 05/11/2021
2020-11-05 Issued 04/02/2021	Direct charging of an administrative position to federal grants	Control Deficiency	Control Environment	• Determine time allocation and associated salary for the Associate in Land Grants position for March 2018 to September 2020, spent working directly on USDA grants. • Follow-up with USDA to determine if any portion of the position salary must be repaid based on the above calculations.	Open 06/14/2021
2020-11-05 Issued 04/02/2021	Allocation of administrative salaries to funding sources	Control Weakness	Monitoring	• Evaluate the sources currently used to fund all CAFS administrative positions for compliance with funding terms. • Develop a process for documenting administrative staff time and how the associated salary is to be charged to appropriate funding sources.	Open 06/14/2021
2020-11-05 Issued 04/02/2021	Telecommuting policy applicability	Control Weakness	Information and Communication	• Management should consider revising the applicability and definition of "eligible employee" in University Policy Number UP-03-01, Telecommuting Policy and Agreement, to include non-teaching faculty.	Open TBD
2020-11-05 Issued 04/02/2021	Compliance with mandatory COVID-19 training	Control Weakness	Monitoring	• Ensure all CAFS employees, who are required to complete the mandated COVID-19 training, have taken the training.	Open 08/2/2021
2021-02-19 Issued 04/06/2021	Outside employment and undisclosed conflict of interest	Control Process Improvement	Control Activities	• Evaluate the feasibility of automating the conflict of interest disclosure process, ensuring appropriate levels of review, approval, and monitoring. • Consider an HR liaison function in the Office of the Provost that works closely with Human Resources and Office of Compliance and Ethics to maintain continuity and consistency in personnel actions and record management.	Open 06/21/2021

Additional Report and Recommendation Status Information

Report No. 19-18-002: Improper Use of P-Cards **Issue Date: 6/19/2020**

College/Department: College of Agriculture and Food Sciences

Improper Use of P-Cards		
COSO Component	**Control Deficiency**	**Recommendation**
Control Environment	P-card expenses were not supported either with approved Travel Authorizations (TA) or TAs that included all expenses for approval. As a result, these transactions were not in compliance with University policies and procedures.	• The Dean of CAFS should work with the Travel Office and Office of Organizational Development and Training to provide travel training to all travelers, travel representatives, and travel approvers within CAFS.

Responsible Manager: Dr. Robert Taylor, Dean, CAFS
Status: **CLOSED**
Action(s) Taken by Management: As of May 11, 2021, all required CAFS employees had completed the required training.

Report No. 2020-11-05: Grant Compliance & COVID-19 Response **Issue Date: 4/02/2021**

College/Department: College of Agriculture and Food Sciences

Charging of Unallowable Indirect Costs to Federal Grants		
COSO Component	**Control Deficiency**	**Recommendation**
Control Environment	The salary for the Associate in Land Grants position was directly charged to two federal grants despite not meeting the criteria for direct charging of an administrative position's salary to federal grants.	• Evaluate the sources currently used to fund all CAFS administrative positions for compliance with funding terms.

Responsible Manager: Dr. Robert Taylor, Dean, CAFS
Status: **OPEN**
Action(s) Taken by Management: Dean Taylor is preparing a report to address the recommendations from the investigation. He will submit the final report to the Division of Audit by or on June 14, 2021.
Anticipated Implementation Date: **June 14, 2021**

Allocation of Administrative Salaries to Allowable Funding Sources		
COSO Component	**Control Weakness**	**Recommendation**
Monitoring	CAFS may be charging the salaries for several administrative positions to restricted funding sources, or sources which do not allow for the direct charging of administrative or indirect costs.	• Evaluate the sources currently used to fund all CAFS administrative positions for compliance with funding terms. • Develop a process for documenting administrative staff time and how the associated salary is to be charged to appropriate funding sources.

Responsible Manager: Dr. Robert Taylor, Dean, CAFS
Status: **OPEN**
Action(s) Taken by Management: Dean Taylor is preparing a report to address the recommendations from the investigation. He will submit the final report to the Division of Audit by or on June 14, 2021.
Anticipated Implementation Date: **June 14, 2021**

Telecommuting Policy Applicability		
COSO Component	**Control Weakness**	**Recommendation**
Information and Communication	Non-teaching faculty members may assume the telecommuting policy and agreement terms do not apply to them based on the definition of "eligible employee" included in the policy.	Management should consider revising the applicability and definition of "eligible employee" in University Policy Number UP-03-01, Telecommuting Policy and Agreement, to include non-teaching faculty.

Responsible Manager: Dr. Maurice Edington, VP of Academic Affairs/Provost
Status: **OPEN**
Action(s) Taken by Management: The President's Senior Leadership Team discussed this recommendation during the May 17-18, 2021, retreat and has agreed to review the Telecommuting Policy, to include consideration of making modifications to the list of "eligible employees."
Anticipated Implementation Date: **To be determined at the next Senior Leadership Team meeting, May 25, 2021.**

Compliance with Mandatory COVID-19 Training		
COSO Component	**Control Weakness**	**Recommendation**
Monitoring	Staff within CAFS were working on campus without having completed the mandatory COVID-19 training. Monitoring to ensure staff returning to campus had completed the training was not in place in CAFS.	Ensure all CAFS employees who are required to complete the mandated COVID-19 training has taken the training.

Responsible Manager: Dr. Maurice Edington, VP of Academic Affairs/Provost
Status: **OPEN**
Action(s) Taken by Management: Dean Taylor will assess the extent that CAFS employees currently working on campus have completed the required COVID-19 training; any outstanding individuals will have a July 1, 2021, deadline to complete the training with expectation of 9-month faculty who will have an August 2, 2021, deadline to complete the training.
Anticipated Implementation Date: **August 2, 2021, for 9-month faculty and July 1, 2021, for all other CAFS staff.**

Report No. 2021-02-19: Dual Employment/Conflict of Interest **Issue Date: 4/06/2021**

College/Department: College of Social Sciences, Arts and Humanities

Outside Employment and Undisclosed Conflict of Interest		
COSO Component	**Control Process Improvement**	**Recommendation**
Control Activities	A faculty member worked for FAMU and another university simultaneously without properly disclosing the outside employment and conflict of interest.	• Evaluate the feasibility of automating the conflict of interest disclosure process, ensuring appropriate levels of review, approval, and monitoring. • Consider an HR liaison function in the Office of the Provost that works closely with Human Resources and Office of Compliance and Ethics to maintain continuity and consistency in personnel actions and record management.

Responsible Manager: Joyce Ingram, Chief of Staff for Finance and Administration, Associate Vice President for Human Resources, Chief Diversity Officer
Status: **OPEN**
Action(s) Taken by Management: The conflict of interest disclosure automation process is underway and being handled by ITS. The need for training has been discussed with the Office of the Provost. The HR liaison position is being established and Terrisa Brown has been proposed to fill the role starting July 1, 2021.
Anticipated Implementation Date: **July 1, 2021**

FAMU

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

Internal Controls Assurance Statement

June 2021

FAMU

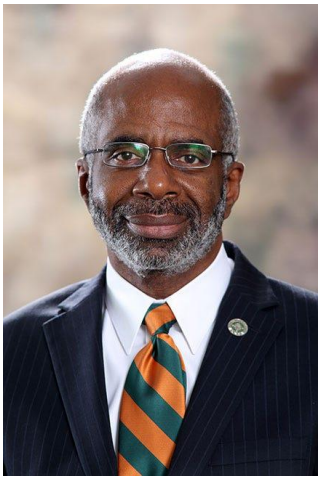
FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Internal Controls Assurance Statement

June 2021

Statement from the President – Larry Robinson, Ph.D.

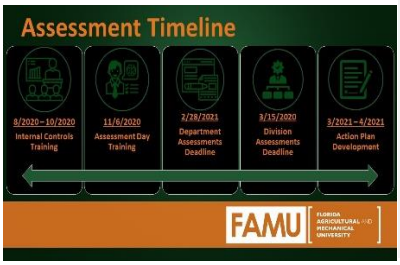
Florida Agricultural and Mechanical University has been named the No.1 Public Historically Black College & University in the U.S. News & World Report Rankings for the past two years. In part, this honor was made possible by the strong system of internal controls that supports our business, financial, and academic operations and the hard work of everyone on our team to ensure controls are in place and functioning optimally.



Over the past year and a half, the University has faced one of the most challenging times in its history, as the COVID-19 pandemic forced our University to change the way we operate both academically and administratively. In March 2020, we moved the vast majority of our student instruction to distance learning and transitioned the majority of our staff to remote work, with our ultimate goal of ensuring the health and safety of our faculty, staff, students, and stakeholders. This meant, we had to change our processes and controls to support this new way of doing business, while continuing to move this great institution forward in meeting our mission, strategic goals, business objectives, and performance-based funding metrics. We ensured our internal control structure was dynamic and remained strong during this time by doing the following:

Forming cross-functional teams to assess operational changes, identify risk and opportunities, and implement comprehensive plans. These teams took into consideration changes to policies, procedures, and processes and emphasized training and communication to faculty, staff, students, and stakeholders.

Mandating training in the Committee on Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls – Integrated Framework (Framework). This training highlighted the University's internal control policies as well as faculty and staff roles and responsibilities in ensuring internal controls are in place and functioning within their operational and academic units.

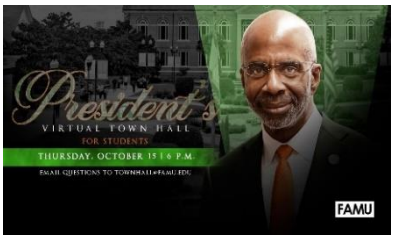


Requiring all divisions to complete an internal controls self-assessment to identify strengths and opportunities for improvement of the Framework's five internal control components and seventeen principles.

Directing the Division of Audit to conduct audits of the over $39 million in federal COVID-19 relief funds provided to the University. These audits focused on the allowable use of these funds and compliance with applicable reporting requirements. Where appropriate, the audits assessed the strategic use of funds for the advancement of University strategic and performance goals.

Tasking key Univesity leaders with routine collaboration with their State University System of Florida and national counterparts to assess the dynamically changing environment, and share best practices in adapting to the COVID-19 pandemic.

Hosting numerous town hall meetings for our faculty, staff, students and others who make up our FAMUly to ensure that we were timely and fully communicating expectations as changes were made to operations, inviting feedback, and addressing questions and concerns.



At my direction, the Division of Audit facilitated an assessment of our internal controls based on the Framework to determine whether all components and principles of controls were present and functioning. This assessment applied a maturity model and identified both internal control strengths and opportunities for improvement. The maturity model employed a scale from 1-Adhoc (controls were non-existent with no formal procedures or metrics for performance measures) to 5- Optimized (controls were continuously reviewed and improved, highly automated, with comprehensive and defined performance metrics).

I am pleased to report that on this five-point maturity scale the University averaged 3.67 or higher on each of the five components of control as summarized in the table below.

COSO Internal Control Component	Average Maturity Level
1. Control Environment	4
2. Risk Assessment	3.75
3. Control Activities	3.67
4. Information and Communication	4
5. Monitoring Activities	4.5

These results demonstrate that, while we have room for improvement, all five components and seventeen principles of the framework are in place and functioning.

One of the most important type of internal controls are those used to ensure accurate and complete financial reporting. These controls include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the institution; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Generally Accepted Accounting Principles.

These controls at the University, are annually subject to external audit scrutiny by Florida's legislative auditor the Auditor General. Their most recent financial audit was issued in March 2021 and covered the period ending June 30, 2020. This audit determined the following:

- **Financial Statements**: The basic financial statements of FAMU (a component unit of the State of Florida) were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.
- **Internal Controls over Financial Reporting**: The audit did not identify any deficiencies in internal control over financial reporting that were consider to be material weaknesses.
- **Compliance**: The results of audit tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards, issued by the Comptroller General of the United States.

I reaffirm my commitment to the success of our students and the mission of this historically important institution dedicated to the vision of being recognized as a premier land-grant, doctoral-research university that produces globally competitive graduates. We will work diligently to improve our internal controls as we chart a path to becoming one of the top 100 Best National University in the U.S. News & World Report rankings.

In this document, I present some of the details of our internal control assessment. It is organized by the Framework's five components of controls and 17 principles. I highlight some notable internal control strengths as well as opportunities for improvement which require our collective attention and resources. I look forward to working with our Board of Trustees, members of my senior leadership team, faculty and staff to enhance our internal controls as a strategy to improving efficiency and effectiveness in achieving our shared priorities and goals.

Thank you,

Larry Robinson, Ph.D.
President

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Internal Controls Framework Overview

In December 2019, the Florida Agricultural and Mechanical University (University) Board of Trustees (BOT) adopted Policy 2019-01 *Internal Controls and Enterprise Risk Management*. The policy mandated that the University adopt the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls – Integrated Framework (Framework). The Framework stipulates that a system of internal controls must be designed and implemented to support the following components:

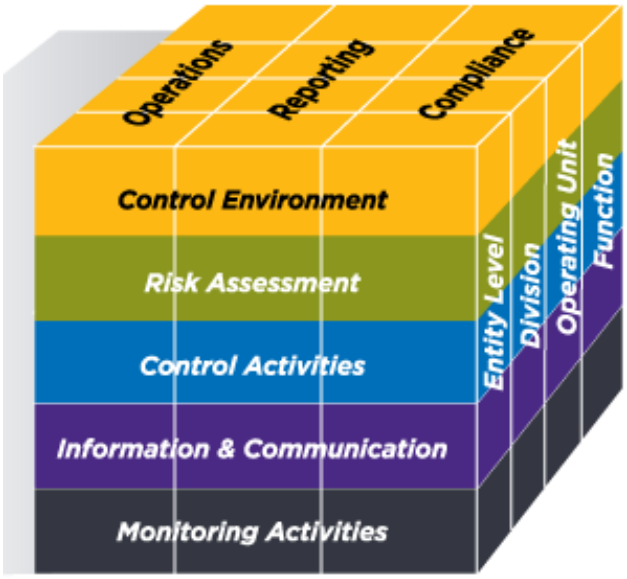
Control Environment – the set of standards, processes, and structures that provide the basis for carrying out internal controls across the University. The control environment comprises the commitment to integrity and ethical values that establish oversight responsibility and enforce accountability.

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.



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The following seventeen principles support the five components of control:

Control Environment	1. Demonstrates commitment to integrity and ethical values 2. Exercises oversight responsibility 3. Establishes structure, authority and responsibility 4. Demonstrates commitment to competence 5. Enforces accountability
Risk Assessment	6. Specifies relevant objectives 7. Identifies and analyzes risk 8. Assesses fraud risk 9. Identifies and analyzes significant change
Control Activities	10. Selects and develops control activities 11. Selects and develops general controls over technology 12. Deploys through policies and procedures
Information & Communication	13. Uses relevant information 14. Communicates internally 15. Communicates externally
Monitoring Activities	16. Conducts ongoing and/or separate evaluations 17. Evaluates and communicates deficiencies

In accordance with BOT Policy 2019-01, the President and the President's administration are responsible for establishing, maintaining, and consistently applying internal controls designed to:

- Prevent and detect fraud, waste, and abuse as defined in Section 11.45(1), Florida Statutes
- Promote and encourage compliance with applicable laws, rules, regulations, contracts, grant agreements, and best practices
- Support economical and efficient operations
- Ensure reliability of financial records and reports
- Safeguard University assets

Additionally, the BOT charged the President with the responsibility 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.

In response to the BOT's charge, President Larry Robinson, Ph.D., instructed management, faculty, and staff to implement internal controls that were appropriate, reliable, cost-effective, comprehensive, and reasonable in supporting the mission as well as the strategic, business, and performance objectives of the University. To facilitate these efforts, he worked with the Division of Audit to:

- Provide internal controls training to all management, faculty, and staff;
- Develop an internal control self-assessment tool for use by divisions, colleges, and schools; and
- Evaluate the University's overall internal control system utilizing information gathered through the internal control self-assessment tool, interviews and focus groups conducted with internal and external parties (management, faculty, BOT representatives, etc.), audits, investigations, and observations made over the past year in response to the COVID-19 pandemic.

Below is an illustration of the timeline of events used by the University to develop the internal controls assurance statement:

The University's system of internal controls is dynamic, and controls change to meet the needs of the organization over time. As a result, the University chose to implement a maturity model to guide the implementation and continuous improvement of the University's overall internal controls framework. The maturity model uses a five-point scale and is outlined below:

Maturity Stage	Observable Process Characteristics			
	Procedures	**Controls**	**Metrics**	**Improvement Mechanisms**
1. Ad Hoc	No formal procedures exist.	Controls are non-existent or primarily in reaction to a "surprise."	There are not metrics or performance monitoring.	None
2. Repeatable	Some standard procedures exist, relies on "tribal knowledge[1]."	Mostly detective controls are in place, minimal preventive controls, and highly manual.	Few performance metrics exist; thus, performance monitoring is inconsistent or informal.	Most likely in reaction to audits or service disruptions.
3. Defined	Procedures are well documented, but not kept current to reflect changing business needs.	Preventive and detective controls are employed, still reliant on manual activities.	Some metrics are used, but performance monitoring is still manual and/or infrequent.	Generally, occurs during periodic (e.g. annual) policy and procedures review.
4. Managed	Procedures and controls are well documented and kept current.	Preventive and detective controls are employed, with greater use of automation to reduce human error.	Many metrics are used with a blend of automated and manual performance monitoring.	Best practices and/or benchmarking are used to improve processes.
5. Optimized	Process and controls are continuously reviewed and improved.	Preventive and detective controls are highly automated to reduce human error and cost of operations.	Comprehensive, defined performance metrics exist, with extensive automated performance monitoring.	Extensive use of best practices, benchmarking, and/or self-assessment to continuously improve processes.

The following pages details the results of the University's assessment of internal controls based on the above maturity model, and identifies both strengths and opportunities found within each of the Framework's components and principles of control.

[1] Tribal knowledge is any unwritten information that is not commonly known by others within an organization. This term is used most when referencing information that may need to be known by others in order to produce quality products or services. The information may be key to quality performance, but it may also be totally incorrect.

Internal Controls Framework Assessment

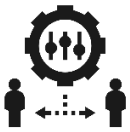
CONTROL ENVIRONMENT

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The control environment is comprised of the following five principles of control, which were all found to be present and functioning.

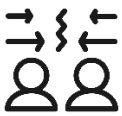
	PRINCIPLES OF CONTROL	MATURITY LEVEL
P.1	The organization demonstrates a commitment to integrity and ethical values.	5
P.2	The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control.	4
P.3	Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.	5
P.4	The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.	3
P.5	The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.	3

The University's control environment is shaped by its' history, mission, core values, and regulatory oversight, and the higher education industry in which we compete and allowed the University to be resilient throughout the COVID-19 pandemic and continue to meet its business objectives. Key strengths of the control environment at the University are detailed below.

STRENGTHS	
	The University Code of Conduct (BOT Regulation 1.019), was updated in February 2020. The change was related to external communication on behalf of the university, contract authority, gifts and entertainment, record keeping, fraud, health and safety, sustainability, information technology, investigations, retaliation, and equal opportunity.
	In December 2019, Board of Trustees (BOT) adopted Policy 2019-01 *Internal Controls and Enterprise Risk Management* and adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO): • Internal Controls – Integrated Framework, and • Enterprise Risk Management - Integrating with Strategy and Performance.
	Strong focus on training to communicate requirements and expectations: • August 2020 - February 2020: Mandatory Internal Controls Training • March 2020: Mandatory training on conflicts of interest, fraud, public records and open meetings • April 2021: Management training on Handling Emergencies during COVID; Enterprise Risk Management; Telecommuting Guidelines; Cedar and ADA Compliance; Due Process/Policy Considerations; Fostering Student Success in a Remote Learning Environment; Title IX /Consensual Relationships; Preparing for Audits; Clery Campus Security Authority; Employee Law; and FERPA.

STRENGTHS	
	In March 13, 2020, the President approved University Policy UP-03-01 Telecommuting Policy, which was critically important to the university's ability to respond to the COVID-19 pandemic and pivot to remote work for all but select employees who needed to work on site to deliver essential university services.
	The President sets a strong tone at the top for ethical and honest conduct. On August 6, 2020, the BOT evaluated President Robinson on his exhibition of honesty and integrity. The BOT members collectively scored him a 4.9 out of 5.0 possible points.
	The BOT meets regularly as a body and separately with individuals of management to provide administrative oversight of the development and performance of internal controls. Trustees often provide insightful and constructive feedback to assist in improving outcomes.
	Several BOT regulations and policies require elements that contribute to a strong control environment. This includes articles of the BOT Operating Procedures such as Article 6: Code of Ethics, 6.1 Conflict of Interest; and Article 10.1: General, Collective Authority and Action.

The University strives to continuously improve its control environment and move toward an optimized maturity level for all five principles. As a result, areas were identified where opportunities existed to improve the control environment.

OPPORTUNITIES FOR IMPROVEMENT	
	The policy structure and processes need to be improved to ensure policies are reflective of compliance requirements, management direction, and current practices. This was evidenced by both the Division of Audit Report No. 19-20-0005 *Advisory Services Report Process for Adopting and Changing Policies* and the Board of Trustees self-evaluation in August 2020 where trustees evaluated the following metric, "The Board periodically reviews and evaluates its policies," as average. One trustee commented, "*Our policies should undergo a full review both specific to governance and to the University's overall operation to bring them current. I would also recommend that an ongoing schedule of review be adopted*."
	Continued diligence with maintaining board of trustee member independence, as emphasized in the Southern Association of Colleges and Schools Commission on Colleges, *Section 4.2 Governing Board .... The Governing board .... (b.) ensures a clear and appropriate distinction between the policy-making function of the board and the responsibility of the administration and faculty to administer and implement policy.* Board members must rigorously adhere to the old Association of Governing Boards maxim, "noses in and fingers out." "Noses in, fingers out" is AGB's unofficial mantra of board engagement—the board's role is to oversee the execution of strategies and policy development without crossing the line into the tactical micromanagement of day-to-day operations.
	Enhanced accountability around compliance with mandatory trainings and equitable and consistent treatment by management in response to policy violations.

OPPORTUNITIES FOR IMPROVEMENT

In June 2017, the FAMU Board of Trustees approved the University's strategic plan: "FAMU RISING" 2017-2022. Strategic Priority 5: First-class Business Infrastructure, Goal 1: Recruit, develop, and retain diverse and excellent staff resulted in the development of a succession planning program. In the long term, succession planning, underpinned by career development will support effective replacement planning (short term) and transition planning (longer term) of personnel throughout all levels of the University, thereby strengthening continuity and the overall capability of Florida A&M University. Continued focus should be placed on fully implementing the succession planning program for the University.

RISK ASSESSMENT

Risk is defined by COSO's Internal Controls – Integrated Framework as the possibility that an event will occur and adversely affect the achievement of objectives. Therefore, like all entities, the University experiences risk at all levels. These risks may result from both positive and negative variances from expectations.

For example, a significant variance in student enrollment projections can have many impacts on the University. If there are significant declines in student enrollment, this could lead to major revenue loss, cancelled courses, or layoffs. Conversely, suppose there are significant increases in student enrollment. In that case, there may not be enough faculty to teach courses, quality of instruction and student engagement may decrease, or physical space constraints may be exceeded in classrooms and housing. Therefore, having sound processes in place for assessing risk throughout the University is vital to the University's ability to meet its mission and strategic objectives.

The risk assessment component is comprised of the following four principles of control, which were all present and functioning at the University.

	PRINCIPLES OF CONTROL	MATURITY LEVEL
P.6	The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.	**4**
P.7	The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.	**3**
P.8	The organization considers the potential for fraud in assessing risks to the achievement of objectives.	**4**
P.9	The organization identifies and assesses changes that could significantly impact the system of internal control.	**4**

An assessment of the University's risk assessment processes revealed several key strengths, as noted below.

STRENGTHS

The University specifies organizational objectives through its Strategic Plan (FAMU Rising), Presidential Goals, annual Accountability Plan, and assessment activities for divisions, colleges, and schools.

The University implemented BOT Policy 2020-01: *Fraud Policy* in December 2020 that established a zero tolerance for fraudulent, unethical, and dishonest activities. Additionally, the policy established responsibilities for the identification, reporting, and investigation of fraud.

The University conducts enterprise-wide risk assessments using three functions:

- **Office of Compliance and Ethics:** Compliance Risk Assessment
- **Division of Audit:** Conducts an annual risk assessment of impacts to internal controls, financial risks, strategic risks, compliance risks, and reputational risks
- **Insurance & Risk Management:** Assess risks related to areas covered under the State Risk Management Trust Fund

STRENGTHS

In March 2021, FAMU required all faculty and staff to take fraud training as part of its FAMU Fundamentals mandatory training program.

The University's senior leadership team meets as a group weekly to discuss operations and areas of risk throughout the University.

In December 2019, Board of Trustees (BOT) adopted Policy 2019-01 *Internal Controls and Enterprise Risk Management* and adopted the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management - Integrating with Strategy and Performance.

In May 2021, the Division of Audit hosted a Fraud, Risk, and Controls Town Hall meeting for all faculty and staff to increase awareness and provide faculty and staff the opportunity to ask questions specific to their roles within the University.

The University strives to continuously improve its risk assessment processes and move toward an optimized maturity level for all four principles. As a result, areas were identified where opportunities existed to improve risk assessment.

OPPORTUNITIES FOR IMPROVEMENT

Management should establish long-range risk management plans to support critical success factors for business units, colleges, and schools.

Management should consider providing additional risk management and fraud related training to faculty and staff.

In collaboration with senior management, the University Board of Trustees should establish a risk tolerance statement

The University should continue with its plans to implement an enterprise risk management function in adherence with BOT Policy 2019-01: *Internal Controls and Enterprise Risk Management*.

Management could enhance the budget process by utilizing strategic objectives as a basis for allocating resources needed to attain desired academic, operational and financial performance, and reduction of risk.

Management should consider integrating risk identification into the strategic planning process for the strategic plan currently in development.

CONTROL ACTIVITIES

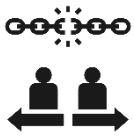
Control activities for the University are mechanisms used to manage the achievement of its strategies, performance, and business objectives. For example, when the University pivoted to remote instruction in Spring 2020, as result of the COVID-19 pandemic, a cross-functional team assessed the impacts to the University. The team assessed relevant academic processes (i.e., testing, grading, instruction, privacy, etc.), information technology needs (i.e., virtual meeting platforms, security, hardware, student collaboration tools, etc.), and locations where additional control activities were needed. The control activities component is comprised of the following three principles of control, which were all present and functioning.

	PRINCIPLES OF CONTROL	MATURITY LEVEL
P.10	The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.	4
P.11	The organization selects and develops general control activities over technology to support the achievement of objectives.	3
P.12	The organization deploys control activities through policies that establish what is expected and procedures that put policies into place.	4

There were several strengths noted during the assessment of control activities utilized by the University. Highlighted below were some of the key strengths identified during the assessment.

STRENGTHS

Management considered the regulatory environment, complexity of the higher education industry, and scope of University operations, and our mission to select and develop control activities.



In University areas where staffing is lean, management actively assesses for proper segregation of incompatible duties, and where such segregation is not practical management selects and develops alternative control activities.

Financial Aid management performs quarterly user access reviews to restrict technology access rights to authorized users commensurate with their job responsibilities.

The Division of Audit, Office of Compliance and Ethics, Office of Equal Opportunity Programs, and Ombudsman, receives, triages, refers and/or investigates complaints on matters identified within their respective sphere of authority when there are alleged violations of control activities.

The University strives to continuously improve its control activities and move towards an optimized maturity level for all three principles. As a result, areas were identified where opportunities existed to improve control activities.

OPPORTUNITIES FOR IMPROVEMENT	
	The University should continue building out a comprehensive set of policies and procedures to guide the development and communication of standard IT procedures and technology general controls.
	Management should perform an entity-wide assessment to understand and determine the dependency and linkage between business processes, automated control activities within PeopleSoft, and technology general controls.
	Development and training on risk mitigation processes and procedures should be integrated into management practices.
	Management should provide additional training to staff on the use of technology available to increase efficiencies.
	Significant strides are being made in the area of University/Division-wide policy review. An annual mechanism has been established to ensure consistent and timely review. There is a need for greater accountability associated with constituent compliance with established policies.
	All divisions, colleges, and schools should perform formal best practices and benchmarking assessments to inform needed changes within policies, procedures, and practices.

INFORMATION & COMMUNICATIONS

Relevant and quality information is imperative to the University's ability to achieve its strategic, business, and performance objectives. This information may come from internal sources (i.e. employees, information systems, etc.) or externally (regulatory bodies, news, parents, alumni, etc.). Therefore, establishing effective and efficient communications for information to flow throughout the entire organization and between external sources enables clear communication of expectations and requirements. The information and communications component are comprised of the following three principles of control, which were all present and functioning.

	PRINCIPLE OF CONTROL	MATURITY LEVEL
P.13	The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.	**3**
P.14	The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.	**4**
P.15	The organization communicates with external parties regarding matters affecting the functioning of internal control.	**5**

While all principles of the information and communications component were present and functioning, the University exhibited key strengths in the areas below.

STRENGTHS

The use of Qualtrics to gather feedback to continuously improve operations throughout the University.

External constituents receive relevant information about matters impacting the University. In addition, Sponsored Research, the Office of Procurement, and the Auxiliary Services Departments timely advise consultants and vendors of relevant expectations and related changes.

Reporting (i.e. Financial Conflict of Interest, Misconduct, Title IX violations, etc.), to appropriate state and federal agencies are made as required.

Communications with students and families are made using a variety of platforms including FAMU email, iStrike, Blackboard, social media platforms, and listservs.

The President and his Senior Leadership Team meets weekly to communicate information and actions throughout the University. University experts are regularly invited to the meetings to provide greater insights on topics for informed decision making.

The University strives to continuously improve its processes for communicating and sharing information externally and internally with a goal of increasing the maturity levels for all three principles of the information and communications component. As a result, areas were identified where opportunities existed to improve information and communications.

OPPORTUNITIES FOR IMPROVEMENT	
	There is a heavy reliance on manual processes in key areas of the University. Further automation of processes would increase the timeliness, relevancy, and quality of information available for use and decision making.
	Enhance performance monitoring and evaluation within academic areas for administration, faculty, and students.
	The University is effective at communicating from the senior leadership team to their direct reports through staff meetings. However, improvements could be made to increase informal and formal communication of strategy, expectations, and information impacting business and academic operations to faculty and staff at the director/chair level and below.
	Training should be provided on a regular basis to ensure newer university employees are made aware of all relevant policies and procedures.
	The University should consider utilizing existing technology, such as Microsoft Teams, to increase communication and sharing of information among management, faculty, and staff.

MONITORING ACTIVITIES

The COSO Internal Controls – Integrated Framework defines monitoring activities as those activities that assess whether each of the five components of internal control and relevant principles are present and functioning. The University's monitoring activities (management reviews, internal audit, external audits and reviews, assessments, etc.) assists management in determining whether the system of internal control is effectively addressing current risks and business needs and potential changes that may need implementing to address new risks. The monitoring activities component is comprised of the following two principles of control, which were all present and functioning.

	PRINCIPLE OF CONTROL	MATURITY LEVEL
P.16	The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.	**4**
P.17	The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate.	**5**

While all principles of the monitoring activities component were present and functioning, there were notable strengths to the University's efforts in this area.

STRENGTHS	
	All divisions, colleges, and schools completed annual assessments that are monitored for continuous improvement opportunities. FAMU received the 2020 Excellence in Assessment Designation, recognized for conducting comprehensive assessment of student learning outcomes as a means to drive internal improvement and advance student success.
	Internal control deficiencies are reviewed with leadership and/or during staff consultations for timely correction.
	Internal control deficiencies and related correction actions are routinely reported to senior management and the Board of Trustees.
	University Policy UP-01-02: *Internal Controls and Enterprise Risk Management*, requires the University to annually provide to the BOT an assurance statement and summary information including an analysis of the University's systems, controls, and legal compliance.
	The Division of Audit performs an annual risk assessment to guide their assurance and advisory work plan to assesses against criteria established by regulators, oversight bodies, and best practices. The Division of Audit, additionally has an established process to work with management, and other designated personnel, to follow-up on corrective action plans implemented to address noted audit findings and process improvement recommendations.

The University strives to continuously improve its monitoring activities. As a result, areas were identified where opportunities existed to improve monitoring activities.

OPPORTUNITIES FOR IMPROVEMENT	
	Information and communication systems are monitored and periodically evaluated, but the information from this monitoring is not used to timely update noted deficiencies and often times the changes are cost prohibitive.
	Improvement is needed to management's monitoring of the control environment by enhancing static, periodic monitoring with continuous monitoring techniques.
	Management periodically spots check records to ensure expectations are met. Root causes of issues should be identified and used for continuous improvement.

FAMU

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT

DoA News Letter

May 2021

"The Audit Report"

ISSUE
01
MAY
2021

THE AUDIT REPORT

FAMU FLORIDA A&M UNIVERSITY DIVISION OF AUDIT

Vision

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

Mission

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

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

In this issue

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Internal Controls P.3
DoA's Data Analytics Program P.4
University Regulation on Fraud P.5
What's Happening P.6

Message from the VP for Audit

I am excited to publish the inaugural edition of **The Audit Report** – the Division of Audit's quarterly newsletter!

It is May and we are celebrating **International Internal Audit Awareness Month**. This month our focus is on sharing information about the profession of internal auditing as well as DoA services in the areas of audit, investigations, management reviews, and technical assistance. **(Page 2)**

It is our goal to become your trusted advisors and add value to the university's academic and administrative operations.

We share your Vision to be recognized as a premier land-grant, doctoral-research university that produces globally competitive graduates. We have worked closely with President Robinson as he implements the COSO Internal Controls – Integrated Framework across the University. **(Page 3)**

At the Board's urging and with the support of President Robinson, the DoA is implementing a data analytics program which we hope will make our audit and investigative services more efficient, effective and provide greater assurance to management and the board on university operations. **(Page 4)**

We have also worked with our board and President Robinson to champion the development of a comprehensive fraud policy and a fraud regulation which will be considered by the board at their June meeting. **(Page 5)**

All of these topics are highlighted in this edition of **The Audit Report**. We have also included What's Happening to highlight Division-related news items you need to know! **(Page 6)**

We look forward to hearing from you and working with you in the coming fiscal year.

Joseph K. Maleszewski
Chief Audit Executive and
Vice President for the Division of Audit

May Is International Internal Audit Awareness Month

May is **International Internal Audit Awareness Month** and the Division of Audit is celebrating! Many professions enjoy an inherently universal understanding of their value. Most people understand the role of a doctor; therefore, a campaign designed to build awareness about what doctors do is generally not necessary. Unfortunately, this is not be true for the profession of internal auditing.

As depicted in the graphic below, internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the University's operations.

Internal auditing involves identifying the risks that could keep the University from achieving its goals, making sure our leaders know about these risks, and proactively recommending improvements to help reduce the risks. In simple terms, internal auditors are independent fact finders to support informed decision making.

In order to raise awareness of the role and value of internal auditing the DoA hosted a ***Fraud, Risk, and Control Town Hall*** meeting on May 6th. Thank you to those that attended the Town Hall, and a special thank you to our esteemed panelists:

- President Larry Robinson, Ph.D.;
- Rica Calhoun, Chief
  Office of Compliance and Ethics;
- Mattie Hood, Director
  Office of Operational Effectiveness & Procurement;
- Dr. Shawnta Friday-Stroud, Ph.D., VP
  University Advancement;
- Joe Maleszewski, VP
  Division of Audit; and
- Jahan Momen, Assistant Controller
  Asset Management Accounting.

During May the we also hosted a virtual scavenger hunt which encouraged participates to find key information on our website and compete for prizes.

We will host other activities which we hope will allow you to get to know us better and inform you about our staff, capabilities, and services.

For internal auditing to be effective, our leaders must be open to discussing tough issues and seizing opportunities to make necessary changes for improvement.

I am proud to say we have those type of leaders here at FAMU!

Reach out to our team to kick off discussions at auditandcompliance@famu.edu or call at (850) 412-5479.

Contributing Auditor:
William (Bill) Knight
Senior Auditor

INTERNAL AUDITING = ASSURANCE, INSIGHT, AND OBJECTIVITY

Governing bodies and senior management rely on internal auditing for insight and objective assurance that existing internal controls are adequate to mitigate the organization's risks, governance and risk management processes are effective and efficient, and organizational goals and strategic objectives are met.

THE AUDIT TEAM

Deidre Melton,
MBA, CIA, CFE, CISA, CISM, CRISC, CDPSE
Director of Audit

Carl Threatt Jr.,
MBA, CIA, CRMA, CFE, CCEP, CIGA, CIGI
Lead Senior Auditor

Ruoxu Li,
CIA, CISA
Senior IT & Data Analytics Auditor

THE AUDIT TEAM

William (Bill) Knight, CIGA
Senior Auditor

Arriet Foster, MBA, CFE, CIGA
Senior Auditor & Investigation Specialist

Danielle Myrick, Auditor

How is the University Implementing Internal Controls?

In December 2019, the FAMU Board of Trustees adopted Policy 2019-01 *Internal Controls and Enterprise Risk Management*. The policy mandated that the University adopt the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls – Integrated Framework (Framework). The Framework stipulates that a system of internal controls must be designed and implemented to support the 5 components and 17 principles of control summarized in the graphic below. In accordance with BOT Policy 2019-01, the President and the President's administration are responsible for establishing, maintaining, and consistently applying internal controls designed to:

- Prevent and detect fraud, waste, and abuse as defined in Section 11.45(1), Florida Statutes
- Promote and encourage compliance with applicable laws, rules, regulations, contracts, grant agreements, and best practices
- Support economical and efficient operations
- Ensure reliability of financial records and reports
- Safeguard University assets

Additionally, the BOT charged the President with the responsibility 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.

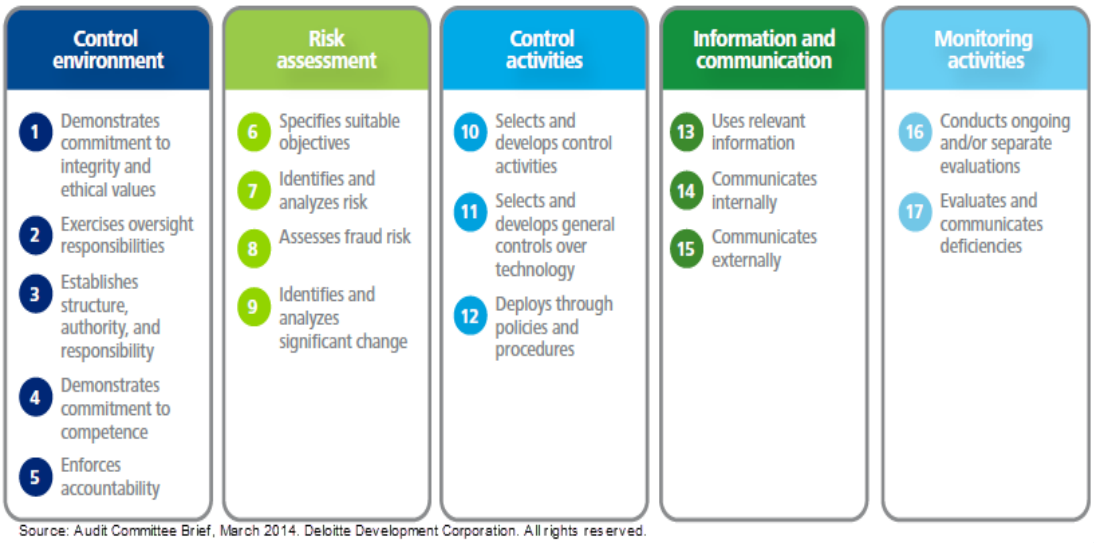
to implement internal controls that were appropriate, reliable, cost-effective, comprehensive, and reasonable in supporting the mission as well as the strategic, business, and performance objectives of the University. To facilitate these efforts, he worked with the Division of Audit to:

- Provide internal controls training to all management, faculty, and staff;
- Develop an internal control self-assessment tool for use by divisions, colleges, and schools; and
- Evaluate the University's overall internal control system utilizing information gathered through the internal control self-assessment tool, interviews and focus groups conducted with internal and external parties, audits, investigations, and observations made over the past year in response to the COVID-19 pandemic.

At the June 2021 BOT meeting President Robinson will deliver his inaugural *Internal Controls Assurance Statement* which will include his assessment of internal controls; highlight some notable internal control strengths; and review opportunities for improvement which require our collective attention and resources. The DoA looks forward to working with President Robinson, our Board of Trustees, members of my senior leadership team, faculty and staff to enhance our internal controls as a strategy to improving efficiency and effectiveness in achieving our shared priorities and goals.

Contributing Auditor:
Danielle Myrick

COSO's 17 Principles of Internal Control - Summarized



Source: Audit Committee Brief, March 2014. Deloitte Development Corporation. All rights reserved.

DoA's Data Analytics Program

In accordance with FAMU's Strategic Plan 2017-2022, Priority #5, Goal Five "Leverage technology and establish a data-driven culture", the DoA has established a Data Analytics Program led by Senior IT & Data Analytics Auditor Ruoxu Li. Data Analytics is the science of analyzing raw data in order to make conclusions about information. The purpose of this program is to build an effective data analytics function which supports DoA projects that will add value to the University community. We hope to gain increased efficiency, increased effectiveness, and improved assurance in our products and services.

To date, the DoA has developed a three-year data analytics strategic plan; acquired the audit data analytics software "IDEA;" and received PeopleSoft query training from FAMU's ITS. We have also identified frequently used PeopleSoft queries to be used for future projects with the help of the Office of the Institutional Research and the Controller's Office.

While data analytics take far less time than the old manual methods and reduces the risk of human errors in testing it requires rigorous methods. The DoA performs the following steps in order to prepare the data for analysis:

1. Clean the data;
2. Consolidate relevant data;
3. Check the quality of the data; and
4. Arrange the data in a format where analysis can be performed.

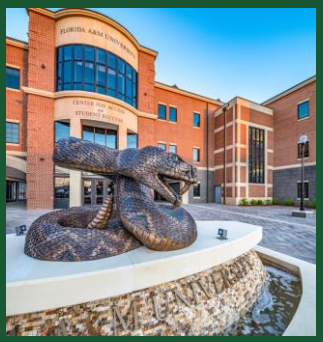
We can apply data analytics with a historical perspective for fraud detection and performance evaluations; a continuous perspective for control monitoring and auditing; and a future perspective to develop key risk indicators with predictive and prescriptive analytics.

As we continue to grow our data analytics program, we welcome your feedback via auditandcompliance@famu.edu to enhance our program.

Meanwhile, we are eager to partner with the University community to undertake projects to help achieve university goals, "Leverage technology and establish a data-driven culture."

Contributing Auditor:
Ruoxu Li
CIA, CISA
Senior IT & Data Analytics Auditor

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



Need to file a complaint or make a report to the Division of Audit?

You can reach DoA by email: auditandcompliance@famu.edu or phone: 850-412-5479.

Complaints can also be submitted via the University's Compliance and Ethics Hotline which allows anonymous reporting.

Click on this link to go to the Hotline.

We look forward to hearing from you.

Fraud Education and Resources

Want to know more about how to prevent, detect, and address fraud within the University or in your day-to-day life? Check out some of the resources listed below.

Association of Certified Fraud Examiners

Association of Government Accountants Fraud Resources

FAMU Division of Audit

FRAUD Magazine

Institute of Internal Auditors Fraud Resources

Proposed University Fraud Regulation

Did you know Certified Fraud Examiners estimate that organizations lose 5% of revenue to fraud each year? That totals approximately $7 million of FAMU's $139.4 million in 2019-2020 operating revenues. If you can imagine the services the University would lose as a result of fraud – from student aid, to facility improvements, to pay increases – then you can understand the need to protect the University against fraud.

Florida Board of Governors Regulation 3.003 requires each University Board of Trustees to adopt a regulation establishing criteria related to appropriate institutional controls and risk management framework. Accordingly, during the June 2021 BOT meeting, Trustees will consider approval of a new fraud regulation that complements the University's existing Fraud Policy, BOT 2020-01.

The FAMU Fraud Regulation communicates the University's zero tolerance for fraudulent, unethical, and dishonest activities. It also provides for the implementation of anti-fraud strategies to manage and mitigate fraud risk. Some of those strategies, as outlined in the regulation, include preventing and detecting fraud; conducting investigations; reporting fraudulent activities; providing protections prescribed in law for persons who report violations; taking appropriate disciplinary or legal action; and requiring each employee to attend annual fraud awareness training.

The DoA is the central locus of coordination for activities that provide accountability, integrity and efficiency in the operation of the University.

Per the proposed Fraud Regulation, the DoA, with the assistance and active participation of other divisions, will periodically perform a fraud risk assessment and advise management of the actions needed to reduce the risk of fraud. The DoA has primary responsibility for investigating complaints of fraud, waste, and abuse within the University.

However, you also have a responsibility to help protect the FAMUly against improper activity. In addition to following University policies and procedures, and upholding process controls, anyone doing business for or with FAMU who has knowledge of a fraud, misappropriation, or other impropriety must immediately notify his/her supervisor and/or the DoA. All FAMU employees should be familiar with the types of improprieties that might occur within his/her area of responsibility, and be alert for any indications of irregularity.

If approved, the new FAMU Fraud Regulation will be available for your review on the FAMU BOT website, along with other University regulations with which you should become familiar.

You can find more information about University regulations by visiting the Office of General Counsel and FAMU University Regulations webpage.

Contributing Auditor:
Arriet Foster, MBA, CFE, CIGA
Senior Auditor and Investigation Specialist

What's Happening

Risk Assessment and Work Plan - Over the past several months the DoA has been conducting a risk assessment to identify areas for audit attention in the coming fiscal year. Our risk assessment will be presented to the BOT Audit and Compliance Committee on June 3, 2021. Once approved, the Risk Assessment and 2021-2022 DoA Work Plan will be available on our web page. Please contact the DoA if you know of areas that could benefit from audit, investigation, management review, or technical assistance services which could add value to the University.

New Legislation - Due to increased theft of intellectual property from academic institutions by foreign governments and entities, national and state legislation has been passed that requires universities, including FAMU, to take actions to prevent and detect the threat of 'Foreign Influence.' Reporting requirements for foreign gifts, conflicts of interest, foreign contracts and foreign travel will need to be monitored closely by the University. Multiple government agencies are likely to review and evaluate FAMU's compliance with these regulations in the future.

New Offices – The DoA will soon be saying good-bye to the fourth floor of the Foote-Hilyer Administration Center (FHAC) and moving into the old Cashier's Office on the basement level of FHAC. The move is expected to be completed in August 2021 and will allow DoA to collocate all internal audit staff, provide work space for external auditors, and provide needed collaboration work space.

Audit & Compliance Committee – We welcome Trustee Carrington M. Whigham, FAMU's new Student Body President and BOT Student Member to the Audit and Compliance Committee. We look forward to working with Trustee Whigham and her fellow committee members as they assist the BOT in discharging its oversight responsibilities for the financial reporting process, the system of internal controls, the audit process, and the University's process for monitoring compliance with laws and regulations. Trustee Whigham joined the FAMU BOTs during April 2021. Welcome!

Giving Back – In April, the DoA participated in FAMU's Relay for Life fundraiser. Our team surpassed our goal and raised over $1,000 to help the American Cancer Society sustain critical research and patient services in this difficult time.

ACCOUNTABILITY ● INTEGRITY ● EFFICIENCY

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DIVISION OF AUDIT

FAIRNESS ● OBJECTIVITY ● PROFESSIONALISM

Foote-Hilyer Administration Center
Tallahassee FL, 32307

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Upcoming Activities

- Office Move - August
- Internal Controls Training
- Annual Report
- Quality Assurance and Improvement Program: Self Assessment
- 2nd Edition – The Audit Report