

Florida A&M University
Audit Committee Meeting

March 4, 2015

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2014/2015 Internal Audit Dashboard

Project	Plan Year	Status	Number of Findings	Number of Red Findings	Findings Implemented by Report Date	Red Findings Implemented by Report Date
Follow up of findings for audits of grade change process, financial aid, and purchasing card	2014/15	Field work began February 2015	N/A	N/A	N/A	N/A
Audit of Information Technology Functions	2013/2014	Suspended pending completion of Performance Funding Metrics audit. Field work is 70% complete with expected completion of April 2015.	N/A	N/A	N/A	N/A
Athletics Investigation (non NCAA related)	2013/2014	Field work completed and is in review process. Projected completion date of March.	N/A	N/A	N/A	N/A
Financial aid process review	2013/2014	Field work 60% complete. Projected completion date of April.	N/A	N/A	N/A	N/A
Pharmacy Phase II investigation	2013/2014	Contracted out at BOG request. Projected completion date of March 2015.	N/A	N/A	N/A	N/A
Audit of Performance Funding Data Integrity Audit	2014/2015	Completed February 2015.	3	0	0	N/A
Decentralized cash collections audit	2013/2014	Completed February 2015	6	1	6	1
TOTALS			9	1	6	1

Findings Follow-up – as of March 2015

Corrective actions for the findings related to the Grade Change Audit, # 2014-1, issued February 2014 were to be implemented by spring term 2014, effective for the fall term 2014. The validation of implementation of corrective actions is in process with an expected completion of April 2015.

The validation of corrective actions for the audit of the financial aid and P-Card is in process with an expected completion of April 2015.

The results of the follow up will be presented at the next audit committee meeting.

Risk Rating Definitions

The following risk rating definitions are used in assessing the relative risk of internal audit observations and do not represent an opinion on the adequacy or effectiveness of internal controls. University management is responsible for assessing whether the controls the University has implemented are adequate to meet its operational, compliance and financial reporting objectives.

- **High:** The potential impact on the operation (either in terms of dollars, error rate, or qualitative factors) could significantly affect the operation’s ability to achieve its strategic objectives
- **Medium:** The potential impact on the operation (either in terms of dollars, error rate, or qualitative factors) could moderately affect the operation’s ability to achieve its strategic objectives
- **Low:** The potential impact on the operation (either in terms of dollars, error rate, or qualitative factors) would not significantly affect the operation’s ability to achieve its strategic objectives

Audit Projects Completed (December 2014 –February 2015)

Audit of Cash Collections at Developmental Research School (DRS)

Process Owner – Development Research School administration

Scope and objectives – For cash collections and recording processes of the DRS, (1) Obtain an understanding of the internal controls and make overall judgments as to whether internal controls promoted and encouraged compliance with applicable laws, rules, regulations, contracts, and grant agreements; the economic and efficient operation of the cash collection process; the reliability of reports and records; and the safeguarding of assets; (2) evaluate management’s performance in these areas; and (3) evaluate the corrective action plan adopted by management.

Report Results

Fieldwork	Report status	Findings
Completed December 2014	Report issued February 2015	<ul style="list-style-type: none"> ● 1 Comment (discussed below) ● 3 Comments ● 2 Comments

1. DRS Decentralized Collections

Finding	Risks
<p>▶ Pre-numbered receipts are issued for collections; however, amounts collected per the receipt document are not reconciled to the amount deposited and recorded. In addition, the receipt documents are not accounted for.</p>	<p>▶ Risk – Decreased assurance that accountability for cash is established at the point of collection and that all cash is deposited and recorded.</p>
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Procedures should be established to reconcile pre-numbered receipt documents with the amount deposited and to account for all pre-numbered receipt documents.</p> <p><i>Management response:</i></p> <p>▶ Response: Receipt books will be returned when money is turned in and receipts will be reconciled with collections.</p>	<p>Responsibility: Dr. Patricia Hodge, Angie Rogers, and Evelyn Nix</p> <p>Implementation date: February 1, 2015</p>

Performance Funding Data Integrity Audit

Process Owner – Office of Institutional Research, Registrar, Enterprise Information Technology, and data custodians in various University departments

Scope and objectives –Review the processes and controls that the University has in place related to data submissions in support of the BOG performance based funding metrics as of November 30, 2014. The report is to be approved by the Board of Trustees and submitted to the Board of Governors. To assist in the Board of Trustees’ review, all findings are discussed below.

Report Results

Fieldwork	Report status	Findings
September 2014 to February 2015	Report issued February 2015	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="display: flex; align-items: center; margin-bottom: 5px;"> ● 0 Comments </div> <div style="display: flex; align-items: center; margin-bottom: 5px;"> ● 3 Comments </div> <div style="display: flex; align-items: center;"> ● 0 Comments </div> </div>

2. Performance Funding Data Integrity Audit

Finding	Risks
<ul style="list-style-type: none"> ▶ Documentation for approvals and denials within the i-rattler system for awarding degrees was not consistently enforced with all schools/colleges and Registrar office staff. 	<ul style="list-style-type: none"> ▶ Risk – degrees could be awarded to students who do not meet the requirements for the degree.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: The electronic approval process within i-rattler be fully utilized to better document the approval of degrees awarded.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The electronic approval process within iRattler has been updated to capture the user ID of authorized users who review student records for purposes of approving degrees. The system will enforce 3 approval levels. The Registrar’s Office will continue to collaborate with EIT to ensure the approval process is recorded in iRattler at all approval levels. 	<p>Responsibility: Agatha Onwunli, Registrar in collaboration with schools/colleges Due Date: Spring 2015 semester</p>

3. Performance Funding Data Integrity Audit

Finding	Risks
<ul style="list-style-type: none"> ▶ Some inappropriate or unnecessary information technology (IT) access privileges existed within PeopleSoft and SUDS, indicating a need for improved review of access privileges. 	<ul style="list-style-type: none"> ▶ Risk – increased risk of unauthorized disclosure, modification, or destruction of data and IT resources.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Review of access privileges should be improved to include a review of all user access privileges and remove inappropriate or unnecessary access to ensure that access privileges are compatible with assigned duties.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The Office of Institutional Research (OIR) will develop procedures to determine, on a regular basis, whether access privileges are compatible with users’ assigned duties. Beginning in April 2015, OIR will implement a quarterly review of SUDS access. EIT will work with management in the Registrar’s Office, Admissions Office, Budget Office, and Financial Aid Office to improve the user access review process within i-rattler by developing functional level reviews of access privileges for critical and sensitive transactions on a regular basis. 	<p>Responsibility: Dr. Kwadwo Owusu, Director of Institutional Research, Michael James, Chief Information Officer Due Date: April 2015</p>

4. Performance Funding Data Integrity Audit

Finding	Risks
<ul style="list-style-type: none"> ▶ Data submissions were not submitted by the due date. Submissions ranged from four to 18 business days late. 	<ul style="list-style-type: none"> ▶ Risk – Data may not be available to the BOG to make informed decisions.

Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Continuing efforts should be made to identify issues as early as possible and enlist the assistance of all departments which need to be involved in resolution of the issues.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The data administrator will work closely with the data owners and EIT to ensure files are submitted within 2 weeks before the BOG deadline to allow time for corrections. OIR will work with the data owners and EIT to automate processes used to build the files. 	<p>Responsibility: Dr. Kwadwo Owusu, Director of Institutional Research, Michael James, Chief Information Officer, applicable data custodians within the departments</p> <p>Due Date: June 2015</p>

Status of Investigations

During the period from July 2014 through January 2015, the Division received 31 allegations/complaints. Of these, 12 reports were issued, 7 were closed with no investigation, 5 are in process, 5 have been referred to another department for review, and 2 are pending investigation. It should be noted that several investigations included multiple allegations. We estimate the actual number of complaints for the reports issued and investigations in process is in the range of 28. Investigations are classified into the following categories:

Categories	July 2014- January 2015 Number	July 2014- January 2015 Percent of Total	Year End June 30, 2014 Percent of Total
Diversity, equal opportunity, and workplace respect	9	29	38
Environment, Health, and Safety	0	0	7
Financial and business integrity	19	61	31
Misuse or misappropriation of assets or information	3	10	24
TOTALS	31	100	100

Upcoming Projects

Project	Expected timing of fieldwork	Comments
Accounts payable review	March 2015	▶ Developing specific audit objectives
Review of Band Eligibility	March 2015	▶ Review of eligibility of band members

Results of Self-Assessment

Scope and Objectives - The Division's Quality Assurance Improvement Program requires an annual self assessment be conducted. The purpose of an annual self assessment is to provide the audit committee with assurance that the internal audit activity is maintaining the standard of performance required by the Institute of Internal Auditors, governing charter, and code of ethics and to identify areas where improvements could be made. The self assessment was for the period from June 2013 through July 2014 and was completed in December 2014. The summary results of the self assessment are as follows.

<h2>5. Self-Assessment</h2>	
Finding	Risks
<ul style="list-style-type: none"> ▶ The audit committee charter and division charter could be enhanced to assure (1) they align with the University’s mission statement, and (2) the responsibilities and reporting lines in the charters are consistent. 	<ul style="list-style-type: none"> ▶ Risk – the purpose, authority, and responsibility of the audit committee and internal activity may not be consistent or unclear.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Review the audit committee charter and division charter to assure (1) they align with the University’s mission statement, and (2) the responsibilities and reporting lines in the charters are consistent.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The charters will be reviewed to assure (1) they align with the University’s mission statement, and (2) the responsibilities and reporting lines in the charters are consistent. 	<p>Responsibility: Rick Givens, CAE</p> <p>Due Date: May 2015</p>
<h2>6. Self-Assessment</h2>	
Finding	Risks
<ul style="list-style-type: none"> ▶ Professional standards require that auditors possess and enhance knowledge, skills, and competencies to effectively carry out their professional responsibilities through continuing professional development. Auditors have met their continuing professional development; however, there is not a formal training plan in place. 	<ul style="list-style-type: none"> ▶ Risk – Auditors may not possess the knowledge, skills, and competencies needed to perform effectively and efficiently.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Continue to address training needs by conducting a training needs analysis and establishing a formal training plan.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: We will conduct a training needs analysis and establish a formal training plan. 	<p>Responsibility: Rick Givens, CAE</p> <p>Due Date: July 2015</p>
<h2>7. Self-Assessment</h2>	
Finding	Risks
<ul style="list-style-type: none"> ▶ The University has an annual audit plan; however, a long-range audit plan that addresses university high risk areas has not been established. 	<ul style="list-style-type: none"> ▶ Risk – budget and staffing levels may not be adequate to address university high risk areas.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Establish a long-range audit plan that addresses university high risk areas.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: A long-range audit plan that addresses university high risk areas will be established. The plan will be developed in conjunction with the development of the audit plan for the 2015-16 year. 	<p>Responsibility: Rick Givens, CAE</p> <p>Due Date: August 2015</p>

8. Self-Assessment

Finding	Risks
<ul style="list-style-type: none"> ▶ Improvements could be made in the audit finding follow up process to assess if management corrective actions have been effectively implemented. 	<ul style="list-style-type: none"> ▶ Risk – Control deficiencies and issues noted in audit findings may not be adequately implemented.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Continue to augment the audit finding follow up process to assess if management corrective actions have been effectively implemented.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: We will continue efforts to formalize and augment the audit finding follow up process to assess if management corrective actions have been effectively implemented and report the assessment to senior management and the audit committee. 	<p>Responsibility: Rick Givens, CAE Due Date: Ongoing</p>

9. Self-Assessment

Finding	Risks
<ul style="list-style-type: none"> ▶ The effectiveness and efficiency of work paper preparation, review, and retention could be improved through continuation of efforts to utilize more computer assisted audit tools, including automated work papers. 	<ul style="list-style-type: none"> ▶ Risk – Operations are not conducted effectively or efficiently as possible.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Utilize more computer assisted audit tools, including automated work papers.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: We will continue our efforts to utilize more computer assisted audit tools. We surveyed other SUS universities to determine who uses automated software and reviewed the capability of automated software products. Our review disclosed that there are several products that meet our requirements. 	<p>Responsibility: Rick Givens, CAE Due Date: July 2015</p>

10. Self-Assessment

Finding	Risks
<ul style="list-style-type: none"> ▶ A more robust performance metric framework could assist in evaluating the effectiveness and efficiency of the division's operations to fulfill and support better prioritization of staff activities to optimize staff engagement and evaluate ongoing performance. 	<ul style="list-style-type: none"> ▶ Risk – operations may not be as effectiveness and efficient as possible.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Establish a more robust performance metric framework to evaluate effectiveness and efficiency of the division.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: We identified key performance metrics related to staff utilization and timeliness of reporting. We will enhance our reporting systems to track and report these metrics. Identification and tracking of other metrics will be implemented on an ongoing basis. The performance metrics will be used to evaluate effectiveness and efficiency of the division. 	<p>Responsibility: Rick Givens, CAE Due Date: Ongoing</p>

BOARD OF GOVERNORS SURVEY

The Division also participated in a survey requested by the Board of Governors audit committee. The survey covered the Division's organization structure, roles and responsibilities, staffing, Chief Audit Executive required qualifications, and operational data.