

Florida A&M University
Audit Committee Meeting

March 5, 2014

Contents

- 2013/2014 Internal Audit Dashboard..... 3**
- Findings Follow-up – as of February 28, 2014 4**
- Summary of Late Findings..... 4**
- Risk Rating Definitions 5**
- Internal Audit Projects completed (October2013-February 2014)..... 6**
 - Grade Change Process 6-7**
 - Dining Service Contract Procurement..... 8**
 - Review of Band Compliance 9**
- Athletics Investigations 10-11**
- Operational Audit 2012 - 2013 12-14**
- Federal Awards Audit..... 14-15**
- Status of Investigations 15**
- In-process & Upcoming Projects 16**
- Other Projects..... 16**

2013/2014 Internal Audit Dashboard

Project	Plan Year	Status	Number of Findings	Number of Red Findings	Findings Implemented by Report Date (1)	Red Findings Implemented by Report Date
Grade Change Audit	2012/2013	Completed	3	2	2	2
Administrative Services Assistance Program	2013/2014	In process 80% complete	N/A	N/A	N/A	N/A
Review of Food Service Contract Compliance	2013/2014	Completed	None	N/A	N/A	N/A
Review of Band Compliance (games played on October 19 and 26 and November 16 and 23)	2013/2014	Completed	None	N/A	N/A	N/A
Athletics Investigation (NCAA related violations)	2013/2014	Completed (Two reports issued)	10	2	2	-
Academic Center for Excellence	2013/2014	Planning	-	-	-	-
Audit of Information Technology Functions	2013/2014	Planning	-	-	-	-
Athletics Investigation (non NCAA related)	2013/2014	Planning	-	-	-	-
TOTALS			13	4	4	2

(1) The implementation of the finding will be validated through the follow up of audit findings.

Findings Follow-up – as of February 28, 2014

Finding rating	Late	Revised	Open	Closed	Total
Red			4	0	4
Yellow			5	8	13
Green			3	9	12
Totals			12	17	29
	0%	0%	41%	59%	100%

Follow-up includes reports issued April 2013 through February 2014 and recommendations due through February 2014.

- (1) Management decided to terminate the Voyager card program effective September 30, 2013. All findings for the Voyager audit are considered closed.

Summary of Late Findings

Finding rating	Finding Description	Management's Action Plan	Reason
Red	None		
Yellow	None		
Green	None		

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

Internal Audit Projects completed (October 2013 - February 2014)

GRADE CHANGE PROCESS

Process Owners – Registrar and Enterprise Information Technology

Scope and objectives – Review the grade change process, authorization, and documentation supporting grade changes for the period July 1, 2011 through August 31, 2013.

Report Results

Fieldwork	Report status	Findings
October-December 2013	Report issued February 2014	 2 Comments (Detailed on the following pages)  1 Comment  0 Comments

1. Grade Change Process	
Finding	Risks
<ul style="list-style-type: none"> ▶ Employees in Registrar's Office had ability to change grades, but did not have demonstrated need to do so. 	<ul style="list-style-type: none"> ▶ Risk – Grade changes could be made without detection
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: A review of the access to make grade changers should be performed and documented. We also recommend that the ability to change grades should be removed if ability to change grades is not needed.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: An EIT listing of individuals with the ability to make grade changes will be requested and reviewed by Registrar staff, and individuals who do not need ability to change grades will have their access removed. 	<p>Responsibility: Dr. Agatha Onwunli, University Registrar Due Date: Spring Term 2014</p>

2. Grade Change Process

Finding	Risks
<ul style="list-style-type: none"> ▶ Employees in Enterprise Information Technology (EIT) had ability to change grades, but did not have demonstrated need to do so. 	<ul style="list-style-type: none"> ▶ Risk – Grade changes could be made without detection
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: An employee independent of the grade change process should compare individuals making grade changes to the EIT employees authorized to make grade changes. A sample of grade changes should be compared to the list of those authorized to make grade changes.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The Registrar's Office will document requests for grade changes with EIT personnel. Grade changes will be monitored for accuracy and proper authorization. 	<p>Responsibility: Dr. Agatha Onwunli, University Registrar and Michael James, Interim Vice President Information Technology</p> <p>Due Date: Spring Term 2014</p>

3. Grade Change Process

Finding	Risks
<ul style="list-style-type: none"> ▶ An additional layer of security was lost in a change to a new system. (Yellow classification) 	<ul style="list-style-type: none"> ▶ Risk – Unauthorized grade changes could be made without detection
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Implement the additional layer of security.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: Security has been increased and other solutions which would achieve a similar result are being explored. 	<p>Responsibility: Dr. Agatha Onwunli, University Registrar and Michael James, Interim Vice President Information Technology</p> <p>Due Date: Spring Term 2014 and ongoing</p>

DINING SERVICE CONTRACT PROCUREMENT

Process Owners – DIVISION OF ADMINISTRATIVE AND FINANCIAL SERVICES

Scope and objectives: To determine if the University complied with its policies and procedures in the procurement and evaluation process relating to the contract for the Dining Service operations.

Report results

Fieldwork	Report status	Findings
October 2013	Issued October 29, 2013	<ul style="list-style-type: none"><li data-bbox="959 552 1414 617"> 0 Comments (Detailed on the following pages)<li data-bbox="959 646 1166 680"> 0 Comment<li data-bbox="959 709 1179 743"> 0 Comments

REVIEW OF BAND COMPLIANCE

Process Owners –Music Department

Scope and objectives: To determine that eligibility of band students was verified prior to performances and that travel procedures were followed.

Report results

Fieldwork	Report status	Observations
December 2013	Completed for all October and November 2013 football games.	 0 Comments (Detailed on the following pages)  0 Comment  0 Comments

ATHLETICS INVESTIGATION (NCAA RELATED)

Process owners –Athletics Department

Scope and objectives: To determine if alleged violations could be substantiated as having occurred.

Report results

Fieldwork	Report status	Observations
December 2013 and January and February 2014	Reports issued on January 21 and February 7, 2014.	<ul style="list-style-type: none"> ● 2 Comments (Detailed on the following pages) ● 5 Comments ● 3 Comments

4. Athletics Investigation	
Finding	Risks
<ul style="list-style-type: none"> ▶ Student athletes did not receive reduction letters when their scholarships were reduced. 	<ul style="list-style-type: none"> ▶ Risk – NCAA regulations were not complied with, resulting in potential penalties.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: All reduction letters should be sent when scholarships are reduced.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: Athletics compliance will develop a list of all student-athletes and whether they should be sent renewal or non-renewal letters. The list will be submitted to financial aid for issuance of the letters. The renewal and non-renewal letters issued will be compared with the listing of student-athletes by Athletics compliance. 	<p>Responsibility: Michael Smith, Interim Athletic Director</p> <p>Due Date: Spring Term 2014</p>

5. Athletics Investigation	
Finding	Risks
<ul style="list-style-type: none"> ▶ Student athletes did not complete the required forms prior to NCAA requirements, including student-athlete consent form and proof of physical 	<ul style="list-style-type: none"> ▶ Risk – NCAA regulations were not complied with, resulting in potential penalties.

5. Athletics Investigation

Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Documentation regarding completion of required forms should be obtained and retained in the records.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The NCAA Consent form, drug testing consent form, and HIPPA form will be e-mailed to all roster student-athletes by July 15th. Student-athletes added to the roster after July 15th and before the first day of classes for the fall term will receive the forms by email. Student-athletes added to the roster after the first day of classes will be provided hard copies of the forms by Athletics compliance. Athletics compliance will verify that forms have been timely completed. 	<p>Responsibility: Michael Smith, Interim Athletic Director Due Date: Spring Term 2014</p>

6. Athletics Investigation

Finding	Risks
<ul style="list-style-type: none"> ▶ A booster provided a meal for an entire team while the team was on travel status. (classified (Yellow)) 	<ul style="list-style-type: none"> ▶ Risk – NCAA regulations were not complied with, resulting in potential penalties.
and management action plans	Action owner/timetable
<p>Recommendation: The education and training for coaches should be enhanced to provide a more comprehensive knowledge of NCAA regulations.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: A written <i>Occasional Meal</i> policy and form have been developed and implemented (effectively immediately). Occasional meals will be approved by the Athletic Compliance Officer and managed by the Assistant Athletic Director for Marketing. Rules education sessions will be conducted with coaches, administrators, staff, and student-athletes and will include information on the policy and process. The policy and form will be made available on the Athletic Department web site. 	<p>Responsibility: Michael Smith, Interim Athletic Director Due Date: Spring Term 2014</p>

OPERATIONAL AUDIT 2012-2013

Process owners –Various

Scope and objectives: To determine whether controls are adequate and laws were complied with over selected areas.

Report results

Fieldwork	Report status	Observations
September – November 2013	Preliminary findings received January 2013.	 3 Comments (Detailed on the following pages)  0 Comment  0 Comment

7. Operational Audit	
Finding	Risks
<p>► The University's athletic programs continued to experience cash deficits for 2012-13, contrary to BOG Regulation. The University's Deficit Reduction Plan did not adequately address eliminating the cash deficit.</p>	<p>► Risk – auxiliary enterprise operations (bookstore, food service, parking, Telecommunications, and student housing) may be at risk of not having resources to meet their needs. Also, other University resources may be required to finance the athletic programs.</p>
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: The University should continue to implement an effective deficit reduction plan.</p> <p>Management response:</p> <p>► Response: After consideration of the consultant's report, a revised deficit reduction plan will be developed to eliminate the deficit.</p>	<p>Responsibility: Michael Smith, Interim Athletic Director Due Date: September 30, 2014</p>

8. Operational Audit

Finding	Risks
<p>▶ Information for textbooks was not posted on the University's Web site at least 30 days prior to the first day of class, contrary to State law.</p>	<p>▶ Risk – Timely posting of textbook information is necessary to improve textbook affordability for students.</p>
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: The University should enhance monitoring procedures to ensure textbooks are timely posted on its Web site.</p> <p>Management response:</p> <p>▶ Response: To address this finding, the University communicated to the academic deans the importance of timely adoption of textbooks and that the responsibility lies with the deans. The deans were informed that noncompliance will be considered in performance evaluations.</p> <p>▶ In addition, the following steps will be taken:</p> <ul style="list-style-type: none"> ○ The registrar is researching implementation of a feature in PeopleSoft that will allow textbooks to be linked to courses in the registration module ○ Develop a process with assigned liaisons for each school/college to identify textbooks based on prior term selections as a default unless changes are made by professors/deans ○ Increase coordination with the bookstore to ensure selections are submitted and entered into the bookstore data base timely. 	<p>Responsibility: Rodner Wright, Interim Vice President for Academic Affairs and Provost</p> <p>Due Date: August 1, 2014</p>

9. Operational Audit

Finding	Risks
<p>▶ Students who were residents of a Caribbean country were classified as Florida residents for tuition purposes. The students did not receive a scholarship from the Federal or State government to qualify for a Florida resident rate pursuant to State law.</p>	<p>▶ Risk – Loss of tuition revenue.</p>

8. Operational Audit

Recommendations and management action plans	Action owner/timetable
<p>Recommendation: The University should seek guidance from the Attorney General as to whether the practice is allowable under State law.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: To address this finding, we will: <ul style="list-style-type: none"> ○ Perform an analysis of all Caribbean students that are being considered Florida residents to determine impact on tuition fees. ○ Analyze a pass-through Federal program that is being used to fund scholarships for these students. ○ Seek guidance from the Board of Governors concerning application of this statute. ○ Seek an opinion from the Attorney General. 	<p>Responsibility: Due Date: Spring Term 2014</p>

FEDERAL AWARDS AUDIT 2012-2013

Process owners – Student Affairs/ Office of Financial Aid/Division of Research

Scope and objectives: To determine whether controls are adequate and laws were complied with over Federal awards.

Report results

Fieldwork	Report status	Observations
September – November 2013	Preliminary findings received January 2013.	<ul style="list-style-type: none"> ● 1 Comment (Detailed on the following pages) ● 1 Comment ● 0 Comment

10. Federal Awards Audit

Finding	Risks
<ul style="list-style-type: none"> ▶ One of twenty-five students tested did not meet the requirements for Satisfactory Progress 	<ul style="list-style-type: none"> ▶ Risk – Ineligible students may receive Title IV funds.

10. Federal Awards Audit	
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Continue to enhance controls to ensure compliance with University policies and Federal regulations.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The University's procedures have been enhanced to include a SAP appeals committee, revised the academic plan, and limited the number of appeals that could be granted in a student's enrollment. Implementation of the process has been validated by Ernst & Young. 	<p>Responsibility: William Hudson, Vice President Student Affairs and Lisa Stewart, Financial Aid Director</p> <p>Due Date: Implemented</p>

11. Federal Awards Audit	
Finding	Risks
<ul style="list-style-type: none"> ▶ Exit counseling materials were not always provided to student loan borrowers who graduated, withdrew, or ceased to be enrolled at least half-time. 	<ul style="list-style-type: none"> ▶ Risk – Student loan borrowers may not be aware of their loan repayment obligation, which could lead to an increase default rate for the institution.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Procedures should be enhanced to ensure that exit counseling is performed, or exit counseling material provided, as required by Federal regulations.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The University's procedures have been enhanced by developing reports and queries that are shared between the Registrar and Financial Aid Offices to include all populations for which exit counseling material need to be delivered. Validation of the procedures is in process. 	<p>Responsibility: William Hudson, Vice President Student Affairs and Lisa Stewart, Financial Aid Director</p> <p>Due Date: Winter 2014 Term</p>

Status of Investigations

During the period from January 2013 through January 31, 2014, the Division received 72 allegations/complaints. Of these, 33 have been closed, 12 are in process, 5 have been referred to another department for review, and 22 are pending investigation.

In-process & Upcoming Projects

Project	Expected timing of fieldwork	Comments
Audit of ASAP	February 2014	▶ Findings are being developed and preliminary findings to be delivered for management response by March 14, 2014.
Audit of physical security, environmental, and operational controls; audit of access controls; audit of user authentication; and review of disaster recovery plan	March and April 2014	▶ Preliminary planning, gathering of background information, and development of audit objectives, audit program and internal control questionnaires.
Audit of Academic Center for Excellence program (Athletics)	March 2014	▶ Preliminary planning and gathering of background information, development of objectives and audit program.
Accounts payable review	March 2014	▶ Developing specific audit objectives
Financial aid process review	March-April 2014	▶ Developing specific audit objectives

Other projects

Ernst & Young follow up on student financial aid issues

Field work has been completed and a report to be issued March 2014.

Operational Audit for Year ended June 30, 2013

Preliminary findings were received and a response prepared and submitted to the Auditor General, as discussed above.

Audit of Federal Programs for Year Ended June 30, 2013

Preliminary findings were received and a response prepared and submitted to the Auditor General, as discussed above.

Formalization of Compliance Function

Currently, the University's compliance function is fragmented in that various organizational units within the University are performing compliance. We are exploring ways to formalize and increase compliance and monitoring activities. Our goal is to provide oversight of compliance and internal control activities on a continuous basis rather than after the fact through audits. This would provide a mechanism for identifying potential problem areas so that issues can be resolved before they become audit findings. It will also provide for continuous monitoring of those areas where we have had prior audit findings. Monitoring of findings becomes more important since a finding that is reported in three operational audits is to be reported to the Legislature. We have consulted with other universities on organization and structure, duties, responsibilities, and staffing of compliance functions and developed a draft position description for a compliance officer. We have also identified where compliance activities exist within the University and how those compliance activities are being monitored. Expected implementation would be to have the compliance function in place by the start of the 2014-15 year.