

FLORIDA **A&M** UNIVERSITY
Board of Trustees

Audit and Compliance Committee Meeting

Wednesday, March 4, 2020

9:30 a.m.

The Grand Ballroom

Committee Members: Craig Reed, Chair
Ann Marie Cavazos, Rochard Moricette, Belvin Perry and Robert Woody

AGENDA

- I. Call to Order Trustee Craig Reed

- II. Roll Call Ms. Debra Barrington

ACTION ITEMS

- III. Minutes: Consideration of Approval – December 4, 2019, 10:45 a.m. Trustee Reed

INFORMATION ITEMS

Office of Compliance and Ethics: Rica Calhoun

IV. Mandatory Training (Cybersecurity, Compliance & Ethics, Clery, Title IX)

V. Office of Compliance and Ethics Update

Division of Audit: Joe Maleszewski

VI. Fraud Policy – Draft

VII. Risk Tolerance Statement – Draft

VIII. Follow-Up - Investigative, Audit, External

IX. Internal Control Training Plan

X. Continuous Monitoring/Advisory Update

XI. College of Engineering

XII. Division of Audit Update

XIII. Adjournment

Audit & Compliance Committee Minutes
Trustee Reed, Chair
Wednesday, December 4, 2019; 10:45 AM

Members Present: Trustee Craig Reed, Chair (*Absent*)
Trustee Belvin Perry, Jr., Vice Chair
Trustee Rochard Moricette
Trustee Ann Marie Cavazos
Trustee Robert Woody

Chair Belvin Perry, Jr., called the meeting to order. Ms. Debra Barrington called the roll. A quorum was established.

Chair Perry acknowledged several action items for discussion: The Wednesday, September 18, 2019, minutes; Division of Audit Work Plan (Revised); and the BOT Internal Control & Enterprise Risk Management Policy. Vice President Joseph Maleszewski presented each of these action items. Chief Compliance and Ethics Officer Rica Calhoun presented an action item for the Code of Conduct Policy. Chair Perry requested a motion for the approval of each Action Item. Motions were made, seconded, and approved.

Chair Perry requested that Chief Compliance and Ethics Officer Calhoun present updates related to mandatory training and office activities. Ms. Calhoun informed the committee about mandatory training topics which had been developed for Clery, Compliance and Ethics, Cyber Security, Sexual Harassment Prevention, and Title IX. Ms. Calhoun informed the committee that the mandatory training would be developed in the LinkedIn Learning platform and rolled out during the month of March 2020. She further informed the committee that compliance education for board members was expected to occur in Spring 2020. Questions were asked and answered accordingly. Ms. Calhoun was applauded for an excellent "Compliance & Ethics Wrap Up Video" prepared by herself and LaTonya Baker, Internal Investigation Coordinator.

Chair Perry requested that VP Maleszewski present the remaining informational items for the Division of Audit. VP Maleszewski presented information on the following four issued audit reports: 2018 Athletics Expense Review; 2018-2019 Essential Theatre Decentralized Cash Collection Audit; Athletics Decentralized Cash Controls Audit; and Process for Adopting and Changing Policies Review. In addition, VP Maleszewski presented a status report on audit and investigative follow-up and information regarding ongoing external audits. VP Maleszewski discussed a proposed University Fraud Policy and proposed BOT Risk Appetite/Tolerance Statement which would be brought back to a future committee meeting. Finally, VP Maleszewski provided an update on the establishment of a Director of Audit position within the Division of Audit. Questions were asked and answered accordingly.

Lastly, Chair Perry asked if there were no further questions or discussions. The meeting was adjourned.

OFFICE OF COMPLIANCE AND ETHICS ACTIVITY REPORT

March 2020

THE BREAKDOWN

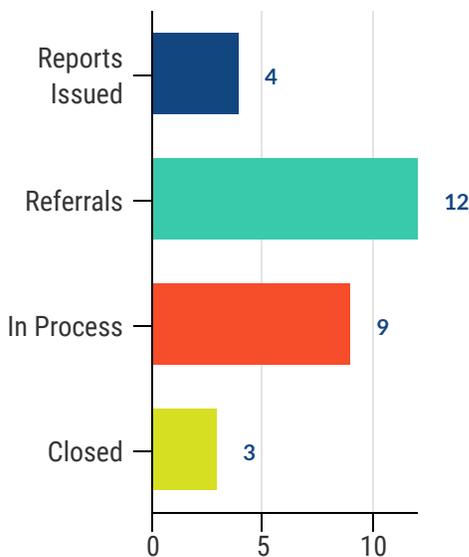
Education, Policy, and Outreach:

Research Security

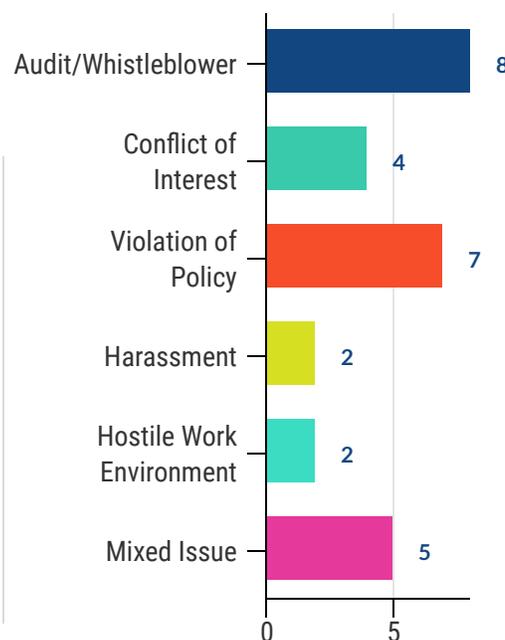
Mandatory Training

Conflict of Interest

Investigation Activities



Allegation Type



Mandatory Training Timeline

- 💡 January-February 2020: Implementation on LinkedIn Learning and Qualtrics Platforms. Additional communication to University Community.
- 💡 February 2020: Accountability and roll out finalization with Senior Leadership Team
- 💡 February 2020: University Memorandum to all employees
- 💡 March 1-31, 2020: Mandatory training window for all employees

Collaborative Efforts and Compliance Reviews

- Lab Safety- Sample review with Environmental Health and Safety
- Travel- Reimbursement guidelines
- Procurement- Contracts
- Conflict of Interest- University, Research, and Procurement
- Research Security- Foreign Influence and Export Control

Standards and Procedures: Utilize Structure and Operational Processes to Enforce Compliance and Ethics Program			
Year 2: Program Goals	Completed and ongoing	In progress	Not started
Finalize Operational Manual			
Finalize code of conduct and submit revisions for approval			
Collaborate with the Office of General Counsel and other appropriate offices in their policy review activities			
Oversight and Structure: Establish seamless structural transition and Maintain Effective Oversight and Structure			
Provide regular to the Board via email and at each Board Meeting, and survey requesting feedback			
Participate in weekly meetings with high level personnel to remain current on institutional compliance matters			
Hold individual meetings with Compliance Partners, as needed, to establish year 2 goals			
Distribute regular updates to the Board via email			
Continue working through the Enterprise Compliance Committee and working groups within the committee (ie: high risk, workforce, etc.) to establish priorities for year 2			
Communication: Promote program elements and increase compliance and ethics visibility			
Coordinate with university marketing to introduce the University community to the Compliance and Ethics Program			
Assess satellite campuses communications via site visits and coordination.			
Continue compliance campaign for Corporate Compliance and Ethics Week (annually the first full week of November)			
Maintain stand alone Office of Compliance and Ethics webpage. Meet with University ITS to develop strategy of development and implementation.			
Maintain the compliance and ethics hotline, monitor effectiveness, and develop promotion materials			
Training: Provide ongoing education to the governing authority and University constituencies			
Collaborate with the Office of the General Counsel to provide annual compliance and ethics training to the Board of Trustees and President's Leadership Team			
Develop compliance and ethics training for employees of the University in multiple formats.			
Distribute the Code of Conduct annually to all employees. New employees will receive this information within 30 days of the commencement of employment			

Year 2: Program Goals	Completed and ongoing	In progress	Not started
Develop broad based annual online training for employees of the University			
Monitoring: Engage monitoring practices to maintain a culture of compliance and ethical decision making			
Based on dotted line reporting, the Chief Compliance and Ethics Officer will establish a system in which Compliance Partners immediately report ethical misconduct or compliance concerns to the Chief Compliance and Ethics Officer for follow up to address issues			
The Office of Compliance and Ethics will conduct investigations and compliance reviews as necessary, reporting such findings to the department and executive compliance owner			
The Chief Compliance and Ethics Officer will provide resources to Compliance Partners to collaborate in monitoring compliance throughout campus. Resources include compliance calendars for each department, compliance literature, and worksheets to assist Compliance Partners in evaluating their areas			
The Chief Compliance and Ethics Officer will conduct annual surveys of Compliance Partners to assess compliance progress for year 2. Results of the surveys will be included in the Chief Compliance and Ethics Officer's annual report to the Board			
The Chief Compliance and Ethics Officer will advocate for the inclusion of items soliciting University community feedback regarding compliance and ethics in existing campus surveys and other measurable instruments (i.e., campus climate surveys). If this is not possible, develop and distribute independent survey instrument to solicit feedback			
The Chief Compliance and Ethics Officer will draft for review, feedback, and approval investigative procedures to include in the University Code of Conduct for distribution to the University community. The procedures will outline reporting systems, the elements of an investigation, findings, and a non-retaliation provision			
The Enterprise Compliance Committee will review and brainstorm ways in which to reward ethical behavior and a commitment to compliance			
The Enterprise Compliance Committee will serve as an additional source of comprehensive monitoring, as Compliance Partners will be able to identify and monitor compliance concerns comprehensively as most compliance issues span multiple departments and disciplines			
Collaborate with the Office of Human Resources to provide electronic copies of the Compliance and Ethics overview to all employees.			
The Chief Compliance and Ethics Officer will coordinate with the Office of Human Resources to review existing processes that will assist the University in its responsibility to employ reasonable efforts to exclude personnel from substantial authority who have engaged in illegal activities or other conduct inconsistent with the University compliance and ethics program			
Auditing: Assess program effectiveness			

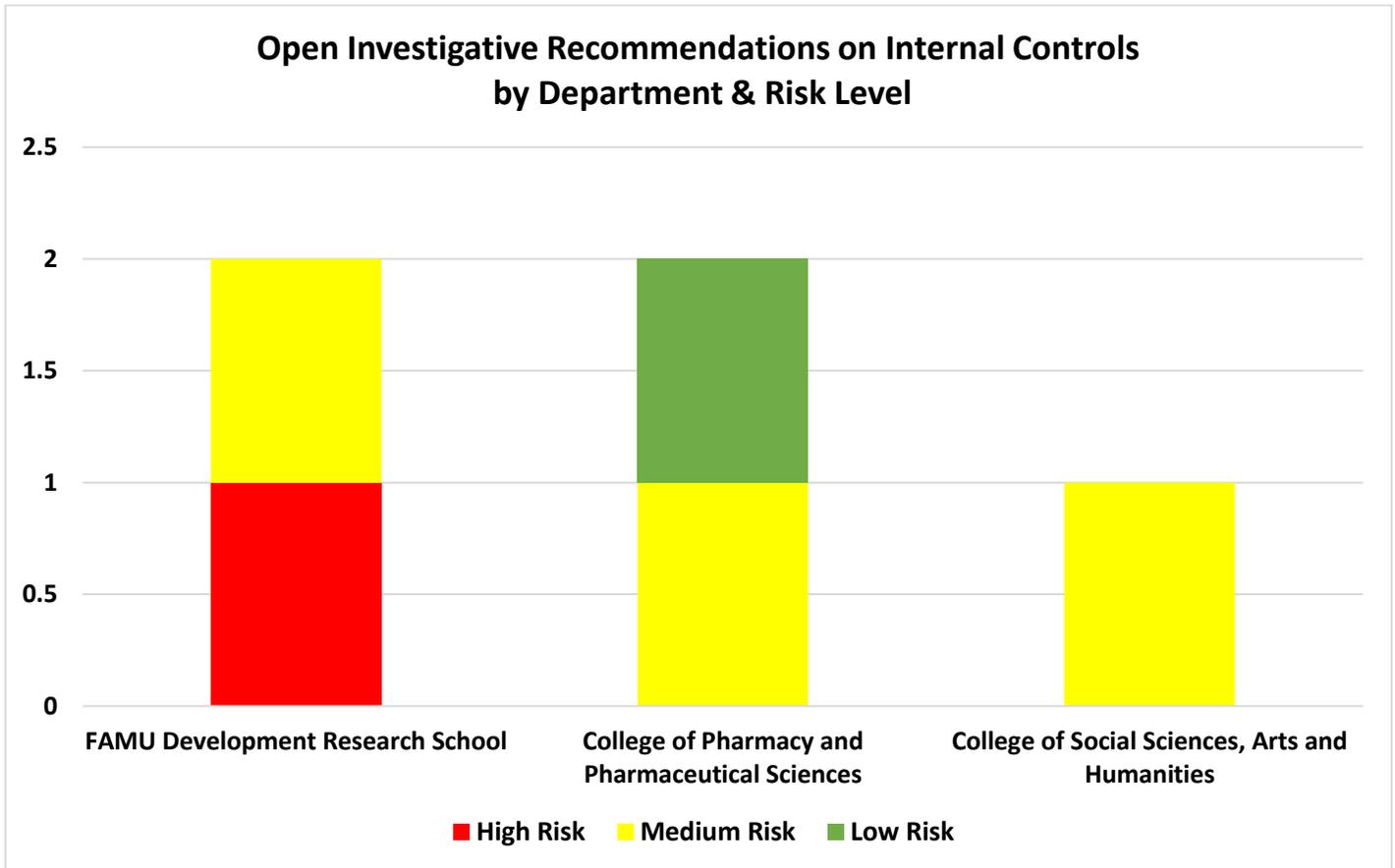
Year 2: Program Goals	Completed and ongoing	In progress	Not started
Engage the Office of University Assessment and the Division of Audit and Compliance to develop an assessment model that evaluates the effectiveness of the program. The annual report will review compliance efforts throughout campus, as well as the results of surveying Compliance Partners throughout the University. The report will also identify the goals and progress for each year. This report will be forwarded to the Board of Governors pursuant to 4.003 (7) 8			
Develop and distribute a Campus Climate/Independent Survey and host focus groups			
In addition to conducting an internal program effectiveness assessment, will solicit such review from the Division of Audit			
Response and Enforcement: To establish and use the investigative process and proper incentives and disciplinary measures in enforcement of the program. Continue to improve based on best practices and feedback.			
Collaborate with the appropriate offices to conduct investigations related to relevant complaints. The Vice President of Audit (or designee) serves on the Enterprise Compliance Committee to collaborate as appropriate and provide additional guidance			
Collaborate with the Vice President of Audit and the General Counsel to develop a triage process in evaluating complaint processing and investigations			
Meet with the Office of Human Resources to determine best way to integrate compliance pieces into existing processes (ex: job evaluations) and ways to partner			
Determine incentives and disciplinary measures in enforcement of the program			

5 Open Investigation Recommendations on Internal Controls as of February 21, 2020

2	Not Corrected - Past Due	3	Future Due Date
	FAMU Development Research School: Faculty and Staff Guidance and Expectations for Student Interactions		College of Social Sciences, Arts and Humanities: Procedures for Cash Collection by Authorized Cash Collection Points (3/2020)
	FAMU Development Research School: Follow Grade Change Policies and Procedures		College of Pharmacy and Pharmaceutical Sciences: Procedures for Trip Forms (2/2020)
			College of Pharmacy and Pharmaceutical Sciences: Use of Authorized University Cash Collection Points (2/2020)

Executive Owner for All Open Investigative Recommendations on Internal Controls:

Dr. Maurice Edington, Vice President of Academic Affairs/Provost



28 Investigation Recommendations on Internal Controls Validated and Closed since December 5, 2019 BOT Meeting

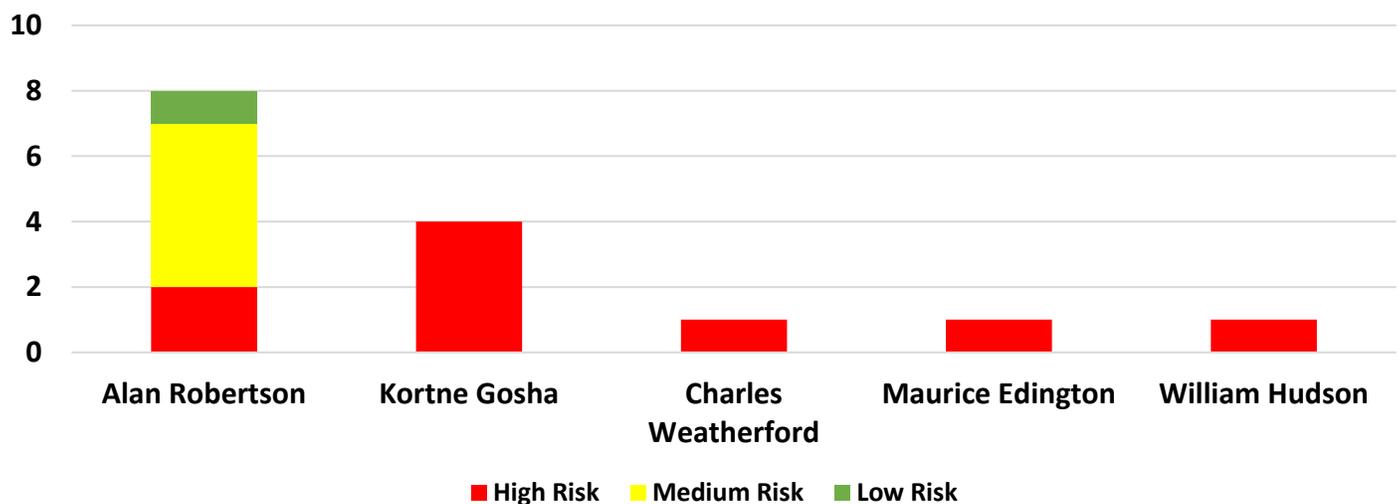
7	High Risk	14	Medium Risk	7	Low Risk
	FAMU Foundation: Separation of Duties for Authorizing & Receiving Awards		College of Education: Process for Confirming Interview Information (12/2019)		College of Agriculture and Food Sciences: Alternative Student Transportation
	FAMU Development Research School: Policy on Background Checks		College of Agriculture and Food Sciences: Services Within Scope of Grant Award- validated		College of Agriculture and Food Sciences: Create a Daily Sign-In/Out Log
	FAMU Foundation: Checks Issued to Authorized Individuals or Departments		College of Pharmacy and Pharmaceutical Sciences: Payment Process and Travel Reimbursements Training		College of Agriculture and Food Sciences: Alternate Authority to Sign Work Verification Logs
	FAMU Foundation: Approval of Check Changes		College of Pharmacy and Pharmaceutical Sciences: Receipt and Deposit of Travel Proceeds		FAMU Development Research School: Random Background Checks for Faculty & Staff
	College of Education: Falsified Credentials - Take Appropriate Personnel Actions		College of Pharmacy and Pharmaceutical Sciences: Foreign Travel – Take Appropriate Personnel Actions		FAMU Foundation: Alternative Offline Scholarship Application Process
	Human Resources: Guidance on Background and Reference Check Procedures (11/2019)		Office of International Education and Development: Central Oversight and Approval of all Study Abroad Programs (12/2019)		FAMU Foundation: Recall Check
	College of Education: New Hire and Change of Position Background Checks (12/2019)		FAMU Development Research School: Policies and Procedures for Attendance Redemption Programs		Human Resources: Amend Onboarding Process to include Outside Employment Form (11/2019)
			FAMU Development Research School: Document All Background Check Activities		
			FAMU Development Research School: Background Checks for University Employee Transfers		
			FAMU Foundation: Authorized Individuals for Check Pick-Up		
			FAMU Foundation: Guidelines for Emergency and Need-Based Funding		
			FAMU Foundation: Adherence to Scholarship Requirements by All Recipients		
			FAMU Foundation: Verification of Scholarship Eligibility Requirements		
			Sponsored Research: Monitoring of Compliance with Award Policies		

15 Open Audit Findings as of February 21, 2020

3 <u>Corrected</u> Require Validation	9 <u>Partially Corrected</u>	3 <u>Corrective Action Plans Currently Under Development</u>
 Purchasing Card Transaction Audit: Revised Policy	 2018 Operational Audit Findings: Intercollegiate Athletic Programs – Deficit Cash Balances	 2018-19 Risk Assessment: Emergency Preparedness
 Purchasing Card Transaction Audit: Supporting Documentation & Approvals	 2017-18 Cloud Security Governance Audit: Disaster Recovery	 2018-19 Risk Assessment: Hazardous Lab Chemicals
 Purchasing Card Transaction Audit: Threshold Analysis	 2017-18 Athletic Expense Review: Failure to Attend Mandatory University Fiscal and Compliance Training	 2018-19 Risk Assessment: Bragg Stadium Safety & Maintenance
	 2017-18 Athletic Expense Review: Inadequate Athletics Procurement Practices	
	 2018-19 Decentralized Cash Collections – Essential Theatre: Criminal Background Screenings	
	 2018 Operational Audit Findings: Payroll – Time Reporting	
	 2018-19 Risk Assessment: Purchasing – Vendor Contracts (Subject Matter Expert Review of Contracts)	
	 2018-19 Risk Assessment: IT Governance Committee	
	 2018-19 Risk Assessment Purchasing - Vendor Contracts (Procurement Processing Guidelines)	

Severity Risk Level  High Risk  Medium Risk  Low Risk

Open Findings by Executive Owner & Risk Level



6

Findings Closed Since December 5, 2019 BOT Meeting

	Purchasing Card Transaction Audit: Athletics Monthly Reconciliations
	Athletics Decentralized Cash Controls Audit: Ticket Void/Reissue Process
	Athletics Decentralized Cash Controls Audit: University Processing Timely Deposit
	Athletics Decentralized Cash Controls Audit: Ticket Security
	2018-19 Decentralized Cash Collections – Essential Theatre: Cash Handler Training
	2017-18 SGA Follow-Up Audit: Student Employee Time Reporting – SGA

Severity Risk Level  High Risk  Medium Risk  Low Risk



Report No. 19-20-007
Advisory Services Report
Overview of Audits & Reviews by External Parties



ACCOUNTABILITY • INTEGRITY • EFFICIENCY

February 21, 2020



Overview of Audits & Reviews by External Parties

EXECUTIVE SUMMARY

WHAT WE DID

We performed a review of external audit and review activities at Florida Agricultural & Mechanical University (FAMU). Specifically, the review included:

- Florida Auditor General financial, operational audits, and in-progress audits.
- Financial statements and audit reports for direct support organizations and the FAMU Athletics Department for FY 2018 and FY 2019.
- Florida Board of Governors funded management controls and business process assessment performed by Crowe LLP.
- Operational audit and review activities for FAMU Sponsored Programs and Academic Affairs from FY 2017 – FY 2019.

WHAT WE FOUND

Our review of financial statement audits revealed the following:

- The financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards.
- The audit did not identify any deficiencies in internal control over financial reporting that were consider to be material weaknesses.
- The results of audit testing disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Our review of operational audits and assessments of management controls and business processes revealed the following:

- There were no deficiencies noted during the Minority Science and Engineering Improvement Program Grant audit managed by Sponsored Programs.
- The operational audit reports and assessments identified areas¹ where internal controls and compliance could be strengthened. FAMU management has been effective in timely addressing areas identified through the external audit and assessment process.

¹ Examples included payroll, procurement, information technology, athletics financial practices, and purchasing.



Our review of academic program and accreditation reviews revealed the following:

- There were no deficiencies noted during the Biological Systems Engineering Program accreditation review. However, deficiencies and recommendations were identified during accreditation reviews and site visits for the Veterinary Program, School of Nursing, School of Architecture and Engineering Technology, and College of Law.

OPPORTUNITIES FOR IMPROVEMENT

The Division of Audit will continue to develop and refine processes for gathering and reporting both administrative and academic performance information from audits, reviews, and assessments to allow for meaningful decision making by the Senior Leadership Team and informed oversight by the Board of Trustees.



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BACKGROUND

Florida Board of Governors Regulations

The Florida Board of Governors regulations² state that chief audit executives must keep the president and board of trustees informed concerning deficiencies relating to university programs and operations; recommend corrective actions; and report on the progress made in implementing corrective actions.

FAMU Board of Trustees Audit and Compliance Committee Charter

The Florida Agricultural & Mechanical University (FAMU) Board of Trustees Audit and Compliance Committee charter states their principal activities will include oversight of FAMU’s internal control structure, to review the effectiveness and reliability of its business, financial and information system controls; oversight of the quality and integrity of the FAMU’s financial reporting processes to ensure the balance, transparency, and integrity of published financial information; and review of the external audits performed by the State Office of Auditor General and other independent auditors.

FAMU Board of Trustees and University Policies on Internal Controls and Enterprise Risk Management

In December 2019, FAMU Board of Trustees and the University President established policies requiring FAMU to implement The Committee of Sponsoring Organizations of The Treadway Commission’s (COSO) *Internal Control – Integrated Framework*³ (Framework), which is currently the leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control. The Framework is composed of five components: control environment, risk assessment, control activities, information and communication, and monitoring activities. The Division of Audit’s monitoring and reporting of external audit and review activities supports FAMU’s implementation of the following COSO Framework principle:

- **Monitoring Activities:** 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.

² Florida Board of Governors Regulation 4.002 State University System Chief Audit Executives

³ COSO Internal Control – Integrated Framework (2013) - Components and Principles



Internal Audit Standards

Professional auditing standards⁴ state that the chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management. The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”

⁴ International Standards for the Professional Practice of Internal Auditing (Standards) – Performance Standards 2130 - Control



FLORIDA AUDITOR GENERAL AUDITS

Overview of Audit Outcomes from FY 2018 Financial Audit

The Division of Audit’s review of the Florida Auditor General’s Financial Audit for FYE 2018 (Report No. 2019-105) revealed that the basic financial statements of FAMU were presented fairly, in all material respects, in accordance with prescribed financial reporting standards. Additionally, the audit did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses or instances of noncompliance.

Financial Statement Audit Report No. 2019-105			
Fiscal Year End (FYE) Report Date (RPT)	Financial Statement Opinion		Internal Control or Compliance Deficiencies
FYE: June 30, 2018 RPT: January 23, 2019		Unmodified	 None Reported

Legend: Unmodified Report Modified Report No Control or Compliance Issues Control or Compliance Issues

Summary of Financial Audit Report No. 2019-105

FAMU Financial Statement Audit FYE 2018	
Report Date	January 23, 2019
Audit Firm	Florida Auditor General
Financial Statement Opinion	Unmodified
Internal Control/Compliance Deficiencies Reported	None Reported
Asset and Deferred Outflows Totals	\$702.9 Million
Change in Net Assets (Net Position) from Prior Year	(\$55.7 Million)
Highlights	<ul style="list-style-type: none"> The University’s net position decreased was largely impacted by the adoption of Governmental Accounting Standards Board’s (GASB) Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>.



Overview of Audit Outcomes from Operational Audit (January 2017 – December 2017)

The Florida Auditor General’s Operational Audit for January 2017 to December 2017 (Report No. 2019-063) focused on selected FAMU processes and administrative activities and included a follow-up on findings noted in their report No. 2017-197. FAMU’s review of the report revealed internal control and compliance deficiencies that resulted in five reportable findings.

Operational Audit Report No. 2019-063		
Assessment Objectives	Internal Control Deficiency	Compliance Deficiency
To evaluate the existing internal controls and review business processes to identify any areas of risk for the SUS	 <p><u>Finding 1</u> Intercollegiate Athletic Programs – Deficit Cash Balances</p> <p><u>Finding 2</u> General Condition Costs – Negotiating and Monitoring Construction</p> <p><u>Finding 4</u> Payroll Processing – Time Records for Exempt Employees</p> <p><u>Finding 5</u> Purchasing Cards – Timely Submission of Receipts and Cancellation of Cards for Separated Cardholders</p>	 <p><u>Finding 1</u> Intercollegiate Athletic Programs – Self Supporting</p> <p><u>Finding 3</u> Competitive Selection – Declaration of Emergency for Procurement Exemptions</p>

Legend:  Unmodified Report  Modified Report  No Control or Compliance Issues  Control or Compliance Issues



Summary of Operational Audit Findings and Status of Corrective Action Plans

Finding No.	Description	Status
1	The University’s intercollegiate athletic programs experienced cash deficits for the 2016-17 fiscal year. A similar finding was noted in our report No. 2017-197	
2	University controls over negotiating and monitoring construction management entity general conditions costs continue to need improvement.	
3	The University procured services for heating, ventilation, and air conditioning; furnishings; flooring; and roofing from four respective vendors for a University renovation and refurbishing project with payments totaling \$583,224, without following Board of Governors and University competitive solicitation requirements and did not document the basis and authority for exempting the procurements from these requirements.	
4	The University did not, prior to processing payroll payments, require or ensure that the Human Resource Department received time reports or other records evidencing documented supervisory approval of exempt employee time worked. A similar finding was noted in our report No. 2017-197	
5	Controls over the University Purchasing Card Program continue to need improvement.	

Legend:  Action Plan Complete  Resolved Through Alternate Actions  Action Plan Steps Currently in Progress  Needs Attention



In-Progress Audits

Auditor General In-Progress Audits			
Audit	Audit Period	Expected Report Release Date	Preliminary Communication of Findings
Statewide Bright Futures	<u>FYE</u> June 30, 2016 and June 30, 2017	March 2020	No reportable findings as a result of testing.
State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	<u>FYE</u> June 30, 2019	March 2020	No reportable findings as a result of testing.
Financial Statement	<u>FYE</u> June 30, 2019	March 2020	Communication of preliminary and tentative findings expected February 25, 2020.



DIRECT SUPPORT ORGANIZATIONS & ATHLETICS

Overview of Audit Outcomes from FY 2018 and FY 2019

The Division of Audit’s review of financial statement audits for direct support organizations (DSO) revealed that the University financial statements were presented fairly, in all material respects, in accordance with prescribed financial reporting standards. Additionally, the audits did not identify any deficiencies in internal control over financial reporting that were considered to be material weaknesses or disclose instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Financial Statement Audits					
Organization	Fiscal Year End (FYE) Report Date (RPT)	Financial Statement Opinion		Internal Control or Compliance Deficiencies	
FAMU Foundation	FYE: June 30, 2019 RPT: October 30, 2019		Unmodified		None Reported
FAMU National Alumni Association	FYE: June 30, 2019 RPT: October 18, 2019		Unmodified		None Reported
FAMU Rattler Boosters’ Inc.	FYE: June 30, 2019 RPT: October 18, 2019		Unmodified		None Reported

Legend: Unmodified Report Modified Report No Control or Compliance Issues Control or Compliance Issues

Summary of Audit Reports

FAMU Foundation Financial Statement Audit for FYE 2018 and 2019	
Report Date	October 30, 2019
Audit Firm	Watson Rice, LLP
Financial Statement Opinion	Unmodified
Internal Control/Compliance Deficiencies Reported	None Reported
DSO Totals	Assets: \$129,745,635
(1) Assets	Liabilities: \$ 6,590,293
(2) Liabilities	Net Assets: \$123,155,342
Net Assets	
Change in Net Assets (Net Position) from Prior Year	(\$1,705,968)
Direct Support Provided to FAMU in FYE 2018 and FYE 2019	FYE 2018: \$5,895,915 FYE 2019: \$9,106,237



**FAMU National Alumni Association
Financial Statement Audit FYE 2019**

Report Date	October 18, 2019
Audit Firm	Grayson Accounting and Consulting, P.A.
Financial Statement Opinion	Unmodified
Internal Control/Compliance Deficiencies Reported	None Reported
DSO Totals	Assets: \$2,194,032
(1) Assets	<u>Liabilities: \$ 7,932</u>
(2) Liabilities	Net Assets: \$2,186,100
Net Assets	
Change in Net Assets (Net Position) from Prior Year	\$156,708
Direct Support Provided to FAMU in FYE 2018 and FYE 2019	FYE 2018: \$206,227 FYE 2019: \$ 75,849

**FAMU Rattler Boosters' Inc.
Financial Statement Audit FYE 2019**

Report Date	October 18, 2019
Audit Firm	Grayson Accounting and Consulting, P.A.
Financial Statement Opinion	Unmodified
Internal Control/Compliance Deficiencies Reported	None Reported
DSO Totals	Assets: \$91,127
(1) Assets	<u>Liabilities: \$ 0</u>
(2) Liabilities	Net Assets: \$91,127
Net Assets	
Change in Net Assets (Net Position) from Prior Year	\$50,046
Direct Support Provided to FAMU in FYE 2018 and FYE 2019	FYE 2018: \$36,732 FYE 2019: \$21,977



In-Progress Audits

Financial Statement Audits			
Organization	Fiscal Year End (FYE) Report Date (RPT)	Financial Statement Opinion	Internal Control or Compliance Deficiencies
FAMU Athletics Department	FYE: June 30, 2019 RPT: March 2020 (Anticipated Release)	 Unmodified	 <ul style="list-style-type: none"> • 1 Material Weakness • 1 Internal Control Deficiency • 1 Compliance Deficiency

Legend:  Unmodified Report  Modified Report  No Control or Compliance Issues  Control or Compliance Issues

FAMU’s Athletics Department Financial Statement Audit for FYE 2018 is currently in progress. While preliminary and tentative findings presented to FAMU on February 7, 2020, revealed that the financial statements would have an unmodified opinion, auditors did note a reportable material weakness, internal control deficiency, and compliance deficiency in the following areas:

- **Material Weakness: Financial Viability** – the Athletics Program’s operations have historically not produced sufficient positive cash flow, net revenues, and thus net position to be self-sustaining. To address this issue and improve financial viability of the Program, management has presented a deficit reduction plan to the Board of Trustees. The plan addresses eliminating the deficit, including specific actions to be taken and the time frame for completing the actions.
- **Internal Control Deficiency: Improper Transfers of Auxiliary Funds** – the lack of controls over the transfer of Auxiliary Funds has a material impact on the net position reported by the Athletics Program.
- **Compliance Deficiency: NCAA Infractions** – centered on improper certification violations over a six-year period.

The final Athletics financial statement audit report is expected to be released early March 2020.



Outstanding Athletics Financial Statement Audits and Agreed Upon Procedures Report Status

Fiscal Year End	AUP Report NCAA Bylaws 3.2.4.15.1 Due: Annually January 15	Elective Financial Audit BOT 2005-16 Best Practice Due Date: Annually March 31
June 30, 2017	Engagement Letter: February 2, 2018 Report Issued: No Past Due as of January 2018	Engagement Letter: February 2, 2018 Report Issued: February 13, 2019 Complete
June 30, 2018	Engagement Letter: No Engagement Letter Report Issued: No Past Due as of January 2019	Engagement Letter: March 29, 2019 Report Issued: No Past Due as of March 2019
June 30, 2019	Engagement Letter: No Engagement Letter Report Issued: No Past Due as of January 2020	Engagement Letter: No Engagement Letter Report Issued: No Due as of March 2020



FLORIDA BOARD OF GOVERNORS’ INTERNAL MANAGEMENT AND ACCOUNTING CONTROL AND BUSINESS PROCESS ASSESSMENT

Overview of Assessment Outcomes as of December 2019

The Florida Board of Governors engaged Crowe LLP to perform a system-wide “Internal Management and Accounting Control and Business Process Assessment.” The Division of Audit’s review of the assessment related to FAMU revealed that there were no high levels of risk or significant control gaps and weaknesses related to FAMU management and accounting controls or business processes. However, the assessment did identify three areas of low residual risk where FAMU could strengthen its internal controls related to information technology.

Internal Management and Accounting Control & Business Process Assessment			
Assessment Objectives	High Level of Residual Risk, Significant Control Gaps, or Weaknesses		Observations to Strengthen Internal Controls
To evaluate the existing internal controls and review business processes to identify any areas of risk for the State University System (SUS) of Florida.		None Noted	<p>Information Technology</p> <ul style="list-style-type: none"> • Data Protection – Employee Security Awareness Training • Information Security Governance – Policies and Procedures • Data Protection – Employee Removable Media

Legend: Low or Minimum Risk, No Significant Control Gaps or Weaknesses High Risk, Significant Control Gaps or Weaknesses No Internal Control Observations Observations to Strengthen Internal Controls



Summary of Crowe Assessment Observations

Risk Category	Description	Residual Risk Rating
Information Technology	<p><u>Data Protection – Employee Security Awareness Training</u></p> <p>FAMU does not provide reoccurring security awareness training to its employees.</p> <p>This increases the risk that employees may not understand how to identify and respond to emerging and evolving security threats (e.g. phishing scams).</p>	<p>Low</p>
Information Technology	<p><u>Information Security Governance – Policies and Procedures</u></p> <p>FAMU has not documented information security policies and procedures for the sections pertaining to:</p> <ol style="list-style-type: none"> 1. Malicious Code Detection and Integrity 2. Physical Security 3. Risk Management 4. Patch Management 5. Configuration Management. <p>This increases the risk that tasks will be performed inconsistently.</p>	<p>Low</p>
Information Technology	<p><u>Data Protection – Employee Removable Media.</u></p> <p>FAMU has not implemented technology controls to manage employees’ and contractors’ use of removable media, (i.e. USB drives).</p> <p>This increases the risk of unauthorized disclosure of confidential, personally identifiable, or other sensitive information through loss or misuse of the storage media.</p>	<p>Low</p>

Next Steps in Resolving the Crowe Assessment Observations

During the assessment period, Crowe LLP, requested and FAMU provided corrective action plans to address each reported observation. Additionally, the Florida Board of Governor’s requested during their January 29, 2020, Budget and Finance Committee meeting that each University monitor and provide a corrective action plan and updated status report for each reported observation.

The Division of Audit is in the process of working with management to reassess initial corrective action plans submitted to Crowe LLP by FAMU Information Technology Services staff after additional best practice and feasibility information was communicated to FAMU management through



their participation in the SUS Information Technology Audit Group and the SUS Council for Cyber Risk Management. Upon completion of the corrective action plan assessment, the Division of Audit will work with management to develop a final corrective action plan and provide the updated plan and status to the FAMU Board of Trustees and Florida Board of Governors.

Management anticipates communicating an updated corrective action plan and status to the FAMU Board of Trustees and Florida Board of Governors on or before March 20, 2020.



SPONSORED PROGRAMS & ACADEMIC AFFAIRS

Overview of Audit and Review Outcomes from FY 2017 to FY 2019

The Division of Audit’s review of the Minority Science and Engineering Improvement Program Grant audit managed by Sponsored Programs revealed no noted deficiencies or recommendations for improvement. Additionally, there were no deficiencies noted during the Biological Systems Engineering Program accreditation review. However, deficiencies and recommendations were identified during accreditation reviews and site visits for the Veterinary Program, School of Nursing, School of Architecture and Engineering Technology, and College of Law.

Sponsored Programs Audit & Academic Affairs Reviews			
Organization	Audit Period (AP) Report Date (RPT)	Program or Review Objectives	Deficiencies or Recommended Areas of Improvement
FAMU Minority Science and Engineering Improvement Program (MSEIP) Grant-P120A160107	AP: October 1, 2016 – September 30, 2107 RPT: November 4, 2019 (Desk Audit Resolution)	Review of methodology utilized and documentation for the Project Director’s salary to track level of effort for Year 1 of the grant.	 None Reported
FAMU Veterinary Technology Program Review	AP: July 1, 2018 – June 30, 2019 RPT: November 12, 2019 (Accreditation Letter)	Ascertain the operational effectiveness, administrative and internal controls, and adherence to established policies and criteria for accreditation	 Major Deficiency⁵ Approved animal care and use protocols documentation
FAMU School of Nursing Program Review	AP: July 1, 2016 – June 30, 2017 RPT: October 1, 2018 (Accreditation Letter)	To conduct an evaluation of the FAMU Nursing Program activities in accordance with 2017 Accreditation Commission	 Deficiency • Level of Achievement for 1 st time test takers.

⁵ Major deficiencies apply to situations that jeopardize the ability of the program to meet a Standard. Progress toward meeting each major deficiency must be demonstrated on an annual or biennial basis. Documentation of steps taken toward compliance with major deficiencies is required. Lack of compliance within the assigned five- or six-year period, prior to the next scheduled complete evaluation, may be considered cause for reduction of the program's accreditation status.



Sponsored Programs Audit & Academic Affairs Reviews

Organization	Audit Period (AP) Report Date (RPT)	Program or Review Objectives	Deficiencies or Recommended Areas of Improvement
		for Education in Nursing Criteria and Standards.	<ul style="list-style-type: none"> • Number of full-time faculty • Part-time faculty performance evaluations • Program evaluation plan assessment methods
FAMU School of Architecture and Engineering Technology - Master of Science in Architecture (Facilities Management Major) Program Review	AP: October 1, 2016 – September 30, 2107 RPT: September 16-19, 2018 (Site- Visit)	To conduct an evaluation of the FAMU Architectural and Engineering – Master of Science in Architecture with a Major in Facilities Management to assess conformance with the International Facility Management Association Foundation Facility Management Accreditation Commission Accredited Degree Program conditions, procedures, and criteria to meet accreditation.	 <u>Recommendations</u> <ul style="list-style-type: none"> • Add more technical building systems and operations content. • Consider adding an assignment of operational crises case study. • Enhance Environmental Science by adding content and tools. • Increase number of student site visits and internships • Creation of digital repository • Expand Program Advisory Committee
FAMU College of Law Program Review	AP: July 1, 2018 - June 30, 2019 RPT: December 3, 2019 (ABA Decision Letter)	To conduct an annual interim monitoring of the FAMU Law School to determine whether the Law School remains in compliance with the American Bar Association (ABA) Standards for Approval of Law Schools	 <u>Deficiency</u> <ul style="list-style-type: none"> • Full-time clinical faculty non-compensatory prerequisites. • Insufficient information regarding interim dean selections, staff



Sponsored Programs Audit & Academic Affairs Reviews

Organization	Audit Period (AP) Report Date (RPT)	Program or Review Objectives	Deficiencies or Recommended Areas of Improvement	
		(the monitoring and review is in addition to the regular site evaluation process)		diversity and inclusion, and student participation in pro bono legal services opportunities.
FAMU Biological Systems Engineering Program Review	AP: July 1, 2018 - June 30, 2019 RPT: August 27, 2018 (Accreditation Letter)	To conduct an evaluation of the FAMU biological systems engineering program relative shortcomings remaining after the 2015 general Engineering Accrediting Committee review.		None Reported
FAMU School of Architecture and Engineering Technology - Bachelor of Architecture and Master of Architecture Program Review	AP: October 1, 2016 – September 30, 2107 RPT: July 25, 2018 (Accreditation Letter)	To conduct an evaluation of the FAMU Architectural Education Program activities to assess conformance with National Architectural Accrediting Board, Inc. conditions, procedures, and criteria to meet accreditation.		<u>Deficiency</u> <ul style="list-style-type: none"> • Student Performance: Learning Culture (I.1.2) • Student Performance: Structural Systems (B.5)

Legend:  No Deficiencies, Findings, Weaknesses of Recommended Areas of Improvement

 Noted Deficiencies, Findings, Weaknesses of Recommended Areas of Improvement

Next Steps in Review Process for Academic Affairs

The Division of Audit is committed to working with the Division of Academic Affairs management in areas where deficiencies have been identified to fully understand the deficiency, determine current status of actions taken to correct the deficiency, establish or update corrective action plans to address each deficiency, and a process for communicating progress and issues with the implementation of the corrective action plans to our office for monitoring and reporting purposes. An update as to the outcome of these efforts will be communicated during the Division of Audit's September 2, 2020, external audit update to the FAMU Board of Trustees.



APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

Purpose and Scope

The purpose of this advisory service was to review external audit and review activities at Florida Agricultural & Mechanical University (FAMU). Specifically:

- Florida Auditor General financial, operational audits, and in-progress audits.
- Financial statements and audit reports for direct support organizations and the FAMU Athletics Department for FY 2018 and FY 2019.
- Florida Board of Governors funded management controls and business process assessment performed by Crowe LLP.
- Operational audit and review activities for FAMU Sponsored Programs and Academic Affairs from FY 2017 – FY 2019.

Methodology

As part of the engagement we conducted the following procedures:

- Requested senior management provide a listing of all external audits for the last two fiscal years for their department areas;
- Reviewed the Florida Auditor General website for all completed FAMU related financial and operational audits for the last two fiscal years;
- Reviewed the Florida Board of Governors website for completed FAMU assessments;
- Reviewed all FAMU related external audit reports for the last two fiscal years to discover identified internal control and compliance deficiencies as well as recommendations for improvement; and
- Communicated with appropriate management regarding the status of identified findings, deficiencies, and recommended areas of improvement.



DISTRIBUTION

Responsible Managers:

- Maurice Edington, Provost and Vice President, Academic Affairs
- Alan Robertson, Vice President, Finance and Administration/CFO
- Kortne Gosha, Vice President, Athletics/Director
- Shawnta Friday-Stroud, Vice President, University Advancement/ Executive Director, FAMU Foundation

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PROJECT TEAM

Engagement was conducted by:

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Engagement was supervised by:

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Engagement was approved and distributed by:

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Vice President for Audit

STATEMENT OF ACCORDANCE

The Division of Audit and Compliance'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 advisory service in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the advisory service to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our engagement objectives. We believe the evidence obtained provides a reasonable basis for our conclusions based on our objectives.

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

<http://www.famu.edu/index.cfm?AuditandCompliance&AboutAuditandCompliance>