

**FY 2020-2021: Knight Foundation Expenditure Review
Assurance Services Report
Report No. 21-22-0004**



ACCOUNTABILITY • INTEGRITY • EFFICIENCY



EXECUTIVE SUMMARY

The John S. and James L. Knight Foundation (hereafter referred to as the Knight Foundation) is a national foundation that invests in journalism, arts, and the success of cities where brothers John and James once published newspapers. There are two endowed grant agreements between the Knight Foundation and Florida Agricultural & Mechanical University (FAMU): The Knight Faculty Development Fund and the Knight Chair Fund. Both funds are administered by the School of Journalism and Graphic Communication (SJGC).

The SJGC submitted 12 separate Direct Disbursement Requests (DDR) for Knight Foundation funds totaling \$98,939.73 during the fiscal year 2020-2021. The 12 DDRs included 14 expenditures. We reviewed all 12 DDRs for compliance with the *Knight Foundation Transaction Approval Process* for the two Knight Foundation grants (#90-325 and #98-217). The *Knight Foundation Transaction Approval Process* is detailed in the Grant Expenditure Monitoring Report (GEM) resolution letter¹ from the Knight Foundation dated September 26, 2019. Our review objectives, as outline below, were based on the six steps of the approval process, and the results are depicted in the table below.

Legend:

	Controls were in place and working effectively		Controls were in place, but not working effectively		Controls were not in place
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	Review Objective #1: Are Spending Plans Approved	
Observations:		
Spending plans for the two Knight Foundation funds were submitted to the Knight Foundation for review and approval. The Knight Foundation acknowledged receipt of the spending plans, however, the foundation did not provide approval of the plans. The spending plans were not loaded into Fluxx (the Knight Foundation's grant management software) by the SJGC as requested by the Knight Foundation. Three DDAs were processed for payment prior to the submission of spending plans.		
Recommendations:		
<ul style="list-style-type: none"> • The SJGC should submit the spending plans prior to the new fiscal year and should follow up with the Knight Foundation to receive approval or other feedback for guidance. • The SJGC should not submit DDAs for payment before the Knight Foundation approves the spending plans. • The SJGC should work with the Knight Foundation to receive training for working with the grant management software, Fluxx, in order to submit all required documents. 		

¹ See Appendix B for the GEM resolution letter and approval process.



Review Objective #2: Are Expenditures Approved by the Dean and Knight Chair



Observations:

Faculty Development Fund: The Dean approved all three Direct Disbursement Requests (DDR).

Knight Chair Fund: Seven of the nine DDRs were properly approved by the Knight Chair and Dean. The two remaining DDGs totaling \$52,680.00, did not receive the required Knight Chair approval; however, they were approved by the Dean. Additionally, the University had not established a mutually agreed-upon process with the Knight Foundation for authorizing expenditures after the resignation of the Knight Chair.

Recommendation:

The Knight Chair should review and approve all Knight Chair Fund expenditure requests. If the Knight Chair is unavailable to approve expenditure requests then the Dean should notify the Knight Foundation and establish an alternative, mutually agreed-upon, approval process.



Review Objective #3: Are Expenditures Reviewed for Required Approval Signatures and Alignment with Spending Plans?



Observations:

Academic Affairs reviewed all 12 Knight Foundation DDGs for alignment with the spending plans and processed them for approval. However, two DDGs were processed and approved by Academic Affairs that did not contain all required approvals.

Recommendation:

The Academic Affairs representative should review DDGs for proper approvals from the Dean and Knight Chair before reviewing for alignment with the spending plan.



Review Objective #4: Do DDGs Contain Appropriate Authorization from both the Provost Office and SJGC, and Appropriate Supporting Documentation?



Observations:

Two DDGs processed by the FAMU Foundation had not received all required approvals.

Recommendation:

The FAMU Foundation should review all Knight Foundation DDR packages for proper approvals from the School of Journalism and Academic Affairs management prior to processing payments.



Review Objective #5: Are Summaries of Learning/Collaborations Submitted After Each Travel Event?



**Observations:**

There was a single transaction during the review period which required a learning summary to be submitted. The Division of Audit confirmed that the learning summary was submitted as required.

**Review Objective #6: Are All Expenditures Logged?****Observations:**

The Office of Academic Affairs logged all Knight Foundation expenditures.

On January 11, 2022, we held an exit conference with Dean Lowe and other stakeholders. Dean Lowe accepted all the findings detailed in the report and submitted a corrective action plan that can be viewed in Appendix C.



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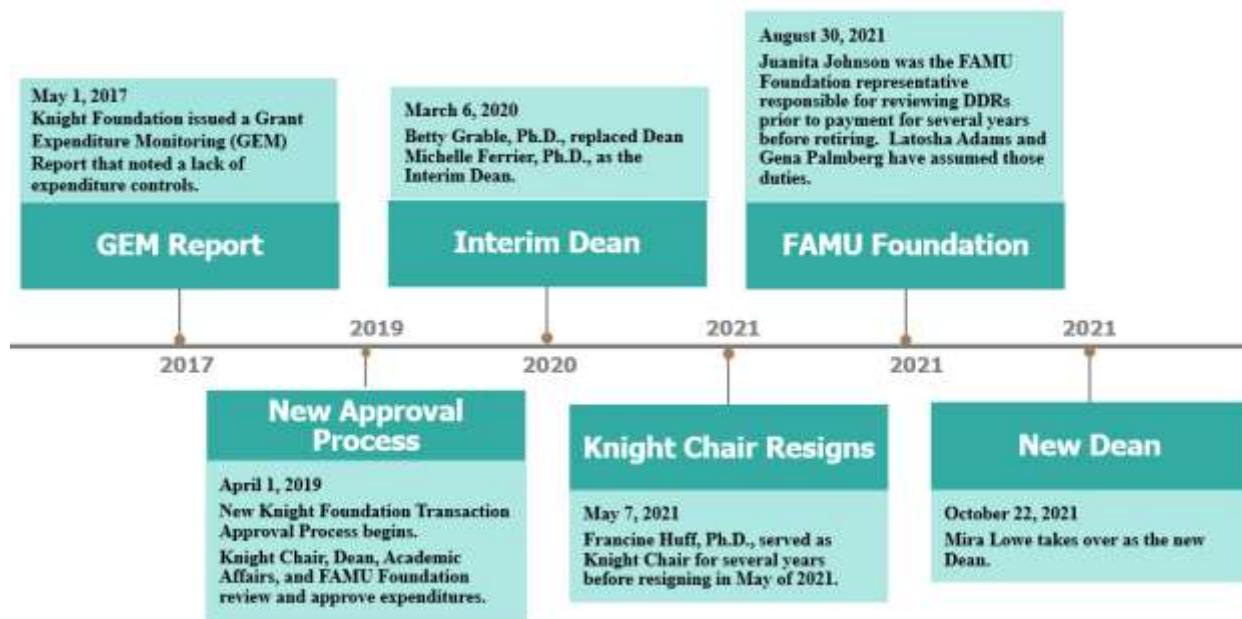


BACKGROUND

The John S. and James L. Knight Foundation (hereafter referred to as the Knight Foundation) is a national foundation that invests in journalism, arts, and the success of cities where brothers John and James once published newspapers. There are two endowed grant agreements between the Knight Foundation and Florida Agricultural & Mechanical University (FAMU): The Knight Faculty Development Fund and the Knight Chair Fund. Both funds are administered by the School of Journalism and Graphic Communication (SJGC). The endowment funds are managed by the FAMU Foundation.

In May 2017, the Knight Foundation issued a Grant Expenditure Monitoring (GEM) Report that noted a lack of expenditure controls. As a result, the University and Knight Foundation agreed upon a new expenditure approval process. Included in the new process is a directive that the Division of Audit (DoA) perform audits to ensure the new processes and controls for transaction approvals are being followed and working effectively.

Below is a timeline of important dates leading up to this report.



The following personnel performed the different review and approval steps of the new expenditure approval process during the fiscal year 2020-2021 audit review period.

School of Journalism and Graphic Communication:

- Betty Grable, Ph.D., Interim Dean,
- Francine Huff, Ph.D., Knight Chair (Resigned May 7, 2021)

Academic Affairs:

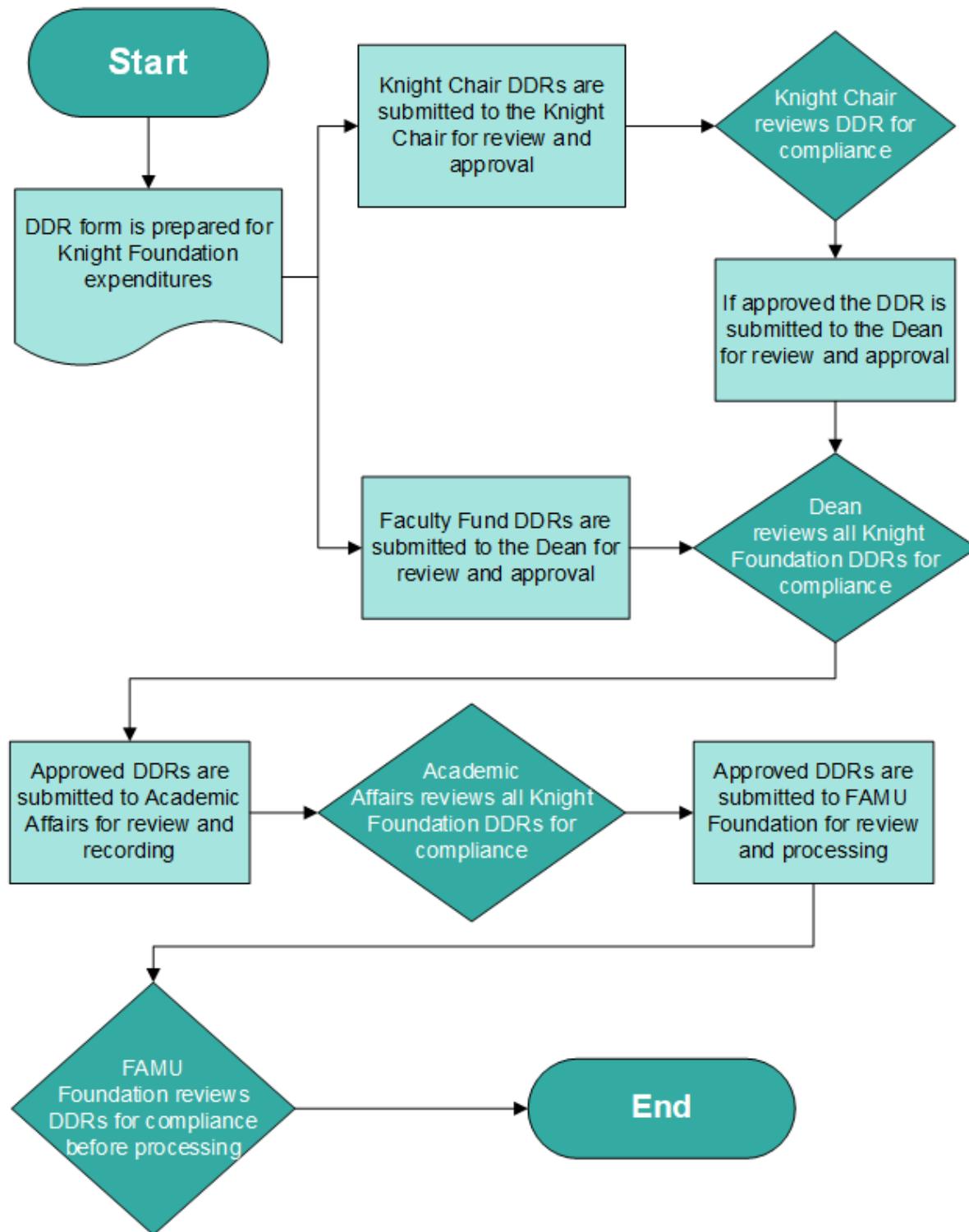
- Herbert Bailey, Associate Vice President

FAMU Foundation:

- Juanita Johnson, Sr. Director



Below is a flowchart that depicts the steps required to approve an expenditure request.





Our audit objectives are organized by the six steps included in the Knight Foundation expenditure approval process. We present the audit results organized by process step on the following pages and include our observations and recommendations when appropriate.

OBJECTIVE 1: Approved Spending Plans

Step #1.

The Knight Chair, in partnership with the Dean, prepares a strategic plan and spending memo for Knight Chair Grant #90-325 that is sent to the Knight Foundation for review and approval on an annual basis (prior to the start of the fiscal year). If, during the course of the year, activities, partnerships and/or budget expenditures fall outside of the approved annual spending memo, the request(s) will be routed to the Knight Foundation for review and approval.

Similarly, for the Knight Faculty Development fund, the Dean prepares a strategic plan and spending memo for faculty development for the upcoming year. If, during the course of the year, activities, partnerships and/or budget expenditures fall outside of the approved annual spending memo, the request(s) will be routed to the Knight Foundation for review and approval.

Observations:

- Five months into the fiscal year, the SJGC submitted spending plans to the Knight Foundation for review and approval on November 11, 2020. The SJGC also submitted the spending plans to Academic Affairs on November 11, 2020. There were three DDRs totaling \$28,225.00 that were processed for payment prior to the submissions of the spending plans.
- The Knight Foundation acknowledged receipt of the spending plans on November 12, 2020, and instructed the SJGC to upload the spending plans into Fluxx, the Knight Foundation's grant management software. The SJGC could not determine where and how to upload the information into Fluxx, and as of the date of this report, the SJGC had not uploaded the data. The Knight Foundation had not approved the spending plans as of November 17, 2021.
- The University expending Knight Foundation funds without having approved spending plans, increases the risk that the University may be required to repay the funds. There were \$98,939.73 of Knight Foundation funds expended in the Fiscal Year 2020-2021 without approved spending plans, however, all expenditures were within the scope of the grant terms.

Recommendations:

- **The SJGC should submit the spending plans before the new fiscal year and follow up with the Knight Foundation to receive approval or other feedback for guidance.**



- The SJGC should not submit DDRs for payment before the Knight Foundation approves the spending plans.
- The SJGC should work with the Knight Foundation to receive training for working with Fluxx to submit all required documents.

OBJECTIVE 2: Expenditure Request Approved by the Dean and Knight Chair

Step #2.

Requests for travel, equipment or other expenses prepared by the SJGC in the form of a Direct Disbursement Request (DDR) must be signed by the Dean. The Knight Chair must also approve all expenses, in writing, for Knight Chair Grant #90-325. The traveler completes a Travel Authorization Request Form, with rationale for travel and acknowledgement of shared knowledge requirement post-travel to faculty and/or students.

Observations:

Faculty Development Fund

- All three DDRs received approval at the Dean level.

Knight Chair Fund

- Seven of the nine Knight Chair Grant #90-325 DDRs received the proper approval from the Knight Chair. Two did not receive a Knight Chair approval signature, as detailed below.
 - The first DDR not approved by the Knight Chair, dated September 29, 2020, totaled \$1,000.00. The expenditure was for Newsroom Readiness Certificates for 100 SJGC students and aligned with the spending plan.
 - The second DDR not approved by the Knight Chair, dated May 20, 2021, totaled \$51,680.00. The two expenditures on this DDR were for salary and fringe benefits for the Knight Chair Administrative Assistant position and aligned with the spending plan. This DDR was processed after the Knight Chair submitted her resignation letter and was no longer available to approve expenditures.
- All nine DDRs received approval at the Dean level.

Recommendation:

- The Knight Chair should review and approve all Knight Chair Fund expenditure requests. If the Knight Chair is unavailable to approve expenditure requests, the Dean should notify the Knight Foundation and establish an alternative, mutually agreed-upon, approval process.



OBJECTIVE 3: Expenditure Request Approved by Academic Affairs

Step #3.

The SJGC submits the DDR package to Academic Affairs for review for alignment to the annual strategic plan/spending memos and for signature by the Provost or his/her designee. The Provost has designated AVP Herbert Baily as his designee.

Observations:

- The spending plans for both Knight Foundation funds were submitted to Academic Affairs.
- The two DDGs without the required Knight Chair's signature were approved by Academic Affairs and submitted to the FAMU Foundation for payment. The approvals on the two DDGs by Academic Affairs were not in compliance with the approval process, which required prior Knight Chair approval.

Recommendation:

- **The Academic Affairs representative should review DDGs for proper approvals from the Dean and Knight Chair prior to review for alignment with the spending plan. Any DDG's not containing the appropriate authorization should be returned to the SJGD for correction.**

OBJECTIVE 4: FAMU Foundation Review

Step #4.

DDR package is submitted from Academic Affairs to the FAMU Foundation for processing of payment. The FAMU Foundation will ensure all appropriate approvals are documented from the SJGC and Academic Affairs before processing payments.

Observation:

- Two DDR packages for the Knight Chair fund (mentioned above) were processed for payment by the FAMU Foundation without having all of the proper approvals.

Recommendation:

- **The FAMU Foundation should review all Knight Foundation DDR packages for proper approvals received from the SJGC and Academic Affairs management before processing payments.**



OBJECTIVE 5: Traveler Submits Summary of Activity

Step #5.

Each traveler submits to the Dean's office a one-page summary (or other presentation format such as video, PowerPoint, CCTV screen tip, etc.) of what they learned from event activities, trainings, collaborations or contacts.

Observation:

- We requested a copy of the summary documentation of activity and learnings/collaborations for the one professor who attended a virtual conference. We received summary documents that met the requirements laid out in the *Knight Foundation Transaction Approval Process*.

OBJECTIVE 6: Transaction Log Maintained by Academic Affairs

Step #6.

A log of all Knight Chair expenditures will be maintained by the Office of Academic Affairs.

Observation:

- We confirmed the Office of Academic Affairs maintained a complete log of all Knight Chair fund and Faculty Development fund expenditures.



APPENDIX A: Purpose, Scope, and Methodology

Purpose and Scope

The purpose of the assurance service was to determine whether the University is compliant with the *Knight Foundation Transaction Approval Process* included in the Resolution Plan submitted by FAMU and accepted by the Knight Foundation in response to the observation of 'Lack of Expenditure Controls' noted in the May 2017 Grant Expenditure Monitoring (GEM) Report. We reviewed 100% of the July 1, 2020 to June 30, 2021, Knight Foundation expenditures.

Methodology

As part of the engagement we:

- Reviewed the GEM Resolution Plan, including the *Knight Foundation Transaction Approval Process*;
- Reviewed spending plans and spending memos submitted by SJGC administration;
- Reviewed Project Activity Reports detailing Knight Foundation expenditures and corresponding support documents submitted by the FAMU Foundation;
- Reviewed DDR packages for all proper approvals;
- Reviewed transaction logs of Knight Foundation expenditures submitted by Academic Affairs; and
- Interviewed SJGC Interim Dean, Associate Dean and Knight Chair.



APPENDIX B: GEM Resolution Letter –

Knight Foundation Transaction Approval Process

Dr. Michelle Ferrier, Dean
School of Journalism and Graphic Communication
Florida A&M University
510 Orr Dr.
Tallahassee, FL 32310



Sept. 26, 2019

Dear Dr. Ferrier,

Thank you for the Florida A&M University's thorough response to Knight's Resolution Plan addressing the outstanding issues outlined in the Grant Expenditure Monitoring (GEM) reports on the endowment grants for the Knight Chair for Student Achievement (#90-325) and faculty development fund (#9800217).

The two GEMS noted a series of ongoing serious issues – including unallowable expenditures and lack of procedures and policies to ensure compliance with the grant agreements – that persisted over a period of years. We have reviewed the documentation submitted as part of the Resolution Plan, and we consider the matter resolved at this time. The freeze on spending is now lifted.

Over the past several months, FAMU has paid back more than \$200,000 in total to both the Knight Chair and Faculty Development endowments. And this month Knight approved a repayment plan for \$100,000 that will have its final payment in 2022-23. (See attachment.)

In addition, Knight requested FAMU explain the policy that allows the spending account to run a year-end deficit. Knight has approved the use of FAMU Foundation's practice to allow endowment earnings accounts to run a deficit to process expenses items needed before June 30. The allowed deficit cannot exceed 10 percent of the projected next fiscal year's spend distribution. (See attachment.)

Knight also requested that FAMU establish a budget and approval process for all expenditures once the freeze is lifted. That new process is detailed in the Budget Process attachment. Knight also requested a memo explaining why there had been so many discrepancies on the reporting for the endowments' market value. While we did not receive an explanation, we expect that this will not be an issue moving forward.



The Foundation will commission KPMG to perform a follow-up GEM to review the endowments. This independent report will be done after at least one full academic year has passed, allowing for the Grantee's new oversight procedures to operate for a full cycle.

One final issue left to be resolved is the proposed changes to the Knight Chair grant agreement. Knight approved a one-year extension on the existing agreement, which had been set to be reviewed in 2019. As requested, Marie Yochens, my executive assistant, will be in touch to set up a time to meet with the Dean and Provost in the coming weeks.

We deeply appreciate the contribution made by FAMU's School of Journalism and Graphic Communication and the Knight Chair in the field of journalism education. We are pleased that we could resolve these issues so that we can focus on the good works of the chair, faculty and school as you prepare the next generation of journalists.

Thank you,

Jennifer Preston
Vice President, Journalism Program
John S. and James L. Knight Foundation

Enclosures:

- Final KPMG GEM report Knight Chair (#90-325)
- Final KPMG GEM report Faculty Development Fund (#9800217)
- Knight Foundation Grants Budget Process
- Knight GEM Fiscal Year End Deficit and Repayment Plan



FAMU FOUNDATION, INC. - GEM

FISCAL YEAR DEFICIT:

The FAMU Foundation's practice is to allow endowment earnings accounts to run a deficit to process expense items that are needed before June 30th (last day of the fiscal year). The allowed deficit cannot exceed 10% of the projected next fiscal year's spend distribution. The projected next year spend distribution is calculated using the current year's December investments statements. The allowed deficit of the current fiscal year will be eliminated in July of the next fiscal year as the new year's spend distributions are posted.

Knight Chair Spend Distribution is approximately \$100,000 annually @ 10% would be approximately \$10,000.

Faculty Development spend distribution is approximately \$40,000 annually @ 10% would be approximately \$4,000.

REPAYMENT PLAN:

FAMU Foundation repayment schedule of \$100,000 will be repaid in four fiscal years at \$25,000 each fiscal year. The initial payment will be made during fiscal year 2019-2020 with the final payment during fiscal year 2022-2023:

<u>Fiscal Year</u>	<u>Amount</u>
2019-2020	\$25,000.00
2020-2021	\$25,000.00
2021-2022	\$25,000.00
2022-2023	\$25,000.00
Total	\$100,000.00.



Attachment 1a

Knight Foundation Grants Budget Process/ Student Travel Guidelines

Knight Chair Fund #90-325

Prepared by Dean Michelle Ferrier

June 1, 2019

Knight Foundation Transaction Approval Process

Listed below are the steps that all transactions from the Knight Foundation will have to go through to be processed.

Step #1.

The Knight Chair, in partnership with the Dean, prepares a strategic plan and spending memo for the Knight Chair Grant 90-325 on an annual basis that is sent to the Knight Foundation for review and approval. If during the course of the year, activities, partnerships and/or budget expenditures fall outside of the approved annual spending memo, the request(s) will be routed to the Knight Foundation for review and approval.

Similarly, for the Knight Faculty Development fund, the Dean prepares a strategic plan and spending memo for faculty development for the upcoming year. If during the course of the year, activities, partnerships and/or budget expenditures fall outside of the approved annual spending memo, the request(s) will be routed to the Knight Foundation for review and approval.

Step #2.

Request for travel, equipment or other expenses prepared by the School of Journalism in the form of a DDR must be signed by the Dean. (Note: The Knight Chair must also approve all expenses, in writing, for the Knight Chair Grant 90-325.) Traveler completes Travel Authorization Request Form, with rationale for travel and acknowledgement of shared knowledge requirement post-travel to faculty and/or students.

Step #3.

Department submits the DDR package to Academic Affairs for review (by the Assistant VP) for alignment to the annual strategic plan and spending memos and for signature (by the Provost or his/her designee).

**Step #4.**

DDR package is submitted from Academic Affairs to the FAMU Foundation for processing of the check. The FAMU Foundation will ensure all appropriate approvals are documented from the School of Journalism and Academic Affairs before processing payments.

Step #5

Within 30 days of return from travel, traveler submits to the Dean's office a one-page summary of activity and learnings/collaborations/ or contacts from event or other format of what they learned (video, PowerPoint, CCTV screen tip, etc.). Summary is distributed to faculty members via email. Travelers also share this summary with faculty members at the next all-faculty meeting. Students submit the summary of learnings as a condition for financial support of their travel within 30 days of travel in order to receive any reimbursements.

Step #6

The Division of Audit will conduct quarterly audits of the Knight Foundation grants before reports are submitted to ensure that the new processes and controls are being followed and working effectively. Any issues noted will be resolved before reports are submitted to the Knight Foundation. Please note that a log of all transactions will be maintained by Academic Affairs. Account balances and verification of the approval from the Knight Foundation will be strictly monitored.

The Knight Foundation accounts are the following:

0054 - Knight Chair Earnings

0992 - Faculty Development

School of Journalism & Graphic Communication, Division of Journalism

Guidelines for Student Participation in Conferences*

Updated March 2, 2018, Feb. 12, 2019

*We are revising this document to make the procedures consistent for our graphics division. Sharing of knowledge may be in the form of presentation, one-page summary or video summary, or in-class presentation to peers.

PLEASE SEE SEPARATE DRAFT DOCUMENT TO BE VOTED ON BY THE SJGC FACULTY IN AUGUST 2019: Student Travel and Participation Draft for Vote 5-16-2019v2.pdf.

/Users/michelleferrier/Documents/Knight Foundation Grants Budget Process_04012019.docx



APPENDIX C: Management Response and Corrective Action Plan

Action Steps	Responsible Employee	Target Date
<i>Finding 1 - Approved Spending Plans</i>		
<ul style="list-style-type: none"> a) The SJGC will submit spending plans to the Knight Foundation on or before June 15, of each fiscal year and follow up with the Knight Foundation on or before July 1, each fiscal year regarding the approval of the spending plans. b) The SJGC will not submit any Knight Foundation DDRs for payment before the Knight Foundation approves the spending plans. c) The SJGC will set up a training engagement with the Knight Foundation to learn how to use the Fluxx system before February 15, 2022. 	<ul style="list-style-type: none"> (a) Dean, Associate Dean for Fiscal Affairs (b) Dean, Associate Dean (c) Dean's assistant (Genevieve Jean) 	<ul style="list-style-type: none"> (a) June 15th and July 1st (b) July 1st (c) At the availability of the Knight Foundation
<i>Finding 2 - Expenditure Request Approved by the Dean and Knight Chair</i>		
The Knight Chair will review and approve all Knight Chair Fund expenditure requests. If the Knight Chair is unavailable to approve expenditure requests, the Dean will notify the Knight Foundation and establish an alternative mutually agreed upon approval process.	Dean	<ul style="list-style-type: none"> (a) At the availability of the Knight Foundation
<i>Finding 3 - Expenditure Request Approved by Academic Affairs Without Proper Knight Chair Approval</i>		
<ul style="list-style-type: none"> a) The Academic Affairs representative will review DDRs for proper approvals from the Dean and Knight Chair prior to review for alignment with the spending plan. 	Associate Vice President for Academic Affairs (Herbert Bailey)	Determined based on Knight Foundation's approval of SJGC alternative agreement of the approval process
<i>Finding 4 – The FAMU Foundation processed Expenditure Requests Without Proper Knight Chair Approval</i>		
The FAMU Foundation should review all Knight Foundation DDR packages for proper approvals from the School of Journalism and Academic Affairs management before processing payments.	Senior Fiscal Assistant – AP; Assistant Director of Financial Services; Director of Financial Services	January 29, 2022



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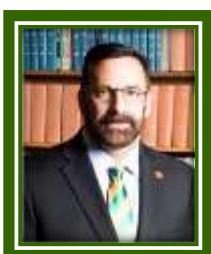
PROJECT TEAM

**Engagement was conducted by:**

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Senior Auditor

**Engagement was supervised by:**

Deidre Melton, CIA, CISA, CISM, CDPSE, CRISC, CFE, CIGI, CRMA
Associate Vice President for Audit and Chief Risk Officer

**Engagement was approved and distributed by:**

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

STATEMENT OF ACCORDANCE

The Division of Audit's mission is to enhance and protect the value of FAMU and its stakeholders by providing excellence in risk-based and objective assurance, advice, and insight through the promotion of accountability, integrity, and efficiency.

We conducted this assurance 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 assurance 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 findings and conclusions based on our objectives.

Please address inquiries regarding this report to the Division of Audit at (850) 412-5479.
<https://www.famu.edu/administration/audit/>