



FLORIDA A&M UNIVERSITY  
DIVISION OF AUDIT

**FY2019-2020 Knight Foundation Expenditure Review  
Assurance Services Report  
Report No. 21-22-0001**



**ACCOUNTABILITY • INTEGRITY • EFFICIENCY**

**September 9, 2021**



## EXECUTIVE SUMMARY

The John S. and James L. Knight Foundation (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 College of Journalism and Graphic Communication and 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 Division of Audit agreed to perform quarterly audits to ensure the new processes and controls for transaction approvals are being followed and working effectively.

For this engagement, we reviewed all expenses from July 1, 2019, to June 30, 2020, for compliance with the *Knight Foundation Transaction Approval Process*, for the two Knight Foundation grants (#90-325 and #98-217), as detailed in the GEM resolution letter<sup>1</sup> from the Knight Foundation dated September 26, 2019. The review objectives based on the six steps of the *Transaction Approval Process* and results are depicted in the table below.

### Legend:



Controls were in place and working effectively



Controls were either not in place or not working effectively

Review Objective		Results
	<b>Are Spending Plans Approved?</b> Spending Plans for the two Knight Foundation grants were not submitted to the Knight Foundation for review and approval.	
	<b>Are Expenditures Approved by the Dean?</b> The Dean approved all expenditures from both Knight Foundation grants.	
	<b>Do Expenditures Align with Spending Plans?</b> The Division of Academic Affairs did not review Knight Foundation grants for alignment with approved spending plans prior to approval.	

<sup>1</sup> See Appendix B for the GEM resolution letter and approval process.



Review Objective		Results
	<p><b>Are Expenditures Approved Prior to Payment?</b> All Knight Foundation expenditures processed by the FAMU Foundation received required approvals.</p>	
	<p><b>Are Summaries of Learnings/Collaborations Submitted After Each Travel Event?</b> Three of the five required summaries were submitted.</p>	
	<p><b>Are All Expenditures Logged?</b> The Division of Academic Affairs did log all Knight Foundation expenditures.</p>	

The Division of Audit assessed internal controls put in place to manage the Knight Foundation Grants Budget Process in accordance with the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) *Internal Control-Integrated Framework*.<sup>2</sup> Internal controls were partially in place and operating effectively in certain areas to support compliance with requirements related to the GEM Resolution Letter. However, our assessment identified the following areas where controls could be strengthened:

COSO Component	Control Weakness	Recommendation
Information & Communication	Communications between the Dean, Knight Foundation, Division of Academic Affairs and SJGC faculty have not always resulted in a shared and common understanding regarding program expenditure requirements.	The Dean should develop a formal process to obtain feedback from the Knight Foundation regarding spending plans and the expenditure approval process. The Dean should continue efforts to communicate with the Division of Academic Affairs and faculty in regard to the expenditure approval process and what is required.

<sup>2</sup> The FAMU Board of Trustees adopted the COSO Internal Control - Integrated Framework in December 2019 through approval of Policy 2019-01 Internal Controls and Enterprise Risk Management



**Control Activities**

Control procedures for verifying expenditures align with approved spending plans are not currently in place as required by the approved Grants Budget Process.

The Dean should submit spending plans to the Knight Foundation for approval.

The Dean should review all expenditures for alignment with the spending plan prior to approval.

The Dean should submit approved spending plans to the Division of Academic Affairs and instruct that only expenditures that align with the plan should be approved.



## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	2
OBJECTIVE 1: Approved Spending Plans .....	6
OBJECTIVE 2: Expenditure Request Approved by the Dean.....	6
OBJECTIVE 3: Expenditure Request Approved by Academic Affairs .....	7
OBJECTIVE 4: FAMU Foundation Review .....	8
OBJECTIVE 5: Traveler Submits Summary of Activity .....	8
OBJECTIVE 6: Transaction Log Maintained by Academic Affairs .....	8
APPENDIX A: Purpose, Scope, and Methodology .....	9
APPENDIX B: GEM Resolution Letter.....	10
APPENDIX C: Management Response and Corrective Action Plan .....	15
DISTRIBUTION .....	18
STATEMENT OF ACCORDANCE .....	19



Our audit objectives are organized by the six steps included in the Knight Foundation Expenditure Approval Process. On the following pages we present the audit results organized by process step 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 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.

### **Observation:**

The SJGC did not submit spending plans to the Knight Foundation for review and approval.

### **Recommendation:**

The Dean of the SJGC should submit spending plans for both grants to the Knight Foundation for approval.

## OBJECTIVE 2: Expenditure Request Approved by the Dean

### **Step #2.**

Request for travel, equipment or other expenses prepared by the School of Journalism 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 the Knight Chair Grant #90-325. The traveler completes Travel Authorization Request Form, with rationale for travel and acknowledgement of shared knowledge requirement post-travel to faculty and/or students.

### **Observations:**

- All 59 requests for expenditures from the two grants had prior approval at the Dean level.
- All 35 requests for expenditures from the Knight Chair Grant (#90-325) had prior approval from the Knight Chair.



## OBJECTIVE 3: Expenditure Request Approved by Academic Affairs

### **Step #3.**

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

### **Observations:**

1. We requested copies of the spending plans/memos used by Academic Affairs to review expenditures, however Academic Affairs did not provide them for review.
2. Once we determined the control set up had failed, we included a step in our review to determine the extent of non-compliance if any. As a result, we tested all 59 expenditures for compliance with the two grants' informal spending plans/memos which had been prepared by the Knight Chair and Dean.
  - a. All 35 of the Knight Chair Fund (#90-325) expenditure requests complied with the spending plans/memos.
  - b. Eight of the 24 (33%) Faculty Fund (#98-217) expenditure requests, totaling approximately \$7,719, were not in compliance with the spending memo. The eight expenditures were associated with three travel events for two faculty members.
    - i. Two of the issues dealt with spending above the annual maximum limit of \$3,000 per faculty for travel/conference. One faculty exceeded the limit by \$1,600 on one trip and expended \$1,295 on another trip a few months later.
    - ii. The third issue dealt with a faculty member that incurred travel expenses of \$1,823 even though the faculty member was not on the spending plan memo as authorized for travel.<sup>3</sup>
3. All 59 expenditure requests received approval from Academic Affairs.

### **Recommendations:**

- The Dean of the SJGC should submit spending plans/memos for both grants to Academic Affairs for use in reviewing expenditure requests for approval.
- Academic Affairs should include the spending plans/memos in the review of expenditures.

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<sup>3</sup> The nature of travel and conference expenditures necessitates multiple expenses due to the codes used by the FAMU Foundation, thus three travel occurrences produced eight expenditure requests.



## OBJECTIVE 4: FAMU Foundation Review

### **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 Graphic Communications and Academic Affairs before processing payments.

### **Observation:**

We reviewed documentation for all 59 expenditure requests and determined the FAMU Foundation did not process any expenditures that did not receive all the proper prior approvals.

## OBJECTIVE 5: Traveler Submits Summary of Activity

### **Step #5.**

Each 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.)

### **Observation:**

We requested copies of summary documentation of activity and learnings/collaborations for each traveler for the five travel events that occurred. We received four of the five summary documents, of which three met the requirements laid out in the *Knight Foundation Transaction Approval Process*.

### **Recommendation:**

The Dean's office should require each traveler to submit the one-page summary of activity and learnings/collaborations/ or other format of what they learned.

## OBJECTIVE 6: Transaction Log Maintained by Academic Affairs

### **Step #6.**

A log of all Knight Chair expenditures will be maintained by the Division of Academic affairs.

### **Observation:**

We confirmed the Division 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’ in the Grant Expenditure Monitoring (GEM) Report (May 2017). We reviewed 100% of Knight Foundation expenditures for the time period July 1, 2019 to June 30, 2020.

### 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 for the Knight Faculty Development Fund and the Knight Chair Fund (#90-325 and #98-217);
- Reviewed transaction logs of Knight Foundation expenditures submitted by Academic Affairs; and
- Interviewed SJGC Dean, Interim Dean, Associate Dean and Knight Chair.



## APPENDIX B: GEM Resolution Letter

Knights Foundation Transaction Approval Process

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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.)

Knights 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 30<sup>th</sup> (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

### Management's Planned Actions

Action Steps	Responsible Employee	Target Date
<b><i>Finding 1 - Knight Foundation Approved Spending Plans</i></b>		
The Dean of the School of Journalism and Graphic Communication (SJGC) will submit spending plans for both funds to the Knight Foundation for approval each fiscal year.	Dean or their designee	2 <sup>nd</sup> Monday of September of each year
<b><i>Finding 2 - Fund Expenditure Request Approved by Academic Affairs</i></b>		
The Dean of SJGC will submit spending plans for both funds to Academic Affairs to use when reviewing expenditure requests for approval.	Dean or their designee	2 <sup>nd</sup> Monday of September each year
<b><i>Finding 3 - Traveler Submits Summary of Activity</i></b>		
The Dean of SJGC will develop a process that 1) informs travelers of their responsibilities, and 2) insures the one-page summary of activity and learnings/collaborations/ or other format of what they learned is submitted to the Dean in a timely fashion.	Dean or their designee	2 <sup>nd</sup> Monday of September of each year



**FY 2019 – 2020: Knight Foundation Expenditure Review Assurance Services Report  
(Report No. 21 – 22 – 0001)  
Response**

This is a response to the recommendations for the following recommendations from the Division of Audit’s review of the Knight Foundation Expenditure Approval Process.

**OBJECTIVE 1: Approved Spending Plans**

**Recommendation:** The Dean of the SJGC should submit spending plans for both grants to the Knight Foundation for approval.

**Response:** While the current administration was not in place during the beginning of FY 2019 – 2020, budgets for FY 2019 – 2020 both grants were emailed to the Knight Foundation and FAMU Division of Audit was copied on November 12, 2020. This email also contained the budgets for FY 2020 – 2021 for both grants. Academic Affairs was emailed the budgets for FY 2020 – 2021 for both grants on November 12, 2020. Please see Appendix A. A calendar has been created with key deadline submissions that include the budget. Please see Appendix B.

**OBJECTIVE 3: Expenditure Request Approved by Academic Affairs**

**Recommendation:**

- The Dean of the SJGC should submit spending plans/memos for both grants to Academic Affairs for use in reviewing expenditure requests for approval.
- Academic Affairs should include the spending plans/memos in the review of expenditures.

**Response:** The current SJGC administration was not in place at the beginning of FY 2019 – 2020. On November 12, 2020, Academic Affairs was emailed the FY 2020 – 2021 budgets for both grants. To ensure that expenditures are carefully reviewed within SJGC, a Direct Disbursement Request (DDR) Justification Form was created to accompany all DDR internally. Please see Appendix C.



**FY 2019 – 2020: Knight Foundation Expenditure Review Assurance Services Report  
 (Report No. 21 – 22 – 0001)  
 Response**

**OBJECTIVE 5: Traveler Submits Summary of Activity**

**Recommendation:** The Dean’s Office should require each traveler to submit the one-page summary of activity and learning/collaborations/ or other format of what they learned.

**Response:** The current SJGC administration was not in place when faculty were awarded Knight Faculty Development funds for FY 2019 – 2020. For FY 2020 – 2021, the faculty were to provide feedback on the development of the process to request Knight Faculty Development Funds during the SJGC All School meeting held virtually on October 14, 2020. During SJGC All School Meeting on December 10, 2020, faculty viewed the Knight Faculty Endowment Fund Request form. Please see Appendix D. The form was activated January 2021. It requires the faculty member’s signature and includes verbiage regarding the submission of reports. Once the request is reviewed, the faculty member is emailed and the division director, coordinator of administrative services, associate dean, and dean are copied. The email informs the faculty member of the outcome of the request. If the request is denied, the faculty member is informed of the reason. See Appendix D for a sample email. If the request is approved, the faculty member is informed of the steps to received the funds for travel, membership, etc. It also provides deadlines for the faculty member to submit the reports. See Appendix D for sample emails.



## DISTRIBUTION

### Responsible Managers:

- Maurice Edington, Ph.D., Provost/Vice President Academic Affairs
- Shawnta Friday-Stroud, Ph.D., Executive Director, FAMU Foundation
- Bettye A. Grable, Ph.D., Interim Dean, School of Journalism and Graphic Communication

### Internal Distribution:

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### External Distribution:

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



## PROJECT TEAM

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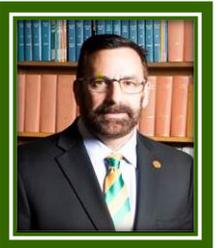
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**Engagement was supervised by:**

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Associate Vice President for Audit/Chief Risk Officer



**Engagement was approved and distributed by:**

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

## STATEMENT OF ACCORDANCE

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

We conducted this 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.

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