

**Florida Agricultural and Mechanical University
Board of Trustees**



**Audit & Compliance Committee Meeting
Date: June 5, 2019**

STATUS OF PRIOR AUDIT FINDINGS

The Division of Audit and Compliance (DAC) continues to track the status of management actions implemented in response to audit recommendations. Since our March report management has completed and DAC has validated corrective actions related to the following four (4) items:

1. AG Operational Audit – Finding 2: University controls over negotiating and monitoring construction management entity general conditions costs continue to need improvement.
2. AG Operational Audit – Finding 5: Controls over the University Purchasing Card Program continue to need improvement.
3. NCAA Committee on Infractions: FAMU Case No. 00176 – Student Athlete Mandatory Medical Examination
4. NCAA Committee on Infractions: FAMU Case No. 00176 – Failure to Monitor General Student Athlete Eligibility and Playing Season Requirements

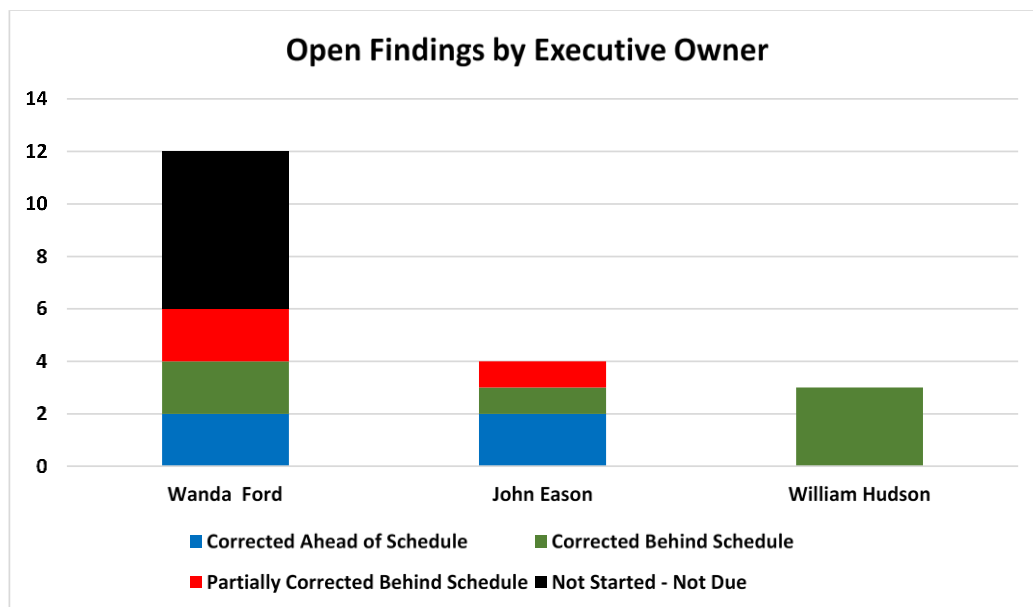
To provide some perspective, in the last 15 months, university management has completed and DAC has validated corrective actions for 65 audit findings.

The table on the following page summarizes the 19 open audit findings currently being tracked by DAC as of May 30, 2019. We would like to highlight that management has completed 4 items ahead of schedule. Ten of the 19 findings are currently in validation stage and DAC will make validation for the items a priority.

Following this summary table, we have included a chart demonstrating the status of open audit findings by executive owner.

19 Open Audit Findings as of May 30, 2019			
4 <u>Corrected</u> Ahead of Schedule Require Validation	6 <u>Corrected</u> Behind Schedule Require Validation	3 <u>Partially Corrected</u> Behind Schedule	6 <u>Not Started</u> Not Due
<ul style="list-style-type: none"> ● 2018 Operational Audit Findings: Payroll Processing Time Cards ● Athletics Cash Collection Controls Review: Post reconciliation process not entirely completed ● NCAA Committee on Infractions – FAMU Case No. 00176: Student Athlete Statements and Drug Testing Consent Forms ● NCAA Committee on Infractions – FAMU Case No. 00176: Institutional Obligation to Timely Renew or Non-renew Student Athlete Financial Aid 	<ul style="list-style-type: none"> ● 2017-18 Performance Based Funding Data Integrity Audit: User Access Privileges & Reviews (Repeat Finding) ● 2016 Accounts Payable Audit: Access to PeopleSoft Accounts Payable and Purchasing Roles Part II ● 2017-2018 SGA Follow-up Audit: Budget Approval Document ● 2017-2018 SGA Follow-up Audit: Employee Time Reporting - SGA ● 2017-2018 SGA Follow-up Audit: Employee Time Reporting –OSA ● 2018 Operational Audit Findings: Intercollegiate Athletic Programs – Deficit Cash Balances 	<ul style="list-style-type: none"> ● 2016-17 BOG IT Compliance Audit: Information Security Plan Development and Implementation ● 2017 DSO Independent Audits: FAMU Rattler Boosters Proper Accounting Records (Finding No. 2017-1) ● 2017-18 Cloud Security Governance Audit: Legal Compliance 	<ul style="list-style-type: none"> ● 2017-18 Cloud Security Governance Audit: Disaster Recovery ● 2017-18 Cloud Security Governance Audit: Service Transition Planning ● Athletics Cash Collection Controls Review: Ticket Security ● Athletics Cash Collection Controls Review: Ticket void/reissue process ● Athletics Cash Collection Controls Review: Unsecured cash area ● Athletics Cash Collection Controls Review: University processing timely deposit

Severity Risk Level: ● High Risk ● Medium Risk ● Low Risk



Division of Audit and Compliance Update

The Division of Audit and Compliance (DAC) welcomed their new VP Joseph Maleszewski on March 29, 2019; President Robison introduced Joseph Maleszewski to the Division staff. Concurrent with this change, the Chief Compliance and Ethics Officer, along with LaTonya Baker (Investigator responsible for managing the University's hotline), physically moved to another building on campus. The full organizational and fiscal separation of the Division of Audit and the Office of Compliance and Ethics is effective July 1, 2019, with the change in the fiscal year. This change the requirements of Board of Governors Regulations related to the reporting structure of the Chief Audit Executive and the Chief Compliance and Ethics Officer.

Some highlighted DAC activities include:

1. Submitted a budget request for consideration and participated in a budget hearing - the request includes restoration of the staff position moved to the Office of Compliance and Ethics;
2. Met with all members of the Senior Leadership Team and many of the Board of Trustees members regarding expectations and perceptions of University risks;
3. Published an advisory service report entitled *2018 FAMU Grape Harvest Festival Cash Collections* - this advisory service included a review of the festival's physical safety plans, food vendor liability insurance, volunteer authorization and training, and outside employment approval;
4. Published the results of the Division of Audit and Compliance (DAC) annual work plan development efforts - this included the *Risk Assessment & 3-Year Audit Work Plan* prepared pursuant to Board of Governor Regulation 4.002 and the requirements of professional audit standards;
5. Published an advisory services report on *Enterprise Risk Management (ERM)* - for this service, we studied the value proposition of implementing ERM practices at FAMU. This engagement included review of the benefits of implementing an ERM program as well as an assessment of FAMU's current risk management practices. We made recommendations regarding ERM program implementation, structure, costs, and timeline;
6. Prepared for a follow-up closed session with the Board of Trustees on management actions in response to our audit of Cybersecurity. The update session will be held at the full Board of Trustees meeting scheduled for June 6, 2019;
7. Serve as audit liaison with external auditors on matters of audit follow-up and the initiation of two audits related to for the annual Financial Statements and Bright

- Futures Scholarship Program. An Entrance Conference is expected to be scheduled the week of June 10th;
8. Participated in the State University Audit Counsel (SUAC) May 2019 meeting. This Counsel meets in person twice per year to share information on university risks and audit matters. They also communicate throughout the year to leverage knowledge and share best practices;
 9. Coordinated with the Chief Compliance and Ethics Officer on hotline, complaints, and investigative matters; and
 10. In the near future, the Division of Audit expects to participate in a University Assessment conducted by the Office of University Assessment. The assessment program at FAMU aims to promote a culture of continuous improvement.

UPDATE – EXTERNAL AUDITS

On May 28, 2019, FAMU received notification that the AG would initiate their annual *Financial Statement* and *Bright Futures Scholarship Program* audits for the 2018-19 fiscal year. We plan to schedule an Entrance Conference for these two audits the week of June 10th.

The Division of Audit continues to monitor the progress of the corrective action plans developed in response to the State Auditor General’s Operational Audit.

The annual federal program audit for the year ended June 30, 2018 is in progress. The University expects release of the report in the near future.

UPDATE – PERFORMANCE BASED FUNDING DATA INTEGRITY AUDIT

With the passage of SB190, we expect the provision for annual audits of Performance Based Funding Integrity to be codified in statute along with the requirement for an annual certification of Performance Based Funding data submitted to the Board of Governors. SB190, if passed into law, will amend Section 101.706¹, F.S., to include a provision which would state:

To ensure consistency, the Board of Governors shall define the data components and methodology used to implement ss. 1001.7065 and 1001.92. Each university shall conduct an annual audit to verify that the data submitted pursuant to ss. 1001.7065 and 1001.92 complies with the data definitions established by the board and submit the audits to the Board of Governors Office of Inspector General as part of the annual certification process required by the Board of Governors.

¹ Section 1001.706, F.S., is entitled Powers and duties of the Board of Governors

NOTE: Section 1001.7065 is entitled *Preeminent state research universities program* and Section 1001.92 is entitled *State University System Performance-Based Incentive*

The Performance Based Funding Integrity audit has been included among the audit projects on our annual work plan document submitted to the Board of Trustees for consideration of approval.

UPDATE – COMPLIANCE AND ETHICS

The Office of Compliance and Ethics is in progress with an effective date of July 1, 2019. At this time, the office is composed of the Chief Compliance and Ethics Officer and an investigator tasked with the administration of the University Compliance and Ethics Hotline. In addition to the transition into an independent unit, we are working on a number of programmatic initiatives; including: investigation procedures, new employee orientation compliance overviews, and monitoring.

The Enterprise Compliance Committee and working groups meets regularly to discuss and address compliance gaps and mitigation of risk. Working groups are focused on seven broad categories: Employment, Labor, and Non-Discrimination; Administration and Foundation; Student Affairs; Information Technology; Infrastructure and Safety; Faculty and Research; and Athletics. We continue to work across divisions on a number of initiatives, including FERPA and data privacy, public records and grant compliance. Notably, I have been working with the industrial hemp team to submit permit requests to the Department of Agriculture and Consumer Services for the Pilot Project for finalized agreements.

We continue to expand our reach through more avenues of communication. We have recently established a SharePoint available to any member of the University community with a FAMMAIL email address (famu.edu). This page will be updated regularly to provide resources and micro-learning compliance opportunities.

UPDATE – AUDIT PLAN MODIFICATION

Based on changes in DAC's required focus, adjustments have been made to the work plan to reallocate hours to projects that require a higher and sustained level of oversight from internal audit. In March 2019, we communicated the following work plan updates:

1. Moving *Online Education and Support* project to the subsequent year;
2. Increasing audit hours on the *Knight Foundation Grant Unallowable Cost Review* from 240 to 560; and
3. Removed *Procurement Policy & Procurement Review* to provide additional hours to the Knight Foundation engagement.

The work plan changes for the June Audit and Compliance Committee meeting are:

1. Moving the *Exports Controls Review* to the FY 2019-2020 Audit Work Plan;
2. Removing the engagement entitled *IT-Review Automation/Use PeopleSoft* as this project will be rolled into future audit work evaluating specific offices; and
3. Moving the *FAMU/FSU College of Engineering Review* engagement to the FY 2019-2020 Audit Work Plan.

A full presentation of the FY 2019-2020 through 2021-22 audit work plan is included in our report on this topic and will be presented to the Audit and Compliance Committee for consideration of approval on June 5, 2019.