

State University System of Florida Board of Governors

Review of Financial Internal Controls for University Support Organizations

Florida Agricultural and Mechanical University Draft Summary Report August 5, 2022



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I. Introduction

The State University System of Florida (SUS) Board of Governors (the Board or BOG) engaged Crowe LLP (Crowe) to assess the financial controls for university support organizations across the SUS' twelve universities. A report was prepared for each of the 90 direct support organizations (DSOs) identified for the assessment. DSO reports were summarized at the university level and delivered to university management and the BOG.

This university summary report includes the assessment results for the following Florida Agricultural and Mechanical University (FAMU) DSOs. The classification of each DSO is included in italic font after each name¹.

1. Rattler Boosters, Inc. | *Athletics*
2. Florida Agricultural and Mechanical University Foundation, Inc. | *Foundation*
3. Florida Agricultural and Mechanical University National Alumni Association | *Alumni*

The objective was to assess if financial controls over DSO's financial processes and records protect the organization from theft or malfeasance and if duties were properly segregated among employees with proper oversight and monitoring activities.

The scope of the assessment included policies and procedures, segregation of duties, system access controls, management review and approval requirements, account reconciliations, monitoring practices, and exception reporting. Crowe also reviewed entity-level controls and governance components including board composition, audit charters, culture and ethics, conflicts of interest disclosures, and emphasis on financial accountability. Compliance with established policies and procedures and State and University regulations and policies was also included, as was the selection and oversight of the independent financial statement auditors.

The applicable functions reviewed for the FAMU DSOs included:

- Accounts Payable
- Accounts/ Pledges Receivable
- Capital Asset Management
- Capital Construction
- Cash Management
- Contract and Grant Management
- Corporate Governance
- Debt Service/ Loans Payable
- Investment Management
- Journal Entries
- Procurement
- Payroll
- Revenue and Billings

Not all functions were applicable to each DSO. See individual DSO reports for the specific functions reviewed for each organization.

¹ DSO classifications include Alumni, Athletics, Capital Asset Management / Development, Foundation, Healthcare, Museum / Preservation, Professional Organization, and Research.

Results of Procedures

Crowe reviewed key controls identified by management and completed procedures which resulted in the identification of exceptions where internal controls did not exist, were not properly designed, or based on limited testing performed, were not operating as intended. The exceptions were organized into the following categories of observations:

- Management Responsiveness
- Completeness, Timeliness, Accuracy
- Policies and Procedures
- Review and Approval
- Segregation of Duties
- Supporting Documentation

Disclosures

The assessment was executed in accordance with AICPA Consulting Standards. Because these services do not constitute an audit, review, or examination in accordance with standards established by the American Institute of Certified Public Accountants, Crowe does not express an opinion on any deliverables. Crowe has no obligation to perform any services beyond those listed in this Statement of Work. If Crowe were to perform additional services, other matters might come to Crowe's attention that would be reported to Florida Agricultural and Mechanical University on behalf of the State University System of Florida (SUS) Board of Governors (BOG) or (Client). It is understood that Crowe will prepare a report reflecting Crowe's findings of the services outlined in the Statement of Work for use by the Client. Crowe makes no representations as to the adequacy of these services for Client's purposes. Crowe makes no warranties, expressed or implied, and Crowe specifically disclaims all other expressed and implied warranties, including any implied warranties of merchantability, fitness for a particular purpose, or non-infringement.

Crowe Services and work product are intended for the benefit and use of Client. This engagement was not planned or conducted in contemplation of reliance by any other party or with respect to anyone who receives the deliverables and is not intended to benefit or influence any other party. Therefore, items of possible interest to a third party may not be specifically addressed or matters may exist that could be assessed differently by a third party. Crowe's report or deliverables will indicate the purpose of the project, will describe the intended use of the reports and deliverables, and the intended users of the report and deliverables. The working papers for this engagement are the property of Crowe and constitute confidential information.

Client management is responsible for the results of the services, including findings, conclusions, and recommendations. Client management will be responsible for evaluating the findings, results, the risk rating of the findings, and conclusions arising from services. Client management will be responsible for reporting internal control deficiencies when identified within the organization, to the appropriate level of Client management, and for promptly reporting significant matters to the Audit Committee.

II. Procedures Performed

The project was divided into four phases. The procedures performed for each phase are included in this section.

Phase 1: Planning

At the onset of the project, Crowe held a kick-off meeting with the universities' Chief Financial Officers (CFO) and Chief Audit Executives (CAE) to review the assessment objectives and scope, and to discuss the approach. Crowe requested the CFO or CAE from each university to provide a single point of contact for each of their respective DSOs.

Crowe issued an introductory letter and materials request to each DSO contact, including an internal control questionnaire (ICQ) to obtain the information Crowe would need to begin work. Two sessions were held in November 2021 with the DSO and University Contacts to review the ICQs and to demonstrate how to navigate Crowe's Secure Information Exchange portal (i.e., this was the secure software used throughout the engagement to obtain and transmit information safely).

Phase 2: Risk Controls Assessment and Key Control Identification

Crowe performed the following activities as part of the Risk Controls Assessment and Key Control Identification:

- Reviewed DSO management's ICQ responses and documentation of key risks and controls by functional area.
- Assessed controls and identified gaps or weaknesses.
- Defined gaps where management had not implemented practices or procedures to address associated risks.
- Met with DSO management to confirm Crowe's understanding and the factual accuracy of the conclusions and discussed the planned approach for testing key controls for each function.
- Management was given opportunities to provide clarifying information and supporting documentation to resolve potential observations.

Phase 3: Key Control Testing

Crowe performed the following activities as part of Key Control Testing:

- Crowe performed limited testing on key controls and noted where controls did not operate as intended to mitigate the associated risk.
- The testing results were discussed with DSO management to confirm their factual accuracy.
- Management was given opportunities to provide clarifying information and supporting documentation to resolve exceptions.

Phase 4: Reporting

Crowe submitted a Summary of Observations which included exceptions from control testing and other issues identified. An exit meeting with each DSO was held to review the Summary of Observations. Crowe provided a minimum of two weeks for management to clarify and resolve any remaining observations prior to issuing the draft. The remainder of this document contains a summary of FAMU DSO assessment results.

III. Results

A summary of Crowe's results is included below. Detailed observations have been included in the DSO-level reports.

Key Observations

This is not a comprehensive list, but notable or "key" observations are listed which Crowe believes warrant University management's attention. These observations do not necessarily represent university-wide trends or concerns.

FAMU Rattler Boosters, Inc. (Boosters)

- The DSO contact did not respond to information and documentation requests timely or completely. Crowe completed testing procedures based on available information and issued a summary of results on January 14, 2022. Crowe requested that items of fact or clarifications be made within two weeks, and during that time the DSO contact produced numerous requests that had been outstanding since December 2021. Due to the number of items which were available but not provided timely, further monitoring of the Boosters' operations and financial controls may be necessary..
- The Boosters also had inadequate segregation of duties and used personal accounts for depositing and subsequently remitting donor contributions and cash to the FAMU Foundation.

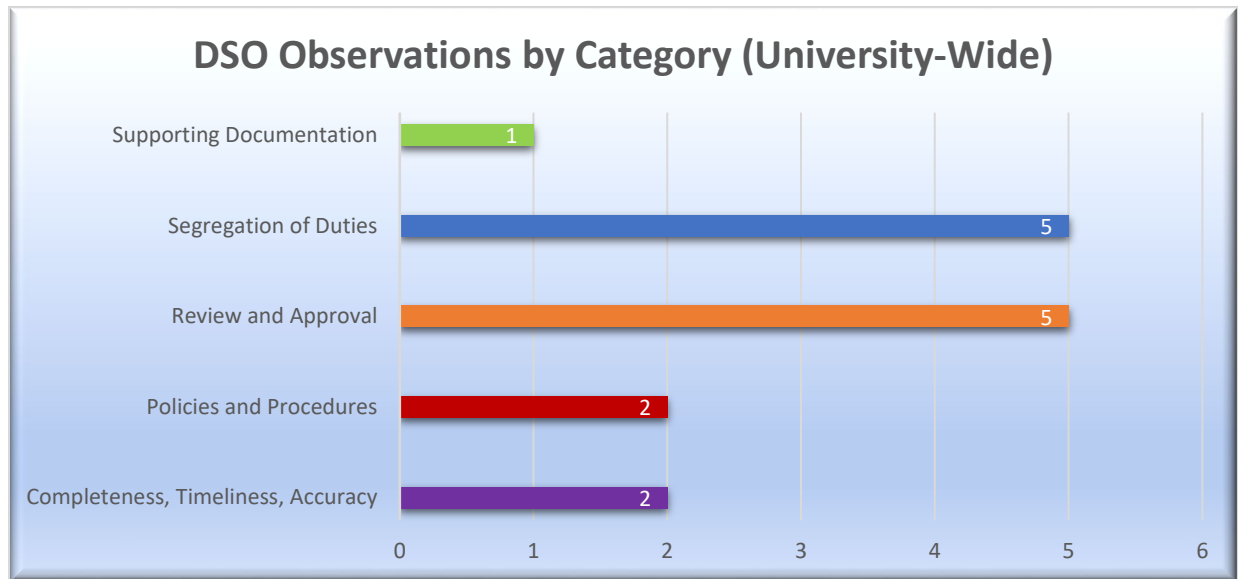
FAMU National Alumni Association (NAA)

- The NAA had inadequate segregation of duties over cash management because the Treasurer had the ability to collect cash, record cash collected, and complete the monthly cash account reconciliations.
- The NAA had inadequate segregation of duties over Journal Entries because the Treasurer had the ability to prepare and post manual journal entries to the general ledger.
- The NAA has inadequate segregation of duties in the Procurement function because the NAA President was able to approve his own travel expense reimbursement request.

Crowe did not identify key observations for the FAMU Foundation.

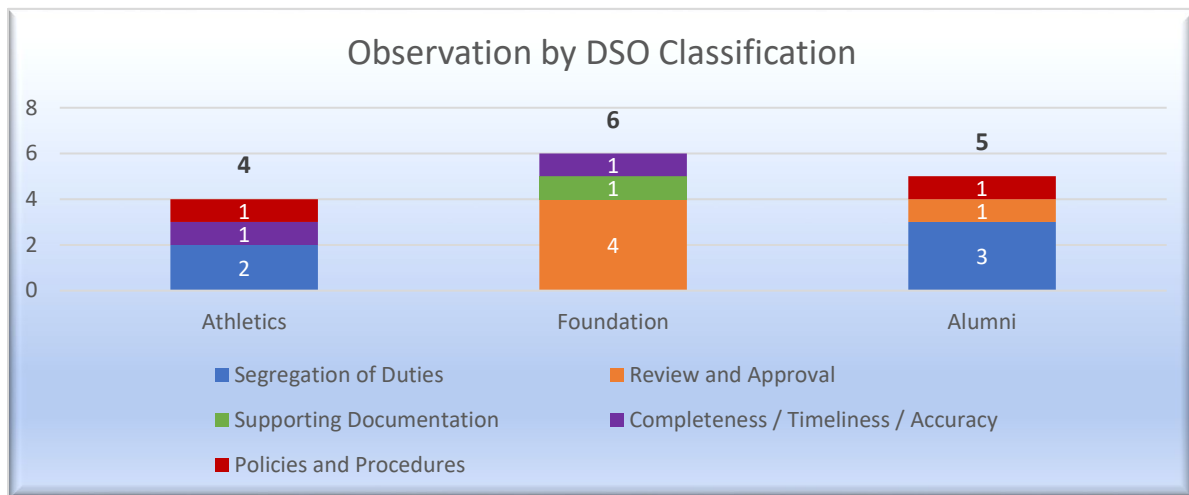
Observations by Category

The following graph is a university-wide illustration of the number of observations by category. The greatest number of observations across the three DSOs were noted due to a lack of adequate segregation of duties and documented review and approvals



Observations by DSO Classification

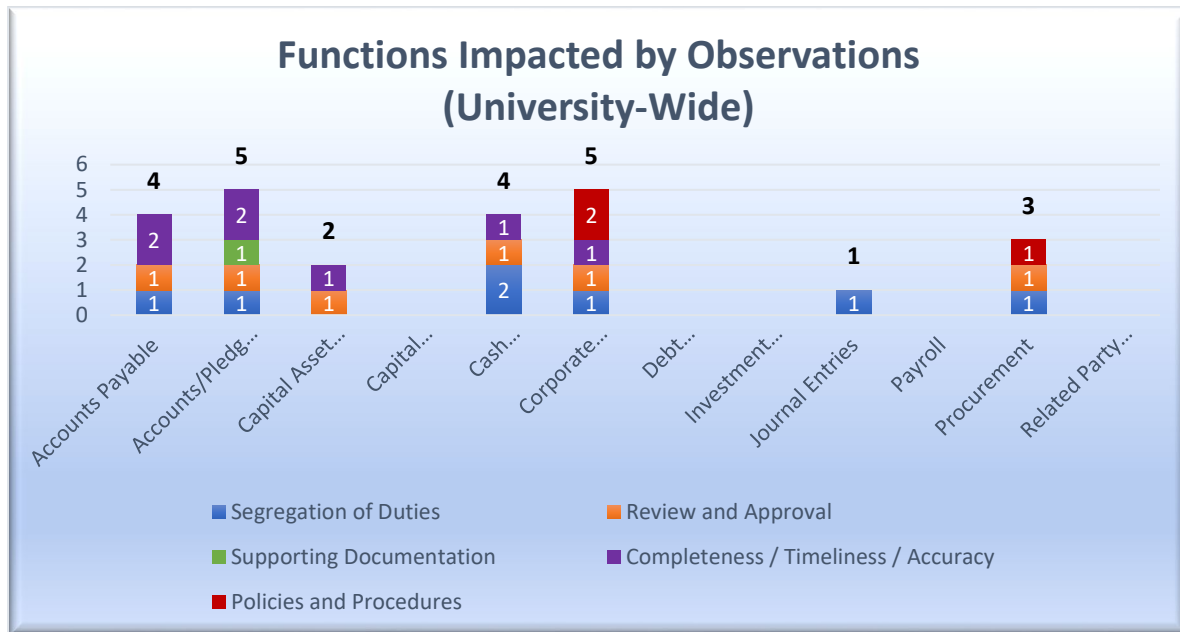
The following graph shows the categories of observations noted during the assessment and details the number of observations within each DSO Classification. The greatest number of observations were noted in the Foundation Classification.



Functions Impacted by Observations²

The graph below shows the functions assessed during the review and indicates the number of observations by functional area. The greatest number of observations were noted in Corporate Governance and Accounts Receivable.

² An observation may impact multiple functions (e.g., One observation for the lack of review and approvals may have been noted for AP, Cash, and Payroll) but an observation will be tied to a single entity or DSO classification. The "Observations by Category" and "Observations by DSO Classification" graphs tally the number of observations, and the "Functions Impacted by Observations" tally the number of functions; therefore the total impacted functions may not agree to the number of observations.



University-Level Opportunities

As a result of the interviews and discussions with DSO management, control assessments, and testing of key controls, Crowe noted several opportunities across FAMU's DSOs. From these opportunities, Crowe has provided recommendations to University leadership for their consideration while determining how to strengthen controls and mitigate risk to the DSOs, the University, and the State University System.

The assessment results indicated several opportunities for the University to strengthen controls within each of its DSOs. An increase in training on internal controls, establishing written policies and procedures, and documenting the preparation and approval of key tasks may help each DSO, and the University strengthen its controls over financial, operational, and compliance matters.

The University should consider taking a risk-based approach by addressing the areas with key observations, including Cash Management, Journal Entries, and Procurement particularly in the Athletics and Alumni support organizations.

Opportunities and recommendations have been provided in more detail below for University management's consideration.

Opportunity	Recommendation
1. Written policies and procedures were not established for the performance of key tasks across functional areas.	<p>Each DSO should develop, establish, and implement written policies or procedures for the key functional areas within the scope of this engagement. The applicable functional areas for this university are included in the Introduction section of this report. The policies and procedures should detail the relevant control activities including segregation of duties, review and approval, timeliness, required supporting documentation, etc.</p> <p>Universities should review policies and procedures established by the DSOs to ensure alignment with the University policies and applicable state regulations. The policy review should also consider the inclusion of internal control practices such as those established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).</p>

Opportunity	Recommendation
	<p>Each DSO should train personnel on the new policies and procedures and include the training as a part of the onboarding process for new employees, contractors, and volunteers.</p> <p>At minimum, each DSO should make policies and procedures readily available for reference to these individuals and interested stakeholders such as University personnel, board members, and auditors. Ideally, the DSOs should use policies as a baseline for measuring performance and compliance with applicable rules and regulations.</p>
<p>2. Minimum levels of experience or professional certifications were not required for key positions.</p>	<p>Each DSO should assess each staff or volunteer position (including board members) and identify which are key positions (i.e., responsible for managing a key control or critical function). The DSO should document the required or preferred levels of experience and any professional certifications for each key position (i.e. creating or strengthening written job descriptions).</p> <p>This assessment should be done within the context of available resources, headcount, and scope of responsibilities to reach a conclusion which will be feasible to implement.</p> <p>The DSO should compare current staffing to the assessment results and identify gaps where additional experience or certifications may be needed. The DSO should use the gap analysis as business justification for proposing any additional increase in headcount or salary, or in seeking volunteers with specific professional credentials.</p>
<p>3. Continuing professional education and training was limited or unavailable for personnel or volunteers charged with managing key functions including cash, procurement, and financial accounting.</p>	<p>Each DSO, after assessing needs and reviewing budget availability, should prepare and administer training sessions over key functional areas. The training sessions should be part of a broader training plan which details other relevant continuing professional education to be taken. The training plan should be approved by DSO management and the appropriate Board(s).</p>
<p>4. The process for appointing financial statement auditors and monitoring their performance was not documented or consistently communicated.</p>	<p>The University should designate a member of management to verify that documented policies are updated for the FAMU's procurement, selection, and performance monitoring of financial statement auditors. The University should collaborate with each DSO to determine if the DSO should adopt the FAMU policies or document a distinct DSO policy and present a proposed decision to the DSO and FAMU's Board for approval.</p>