

# Risk Assessment & 3-Year Audit Work Plan



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Division of Audit and Compliance

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# Risk Assessment & 3-Year Audit Work Plan

## EXECUTIVE SUMMARY

### WHAT WE DID

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We performed our interim-year risk assessment for Fiscal Year (FY) 2018-19 using qualitative measures. The risk assessment updated the FY 2017-18 risk assessment risk ratings. The results of the FY 2018-19 risk assessment were then used to develop a three-year audit work plan spanning FY 2019-2020, FY 2020-2021, and FY 2021-2022.

### WHAT WE FOUND

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We found that the overall risk for the University increased slightly from FY 2017-2018 to FY 2018-2019. Specifically, of the eighty areas of risk assessed we found:

- Risk increased in thirteen areas – Emergency Preparedness; Environmental Health & Safety; Athletics; Cash Handling; Academic Administration; Academic Records Management; International Affairs; Governance; Internal Audit; Legal; Export Controls; Health Services; and Stakeholder Relations.
- Risk fell in four areas: Institutional Compliance; Purchasing; Research Compliance; and Financial Aid.

### OPPORTUNITIES FOR IMPROVEMENT

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While FAMU has addressed some area risks, the University could improve its overall risk levels by:

- Implementing an enterprise risk management program;
- Tasking executive leadership with developing and implementing a risk mitigation plan for risks affecting their areas;
- Training all faculty and staff on risk management best practices and risk-based decision making;
- Allocating resources to the highest risk areas to manage risk;
- Continue efforts to cultivate a culture of accountability;
- Exploring different avenues for resources to mitigate risks outside of state and tuition funding, such as grants and corporate partnerships; and
- Researching and implementing a university-wide framework of internal controls, such as the Committee of Sponsoring Organizations of the Treadway Commission's (COSO) Internal Controls – Integrated Framework.



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## BACKGROUND

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### **The Value of a Risk Assessment:**

There are many definitions and categories of risk. Entities perceive risk based on the nature of their operations, the organization's culture, and other factors unique to them. Risk Management is the culture, capabilities, and practices, integrated with strategy-setting and performance, that organizations rely on to manage risk in creating, preserving, and realizing value.<sup>1</sup>

Every entity exists to realize value for its stakeholders. Value is created, preserved or eroded by management decisions in all aspects of an entity's activities, from strategy setting to daily operations. Entities failing to recognize the risks they face, from external or internal sources, and to manage them effectively, can destroy value. An effective starting point for understanding risk is to take a look at all aspects of an entity's activities.

In developing the 2019-2022 Internal Audit Work Plan, we performed a university-wide internal audit risk assessment, a process that identified and analyzed risks facing Florida Agricultural and Mechanical University (FAMU). The risk assessment served as the primary basis for developing the three-year work plan for the Division of Audit and Compliance (DAC). The sole objective of the risk assessment is to align internal audit resources to those processes that pose the highest risk to the University's ability to achieve its objectives. As a result, the DAC provides valuable information to FAMU senior management, the Board, and stakeholders for decision-making purposes through the assurance and advisory activities it performs.

### **Risk Assessment Standards:**

Professional auditing standards<sup>2</sup> state that the chief audit executive must establish a risk-based plan to determine the priorities of the internal audit activity, consistent with the organization's goals. The internal audit activity's plans and resources and resource requirements, including significant interim changes, must be communicated to senior management and the board for review and approval. Additionally, the impact of resource limitations are required to be communicated.

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<sup>1</sup> Source: COSO Enterprise Risk Management – Integrating with Strategy and Performance, 2017

<sup>2</sup> International Standards for the Professional Practice of Internal Auditing (Standards) – Performance Standards 2010 Planning



## Risk Assessment

Based on the scope of work and methodologies outlined in Appendix A, we developed a risk assessment heat map and made our observations in the following risk theme areas:





- Asset and Risk Management;
- Auxiliary and Service Departments;
- Financial Management;
- Human Resources Development;
- Information Technology;
- Instruction and Academic Support;
- Leadership and Governance;
- Plant Operations and Maintenance;
- Purchasing;
- Research and Development;
- Student Services; and
- University Relations and Alumni Affairs.

Additionally, we identified areas of risk needing immediate attention that will be addressed in coordination with the Office of Compliance and Ethics and the executive leadership team.

### Risk Assessment Heat Map (RAHM):

The RAHM provides a central repository of risks that impact FAMU along with an assessment of whether each risk area presents a low, moderate, or high risk to the achievement of organizational objectives. The risk map provides a comparison look of the FY 2017-2018 and 2018-2019 risk assessment.

### The Risk Assessment Heat Map Legend:

-  **Low Risk**– FAMU has an *unlikely* probability of risks occurring that would have at least a material impact on the University’s ability to achieve its strategic objectives.
-  **Low & Rising Risk** – FAMU management (or DAC) has noted new areas of concern that if not addressed in the upcoming fiscal year, will lead to this area being reclassified as a moderate risk.
-  **Moderate Risk** – FAMU has a *medium* probability of risks occurring that would have at least a material impact on the University’s ability to achieve its strategic objectives.
-  **Moderate & Rising Risk** – FAMU management (or DAC) has noted new areas of concern that if not addressed in the upcoming fiscal year, will lead to this area being reclassified as a high risk.



- High & Falling Risk** – FAMU management (or DAC) has noted new controls, processes, or initiatives that were implemented that are expected to decrease the residual risk in this area and could lead to this area being reclassified as a moderate risk in the upcoming fiscal year.
- High Risk** – FAMU has a *likely* probability of risks occurring that would have at least a material impact on the University’s ability to achieve its strategic objectives.
- High & Rising** – FAMU management (or DAC) has noted areas of concern that is causing risk to increase to an *expected* probability of risks occurring that would have at least a material impact on the University’s ability to achieve its strategic objectives.

Risk Area	2017-2018 Risk Level	2018-2019 Risk Level
<b>ASSET AND RISK MANAGEMENT</b>		
Emergency Preparedness	Moderate	Moderate & Rising
Endowment & Development	Moderate	Moderate
Environmental Health & Safety	Moderate	High
<b>AUXILIARY AND SERVICE DEPARTMENTS</b>		
Athletics	High	High & Rising
Auxiliary Enterprise Administration	Low	Low
Bookstore	Low	Low
Housing	Moderate	Moderate
Police	Moderate	Moderate
Recreation & Athletic Centers	Moderate	Moderate
Service Centers Auxiliary	Moderate	Moderate
Special Events Center	Moderate	Moderate
<b>FINANCIAL MANAGEMENT</b>		
Accounting	Low	Low
Accounts Payable	Moderate	Moderate
Accounts Receivable	Low	Low
Capital Asset Depreciation	Low	Low
Cash Handling	Moderate	High
Cash Management	High	High
Closing Process	Low	Low
Expenses	Moderate	Moderate
Financial Management Operations	Low	Low
Financial Reporting	Low	Low
Payroll	Moderate	Moderate
Revenue	Moderate	Moderate
<b>HUMAN RESOURCES DEVELOPMENT</b>		
Human Resources	Moderate	Moderate
<b>INFORMATION TECHNOLOGY</b>		
IT Compliance	High	High
IT Daily Operations	High	High



Risk Area	2017-2018 Risk Level	2018-2019 Risk Level
IT Strategy Planning & Governance	High	High
IT Customer Service	Moderate	Moderate
IT Development & Research	High	High
IT Admin Support	Moderate	Moderate
<b>INSTRUCTION AND ACADEMIC SUPPORT</b>		
Academic Administration	Moderate	Moderate & Rising
Academic IT	Moderate	Moderate
Academic Personnel Administration	Moderate	Moderate
Academic Records Management	Moderate	Moderate & Rising
Academic Reporting	Low	Low
Academic Support	Moderate	Moderate
Course & Curriculum Development	High	High
Instruction	Moderate	Moderate
International Affairs	Low	Moderate
<b>LEADERSHIP AND GOVERNANCE</b>		
Governance	Moderate	High
Institutional Compliance	High	High & Falling
Internal Audit	Low	Low & Rising
Legal	Low	Low & Rising
Strategic Financial Management	Moderate	Moderate
<b>PLANT OPERATIONS AND MAINTENANCE</b>		
Building Maintenance	High	High
Custodial Services	Low	Low
Landscape & Grounds	Low	Low
Major Repair and Renovation	High	High
Motor Pool	Moderate	Moderate
Physical Plant and Administration	Low	Low
Utilities	Moderate	Moderate
<b>PURCHASING</b>		
Purchasing	High	High & Falling
<b>RESEARCH AND DEVELOPMENT</b>		
Animal Research	Low	Low
Research Compliance	High	Moderate
Conflict of Interest	Moderate	Moderate
Export Controls	Moderate	High
Research Facilities & Equipment	Low	Low
Financial Fraud (Research)	Low	Low
Grants Accounting	Moderate	Moderate
Human Subjects Research	Low	Low
Intellectual Property/Technology Transfer	Low	Low



Risk Area	2017-2018 Risk Level	2018-2019 Risk Level
Pre-Award & Award Acceptance	Low	Low
Research Administration	Moderate	Moderate
Research Financial	Moderate	Moderate
Research Quality	Low	Low
Research Safety	Moderate	Moderate
Research Security	High	High
Trademark Licensing	Low	Low
<b>STUDENT SERVICES</b>		
Admissions	Moderate	Moderate
Counseling Services	Moderate	Moderate
Dining	Low	Low
Enrollment Management	Moderate	Moderate
Financial Aid	High	Moderate
Health Services	Low	Low & Rising
Registration	Moderate	Moderate
Student Centers & Activities	Low	Low
Student Judicial Affairs	Low	Low
Student Services Administration	Moderate	Moderate
<b>UNIVERSITY RELATIONS AND ALUMNI AFFAIRS</b>		
External Services	Low	Low
Stakeholder Relations	Low	Moderate

**Risk Themes:**

The risk themes were developed based on the category of risks outlined in the above risk assessment heat map. The risk themes provide qualitative insights into the changing risk landscape at the University from FY 2017-2018 to FY 2018-2019.

**Asset and Risk Management:**

The asset and risk management category is comprised of three areas: Emergency Preparedness, Endowment and Development, and Environmental Health and Safety. During discussions with management, DAC was informed that prior year concerns had not been sufficiently addressed for the three areas and the following new concerns dictated a ratings increase for the following two areas:

- *Emergency Preparedness (Moderate & Rising):* The crisis communication for small unexpected events needed improvement and the University did not have a designated storm shelter on campus.
- *Environmental Health and Safety (High):* The University does not have effective procedures and guidelines regulating the purchasing and disposal of hazardous chemicals. Inventory of hazardous chemicals are not being properly documented and labeled. A stockpile of hazardous





chemicals have amassed at the University resulting in a safety hazard for faculty, staff, and students.

### **Auxiliary and Service Departments:**

The Auxiliary and Service Department category is comprised of eight areas: Athletics, Auxiliary, Enterprise Administration, Bookstore, Housing, Police, Recreation & Athletic Centers, Service Centers Auxiliary, and Special Events Center. During discussions with management, DAC was informed that prior year concerns had not been sufficiently addressed for the eight areas and the following new concerns dictated a ratings increase for the following area:

- *Athletics (High & Rising):* While the University has increased its efforts with National Collegiate Athletic Association (NCAA) compliance and initiated an athletics taskforce responsible for oversight of athletics budget, the University was still issued a Level 1-aggravated case letter by the NCAA for lack of control over administration of its athletics program. The resulting penalties will have a long-term impacts on the University's athletic program, financial resources, and ability to meet Florida Board of Governors regulation for the athletics program to be self-sufficient.

While the ratings of the other areas did not change, DAC would like to acknowledge that the Police Department has upgraded all equipment and vehicles for their police force. However, the Police Department has experienced high turnover due to the inability to offer financially competitive salaries compared to other local law enforcement organizations.

### **Financial Management**

The Financial Management category is comprised of twelve areas: Accounting, Accounts Payable, Accounts Receivable, Capital Asset Depreciation, Cash Handling, Cash Management, Closing Process, Expenses, Financial Management Operations, Financial Reporting, Payroll, and Revenue. During discussions with management, DAC was informed that prior year concerns had not been sufficiently addressed for the twelve areas and the following new concerns dictated a ratings increase for the following area:

- *Cash Handling (High):* DAC's 2018 Grape Harvest Advisory Report noted improvements were needed in receipting of cash and management of the change fund. The VP of Finance and Administration indicated during the interview process that this area risk has increased.

While the ratings of the other eleven areas did not change, DAC would like to acknowledge that Moody's Investors Service has FAMU credit rating as stable. Additionally, the University was award \$125 million in capital funding.

### **Human Resources Development**

The Human Resources Development category consists solely of human resources. Over the course of the past year, Human Resources has made improvements in the onboarding process and tracking of leave balances. However, concerns regarding the decentralization of human resources activities between faculty and staff continue to persist. Addition concerns regarding the practice and enforcement of salary agreements with faculty led to human resources maintaining a *Moderate* risk rating.



### **Information Technology**

The Information Technology category is comprised of six areas: IT Compliance, IT Daily Operations, IT Strategy Planning & Governance, IT Customer Service, IT Development & Research, and IT Admin Support. While there was no movement in risk ratings within information technology, DAC would like to acknowledge that Information Technology Services upgraded and hardened all network firewalls, had a gap analysis performed for federal IT compliance for research technology, and obtained funding to begin the process of addressing the issues identified during last year's risk assessment.

### **Instruction and Academic Support**

The Instruction and Academic Support category is comprised of nine areas: Academic Administration, Academic IT, Academic Personnel Administration, Academic Records Management, Academic Reporting, Academic Support, Course & Curriculum Development, Instruction, and International Affairs. During discussions with management, DAC was informed that prior year concerns had not been sufficiently addressed for the nine areas and the following new concerns dictated a ratings increase for the following area:

- *Academic Administration (Moderate & Rising)*: While the University named a permanent Provost during FY 2018-2019, an assessment by Academic Affairs management noted a need for comprehensive evaluations of each college and school. Additional concerns were noted surrounding the management of grants administered by the schools/colleges for compliance.
- *Academic Records Management (Moderate & Rising)*: Concerns were raised regarding effective and efficient records management practices of the Registrar's Office, as well as concerns with the degree audit process at both the school/college and registrar levels.
- *International Affairs (High)*: While the University has policies in place regarding student, faculty, and staff travel abroad; a travel application to assist international travelers; and training to prepare international travelers; not all travelers are utilizing these services. Specifically, concerns were raised regarding several student study abroad trips. Due to the potential safety concerns for our students related to these trips, International Affairs was raised to a high risk rating.

### **Leadership and Governance**

The Leadership and Governance category is comprised of five areas: Governance, Institutional Compliance, Internal Audit, Legal, and Strategic Financial Management. Information gathered during the risk assessment process necessitated rating changes for the following four areas while the risk remained the same in the area of Strategic Financial Management:

- *Governance (High)*: Due to new legislative bills that were passed regarding the requirements for an Internal Control Framework at public institutions and construction carry-forward funds; adequate Board of Trustee trainings; governance of data privacy; and governance of information technology the risk rating was increased to high.
- *Institutional Compliance (High & Falling)*: While concerns remained regarding compliance in many of the areas throughout the University from the previous year, the University did see gains in compliance in athletics, research integrity, and payroll. As the Compliance function continues to mature, DAC has noted a positive change in the culture of compliance within the University.



- *Internal Audit (Low & Rising)*: The Internal Audit function has experienced a division split from Compliance which included the loss of their primary investigator; an increase in scrutiny of activities by the Florida Board of Governors due to incidents at sister institutions in the Florida State University System; and has a need for increased staffing to meet the demands of management requests for assurance and advisory services. All of these items has led to a rating increase of low and rising.
- *Legal (Low & Rising)*: While the Legal area risk remain rather low, the rating was increased to low and rising to reflect concerns regarding the speed at which legal requests are processed and concerns with adequate and timely information being transmitted to the University Insurance Risk Officer for insurance purposes.

### **Plant Operations and Maintenance**

The Plant and Operations Maintenance category is comprised of seven areas: Building Maintenance, Custodial Services, Landscape and Grounds, Major Repair and Renovation, Motor Pool, Physical Plant Administration, and Utilities. While there were no change in risk ratings for any of the seven areas, DAC would like to acknowledge that part of the \$125 million received in Capital Financing will go toward making the needed \$50 million of deferred maintenance. Additionally, FAMU was recommended by the House and Senate to receive full funding for the Center for Academic Student Success building as part of the 2019 Florida Legislative Session. Construction is an area that is receiving heightened oversight and scrutiny by state and federal regulators making the insufficient staffing levels and lack of appropriate construction project management software a concern for the University.

### **Purchasing**

The Purchasing category consists solely of purchasing. While the risk in this area is still significant, controls and improvements put in place by new management within purchasing has led to a lower risk rating of *High & Falling*.

### **Research and Development**

The Research and Development category is comprised of sixteen risk areas: Animal Research, Research Compliance, Conflict of Interest, Export Controls, Research Facilities & Equipment, Financial Fraud (Research), Grants Accounting, Human Subjects Research, Intellectual Property/Technology Transfer, Pre-Award & Award Acceptance, Research Administration, Research Financial, Research Quality, Research Safety, Research Security, and Trademark Licensing. Information gathered during the risk assessment process necessitated rating changes for the following two areas while risk remained the same in all other areas:

- *Research Compliance (Moderate)*: Research does not have a dedicated compliance officer to ensure that all grants meet compliance requirements. The lack of a compliance officer, combined with the lack of attendance of principal investigators at trainings increases the risk of noncompliance for the millions of grants maintained by the University. Additionally, the University has had significant turnover in Sponsored Programs which is charged with the oversight of subcontracts. However, the University has established a compliance committee for research that has been working to implement changes throughout all areas covered under research at the instruction of the Chief Compliance Officer. With increased oversight and no official grant findings issued in this area, the risk rating was lowered from *High* to *Moderate*.



- *Export Controls (High)*: Increased training and oversight of the transport of University electronic devices on university travel, particular by faculty and staff, was noted during the risk assessment process leading to an increased risk rating of *High*.

### **Student Services**

The Student Services category is comprised of ten risk areas: Admissions, Counseling Services, Dining, Enrollment Management, Financial Aid, Health Services, Registration, Student Centers & Activities, Student Judicial Affairs, and Student Services Administration. Information gathered during the risk assessment process necessitated rating changes for the following two areas while risk remained the same in all other areas:

- *Financial Aid (Moderate)*: Financial Aid is an inherently risky area due to the amount of financial transactions that occur each year. Although there is some concerns that remain with the retroactive withdrawal practice of the University that is negatively impacting the return of Title IV funds process, the risk rating was lowered to *Moderate* as a result of recent state and federal audits that showed no issues with Financial Aid processes and procedures.
- *Health Services (Low & Rising)*: While Student Affairs has increased the staffing for mental health services, the location of the mental health office is a deterrent for students who need these critical services. This risk is expected to be addressed in the construction of the Center for Access and Student Success.

DAC would like to acknowledge that Student Affairs has taken over the Academic Advisement Unit and hired five additional advisors to provide students with needed services.

### **University Relations and Alumni Affairs**

The University Relations and Alumni Affairs category consisted of two risk areas: External Services and Stakeholder Relations. While External Services maintained its *Low* risk rating, the risk rating of *Stakeholder Relations* was increased to *Moderate* as a result of concerns related to perceived ineffective institutional controls by key stakeholder groups which could result in reduced fundraising and student recruiting capabilities for FAMU.

DAC would like to acknowledge that the University has improved stakeholder relations with government officials, board of trustees, and the Florida Board of Governors through increased engagement and leadership changes.



## Overview of Areas of Risk Identified for Immediate Management Action:

The Division of Audit and Compliance (DAC) seeks to provide management with timely information regarding high risk areas and control deficiencies within the University. As a result, DAC has implemented a new process as part of the risk assessment where we will issue Management Letters to the appropriate executive leadership in areas of risk concerning health or safety or control deficiencies that require action to be started in the immediate future. Management Letters will address the aforementioned areas where executive leadership acknowledged risk or control deficiencies were taking place during the interview process. All issues outlined in the Management Letters will be added to our normal audit finding follow-up process. Therefore, executive leadership is expected to produce an action plan to address all issues outlined in the Management Letters.

The following Management Letters will be issued requesting action plans be developed for follow-up tracking:

- **Environment Health & Safety – Hazardous Lab Chemicals (Interim VP of Research, Charles Weatherford):** There were noted lack of controls regarding the purchasing, inventory, stock piling, and disposal of hazardous lab chemicals. As a result, the University's current stockpile of hazardous chemicals pose a safety risk to faculty, staff, and students. In addition, remediation efforts could result in a financial loss for the University as the cost to dispose of excess chemicals will exceed the asset value.
- **Purchasing – Vendor Contracts (VP of Finance & Administration/CFO):** There were noted lack of controls regarding vendor contract processing and legal reviews.
- **IT Compliance-ADA Website Compliance (VP of Finance & Administration/CFO):** The University website is not fully ADA compliant. As the fines continue to increase in the amount and frequency levied against institutions of higher education for non-compliance the University must take action to ensure compliance.
- **IT Strategy Planning & Governance-IT Governance Committee (VP of Finance & Administration/CFO):** The University lacks an IT Governance Committee that is typically responsible for all major IT decision-making for the University enabling the University to align IT goals, resources and projects with the University's strategic goals and mission through a collaborative approach between IT and business executives.
- **Environmental Health & Safety – Stadium (VP of Finance & Administration/CFO):** The University has not followed its established repair and maintenance plan for the football stadium, completing only one of the five years. The University has already experienced a structural collapse of stands at the stadium where fortunately no injuries occurred. However, due to the continued risk to the safety of faculty, staff, students, and the public who attend stadium events, the maintenance and repair plan needs to be assessed for needed changes, funded, and completed.
- **Emergency Preparedness (VP of Finance & Administration/CFO):** The University lacked a dedicated funding source to cover major emergencies, evacuation and facility agreements for students, and an on campus storm shelter.



### 3-Year Work Plan (FY 2019 – 2022)

Project Description	Risk Area	Covered in	Planned Coverage For Fiscal Year		
		2018-19	2019-20	2020-21	2021-22
<b>Governance</b>					
Performance Based Funding Metrics	Governance, Academic Reporting, Academic Records Management	X	600	X	X
Review Process for Adopting and Changing Policies	Governance, Legal		160		
Culture & Ethics - Red Book 2110.A1	Governance, Compliance		160		
Effectiveness of Student Success Efforts	Governance, Academic Administration, Academic Support, Student Services Administration			X	
Effectiveness of Customer Service Initiative	Governance, Academic Administration, Academic Support, Student Services Administration, Admissions, Registrar, Financial Aid				X
IT Governance	IT Strategy Planning & Governance				X
<b>Financial</b>					
Athletics - BOT Policy 2005-16 (Section 2)	Athletics		320	X	X
Boosters - BOT Policy 2005-18 (Section 5)	Athletics	X	160	X	X
Decentralized Cash Collections	Cash Handling, Cash Management	X	160	X	X
Knight Foundation Grant Quarterly Expense Review	Financial Management, Grants Accounting		160		
FAMU Foundation: Payment Approval Process	Endowment & Development			X	
P-Card	Financial Management, Purchasing	X			
Athletics Expense Review		X			
<b>Compliance</b>					
Research: Sub-Recipient Monitoring	Research Compliance, Grants Accounting			X	
Export Controls Review	Export Controls		320		
Band Eligibility Compliance Review	Student Centers & Activities, Student Services Administration, Institutional Compliance	X			
IT-DAVID System				X	



Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
Construction: \$125 Million U.S. DOE HBCU Capital Financing Program Loan	Major Repair & Renovation			X	
FAMU Summer Camps	Institutional Compliance, Academic Personnel Administration				X
<b>Operational</b>					
Financial Aid: Department Review	Financial Aid	X		X	
Registrar Office: Department Review	Registration		260		
Admissions Office: Department Review	Admissions				X
Online Education & Support	Academic Administration, Instruction, Academic Support				X
FAMU/FSU College of Engineering	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management		400		
College of Pharmacy	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management			X	
College of Law	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management				X
School of Business & Industry	Academic Administration, Academic Support, Course & Curriculum Development, Financial Management			X	
Licensure Program Assessment	Academic Administration, Course & Curriculum Development, Instruction, Academic Support			X	
Title III: Department Review	Grants Accounting, Research Compliance, Research Administration				X
IT -Active Directory Security & Management	IT Daily Operation	X	80		
IT-Cloud Security (Operations)	IT Daily Operations			X	
IT- Physical Security	IT Daily Operations			X	
IT- ImageNow	IT Compliance, IT Daily Operations				X



Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
IT - Change Management	IT Development & Research		320		
Construction: P3 Process Review	Major Repair & Renovation				X
Construction: Center for Access & Student Success (CASS)	Major Repair & Renovation		200		
Construction: Source Funding Review	Major Repair & Renovation		180	X	X
Procurement Policy & Procedure Review	Purchasing, Legal, Institutional Compliance			X	
Deferred Maintenance	Major Repair & Renovation				X
Intellectual Property	Intellectual Property/Technology Transfer				X
IT-Cloud Security (Governance)	IT Strategy & Governance	X			
<b>Continuous Monitoring Services</b>					
Athletics Operations & Financial Review (Task Force)	Athletics	X	200	X	X
Faculty & Staff Leave	Academic Personnel Administration, Human Resources		80	X	X
Construction Management Review	Major Repair & Renovation	X			
<b>Total Hours Audits &amp; Assurance</b>		—	3760	—	—
<b>Management Advisory Services</b>					
Athletics Budget Review	Athletics, Financial Management Operations		160		
Textbook Affordability	Academic Administration, Bookstore, Course & Curriculum Development, Academic Reporting	X	80		
Construction: Florida House Recommendations	Major Repair & Renovation, Purchasing		160		
Athletics: NCAA Compliance	Athletics		160		
Band Eligibility Compliance	Student Centers & Activities, Institutional Compliance			X	
Medical Marijuana Program Development	Institutional Compliance, Research Administration	X	80		X
Return of Title IV Funds Process	Financial Aid				X





Project Description	Risk Area	Covered in 2018-19	Planned Coverage For Fiscal Year		
			2019-20	2020-21	2021-22
Monitor Strengthening of Compliance Program	Institutional Compliance	X			
HR Onboarding & Exit Process Review	Human Resources				X
Enterprise Risk Management	Governance	X	40		
State of Cybersecurity	IT Strategy planning & governance, IT daily Operations, IT Compliance	X	40		
Departmental Training Assistance	Various	X	100	X	X
Audit Liaison with External Auditors	Various	X	100	X	X
Management Requests	Various	X	800	X	X
HCM 9.2 Upgrade Review	Human Resources, IT Compliance, IT Development & Research	X			
Knight Foundation Grant Unallowable Cost Review	Grant Accounting	X			
<b>Total Management Services</b>		—	1720	—	—
<b>Follow-ups, Risk Assessment, and Investigations</b>					
Follow-Up: Audit	Various	X	800	X	X
Follow Up : Investigation	Various	X	400		
Follow-Up: Advisory Services	Various	X	400		
Risk Assessment	Various	X	200	X	X
Investigations	Various	X	1200	X	X
<b>Total Follow-Up, Risk Assessment &amp; Investigations</b>		—	3000	—	—
<b>Internal Audit Administration</b>					
Professional Development	Internal Audit	X	695	X	X
Divisional Admin Projects	Internal Audit	X	1280	X	X
Whistle Blower Training	Internal Audit		80		
General	Internal Audit	X	3500	X	X
Leave	Internal Audit	X	525	X	X
<b>Total Internal Audit Administration</b>		—	6080	—	—
<b>Total All Hours</b>		—	14560	—	—



## APPENDICES

### APPENDIX A – RISK ASSESSMENT SCOPE AND METHODOLOGY

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The **scope** of the engagement included assessing changes in risk levels from August 2018 to May 2019.

While completing this year’s risk assessment, we met with the senior management team to identify risk spheres in which the University’s risk changed from the prior year’s risk assessment as a result of new programs or initiatives implemented during 2018-19 to mitigate risks, and changes that could adversely impact risks, such as legislation or other factors. We also considered the results of various Division of Audit & Compliance audits, investigations, and advisory activities that disclosed risks or mitigating controls affecting risk. Further consideration was given to the results of external audits and assessments, such as the operational audit performed by the Office of the Auditor General and the May 21, 2019, NCAA Florida A&M University Infractions Decision.

The **methodology** included:

The development of the Risk Assessment Matrix is a three-step process:

1. Determine the risk universe for FAMU;
2. Determine the likelihood of occurrence having a material impact on the University; and
3. Risk definition (low, moderate and high).

#### **Risk Universe**

The risk universe was compiled using a standard risk universe for Universities and adjusting for operations applicable to FAMU. The adjustments to the risk universe were made from our knowledge and experience with the University’s operations, prior internal audit reports, and from discussions with executive staff and department management.

#### **Likelihood of Material Impact of Occurrence**

##### *Likelihood*

The risk related to each category was scored based on the likelihood of having a material impact on the University. Likelihood was assessed based on the risk assessment survey each department’s management completed which assessed the controls that are in place to mitigate risks related to that particular category. Improper, incomplete, or insufficient controls increased the likelihood that a risk event could occur in that area.



### *Impact*

DAC determined the impact of the control not being in place by information gathered through the leadership interview process; DAC's review of audits, investigation and advisory work related to the department performed during FY 2018-19; and knowledge obtained through information sharing with DAC staff from management, staff, faculty, and others. The information gathering process allowed DAC to determine if the impact to the University would be Low, Moderate, or High:

- **Low Impact:** Loss of confidence limited to 1 stakeholder group (students, faculty, Board of Governors, Board of Trustees, donors, alumni, SACS, USDOE, etc.); Minimum refinements or adjustments to University's operating plans and execution; Minor interruptions to University operations; Management unaffected; Minimal liabilities; Limited or no Regulatory attention; Financial Impact is less than \$1 million
- **Moderate Impact:** Loss of confidence limited to 2 stakeholder groups; 1 or more changes in senior leadership; Significant changes to University's operating plans and execution; Moderate interruptions to University operations; Legal reserve established; Regulatory investigation; Financial impact of \$1M-\$10M
- **High Impact:** Loss of confidence by 3 or more stakeholder groups; 2 or more changes in senior leadership; Potential closing of University; significant changes to University's strategic plan; Significant interruptions to University operations or inability to continue normal operations across the entire University; Management challenges; Large-scale legal actions or liabilities; Regulatory fines or sanctions; Financial impact of more than \$10 million

Additionally, DAC identified in certain cases where the risk impact was falling or increasing but not enough to change the actual risk rating.



**APPENDIX B – RISK ASSESSMENT INTERVIEW LIST**

INTERVIEW DATE/TIME	NAME	DEPARTMENT/DIVISION
April 25, 2019 9:00 AM - 10:00 AM	Charles Weatherford	Vice President Research
April 25, 2019 :00 PM - 2:00 PM	Wanda Ford	Vice President Administrative & Financial Services
April 25, 2019 4:15 PM – 5:15 PM	Maurice Edington	Provost & Vice President for Academic Affairs
April 29, 2019 8:30 AM - 9:30 AM	Sameer Kapileshwari	Associate Vice President Facilities, Planning, Construction and Safety
April 29, 2019, 10:30 AM - 11:30 AM	Rica Calhoun	Compliance Officer
May 1, 2019 1:00 PM - 2:00 PM	John Eason	Athletic Director
May 3, 2019 8:30 AM - 9:30 AM	William Hudson, Jr.	Vice President Student Affairs
May 3, 2019 1:00 PM - 2:00 PM	Craig Reed	Chair of Audit Committee, Board of Trustees
May 6, 2019 9:30 AM - 10:30 AM	Archie Bouie III	Associate Vice President, Administrative and Financial Services
May 6, 2019 2:30 PM - 3:30 PM	Ronald Henry	CIO & Associate Vice President EIT
May 7, 2019 3:00 PM - 4:00 PM	Shawnta Friday-Stroud	Vice President University Advancement
May 8, 2019 9:00 AM - 10:00 AM	Joyce Ingram	Assistant Vice President and Chief Human Resources Officer
May 8, 2019 3:30 PM - 4:30 PM	Shira Thomas	Office of General Counsel
May 9, 2019 9:00 AM - 10:00 AM	Terrance Calloway	Chief of Police
May 9, 2019 10:30 AM - 11:30 AM	Kelvin Lawson	Chair, Board of Trustees
May 9, 2019 2:00 PM - 3:00 PM	Larry Robinson	President
May 10, 2019 2:00 PM - 3:00 PM	Beverly Barrington	Vice President, Strategic Planning, Analysis & Institutional Effectiveness
May 13, 2019 4:00 PM - 5:00 PM	Kathy Times	Executive Director, Office of Communications



## APPENDIX C – WORK PLAN DEVELOPMENT SCOPE AND METHODOLOGY

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The **scope** of the Division of Audit work plan is a three year period covering fiscal years 2019-2020, 2020-2021, and 2021-2022.

The **methodology** for developing the work plan included the following steps:

1. Perform Risk Assessment;
2. Conduct DAC Work Plan Brainstorm Meeting;
3. Identify work plan initiatives and risk items to be addressed immediately through management letters based of Steps 1 and 2;
4. Compile a draft of the work plan; and
5. Finalize work plan.



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Larry Robinson, Ph.D., President

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### **External Distribution:**

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



## PROJECT TEAM

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### **Engagement was conducted by:**

#### *Project Lead*

- Deidre Melton, CFE, CIA, CISA, CISM, CRISC, Internal Auditor/Investigator

#### *Project Staff*

- Jessica Hughes, CCA, CFE Audit Services/Investigations Administrator
- Ruoxu Li, CIA, CISA Audit Services/Investigations Administrator
- Carl Threatt, CIA, CRMA, CIGA, CIGI, Audit Services/Investigations Administrator
- William Knight, CIGA, Internal Auditor/Investigator

### **Approved by:**

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

## STATEMENT OF ACCORDANCE

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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 risk assessment and work plan development in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require we plan and conduct a risk assessment to use as a basis for the development of the audit work plan aligned with university goals. We believe the evidence obtained provides a reasonable basis for our risk assessment, work plan, and conclusions based on our objectives.

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

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