



Audit and Compliance Committee

Presented by Rica Calhoun and Joseph Maleszewski

Board of Trustees Meeting, March 4, 2020

Office of Compliance and Ethics: Informational Update

Rica Calhoun
Chief Compliance and Ethics Officer
Office of Compliance and Ethics

Office of Compliance and Ethics Update

OFFICE OF COMPLIANCE AND ETHICS ACTIVITY REPORT

March 2020

THE BREAKDOWN

Education, Policy, and Outreach:

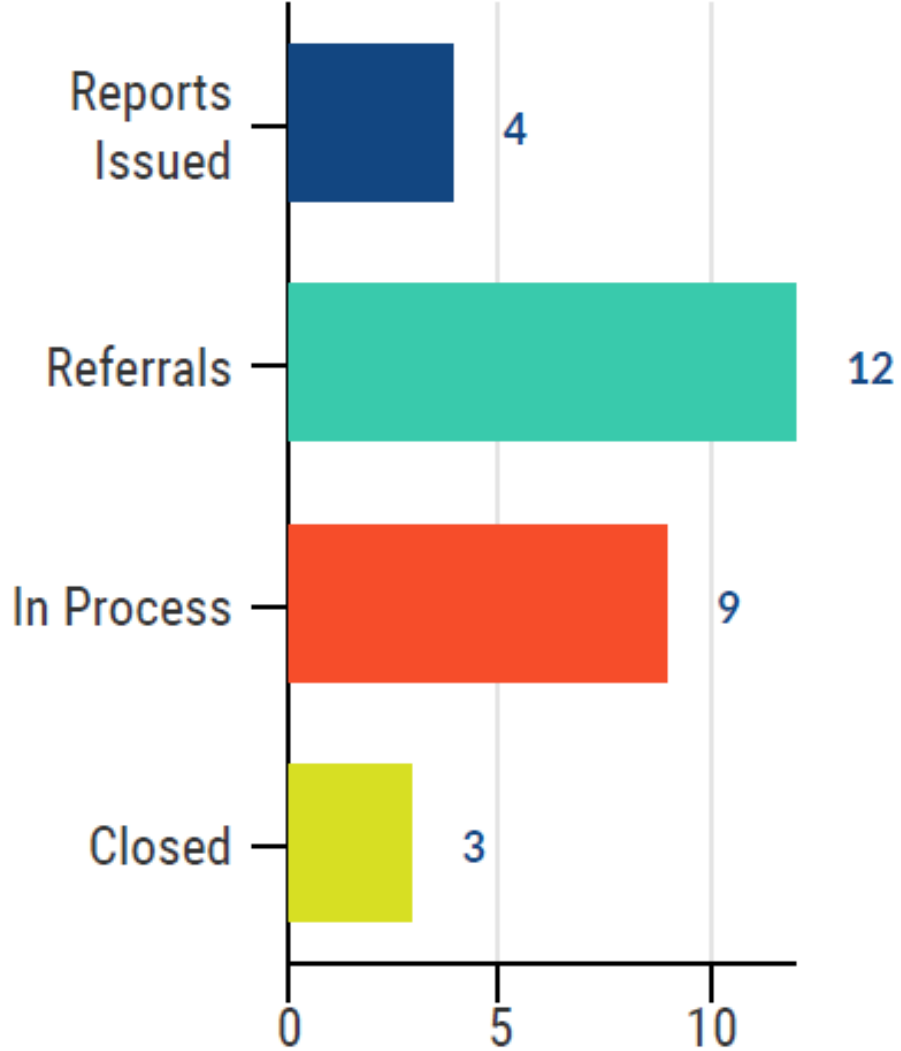
Research Security

Mandatory Training

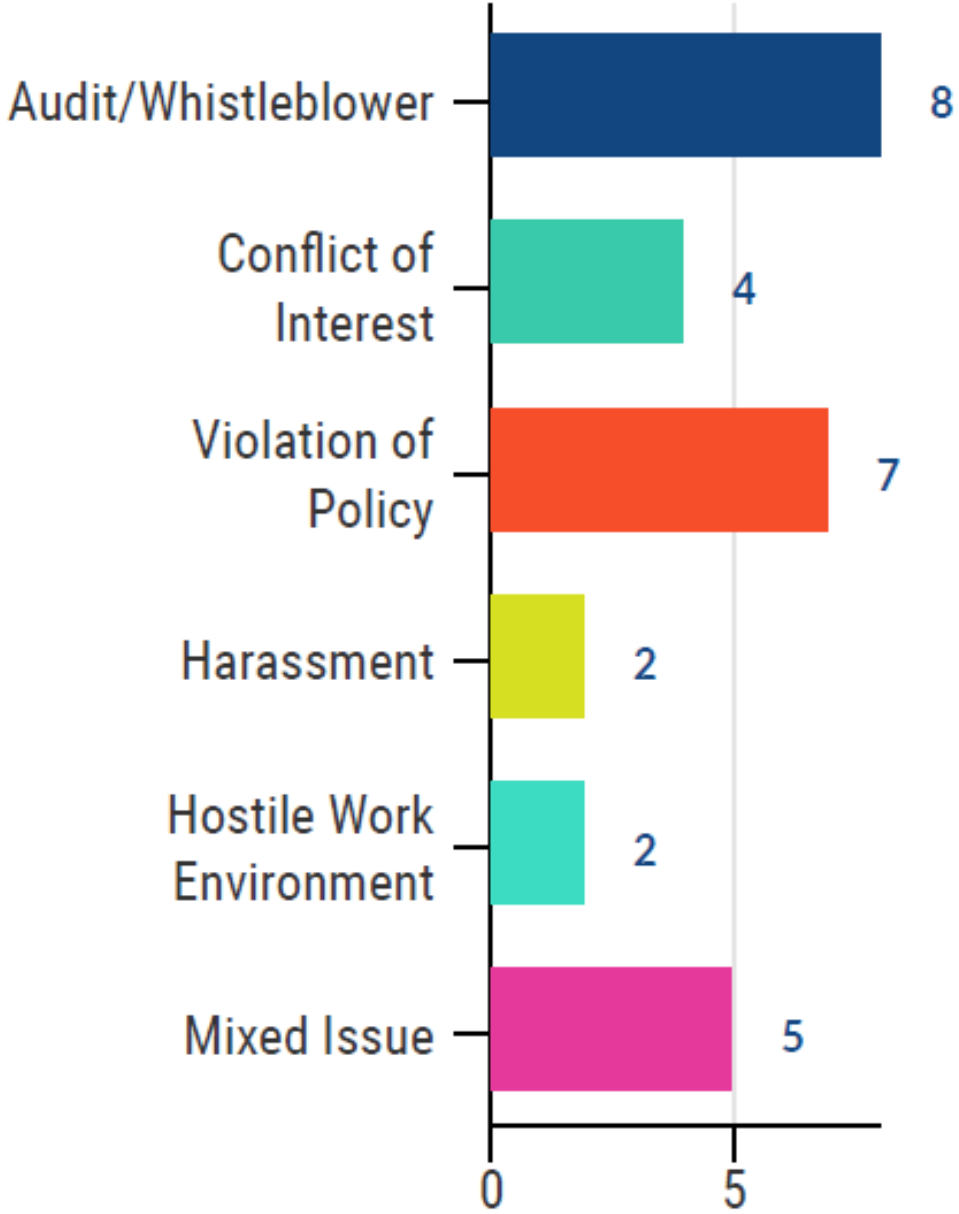
Conflict of Interest

Office of Compliance and Ethics Update

Investigation Activities



Allegation Type



Mandatory Training Timeline

- January-February 2020: Implementation on LinkedIn Learning and Qualtrics Platforms. Additional communication to University Community.
- February 2020: Accountability and roll out finalization with Senior Leadership Team
- February 2020: University Memorandum to all employees
- March 1-31, 2020: Mandatory training window for all employees

Office of Compliance and Ethics Update

Collaborative Efforts and Compliance Reviews

- Lab Safety- Sample review with Environmental Health and Safety
- Travel- Reimbursement guidelines
- Procurement- Contracts
- Conflict of Interest- University, Research, and Procurement
- Research Security- Foreign Influence and Export Control

Division of Audit: Informational Update

Joseph Maleszewski, MBA, CIA, CIG, CIGI, CIGA, CISA, CGAP, CCEP
Vice President of Audit
Division of Audit

Development of Fraud Policy

Management Fraud Responsibilities

- Detection and prevention of fraud, misappropriations, and other improper behavior
- Creating a responsible environment

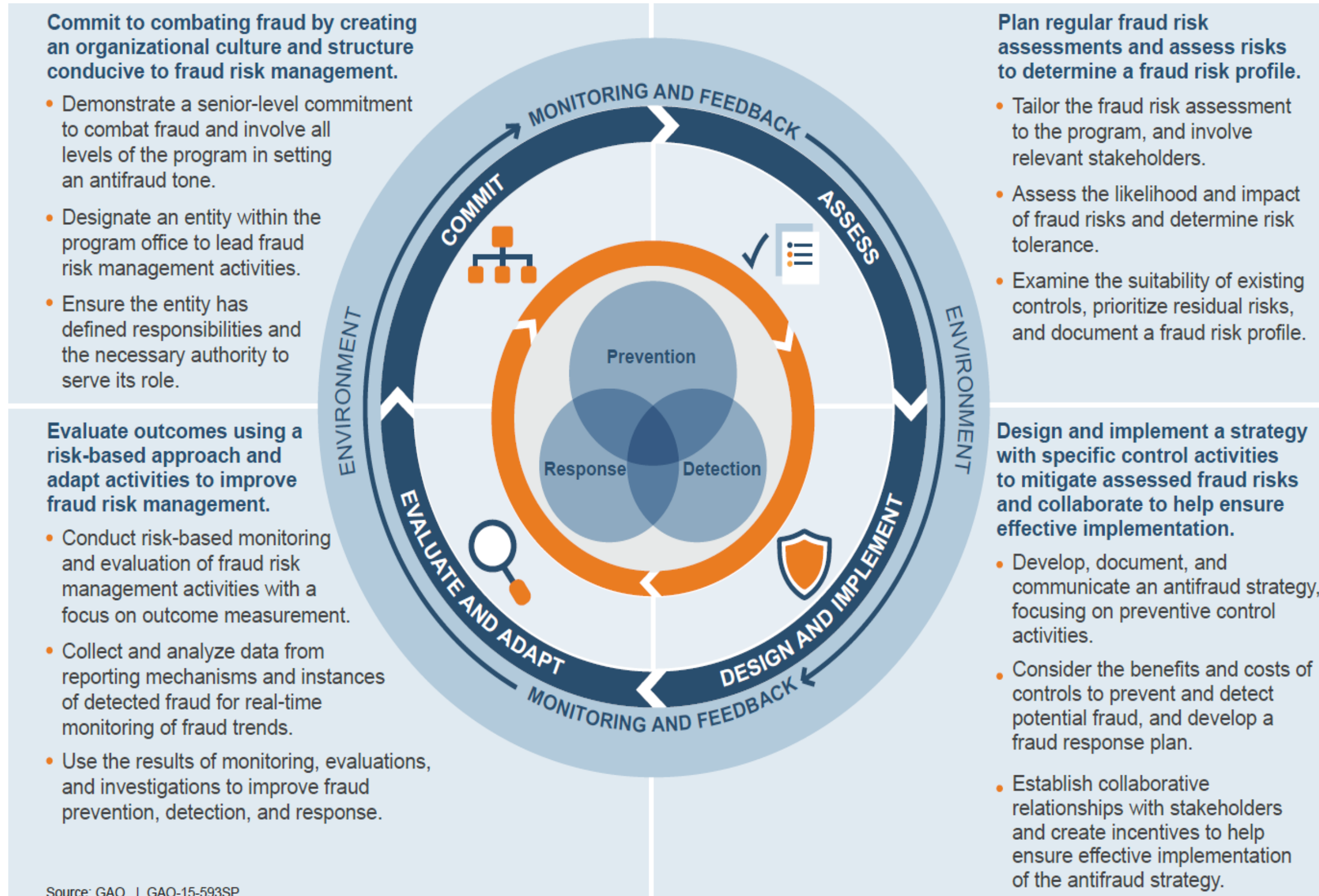
Development of Fraud Policy

Policy Objective

- “Zero Tolerance”
- Prevention
- Deter
- Detect
- Reporting
- Investigating



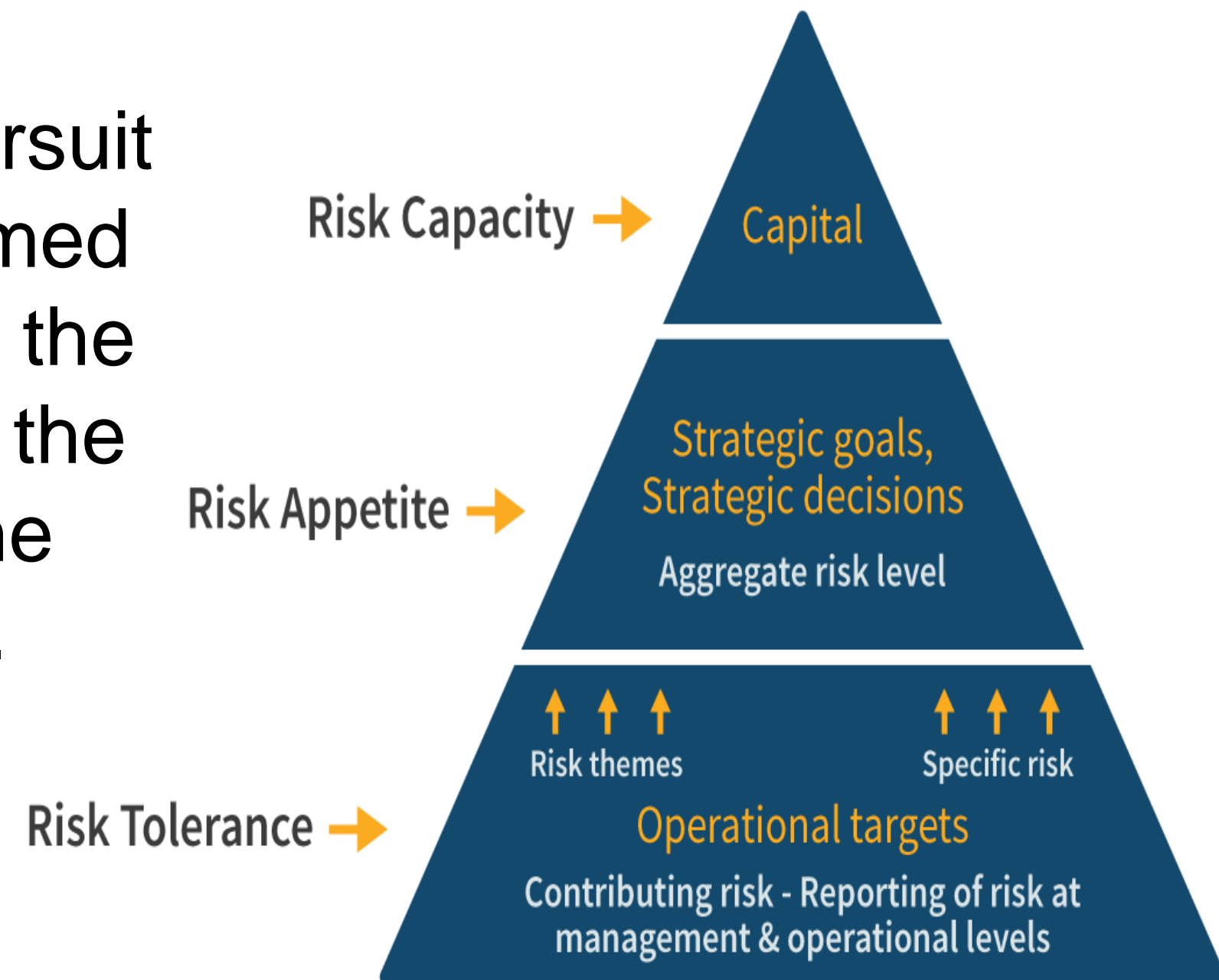
Development of Fraud Policy



Establishment of University Risk Appetite

Objective

Establish the level of risk that the University is prepared to accept in pursuit of its objectives, before action is deemed necessary by management to reduce the risk. It represents a balance between the potential benefits of innovation and the threats, that change inevitably brings.

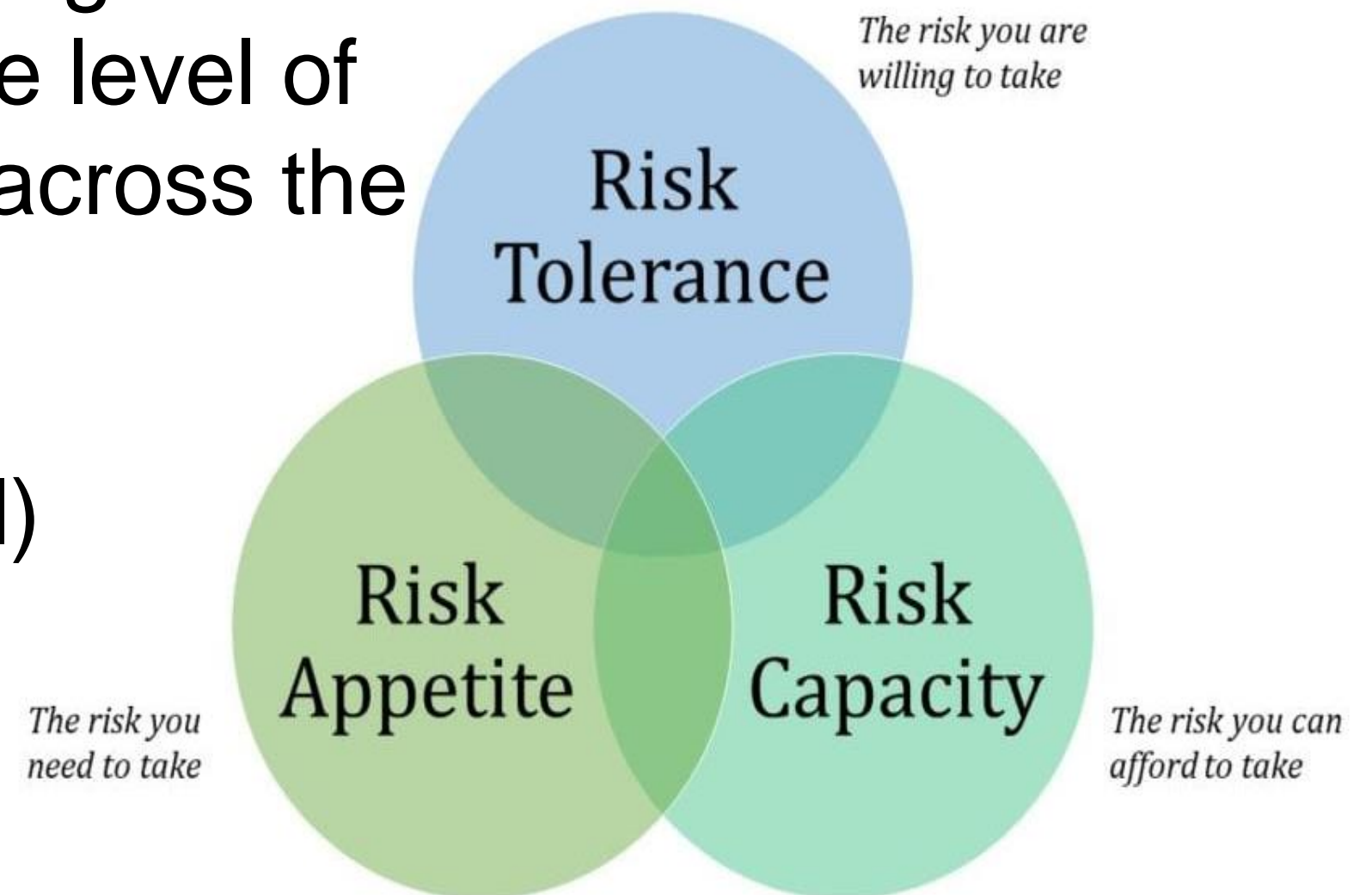


Development of Risk Tolerance Statement
















Objective

The risk tolerance statement, which is to be applied at the institutional level, explains a critical component of the University's risk management framework by attempting to quantify the level of risk the University is willing to tolerate across the following vital areas:

- Reputation
- Infrastructure (financial and physical)
- Education/Research
- Human Resources
- Safety/Security

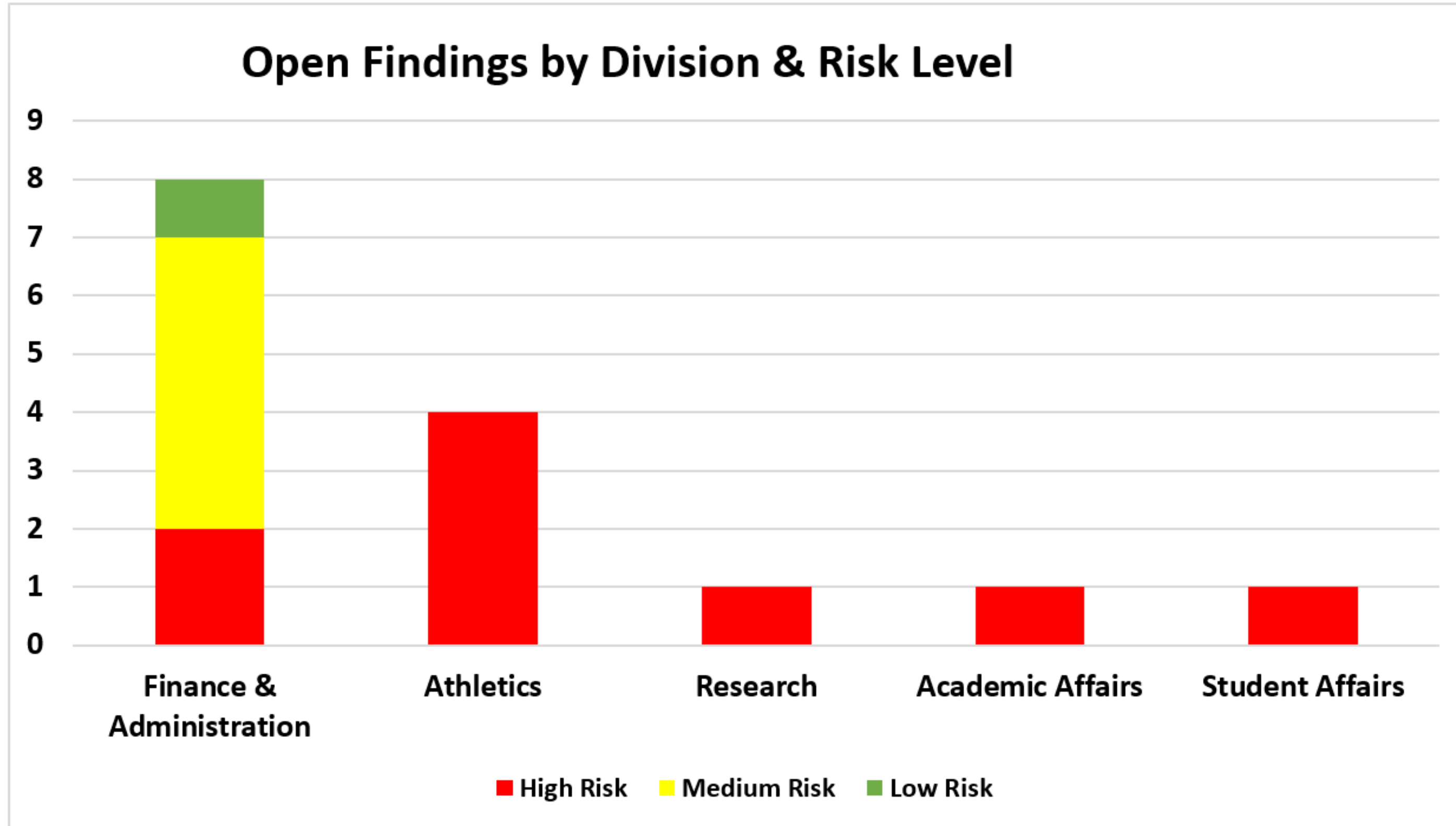


Audit Follow-Up: Open Findings







15 Open Audit Findings as of February 21, 2020		
4 Corrected Require Validation	8 Partially Corrected	3 Corrective Action Plans Currently Under Development
 Purchasing Card Transaction Audit: Revised Policy  Purchasing Card Transaction Audit: Threshold Analysis  Purchasing Card Transaction Audit: Supporting Documentation & Approvals  2018 Operational Audit Findings: Payroll – Time Reporting	 2018 Operational Audit Findings: Intercollegiate Athletic Programs – Deficit Cash Balances  2017-18 Cloud Security Governance Audit: Disaster Recovery  2017-18 Athletic Expense Review: Inadequate Athletics Procurement Practices  2017-18 Athletic Expense Review: Failure to Attend Mandatory University Fiscal and Compliance Training  2018-19 Decentralized Cash Collections – Essential Theatre: Criminal Background Screenings  2018-19 Risk Assessment: Purchasing – Vendor Contracts (Subject Matter Expert Review of Contracts)  2018-19 Risk Assessment: IT Governance Committee  2018-19 Risk Assessment Purchasing - Vendor Contracts (Procurement Processing Guidelines)	 2018-19 Risk Assessment: Emergency Preparedness  2018-19 Risk Assessment: Hazardous Lab Chemicals  2018-19 Risk Assessment: Bragg Stadium Safety & Maintenance

Severity Risk Level  High Risk  Medium Risk  Low Risk

Audit Follow-Up: Division Owners








Audit Follow-Up: Closed Findings

6	Findings Closed Since December 5, 2019 BOT Meeting
	Purchasing Card Transaction Audit: Athletics Monthly Reconciliations
	Athletics Decentralized Cash Controls Audit: Ticket Void/Reissue Process
	Athletics Decentralized Cash Controls Audit: University Processing Timely Deposit
	Athletics Decentralized Cash Controls Audit: Ticket Security
	2018-19 Decentralized Cash Collections – Essential Theatre: Cash Handler Training
	2017-18 SGA Follow-Up Audit: Student Employee Time Reporting – SGA

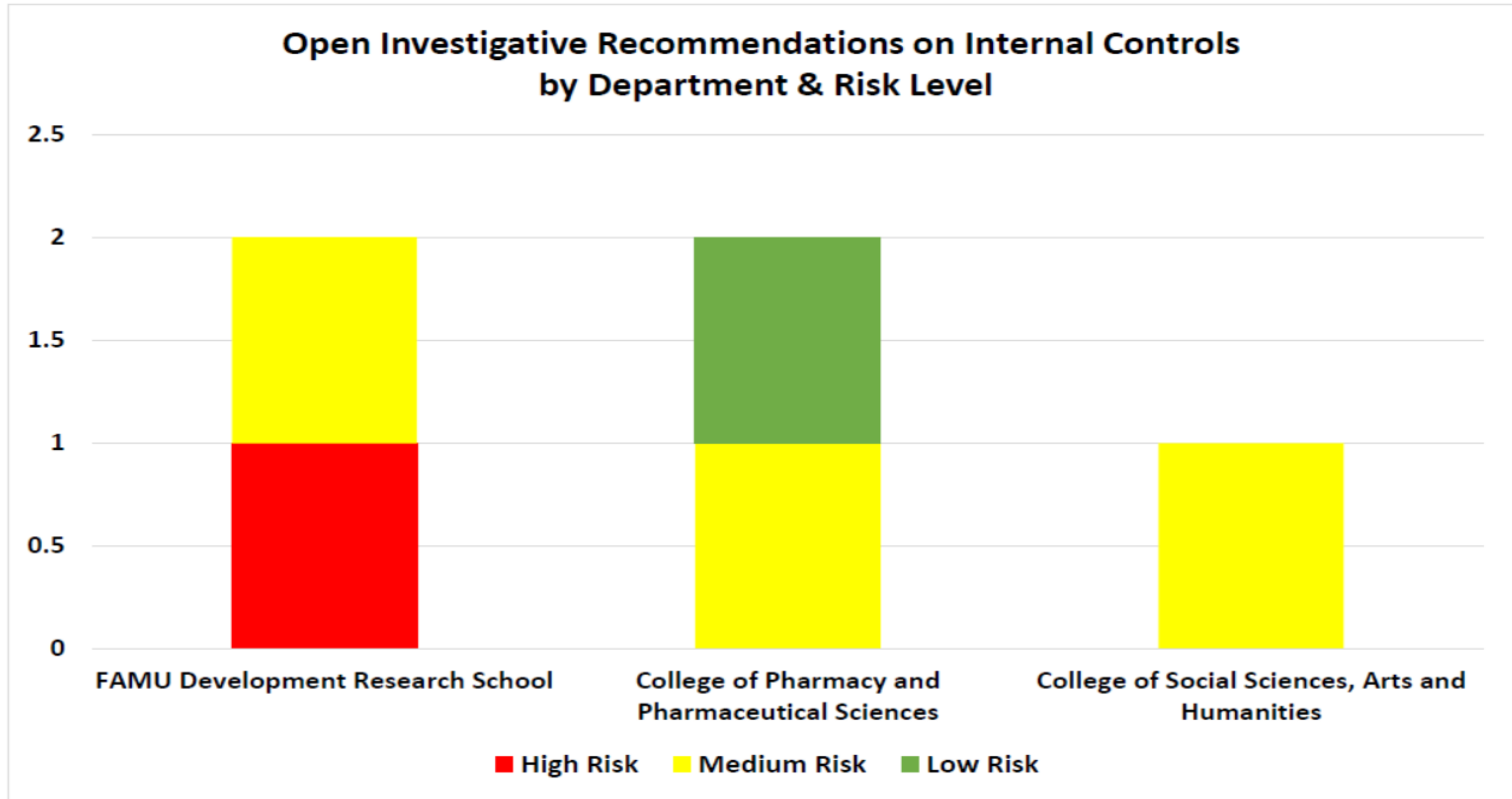
Severity Risk Level  High Risk  Medium Risk  Low Risk

Investigation Follow-Up: Open Recommendations on Internal Controls






















5 Open Investigation Recommendations on Internal Controls as of February 21, 2020

2	Not Corrected - Past Due	3	Future Due Date
	FAMU Development Research School: Faculty and Staff Guidance and Expectations for Student Interactions		College of Social Sciences, Arts and Humanities: Procedures for Cash Collection by Authorized Cash Collection Points (3/2020)
	FAMU Development Research School: Follow Grade Change Policies and Procedures		College of Pharmacy and Pharmaceutical Sciences: Procedures for Trip Forms (2/2020)
			College of Pharmacy and Pharmaceutical Sciences: Use of Authorized University Cash Collection Points (2/2020)

Investigation Follow-Up: Open Recommendations by Department










Investigation Follow-Up: Implemented Recommendations of Internal Controls

28 Investigation Recommendations on Internal Controls Validated and Closed since December 5, 2019 BOT Meeting					
7	High Risk	14	Medium Risk	7	Low Risk
	FAMU Foundation: Separation of Duties for Authorizing & Receiving Awards		College of Education: Process for Confirming Interview Information (12/2019)		College of Agriculture and Food Sciences: Alternative Student Transportation
	FAMU Development Research School: Policy on Background Checks		College of Agriculture and Food Sciences: Services Within Scope of Grant Award- validated		College of Agriculture and Food Sciences: Create a Daily Sign-In/Out Log
	FAMU Foundation: Checks Issued to Authorized Individuals or Departments		College of Pharmacy and Pharmaceutical Sciences: Payment Process and Travel Reimbursements Training		College of Agriculture and Food Sciences: Alternate Authority to Sign Work Verification Logs
	FAMU Foundation: Approval of Check Changes		College of Pharmacy and Pharmaceutical Sciences: Receipt and Deposit of Travel Proceeds		FAMU Development Research School: Random Background Checks for Faculty & Staff
	College of Education: Falsified Credentials - Take Appropriate Personnel Actions		College of Pharmacy and Pharmaceutical Sciences: Foreign Travel – Take Appropriate Personnel Actions		FAMU Foundation: Alternative Offline Scholarship Application Process
	Human Resources: Guidance on Background and Reference Check Procedures (11/2019)		Office of International Education and Development: Central Oversight and Approval of all Study Abroad Programs (12/2019)		FAMU Foundation: Recall Check
	College of Education: New Hire and Change of Position Background Checks (12/2019)		FAMU Development Research School: Policies and Procedures for Attendance Redemption Programs		Human Resources: Amend Onboarding Process to include Outside Employment Form (11/2019)

Investigation Follow-Up:

Implemented Recommendations of Internal Controls (continued)

28 Investigation Recommendations on Internal Controls Validated and Closed since December 5, 2019 BOT Meeting					
7	High Risk	14	Medium Risk	7	Low Risk
			FAMU Development Research School: Document All Background Check Activities		
			FAMU Development Research School: Background Checks for University Employee Transfers		
			FAMU Foundation: Authorized Individuals for Check Pick-Up		
			FAMU Foundation: Guidelines for Emergency and Need-Based Funding		
			FAMU Foundation: Adherence to Scholarship Requirements by All Recipients		
			FAMU Foundation: Verification of Scholarship Eligibility Requirements		
			Sponsored Research: Monitoring of Compliance with Award Policies		

Overview of Audits & Reviews by External Parties

Report No. 19-20-007
Advisory Services Report
Overview of Audits & Reviews by External Parties



ACCOUNTABILITY • INTEGRITY • EFFICIENCY

Overview of Audits & Reviews by External Parties

WHAT WE DID

We performed a review of external audit and review activities at Florida Agricultural & Mechanical University (FAMU). Specifically, the review included:

- Florida Auditor General financial, operational audits, and in-progress audits.
- Financial statements and audit reports for direct support organizations and the FAMU Athletics Department for FY 2018 and FY 2019.
- Florida Board of Governors funded management controls and business process assessment performed by Crowe LLP.
- Operational audit and review activities for FAMU Sponsored Programs and Academic Affairs from FY 2017 – FY 2019.



Overview of Audits & Reviews by External Parties: What We Found

Florida Auditor General Audits

Financial Statement Audit Report No. 2019-105			
Fiscal Year End (FYE) Report Date (RPT)	Financial Statement Opinion		Internal Control or Compliance Deficiencies
FYE: June 30, 2018 RPT: January 23, 2019		Unmodified	 None Reported






Legend:  Unmodified Report  Modified Report  No Control or Compliance Issues  Control or Compliance Issues





Overview of Audits & Reviews by External Parties: What We Found

Operational Audit Report No. 2019-063		
Assessment Objectives	Internal Control Deficiency	Compliance Deficiency
To evaluate the existing internal controls and review business processes to identify any areas of risk for the SUS	<p> Finding 1 Intercollegiate Athletic Programs – Deficit Cash Balances</p> <p>Finding 2 General Condition Costs – Negotiating and Monitoring Construction</p> <p>Finding 4 Payroll Processing – Time Records for Exempt Employees</p> <p>Finding 5 Purchasing Cards – Timely Submission of Receipts and Cancellation of Cards for Separated Cardholders</p>	<p> Finding 1 Intercollegiate Athletic Programs – Self Supporting</p> <p>Finding 3 Competitive Selection – Declaration of Emergency for Procurement Exemptions</p>

Legend:  Unmodified Report  Modified Report  No Control or Compliance Issues  Control or Compliance Issues

Overview of Audits & Reviews by External Parties: What We Found

Finding No.	Description	Status
1	The University's intercollegiate athletic programs experienced cash deficits for the 2016-17 fiscal year. A similar finding was noted in our report No. 2017-197	
2	University controls over negotiating and monitoring construction management entity general conditions costs continue to need improvement.	
3	The University procured services for heating, ventilation, and air conditioning; furnishings; flooring; and roofing from four respective vendors for a University renovation and refurbishing project with payments totaling \$583,224, without following Board of Governors and University competitive solicitation requirements and did not document the basis and authority for exempting the procurements from these requirements.	
4	The University did not, prior to processing payroll payments, require or ensure that the Human Resource Department received time reports or other records evidencing documented supervisory approval of exempt employee time worked. A similar finding was noted in our report No. 2017-197	
5	Controls over the University Purchasing Card Program continue to need improvement.	







Legend:  Action Plan Complete  Resolved Through Alternate Actions  Action Plan Steps Currently in Progress  Needs Attention

Overview of Audits & Reviews by External Parties: What We Found

Auditor General In-Progress Audits			
Audit	Audit Period	Expected Report Release Date	Preliminary Communication of Findings
Statewide Bright Futures	<u>FYE</u> June 30, 2016 and June 30, 2017	March 2020	No reportable findings as a result of testing.
State of Florida – Compliance and Internal Controls Over Financial Reporting and Federal Awards	<u>FYE</u> June 30, 2019	March 2020	No reportable findings as a result of testing.
Financial Statement	<u>FYE</u> June 30, 2019	March 2020	Communication of preliminary and tentative findings expected February 25, 2020.



Overview of Audits & Reviews by External Parties: What We Found

Direct Support Organizations and Athletics

Financial Statement Audits					
Organization	Fiscal Year End (FYE) Report Date (RPT)	Financial Statement Opinion		Internal Control or Compliance Deficiencies	
FAMU Foundation	FYE: June 30, 2019 RPT: October 30, 2019		Unmodified		None Reported
FAMU National Alumni Association	FYE: June 30, 2019 RPT: October 18, 2019		Unmodified		None Reported
FAMU Rattler Boosters' Inc.	FYE: June 30, 2019 RPT: October 18, 2019		Unmodified		None Reported

Legend:  Unmodified Report  Modified Report  No Control or Compliance Issues  Control or Compliance Issues

Overview of Audits & Reviews by External Parties: What We Found

Financial Statement Audits					
Organization	Fiscal Year End (FYE) Report Date (RPT)	Financial Statement Opinion		Internal Control or Compliance Deficiencies	
FAMU Athletics Department	FYE: June 30, 2018 RPT: March 2020 (Anticipated Release)		Unmodified		<u>Material Weakness</u> 1. NCAA Infractions 2. Auxiliary Transfers 3. Financial Viability



Legend:  Unmodified Report  Modified Report  No Control or Compliance Issues  Control or Compliance Issues





Overview of Audits & Reviews by External Parties: What We Found

- **Material Weakness: Financial Viability** – the Athletics Program’s operations have historically not produced sufficient positive cash flow, net revenues, and thus net position to be self-sustaining. To address this issue and improve financial viability of the Program, management has presented a deficit reduction plan to the Board of Trustees. The plan addresses eliminating the deficit, including specific actions to be taken and the time frame for completing the actions.
- **Internal Control Deficiency: Improper Transfers of Auxiliary Funds** – the lack of controls over the transfer of Auxiliary Funds has a material impact on the net position reported by the Athletics Program.
- **Compliance Deficiency: NCAA Infractions** – centered on improper certification violations over a six-year period.

Overview of Audits & Reviews by External Parties: What We Found

Florida Board of Governors’ Internal Management and Accounting Control and Business Process Assessment

Internal Management and Accounting Control & Business Process Assessment			
Assessment Objectives	High Level of Residual Risk, Significant Control Gaps, or Weaknesses		Observations to Strengthen Internal Controls
To evaluate the existing internal controls and review business processes to identify any areas of risk for the State University System (SUS) of Florida.		None Noted	 <p><u>Information Technology</u></p> <ul style="list-style-type: none"> • Data Protection – Employee Security Awareness Training • Information Security Governance – Policies and Procedures • Data Protection – Employee Removable Media




Legend:  Low or Minimum Risk, No Significant Control Gaps or Weaknesses  High Risk, Significant Control Gaps or Weaknesses  No Internal Control Observations  Observations to Strengthen Internal Controls

Overview of Audits & Reviews by External Parties: What We Found


Risk Category	Description	Residual Risk Rating
<p>Information Technology</p>	<p><u>Data Protection – Employee Security Awareness Training</u></p> <p>FAMU does not provide reoccurring security awareness training to its employees.</p> <p>This increases the risk that employees may not understand how to identify and respond to emerging and evolving security threats (e.g. phishing scams).</p>	<p>Low</p>
<p>Information Technology</p>	<p><u>Information Security Governance – Policies and Procedures</u></p> <p>FAMU has not documented information security policies and procedures for the sections pertaining to:</p> <ol style="list-style-type: none"> 1. Malicious Code Detection and Integrity 2. Physical Security 3. Risk Management 4. Patch Management 5. Configuration Management. <p>This increases the risk that tasks will be performed inconsistently.</p>	<p>Low</p>
<p>Information Technology</p>	<p><u>Data Protection – Employee Removable Media.</u></p> <p>FAMU has not implemented technology controls to manage employees’ and contractors’ use of removable media, (i.e. USB drives).</p> <p>This increases the risk of unauthorized disclosure of confidential, personally identifiable, or other sensitive information through loss or misuse of the storage media.</p>	<p>Low</p>

Overview of Audits & Reviews by External Parties: What We Found



Sponsored Programs and Academic Affairs

Sponsored Programs Audit & Academic Affairs Reviews			
Organization	Audit Period (AP) Report Date (RPT)	Program or Review Objectives	Deficiencies or Recommended Areas of Improvement
FAMU Minority Science and Engineering Improvement Program (MSEIP) Grant-P120A160107	AP: October 1, 2016 – September 30, 2107 RPT: November 4, 2019 (Desk Audit Resolution)	Review of methodology utilized and documentation for the Project Director’s salary to track level of effort for Year 1 of the grant.	 None Reported
FAMU Veterinary Technology Program Review	AP: July 1, 2018 – June 30, 2019 RPT: November 12, 2019 (Accreditation Letter)	Ascertain the operational effectiveness, administrative and internal controls, and adherence to established policies and criteria for accreditation	 Major Deficiency⁵ Approved animal care and use protocols documentation
FAMU School of Nursing Program Review	AP: July 1, 2016 – June 30, 2017 RPT: October 1, 2018 (Accreditation Letter)	To conduct an evaluation of the FAMU Nursing Program activities in accordance with 2017 Accreditation Commission	 Deficiency • Level of Achievement for 1 st time test takers.

Overview of Audits & Reviews by External Parties: What We Found

Sponsored Programs Audit & Academic Affairs Reviews			
Organization	Audit Period (AP) Report Date (RPT)	Program or Review Objectives	Deficiencies or Recommended Areas of Improvement
		for Education in Nursing Criteria and Standards.	<ul style="list-style-type: none"> • Number of full-time faculty • Part-time faculty performance evaluations • Program evaluation plan assessment methods
FAMU School of Architecture and Engineering Technology - Master of Science in Architecture (Facilities Management Major) Program Review	AP: October 1, 2016 – September 30, 2107 RPT: September 16-19, 2018 (Site- Visit)	To conduct an evaluation of the FAMU Architectural and Engineering – Master of Science in Architecture with a Major in Facilities Management to assess conformance with the International Facility Management Association Foundation Facility Management Accreditation Commission Accredited Degree Program conditions, procedures, and criteria to meet accreditation.	 Recommendations <ul style="list-style-type: none"> • Add more technical building systems and operations content. • Consider adding an assignment of operational crises case study. • Enhance Environmental Science by adding content and tools. • Increase number of student site visits and internships • Creation of digital repository • Expand Program Advisory Committee

Overview of Audits & Reviews by External Parties: What We Found

Sponsored Programs Audit & Academic Affairs Reviews			
Organization	Audit Period (AP) Report Date (RPT)	Program or Review Objectives	Deficiencies or Recommended Areas of Improvement
FAMU College of Law Program Review	<p>AP: July 1, 2018 - June 30, 2019</p> <p>RPT: December 3, 2019 (ABA Decision Letter)</p>	To conduct an annual interim monitoring of the FAMU Law School to determine whether the Law School remains in compliance with the American Bar Association (ABA) Standards for Approval of Law Schools (the monitoring and review is in addition to the regular site evaluation process)	 <p>Deficiency</p> <ul style="list-style-type: none"> • Full-time clinical faculty non-compensatory perquisites. • Insufficient information regarding interim dean selections, staff diversity and inclusion, and student participation in pro bono legal services opportunities.
FAMU Biological Systems Engineering Program Review	<p>AP: July 1, 2018 - June 30, 2019</p> <p>RPT: August 27, 2018 (Accreditation Letter)</p>	To conduct an evaluation of the FAMU biological systems engineering program relative shortcomings remaining after the 2015 general Engineering Accrediting Committee review.	 <p>None Reported</p>

Overview of Audits & Reviews by External Parties: What We Found

Sponsored Programs Audit & Academic Affairs Reviews			
Organization	Audit Period (AP) Report Date (RPT)	Program or Review Objectives	Deficiencies or Recommended Areas of Improvement
FAMU School of Architecture and Engineering Technology - Bachelor of Architecture and Master of Architecture Program Review	AP: October 1, 2016 – September 30, 2107 RPT: July 25, 2018 (Accreditation Letter)	To conduct an evaluation of the FAMU Architectural Education Program activities to assess conformance with National Architectural Accrediting Board, Inc. conditions, procedures, and criteria to meet accreditation.	 <p>Deficiency</p> <ul style="list-style-type: none"> • Student Performance: Learning Culture (I.1.2) • Student Performance: Structural Systems (B.5)

Legend:



No Deficiencies, Findings, Weaknesses of Recommended Areas of Improvement



Noted Deficiencies, Findings, Weaknesses of Recommended Areas of Improvement

Overview of Audits & Reviews by External Parties

Opportunities for Improvement

- The Division of Audit will continue to develop and refine processes for gathering and reporting both administrative and academic performance information from audits, reviews, and assessments to allow for meaningful decision making by the Senior Leadership Team and informed oversight by the Board of Trustees.
- The Division of Audit will expand future reporting to include monitoring of rotation of certified public accounting firms.

Internal Control Training Plan

Division of Audit – Internal Control Training

- Supplement BOT and University Policy on COSO Internal Controls and ERM
- Timeframe – March 2020 through June 2020
- University-wide:
 - Divisions
 - Departments
 - Schools & Colleges

Continuous Monitoring Program

Benefits of Continuous Monitoring:

- Integration of management's responsibility
- Increasing coordination
- Enables the University to adapt
- Gives management greater visibility

DoA Continuous Monitoring Program

Area	Topics of Focus
Construction	<ul style="list-style-type: none">• Construction Process and Procedures• Construction Procurement Practices• Stadium Safety and Maintenance• Compliance Best Practices and Controls: Jessica Hughes, Senior Auditor, serves on the Enterprise Compliance Committee for Construction
Information Technology	<ul style="list-style-type: none">• Impacts of New Regulations, Standards, and Laws (i.e. privacy, NIST 800-171, export controls)• Cloud Security Operations and Governance• University-wide Cybersecurity Assessment• IT Policies, Processes, and Procedures• IT Best Practices and Internal Controls within SUS: Deidre Melton, Director of Audit, serves as chair of the State University System of Florida Information Technology Group)
Athletics	<ul style="list-style-type: none">• Auxiliary Transfers to Athletics• Athletics Internal Controls, Business Process and Best Practices:• Joseph Maleszewski, Vice President of Audit, serves on the Athletics Assessment Team

Continuous Monitoring Program: Planned Expansion

Area
Enterprise Risk Management
COSO Internal Control Framework
Policy and Regulation Process

FAMU-FSU College of Engineering Audit

Scope/Primary Objectives

The audit will focus on fiscal year 2018 – 2019 and may include periods both prior to and after that date.

The audit scope includes but is not limited to:

- The Joint College Governance Structure
- Strategic Planning and Performance Metrics
- Student Enrollment Changes and Direction
- Financial Condition, Stability, Sustainability, and Funding
- Operations: Financial and Human Resources
- Faculty and Students Program Satisfaction and Opportunities for Improvement

Division of Audit Staffing Update

FAMU

FLORIDA A&M UNIVERSITY
DIVISION OF AUDIT



Deidre Melton



Audit Director

Accountability

Integrity

Efficiency

Division of Audit Staffing Update

Restructure of the Division

- Added an Audit Director
- Updated position descriptions and titles of auditors to align with focus of Division of Audit planned implementation of agile auditing, data analytics, and increased focus on advisory services and continuous monitoring.

New Hire Process

- Currently in the Process of Hiring an Entry Level Auditor



“At FAMU, Great Things are Happening Every Day!”