

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



Audit & Compliance Committee Meeting

Date: Thursday, December 10, 2015

Time: 4:00 PM

Location: Band Rehearsal Hall

Committee Members: Trustee Nicole Washington, Chairman
Trustee Tonnette Graham, Trustee Kimberly Moore, Trustee Karl White,
Trustee Robert Woody

AGENDA

- | | | | |
|-----|---------------|--|---------------------|
| I. | Call to Order | | Chair Washington |
| II. | Roll Call | | Debra M. Barrington |

ACTION ITEMS

- | | | | |
|------|-----------------------------------|--|------------------|
| III. | Approval of July 21, 2015 Minutes | | Chair Washington |
| IV. | Election of Vice Chair | | Chair Washington |

INFORMATION ITEMS

- | | | | |
|-------|---|--|--------------------------------|
| V. | Update Selection of Outside Firms for Review | | Richard Givens, Vice President |
| VI. | Review of Board of Governors DRAFT Regulations 4.001, 4.002, 4.003 & 4.004 | | |
| | <ul style="list-style-type: none">• Potential impact of proposed regulation on FAMU<ul style="list-style-type: none">○ Compliance function○ Process for repeat findings – intercollegiate athletics○ Increased reporting responsibilities to Board of Governors• Potential strategies for implementation | | |
| VII. | Investigations | | |
| | <ul style="list-style-type: none">• Summary of trends and status• DRS Sports field construction• NCAA Investigation Update | | |
| VIII. | Adjournment | | Chair Washington |

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



**Division of Audit & Compliance Committee Minutes
Trustee Karl White, Chair**

Date: Tuesday, July 21, 2015

Trustee Karl White, Chairman, called the meeting to order.

Members Present: Trustee Belinda Shannon (*left for flight*), Trustee Spurgeon McWilliams, (*absent*), Robert Woody (*Called in*)

Debra M. Barrington, Administrative Assistant to the Vice President, called the roll. (*No Quorum*). Linda Barge-Miles contacted Trustee Woody who was available to conference in.

The Tuesday, June 1, 2014, Audit Committee Conference Call minutes were motioned, seconded, and approved.

VP Givens presented the Audit Committee Meeting Information Items:

Summarization of the 2014 / 2015 Internal Audit Dashboard:

- Follow up of the Grade Change Audit was completed June 2015 (*1 Finding*)
- Two suspended projects have been re-started - the IT Functions and the Financial Aid process reviews.
- Findings for follow up Audit of the P-Card and Travel process have been provided to the appropriate parties. We are waiting management responses to the Observations/recommendations to be provided by management before the report is released. The anticipated release is in July 2015. Follow up on this at the next meeting.
- The Pharmacy Phase II investigation has been contracted out to an outside firm at BOG request. Field work has been completed and the report is in draft stage. DAC has reviewed the report. Work has been slowed as a result of turnover in University staff. Projected completion date of August 2015.
- Field work for the Financial aid process review is about 50% complete. The project was suspended during 2014-15 and included in 2015-16 audit plan. Field work resumed in July 2015. The projected completion date is October 2015.
- The Band eligibility compliance and travel review report was issued in June 2015 with zero findings.
- An audit of the Accounts payable process review has been started.
- The Grade change follow up audit had one *finding* and is rated a yellow *finding* which is a moderate risk. The one *finding* had to do with adding an additional layer of security before the grades are changed. There had been a process in place, but it was lost in a computer upgrade. The University looked at implementing this process again but it was too costly. IT has developed a different approach to add additional security. The process is currently being tested and should be put in place.

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Discussion relating to considering implementing an online process for grade changes so we not dealing with paper forms with copies to be distributed. Need to follow up with the Provost on this.

Investigations for the year:

For the year DAC received 63 allegations. Of those, issued 19 reports were issued, eight were closed with no investigations, 17 projects are in process, 11 were referred to other Departments within the University, and eight are pending investigation. An estimation of about 80 allegations have been investigated. This last year DAC had two very large investigations.

Classification and Comparison of Investigations:

Categories	Number of Allegations July 2014-June 2015	Percentage July 2014-June 2015	Percentage Year End June 30, 2014
Diversity, equal opportunity, and workplace respect	22	34	38
Environment, health, and safety	1	2	7
Financial and business integrity	27	44	31
Misuse or misappropriation of assets or information	13	20	24
TOTALS	63	100	100

NOTE: The table is to give an idea of the classifications of investigations

A significant amount of time has been spent in the investigations area at the expense of doing some audits. Investigations are beneficial because they are very specific areas where people have raised concerns.

Upcoming Projects

There are two upcoming projects:

- 1) Accounts Payable review. It is anticipated to release the audit around October 2015.
- 2) Audit of the Performance Funding Metric is scheduled. The Board of Governors (BOG) has been directed that this be done by all Universities.
- 3) A Proposed BOG Regulation that will require some Board attention that necessitate that things are done differently as it relates to the compliance area. The Board of Governors plans to take some actions at their next meeting in September. It is understood that it is very important to the BOG's Audit Committee Chairman.

The regulation itself requires that the Board implement a comprehensive university compliance and ethics program and this is to promote compliance with applicable laws, rules, and regulations. The regulation

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prescribes that the program be developed and implemented to address a number of areas that includes an infrastructure policies and procedures. The BOT has a certain amount of discretion in how this is implemented and what policies and procedures are developed to implement it. The BOG is not requiring any particular structure for the compliance function. The regulation also provides for effective oversight. It mandates that the program avoid delegation of authority to unethical individuals, requires certain amount of communication, education, and monitoring and auditing of the compliance activities. Lastly, it requires responses to incidents and some preventive measures be maintained.

The University has implemented the compliance function very similar to most other SUS universities:

- Staff have responsibilities to oversee a specific operational area (such as ethics, research, NCAA, ADA, EEO, Research, Title IX, export technology, etc.)
- The University's internal audit function provides audits for the compliance areas, but there is no routine monitoring or implementation of controls and processes
- There is no comprehensive monitoring or reporting on the compliance program

Major changes to the University's operations that will be required include:

- Compliance officer will be needed to manage and oversee effectiveness of the program and provide ongoing monitoring and oversight
- Inclusion of a formal ethics program
- Reporting on the program
- An assessment of the program's design and effectiveness

A project was included in the work plan to address the implementation of the new provisions. The contemplated scope of the project is to develop a plan to implement a compliance function to meet the guidelines:

- Review and evaluate potential organizational structures, including SUS universities which have implemented a formal compliance function
- Identify major operational areas
- Determine if compliance partners have been designated for major compliance areas
- Determine if existing University resources can be effectively and efficiently used to implement the program

Risk Assessment and Work Plan

Trustee Woody joined the meeting by telephone and a quorum was present. Vice President Givens presented the annual Risk Assessment and Work Plan for the 2015-16 fiscal year.

A motion was made to approve the 2015-2016 Risk Assessment and Work Plan. Both were properly motioned upon, accepted, and approved.

NCAA Investigation Update

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The NCAA completed its investigation and found the following level II (significant breach of conduct) violations:

- Drug consent testing forms not on file
- Physical forms not on file
- Failure to send scholarship reduction/cancellation letters to student athletes
- Failure to monitor the above areas

The University agreed to process the violations through a summary disposition process. Penalties will be imposed, but there is no hearing. The University received the report on July 15, 2015. The time frame to bring the investigation to closure is approximately the end of August.

External Audits

The Auditor General has scheduled the annual financial statement, federal awards, and Bright Futures audits of the University. Field work is expected to start in July 2015.

Chairman Karl White adjourned the meeting.

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



**Division of Audit & Compliance
Committee Report**

Date: Thursday, December 10, 2015

Board of Governors Regulations

The Board of Governors (BOG) has proposed four regulations for review and feedback prior to entering into the formal regulation development process. The BOG is continuing to receive feedback from various stakeholders and is considering having joint meetings to discuss the proposed regulations. Possible presentation for approval by the BOG is March 2016 at the earliest. A summary of each draft regulation is as follows:

1. 4.001 – University System Processes for Complaints of Waste, Fraud, or Financial Mismanagement:

- Allegations received by the BOG under university jurisdiction will be referred to the university Chief Audit Executive (CAE) for action.
 - The CAE is required to provide the BOG with university action and final case disposition information sufficient to demonstrate that the university Board of Trustees (BOT) was both willing and able to address the allegations.
 - When case disposition information does not clearly demonstrate the BOT was willing and able to address the allegation, then the BOG will conduct an inquiry.
- Waste, fraud, or financial mismanagement known to university staff, faculty, students, or BOT shall be reported to the CAE.
 - The CAE shall exercise professional judgment in determining when it is appropriate to inform the BOG.
 - The CAE is required to provide the BOG with university action and final case disposition information sufficient to demonstrate that the university BOT was both willing and able to address the allegations
 - The CAE is required to notify the BOG for allegations that are outside of university jurisdiction and are referred.
 - When case disposition information does not clearly demonstrate the BOT was willing and able to address the allegation, then the BOG will conduct an inquiry
- Each BOT member, CAE, general counsel, or other university official shall immediately notify the BOG of any allegation of wrongdoing against university presidents, CAE, CAE staff member, or BOT member.
 - The BOG will determine if an investigation is warranted and either
 - Conduct an investigation, or
 - Direct the BOT to hire an outside firm to conduct the investigation.
 - The investigative report shall be submitted to the BOG and the BOT

2. 4.002 - State University System of Florida Chief Audit Executives:

This draft regulation recognizes that State University System of Florida Chief Audit Executives are the central point for coordination of and responsibility for activities that promote accountability, integrity, and efficiency. It also increases reporting responsibilities significantly through various requirements. Most of the provisions put many of the standards into regulation.

- Requires a charter consistent with the *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General.
- Requires each BOT to have an audit committee.
- Requires the CAE to perform certain duties and responsibilities related to audits and investigations
 - Requires compliance with the *Principles and Standards for Offices of Inspector General* published by the Association of Inspectors General
 - Requires each BOT to implement regulations that require employees to cooperate in audits and investigations
- Requires CAEs to have organizational independence
 - The CAE is to report administratively to the President and functionally to the BOT audit committee chair
 - The BOT shall avoid or remedy conflicts of interest created by dual responsibilities
 - Requires all investigative reports to be submitted to the BOG

3. 4.003 – State University System Compliance and Ethics Programs:

This draft regulation sets minimum requirements for university compliance and ethics programs.

- Each Board of Trustees (BOT) shall implement a comprehensive university compliance and ethics program (program) to promote ethical conduct and maximize compliance with applicable laws, regulations, policies, and procedures.

- Each BOT has the authority to determine the compliance and ethics infrastructure, policies, and procedures appropriate for its mission, size, activities, and risk profile.
 - A chief compliance officer shall be designated by July 1, 2016.
- The BOT shall avoid or mitigate conflicts created by dual responsibilities, e.g., the chief audit executive or general counsel.
 - If conflicting duties are assigned, appropriate safeguards shall be implemented to mitigate the conflicts.
- The infrastructure should include identification of operational areas (compliance partners) as components of the program.
- A compliance and ethics program shall be established and evaluated and updated at least biennially.
- A mechanism for individuals to report potential or actual misconduct without fear of retaliation shall be implemented.
- The chief compliance and ethics officer shall have organizational independence and shall:
 - Have adequate resources, appropriate authority, and direct access to the president and board of trustees
 - Report routinely to the BOT regarding activities of the program. A copy of the report must be submitted to the BOG.
- The BOT shall be knowledgeable about the content and operation of the compliance and ethics program and shall exercise reasonable oversight with respect to implementation and effectiveness.
- The university shall use reasonable efforts not to include individuals whom the university knew, or should have known, have engaged in illegal activities or other conduct inconsistent with an effective program.
- Compliance-related training and information must be provided.
- The chief compliance and ethics officer shall train university employees, agents, and BOT members regarding their responsibility and accountability for ethical conduct and compliance.
- The chief compliance officer shall monitor and assess program effectiveness and ensure that monitoring is occurring to detect criminal conduct.
- Periodic updates shall be provided to the BOT not less than annually. Such periodic updates shall be provided to the BOG.
- At least every five years, an assessment of the program's design and effectiveness shall be performed by an independent firm or peer review body. A copy of the assessment shall be provided to the BOG. The program shall include appropriate disciplinary measures for noncompliance, unethical behavior, criminal conduct, and failure to take reasonable steps to prevent or detect noncompliance or criminal conduct.
- When there is reasonable grounds to believe violations of criminal law have occurred, such violation shall be reported to university police or other law enforcement agencies.

4. 4.004 - Board of Governors Oversight Enforcement Authority:

This draft regulation was developed to implement the requirements contained in section 1008.322, Florida Statutes. This statute relates to the Joint Legislative Auditing Committee and the Board of Governors' escalation procedures for repeat Auditor General audit findings and other university noncompliance. The proposed regulation authorizes the BOG to take specified actions if a university is "unwilling or unable" to comply with a law or regulation.

- When a finding has been reported in three consecutive operational audit reports, and the Joint Legislative Audit Committee (JLAC) determines that a university has failed to take full corrective action for which there is no justifiable reason, the JLAC shall refer the matter to the BOG. The BOG may take the following actions:
 - The BOG may order compliance within a specified timeframe.
 - If the BOG determines that the BOT is unwilling or unable to comply with any law, BOG regulation, or audit recommendation within the specified time, the BOG may initiate any of the following:
 - Withhold the transfer of funds appropriated to the BOG for disbursement to the university until the university complies
 - Declare the university ineligible for competitive grants disbursed by the BOG
 - Require monthly or periodic reporting on the non-compliance until remedied
 - Report to the Legislature that the university is unwilling or unable to comply and recommend action be taken by the Legislature

Impact on the University's Current Compliance Activities:

The proposed requirements are extensive and impose significant changes to the audit and compliance functions of the state universities. Implementation of the proposed regulations will require a significant commitment of additional resources. The requirements for the SUS Compliance and Ethics Program are extensive and would require a restructuring of the University's compliance function, changes to the Audit Committee and Division of Audit & Compliance charters, additional personnel, and a peer review on a periodic basis.

The BOG has solicited feedback from the stakeholders. The due date to respond to the proposed regulations has been extended indefinitely to give time to fully vet the regulations. The State University Audit Council has requested a meeting with the BOG to discuss certain provisions of the proposed regulations.

4.001 – Requires that the University provide the BOG with case disposition. Provides specific authority for BOG to make inquiries if it is determined that the University did not adequately address the issues.

Also requires notification of allegations of wrongdoing against University president, CAE, CAE staff member or BOT member. Provides specific authority to either conduct an investigation or direct the BOT to hire an outside firm to investigate. The above actions have generally been taken by the BOG. The proposed regulations provide specific authority.

4.002 – Most of the requirements of this proposed regulation are required by audit standards, so the impact will be minimal. Changes will be as follows:

- Requires that standards of the Association of Inspectors General be followed. Currently, we follow Institute of Internal Auditors and General Accounting Office standards.
- Requires the BOT to implement a regulation that requires employees to cooperate in an investigation. The current regulation provides that employees are expected to cooperate with an investigation.
- Requires the BOT to designate an employee to determine whistle-blower status and that time lines of the whistle-blower provisions be followed. Extension of time periods must be approved in writing.
- Requires an annual report.
- Increases reporting responsibilities to BOG. The following must be submitted to the BOG:
 - An activity report presented to BOT
 - An annual report
 - All investigative reports

4.003 - Currently, Florida Agricultural and Mechanical's approach is similar to most other SUS universities:

- Staff have responsibilities to oversee a specific operational area (such as ethics, research, NCAA, ADA, EEO, Title IX, export technology, etc.)
- The University's internal audit function provides audits for the compliance areas, but there is no coordination of the compliance partners' activities or routine monitoring or implementation of controls and processes.
- There is no comprehensive monitoring or reporting on the compliance program.

Effect of proposed regulations:

This regulation would require significant changes to the following University operations:

- Compliance officer will be needed to manage and oversee effectiveness of the program and provide on-going monitoring and oversight. A new position would need to be established which would be 100% dedicated to compliance and ethics.
- Develop and implement a formal compliance and ethics program
- Regular reporting on the compliance and ethics program to the BOT and BOG
- At least every five years, conduct an independent assessment of the program's design and effectiveness

The University's work plan included a project to address the implementation of the new provisions. The project is in process.

The following is a proposal to implement a compliance and ethics program to meet the proposed regulation:

- The compliance officer reports to VP Audit & Compliance
- To remediate independence issues, the compliance activity is to be kept totally separate from the audit/investigation activity
- The compliance officer’s responsibilities would include development of a risk-based compliance plan to include coordinating and monitoring the compliance partners’ activities
- The compliance officer’s duties would relate primarily to oversight of the compliance partners, with limited verification, including
 - Identification of major operational areas
 - Determining if compliance partners have been designated for major compliance areas
 - Developing and updating a compliance calendar
- Compliance officer’s qualifications and experience would be in administrative and compliance auditing areas
- Preliminary staffing and cost
 - Compliance officer Salary of \$105,000 plus benefits
 - Administrative Assistant - \$40,000 plus benefits
 - 2 staff positions - \$100,000 plus benefits
 - Training, resource material, office expense, and IT equipment - \$35,000
- Existing University resources will be used whenever possible to effectively and efficiently implement the program
- A more detail report will be prepared

4.004 – The University has two findings that have been reported in two prior operational audits.

- In-state tuition for Caribbean students who received institutional scholarships, contrary to Florida Statutes
 - Status – the BOG is developing a rule which would provide authority for institutional scholarships from state sources to qualify as a state scholarship
- Excess of expenses over revenues for the athletic department, contrary to BOG regulation
 - Status – the University is working to achieve a balanced budget for the athletic department
 - The Auditor General has indicated that the finding will be reported until the deficit has been eliminated.

The University’s next operational audit is expected to be for the 2015-16 year (most likely to be conducted starting in May 2016). If the findings are not corrected, then the enforcement proceedings will start.

Status of Investigations

During the period from July 2015 through September 2015, the Division received 17 allegations/complaints. Of these, 2 reports were issued, 1 was closed with no investigation, 7 are in process, 6 were referred to another department/agency for review, and 1 is pending investigation. It should be noted that several investigations included multiple allegations. We estimate the actual number of complaints for the reports issued and investigations in process is in the range of 52. Investigations are classified into the following categories:

Categories	July 2015-September 2015 Number of Allegations	July 2015- September 2015 Percent of Total	Year End June 30, 2015 Percent of Total
Diversity, equal opportunity, and workplace respect	5	29	34
Environment, health, and safety	0	0	2
Financial and business integrity	5	29	44
Misuse or misappropriation of assets or information	7	42	20
TOTALS	17	100	100

In an email dated September 9, 2015, the BOG indicated it was monitoring several topics. The status of each topic is discussed below.

Allegations cited in the letter from President Mangum to Chair Montgomery:

Status: A formal complaint was not been filed with the University's EEOP within the required time period. Accordingly, no further work is planned.

Renovations to the President's House:

Status: The Board authorized an outside review of the issues involved in the renovation to the house and construction of a garage. Request for quotes was sent to eight firms and the process for selection is expected to be completed by December 16, 2015 with a report due by January 29, 2016.

The process for the addition is also under review by the Auditor General. The documents requested by the auditors have been provided. It is expected that any findings related to the review will be included as an Other Matter in the audit report for the financial statements to be release in February or March 2016.

Leave Payout (Winslow):

Status: The investigative report was provided to the BOG Inspector General. We discussed the results of the investigation with the BOG Inspector General. No further action has been requested by the BOG.

Hiring Practices/Policy (i.e. convicted felon):

Status: A review of the hiring process is underway (case # 15-09-0005). Records requests were made to HR and have been received. The information is being reviewed and evaluated.

Stable and Permanent Leadership Team:

The BOG will request information on this at a later date.

Intercollegiate Athletics Cash Deficit:

Status: A revised plan is being developed. The athletic director and CFO will revise the plan to address the deficit for presentation to the BOT at the December 2015 meeting.

Facilities Investigations:

Status: A follow up on the BOG's concerns is in process for the DRS Sports field. The University's baseball and softball coaches did a walk-through of the fields and estimated a cost of \$60,000-80,000 to make the fields usable (remove and replace sod and grade where necessary). Facilities Construction and Planning subsequently met with DRS officials (superintendent, athletic director, and coaches) to 1) develop a project scope to correct the deficiencies and 2) identify additional items to meet the needs of the school. The additional items included completion of the football field (lights, bleachers, and scoreboard not in the original plan); addition of a field house facility, including locker rooms; and addition of an 8-lane track. The site evaluation and analysis is currently in process. Final design and construction documents cannot be undertaken until the site evaluation and analysis is completed. There is about \$600,000 currently available for the project. The plan is to do the work in phases, with the initial phase to focus on getting the fields ready for play, and the remainder of the work to be done in later phases as funding can be obtained.

The field work for the Pharmacy phase II investigation has been completed and the report is being finalized. University personnel met with the investigative firm to review potential findings.

To strengthen the construction process, the construction manual has been revised. We are also auditing the process for the Student Affairs project on an on-going basis to identify problems in time to take corrective action, rather than auditing upon completion.

In a letter dated October 20, 2015, the NCAA notified the University of the Committee on Infractions review regarding the Summary Disposition Report (SDR). The Committee accepted the facts and violations contained in the SDR, including the corrective measures implemented by the University imposed additional penalties, including the following:

- 1 additional year of probation (4 total years)
- Monetary fine of \$5,000 plus 2% of the average athletic budget for the last three (3) years
 - The fine is to be retained by the university and applied to the cost of external compliance reviews (see below) and other compliance-related costs
- Public reprimand and censure
- University staff cannot serve on NCAA Committees
- Perform an independent review of the Athletics Compliance Program for all years on probation
- Certain staff shall be required to attend NCAA regional rules seminars during each year of probation
- Continue to develop and implement a comprehensive educational program for faculty; faculty athletic representative; athletics department personnel; fund raising staff; and institutional staff members responsible for certification of student-athletes' eligibility for admission, financial aid, practice, or competition
- Submit a preliminary report setting forth a schedule for establishing the compliance and educational program
- Submit annual reports on progress made
- Inform prospective student-athletes of probationary status
- Publicize the nature of infractions

The University accepted the additional penalties and corrective measures. In a letter dated November 20, 2015, the NCAA notified the University that the case was closed. The NCAA did not impose the more serious penalties, such as scholarship reductions, competition limitations, vacating wins, or monetary fines paid to the NCAA.

Preliminary Action Plan

The Athletics' Department preliminary action plan to address the NCAA penalties is as follows:

- The Athletics Department is planning that by the end of Fall Semester 2015, institutional staff members will be notified in writing that they are prohibited from serving on Board of Directors, Councils, or other committees of the Association for two years.
- Athletics Department is anticipating budgeting \$ 160,000 to pay for external compliance reviews for each year during the probationary period. The external compliance reviews will be tentatively scheduled to commence on July 1, 2016 occurring annually through July 1, 2019. The additional funds that are on-hand after paying the external review will be allocated towards ensuring that the Athletics compliance office is adequately staffed.
- The Athletics Director, the senior women's administrator, the faculty athletics representative and all compliance office personnel will attend the NCAA Regional Rules Seminar each year during the probationary period.

2016 NCAA Regional Rules Seminar

May 23-26, 2016	Orlando, Florida or the
June 13-16, 2016	Dallas, Texas

The institution will be in attendance at one or both of the above scheduled 2016 NCAA Regional Rules Seminar. The dates and location for the 2017-2019 NCAA Rules Seminar have not yet been established.

- A comprehensive educational program on NCAA legislation to instruct the coaches, the faculty athletics representative, all athletics department personnel, all development or fundraising staff assigned to athletics, and all institutional staff members with responsibility for certification of student athletes' eligibility for admission, financial aid, practice or competition will be developed. Specifically, rules education sessions are to be held monthly informing institutional officials about NCAA legislation.
- The preliminary report of the University's Compliance Educational Program schedule will be provided to the Office of Committee on Infractions (OCOI) by the end of Fall Semester 2015.
- Upon receipt of the OCOI report, all prospective student athletes will be notified in writing that the institution is on probation for four years and of the violations committed. Additionally, the institution will ensure that student athletes that come on official paid visits are also informed that the University is on probation for four

years and will ensure that all prospective student athletes is provided this information prior to signing a National Letter of Intent.

- By the end of the Fall Semester 2015, the institution will publicize specific and understandable information concerning the nature of the infractions on the institution's athletics web page.
- The Division of Audit and Compliance will monitor implementation of the above plan to provide assurance that the actions are timely implemented.