

Florida Agricultural and Mechanical University
Board of Trustees



Audit & Compliance Committee Meeting

Date: Tuesday, September 25, 2018

Time: 3:00 PM

Committee Minutes

Members Present: Trustee Craig Reed, Vice Chair
Trustee Harold Mills, Trustee Belvin Perry, Jr.
Trustee Robert Woody (Absent)

Debra Barrington, called the roll. There was a quorum.

Chair Craig Reed called the meeting to order by welcoming everyone to the Audit and Compliance Committee Meeting and requested the roll be called. Chair Reed shared there was one *Action Item* and a couple of *Informational Items*. VP Givens was requested to give his presentation.

VP Givens stated that audit standards require that an Annual Risk Assessment be prepared for the purpose of allocating resources to the work to be done in the next year. The full Risk Assessment was posted on the website. VP Givens shared he was going over the highlights and to answer any questions. The methodology for this year was the same as prior years and included interviews, surveys, consideration of information received from audits, investigations, and advisory services provided throughout the year.

An overview of the high-risk areas was provided.

- **Auxiliary Services: Athletics**
 - budget and cash management,
 - NCAA compliance, and
 - employee turnover.
- **Financial management:**
 - cash management, budgetary, revenue pressures and cash forecasting for the University.
 - IT Compliance - data protection, NIST Standards, and not using best practices,
 - IT Daily Operations, including concerns relating to availability of systems, unauthorized access, change management, and incident response,
 - IT Strategy Planning and Governance - concerns regarding aligning IT with University business objectives, patch management, development of IT strategic plans,
 - IT Development and Research, IT governance and oversight, prioritizing projects, whether they had adequate staffing levels, and how IT risk is identified.
- **Instruction and Academic Support:** - Course and curriculum development, coordination and development of curriculums between Colleges/Schools and Registrar's office, curriculums and course offerings not updated to match job market requirement, online education, course offerings not in line with the needs of the Students,
- **Leadership and Governance** - Institutional Compliance related to Athletics, E-Procurement, ITS (including NIST Standards), and Cybersecurity,

- Plant Operations and Maintenance: building maintenance, inadequate resources to provide deferred maintenance on infrastructure; major repair and renovation, construction management, utilities, and infrastructure,
- Purchasing / E-Procurement: contract administration, failure to follow established policies and procedures, competitive procurement and obtain services,
- Research and Development: compliance research, training and monitoring, awareness programs, grant close-out documentation for cost transfers, security research related to the NIST standards and standards. It is required that the University have certain controls in place in order to receive federal funding.
- Student Services: Financial Aid - evaluation for compliance with NIST Standards has not begun.

The proposed Work Plan for the 2018-19 year includes the following projects linked to the risk areas they address (Pages 14-18 of the Risk Assessment document).

- Audits and Assurance Services
 - Performance funding data integrity audit – includes coverage in governance, academic reporting, academic records management,
 - Athletics expense review,
 - Decentralized cash collections,
 - Athletic Booster review,
 - Band member eligibility compliance review,
 - Online education and support,
 - Cloud service provider review,
 - IT review automation/use of PeopleSoft,
 - IT active directory,
 - FAMU/FSU College of Engineering review (joint with the Florida State Internal Audit),
 - Construction management, and
 - Data analytics.

Chair Reed requested VP Givens give greater details as to what items were being presented for better understanding. VP Givens shared that these are the general projects which are being proposed for the 2018-19. Chair Reed then confirmed that VP Givens weren't just calling out 2018-19 but that all of the projects for the three (3) year plan is being reported. VP Givens gave clarity that it is for the 2018-2019 year. The projects are recorded on Page 14 within the 2018-19 Risk Assessment and Internal Audit Plan the projects listed; as well as some additional information related to the number of hours that's being proposed for the projects.

Chair Reed whether the audit plan could be executed with existing staff or whether external support is needed. VP Givens shared that the total hours and a description is provided in the Risk Assessment Plan on Page 18 under the Planned Coverage for Fiscal Year. There's a total of 16,640 hours for staffing at the current level. DAC has seven (7) staff; if everybody worked the full year that would be the number of hours that we have available to us. We developed a plan based on spending 80% of our time related to direct project hours and taking into consideration the hours needed for training, administration and leave. Chair Reed shared that this is to be done with internal resources not external. VP Givens said that is correct. There are resourced in the budget if it is needed to go outside.

Trustee Kelvin Lawson inquired about the work that VP Givens being done regarding some of the plans put in place to address the potential facilities infrastructure risk. VP Givens shared that the infrastructure issue came up primarily because of deferred maintenance had not been done. Trustee Harold Mills questioned whether the Boilers and Chillers would fall under deferred maintenance for Housing or would that stand alone.

President Larry Robinson / Dr. Wanda Ford shared that the refinancing program provides HBCUs with access to capital financing or refinancing for the repairs, renovations, and construction of classrooms, libraries, laboratories, dormitories, instructional equipment, and research instrumentation.

Trustee Mills inquired regarding there is accountability for the items that have been on the report for a year. Chair Reed requested VP Givens to discuss accountability for follow up on the Audit Findings and then get closure on those as a part of the audit plan. VP Givens shared that Auxiliary Services, Financial Management, and Informational Technology would fall under the CFO. The University has a Chief Information Officer and a Chief Information Security Officer to address the Informational Technology issues. The Instruction and Academic Support would fall under the Provost, Leadership and Governance fall under the Board and Leadership Team, Plant Operations and Management and Purchasing fall under the CFO, Research and Development falls under the Vice President of Research, and Student Services falls under the Vice President for Student Affairs. Once the audit is done, the responsible parties provide a corrective action plan which would include an expected action date for implementation of corrective actions.

Chair Reed since this is an action item, he requested a motion for the approval of the Risk Assessment Work Plan. Trustee Belvin Perry, Jr., moved that the 2018-19 Work Plan be adopted. The motion was second by Trustee Harold Mills; all in favor.

Chair Reed, the 2018-2019 Risk Assessment was adopted with approved. Chair Reed suggestion proceeding with Division Activities. VP Givens provided a detailed report of the Status of Prior Audit Findings and a summary of the status of open audit findings. VP Givens provided the name of each executive owner, total number of open findings, partially corrected findings, uncorrected findings, corrective actions to be validated (those implemented and validation of those in process), and number of findings with corrective actions not due.

Chair Reed requested Dr. Wanda Ford, Vice President of Financial and Administrative Services to share an update on the uncorrected findings. Dr. Ford and Clifford Stokes, Chief Informational Security Officer indicated that there are four (4) open findings in the IT Department and corrective actions are in progress and anticipate closing two of the findings by the end of October 2018. The other two require more time and effort to correct; however, implementation requires coordination and collaboration from multiple departments across the University. The Risk Assessment finding will be closed. The finding of the inventory for unknown stores will be closed in October 2018 and requires collecting information from each department across the University to get information on what type of sensitive information is kept in each department. The finding regarding the Risk Management Program is going to require a lot more effort and is contingent on the completion of the current risk assessment being completed now. The finding for User Access for the IRattler System requires us meeting with all the different departments and trying to understand the different roles and permission that each User must have based upon their work description.

Chair Reed asked VP Givens to give greater insight regarding how the due date to correct an audit finding is determined. VP Givens shared that the date is provided by the executive owner of the finding. Considerations for establishing a due date include determining what needs to be done to correct the issues and a realistic time needed to address the issue. Chair Reed recommended reporting progress toward achieving the goal or some type of timeline, such as 20, 30, 40, or 50% complete. Chair Reed would like to see the progress of the work that's taken place. Chair Reed recommended that as we go through this phase of the process that we assess from an audit perspective if there's nothing else driving the requirement, such as compliance related from a legislative perspective or to some policies and procedures. We need to do those immediately. This process is to uncover areas where we can potentially have an issue or we have high risk and to put a plan in place to reduce the risk. We can never eliminate all the risk but we can reduce them. VP Givens shared he made a note and would try and include that in the future report.

Chair Reed asked if there were any other comments and/or questions for the status of prior audit findings. There were none; we then proceeded with VP Givens presenting the next item.

VP Givens proceeded with the Review on the findings related to the Rattler Booster Financial Records. The review disclosed that 1) money collected was being deposited in the Foundation and the Athletic Director was approving disbursements as required by the BOT Regulation 2005-18; 2) membership records were maintained, 3) separation of duties had been achieved through assignment of duties to Booster Board Members and implementing compensating controls; and 4) a general ledger system had been acquired and implementation is in process for the June 30, 2018. Corrective actions for written policies and procedures covering the Boosters financial operations had not been implemented. The Division is working in collaboration with Boosters management to monitor implementation of the corrective actions. Trustee Belvin Perry, Jr., asked when this would be completed? VP Given shared it would be by December, 2018. Trustee Perry then asked how long have they been working on this? VP Givens shared that it has been approximately one year. Trustee Perry reminded all that we are going down the same road that we just went down.

VP Givens shared that they have addressed the inadequate records and, by doing this, they hope to receive an opinion on the financial statements for the year, and he will follow up with the Boosters to get the status of the written policies and procedures. Trustee Lawson was given the floor; Trustee Lawson said he agrees with Trustee Perry and wants to put a date certain for completion, but a broader question is how we know that the Boosters are following these procedures which VP Givens outlined. VP Givens shared that we have been working with the Boosters. We have someone on our staff that has continuous contact with the Boosters about once a month. We have looked to see if the records that the Boosters are maintaining will be adequate, we reviewed some of the checks as supporting documentations and the documentation for some of the collections. At the end of the year the Boosters will have their independent audit. The work plan includes a project that relates to determining the requirements of BOT Policy 2005-18. We will periodically check to see that they are doing these things.

Uncorrected findings:

Update – Athletics Review: The disclosures are as following – Untimely payment of bills and budget over-expenditures appeared to result from lack of resources, failure to encumber obligations, expenses for football were charged to the budgets for other Athletic teams, goods/services were authorized and received prior to issuance of a requisition and purchase order, Purchasing Card transactions were not timely reconciled, no additional disciplinary actions were taken, and improvements in pre-audit of purchases of services are needed. The Division is working in collaboration with the Controller’s office and Athletics Department to implement a new process for ticket office sales.

Operational Audit – The Division had an exit conference but have not received written findings; therefore, it is premature to discuss at this time.

Rica Calhoun, CCEO shared for discussion the compliance risks and coordination of the compliance function with audit operations. Rica also provided an update regarding the compliance and ethics plan.

Adjourned by Chair Craig Reed.