

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



Audit & Compliance Committee Meeting

Date: Wednesday, December 3, 2014

Band Rehearsal Hall

Committee Members: Trustee Karl White Chairman
Trustee Torey Alston, Trustee Spurgeon McWilliams,
Trustee Belinda Shannon

AGENDA

- | | | |
|-----|---------------|---------------------|
| I. | Call to Order | Chairman Karl White |
| II. | Roll Call | Debra M. Barrington |

ACTION ITEMS

- | | | |
|------|--|---------------------|
| III. | Approval of minutes | Chairman Karl White |
| IV. | Performance Evaluation Vice President Richard Givens | Chairman Karl White |

INFORMATION ITEMS

- | | | |
|-----|--------------------------------------|--------------------------------|
| V. | Presentation of Report of Activities | Richard Givens, Vice President |
| | A. Internal Audit Dashboard | |
| | B. Follow up of findings | |
| | C. Completed Projects | |
| | D. Status of Investigations | |
| | E. Other Projects and Information | |
| VI. | Adjournment | Chairman, Karl White |

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



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

Date: Wednesday, September 10, 2014

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

Members Present: Trustee Torey Alston, Trustee Spurgeon McWilliams, Trustee Narayan Persaud, *Trustee Belinda Shannon (Conference In)*

Debra M. Barrington, Administrative Assistant to the Vice President, called the roll.

It was motioned and seconded the Wednesday, March 5, 2014, Audit Committee minutes meeting be approved. The motion passed.

VP Givens presented the 2014-15 Risk Assessment and Internal Audit Plan. In developing the 2014-2015 Internal Audit Plan, a university-wide internal audit risk assessment, a process that identified and analyzed risks facing Florida A & M University, was performed. The risk assessment served as the primary basis for developing the 2014-2015 Internal Audit Plan. The 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. In addition, we considered fraud risk factors in the development of this Internal Audit Plan. Risk themes developed as part of the risk assessment were presented and discussed.

The proposed audit plan for 2014-15 was presented and discussed. The proposed internal audit plan included hours for 11 audits; follow ups, investigation, and compliance activity; and internal audit administration and communication. The audit plan was approved as presented.

VP Givens presented a report on the activities of the Division covering the period from March 2014 through August 2014. The report included presentation of findings for the Administrative Service Assistance Program, report on status of investigations, and other projects and information.

The meeting was adjourned by Trustee Karl White.

Florida A&M University
Audit Committee Meeting

December 3, 2014

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2013/2014 Internal Audit Dashboard

Project	Plan Year	Status	Number of Findings	Number of Red Findings	Findings Implemented by Report Date (I)	Red Findings Implemented by Report Date
Academic Center for Excellence	2013/2014	Suspended pending completion of NCAA investigation	N/A	N/A	N/A	N/A
Audit of Information Technology Functions	2013/2014	Suspended pending completion of Performance Funding Metrics audit.	N/A	N/A	N/A	N/A
Athletics Investigation (non NCAA related)	2013/2014	Field work completed and is in review process. Projected completion date of December.	N/A	N/A	N/A	N/A
Financial aid process review	2013/2014	Field work 50% complete. Projected completion date of December.	N/A	N/A	N/A	N/A
Pharmacy Phase II investigation	2013/2014	Contracted out at BOG request. Projected completion date of November.	N/A	N/A	N/A	N/A
Audit of Performance funding metrics	2014/2015	Field work 40% complete with projected completion date of January 2015.	N/A	N/A	N/A	N/A
Decentralized cash collections audit	2013/2014	Field work complete. Preliminary findings delivered awaiting management response. Projected completion date of January 2015.	N/A	N/A	N/A	N/A
TOTALS			N/A	N/A	N/A	N/A

Findings Follow-up – as of October 2014

Finding rating	Late	Revised	Open	Closed	Total
Red				0	0
Yellow				2	2
Green				4	4
Totals				6	6
	0%	0%	0%	100%	100%

DECENTRALIZED CASH COLLECTIONS 2013-1 Report Issued March 2013

Coleman Library

Finding	Rating	Status of corrective action
Checks not restrictively endorsed	Green	Fully implemented
Inadequate segregation of duties for collecting, recording, and reconciling	Yellow	Fully implemented
Employees did not have copy of manual	Green	Fully implemented

Rattler Card Office

Finding	Rating	Status of corrective action
Receipts not prepared evidencing collections	Yellow	Fully implemented
Checks not endorsed upon receipt	Green	Fully implemented
Employees did not have copy of Manual	Green	Fully implemented

FAMUAN

The FAMUAN ceased collecting money in the fall 2013. The central cashier's office collects all moneys for the FAMUAN.

VOYAGER PROGRAM 2013-3 Report Issued June 2013

Subsequent to release of the audit of the Voyager Card Program (Program), management decided to terminate the Program since departments utilizing the Voyager Card also had access to the P Card and the costs of implementing corrective actions specific to the Voyager Card Program. Accordingly, no corrective action was considered necessary, and the Voyager Card account was closed in November 2013. Our review disclosed that there has been no activity in the Voyager Card Program since September 2013.




Summary of Late Findings

Corrective actions for the findings related to the Grade Change Audit, # 2014-1, issued February 2014 were to be implemented by spring term 2014, effective for the fall term 2014. Inquiry disclosed the planned corrective actions were timely implemented. The validation of implementation of corrective actions will be performed during the spring term 2015.

Finding rating	Finding Description	Management's Action Plan	Reason
Red	None		
Yellow	None		
Green	None		

Risk Rating Definitions

The following risk rating definitions are used in assessing the relative risk of internal audit observations and do not represent an opinion on the adequacy or effectiveness of internal controls. University management is responsible for assessing whether the controls the University has implemented are adequate to meet its operational, compliance and financial reporting objectives.

-  **High:** The potential impact on the operation (either in terms of dollars, error rate, or qualitative factors) could significantly affect the operation’s ability to achieve its strategic objectives
-  **Medium:** The potential impact on the operation (either in terms of dollars, error rate, or qualitative factors) could moderately affect the operation’s ability to achieve its strategic objectives
-  **Low:** The potential impact on the operation (either in terms of dollars, error rate, or qualitative factors) would not significantly affect the operation’s ability to achieve its strategic objectives




External Audit Projects completed (September 2014 – November 2014)

Follow up for Exit Counseling Procedures (Review Performed by Ernst & Young)

Process Owner – Financial Aid

Scope and objectives – Follow up financial aid findings, including additional procedures to the initial report issued October 2013. The scope for the follow up included transactions conducted for the fall term 2013 and the spring term 2014.

Report Results

Fieldwork	Report status	Findings
Completed July 2014	Report issued September 2014	 0 Comments  0 Comment  1 Comment

1. Follow up for Exit Counseling Procedures




Finding	Risks
<ul style="list-style-type: none"> ▶ Students were not provided with exit counseling materials in a few instances. 	<ul style="list-style-type: none"> ▶ Risk – Students may not be aware of loan obligations, resulting in an increase in the default rate.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Additional guidance and training should be provided. A reconciliation should be developed to confirm that the students requiring exit counseling were provided the materials within the 30 day time frame.</p> <p><i>Management response:</i></p> <ul style="list-style-type: none"> ▶ Response: Training will continue to be provided on exit counseling requirements. Procedures will be developed to verify that students who are identified as needing exit counseling are provided the required materials within the 30 day time frame. 	<p>Responsibility: Dr. William Hudson, Vice President Student Affairs Nigel Edwards, Associate Vice President Student Affairs/Enrollment Management, and Lisa Stewart, Director of Financial Aid Due Date: Fall 2014</p>

Follow up Financial Aid IT-related Findings (Review Performed by Ernst & Young)

Process Owner – Financial Aid

Scope and objectives – Follow up financial aid (IT-related) findings, including user access, to the initial report issued October 2013. The scope period for the follow up was for transaction incurred through February 13, 2014.

Report Results

Fieldwork	Report status	Findings
February and March 2014	Report issued September 2014	<ul style="list-style-type: none">  0 Comments  4 Comments  1 Comment

2. Follow up for Financial Aid IT-related findings

Finding	Risks
<ul style="list-style-type: none"> ▶ Two users (Director of Financial Aid and Assistant Director of Financial Aid) had access to update SAP status and override financial aid disbursements. 	<ul style="list-style-type: none"> ▶ Risk – Level of access is considered inappropriate in that ability to update SAP status and override financial aid disbursements are incompatible duties that should be separated. Errors or irregularities may occur and not be detected on a timely basis.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: An assessment of user access should be re-performed to determine how to properly segregate the ability to disburse financial aid, including overrides and update SAP status.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The University will re-evaluate the Director and Assistant Director's security access for updating SAP decisions and the disbursement process to support its overall office function and structure. 	<p>Responsibility: Dr. William Hudson, Vice President Student Affairs, Nigel Edwards, Associate Vice President Student Affairs/Enrollment Management, and Lisa Stewart, Director of Financial Aid Due Date: Fall 2014</p>

3. Follow up for Financial Aid IT-related findings

Finding	Risks
<ul style="list-style-type: none"> ▶ An employee's roles within the financial aid system were not changed upon a promotion, resulting in inappropriate access to perform duties she was no longer required to perform. 	<ul style="list-style-type: none"> ▶ Risk – an increased risk that unauthorized transactions may occur.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should perform an assessment of this user, and other users within financial aid who have transferred job responsibilities, to determine whether access is appropriate in their new position.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The director will review all employees' access if they are changed to a new role within the Office of Financial Aid upon being offered a new position. A formal request to remove unwarranted access will be forwarded to EIT. 	<p>Responsibility: Dr. William Hudson, Vice President Student Affairs, Nigel Edwards, Associate Vice President Student Affairs/Enrollment Management, and Lisa Stewart, Director of Financial Aid Due Date: Fall 2014</p>

4. Follow up for Financial Aid IT-related findings

Finding	Risks
<ul style="list-style-type: none"> ▶ The assistant financial aid director at the law school had the access to update student admission records and process transfer credits, in addition to the ability to update critical transactions within student financial aid. 	<ul style="list-style-type: none"> ▶ Risk – Errors or irregularities may not be detected on a timely basis as a result of an inadequate segregation of duties.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: This user's level of access and job responsibilities should be assessed to determine the appropriate level of access that would achieve a proper segregation of duties. A formal request should be submitted to EIT to remove any inappropriate access.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: A formal request was made in August 2014 and access to admission records was removed. The Director will establish a procedure to review access to financial aid modules to include employees outside of the Office of Financial Aid. 	<p>Responsibility: Dr. William Hudson, Vice President Student Affairs, Nigel Edwards, Associate Vice President Student Affairs/Enrollment Management, and Lisa Stewart, Director of Financial Aid Due Date: Fall 2014</p>

5. Follow up for Financial Aid IT-related findings

Finding	Risks
<ul style="list-style-type: none"> ▶ Although a user access review was performed by the Director of Financial Aid on December 16, 2013, the access review is not a formalized process that occurs on a defined frequency. Also, financial aid access changes are not submitted through the formal EIT process, and changes made by EIT staff are not sent back to the Office of Financial Aid for review. 	<ul style="list-style-type: none"> ▶ Risk – Requested changes may not be received or performed by EIT staff, resulting in inappropriate access to records. Also, unauthorized transactions may occur without timely detection.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should develop formal policy/procedure documents, which define the financial aid review process, including the frequency of the access review. The Office of Financial Aid should submit user access changes or system access changes solely through the formal EIT process, and any user access changes or system updates made by EIT staff should be forwarded to the Office of Financial Aid for review.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: A formal EIT policy and procedure to perform a user access review each semester is currently being developed. Submissions of user access changes will follow the formal EIT process and updates will be reviewed by the Office of Financial Aid. 	<p>Responsibility: Dr. William Hudson, Vice President Student Affairs, Nigel Edwards, Associate Vice President Student Affairs/Enrollment Management, and Lisa Stewart, Director of Financial Aid Due Date: Fall 2014</p>

6. Follow up for Financial Aid IT-related findings




Finding	Risks
▶ Although an independent review of SAP status updates and disbursement overrides is performed, no formal documentation is maintained to evidence the independent review.	▶ Risk – unauthorized SAP status updates and disbursement overrides could occur, resulting in incorrect SAP status and unauthorized disbursements.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should develop a formal process to communicate the SAP status updates, disbursements, and user access reviews performed by the Director of Financial Aid to the VP of Student Affairs. This communication should occur on a defined timeline and be performed on a consistent basis. In addition, the VP of Student Affairs' review and approval should be formally documented and this process should be included in the policies/procedures of the Office of Financial Aid.</p> <p>Management response:</p> <p>▶ Response: The University implemented a security review process in April 2013 which included reviewing the SAP status updates and disbursement overrides each semester. The security process will be enhanced to include a formal, documented review process by the Associate VP Student Affairs/Enrollment, which will include a formal documented review of user access. The policies/procedures of the Office of Financial Aid will be revised to require that a formal review be performed each semester.</p>	<p>Responsibility: Dr. William Hudson, Vice President Student Affairs, Nigel Edwards, Associate Vice President Student Affairs/Enrollment Management, and Lisa Stewart, Director of Financial Aid Due Date: Fall 2014</p>

Purchasing Card & Travel (Review Performed by Ernst & Young)

Process Owner – Division of Financial and Administrative Services

Scope and objectives – Review of purchasing card transactions from October to December 2012 and travel expense reimbursements from September 2012 to December 2012.

Report Results

Fieldwork	Report status	Findings
March 2013	Report issued September 2014	 0 Comments  5 Comments  4 Comments

7. Purchasing Card & Travel

Finding	Risks
▶ Three expense transactions exceeded the approved single transaction limit established on the card.	▶ Risk – unauthorized purchases may be made.

7. Purchasing Card & Travel

Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should implement a process whereby all P-card transactions in excess of approved limits should be properly approved, and approval documentation should be provided as support and maintained on file.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The P-card Manual was amended to provide that all P-card limits, including those for single transactions greater than \$1,000, are established at the time of approval by the P-card administrator and Vice President of Administrative and Financial Services. 	<p>Responsibility: Stephany Fall, Purchasing Director and P-card Administrator Due Date: Completed</p>

8. Purchasing Card & Travel

Finding	Risks
<ul style="list-style-type: none"> ▶ Some departments used the old reconciliation form instead of the newly required form when submitting documentation for the charges. In addition, instances were noted in which the P-card holder, the P-card holder's supervisor, or the departmental approver did not sign off on charges made on the P-card. 	<ul style="list-style-type: none"> ▶ Risk – unauthorized purchases could be made and not detected on a timely basis.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should re-emphasize the process to use the new form, which requires and provides a line for supervisory approval. Management should also target areas/departments with high non-compliance to provide additional training.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: Training on use of the new reconciliation form is given to all new P-card holders and reconcilers prior to issuance of the P-card and annually thereafter. Departments which continue to have high instances of non-compliance are noted in an email sent to the P-card administrator, who follows up with the department. 	<p>Responsibility: Stephany Fall, Purchasing Director and P-card Administrator Due Date: Completed</p>

9. Purchasing Card & Travel

Finding	Risks
<ul style="list-style-type: none"> Documentation for P-card transactions was not submitted within seven calendar days, contrary to BOT Policy No. 2006-04. 	<ul style="list-style-type: none"> Risk – Purchases may not be adequately documented.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should formally re-emphasize the process to submit supporting documentation within the established threshold. Management should also target areas/departments with high non-compliance to provide additional training.</p> <p>Management response:</p> <ul style="list-style-type: none"> Response: Training was provided to all existing P-card holders in October 2013 that included emphasis on the requirement that documentation be submitted timely. All P-card holders will be trained annually on the requirements. The time period for submission of documentation to the Controller's office was changed from 7 to 15 days. 	<p>Responsibility: Stephany Fall, Purchasing Director and P-card Administrator</p> <p>Due Date: January 2015</p>

10. Purchasing Card & Travel

Finding	Risks
<ul style="list-style-type: none"> Twenty seven percent of transactions tested did not contain a business purpose or the business purpose provided was not detailed enough to provide justification for the expense. 	<ul style="list-style-type: none"> Risk – unauthorized charges could be made and not detected on a timely basis.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should emphasize that a detailed and sufficient business purpose be provided for all transactions. Management should also target areas/departments with high non-compliance to provide additional training.</p> <p>Management response:</p> <ul style="list-style-type: none"> Response: Training was provided to all P-card holders and reconcilers that included emphasis on the P-card Manual requirements that a detailed description of all charges be adequately documented. In September 2014, the Controller's office began notifying the P-card Administrator of deficiencies in documentation. The P-card Administrator contacts the department regarding the information needed and, if the information is not timely provided, the card is effectively cut-off. 	<p>Responsibility: Stephany Fall, Purchasing Director and P-card Administrator</p> <p>Due Date: Completed</p>

11. Purchasing Card & Travel

Finding	Risks
<ul style="list-style-type: none"> ▶ There is a reconciliation of P-card transactions to travel expense reimbursements; however it is not a formal process, there is no supervisory review and approval, and each month's reconciliation is maintained separate and outstanding items are not rolled forward to the most recent month's reconciliation. Also, the reconciliation does not have a comments field to document current status/disposition of items. 	<ul style="list-style-type: none"> ▶ Risk – Errors or irregularities may occur and not be detected on a timely basis.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: The P-card to travel reconciliation process should be formalized. The reconciliation process should include a comments field on the reconciliation to describe the current status of reconciling items or the disposition of non-routine items; maintain one, rolling reconciliation and roll forward unresolved items from month-to-month; and provide the most up-to-date reconciliation for supervisory review and approval.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The reconciliation process has been formalized to include a comments field, rolling forward unresolved items, and supervisory review and approval on a monthly basis. 	<p>Responsibility: William Featherstone, Assistant Vice President Division of Administrative and Financial Services Due Date: Completed</p>

12. Purchasing Card & Travel

Finding	Risks
<ul style="list-style-type: none"> ▶ A few instances were noted in which travel reimbursements were not made in accordance with the University's Travel and Expense Policy. 	<ul style="list-style-type: none"> ▶ Risk – travelers may not be reimbursed the amount authorized by law.
Recommendations and management action plans	Action owner/timetable
<p>Recommendation: Management should withhold reimbursements for requests submitted that are not in line with written policy.</p> <p>Management response:</p> <ul style="list-style-type: none"> ▶ Response: The University's procedures require that reimbursement not be made until the request for reimbursement complies with the University's policies. Training continues to be provided to emphasize the importance of proper documentation. 	<p>Responsibility: William Featherstone, Assistant Vice President Division of Administrative and Financial Services Due Date: January 2015</p>

Status of Investigations

During the period from July 2014 through October 2014, the Division received 23 allegations/complaints. Of these, 5 reports were issued, 5 were closed with no investigation, 5 are in process, 7 have been referred to another department for review, and 1 is pending investigation. In addition, 3 reports were issued for allegations/complaints received prior to July 1, 2014. 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 28. Investigations are classified into the following categories:

	<u>Number</u>	<u>% of Total</u>
Diversity, equal opportunity, and workplace respect	6	26
Misuse or misappropriation of assets or information	1	4
Financial and business integrity	<u>16</u>	<u>70</u>
Totals	<u>23</u>	<u>100</u>

In-process & Upcoming Projects

Project	Expected timing of fieldwork	Comments
Accounts payable review	January 2015	▶ Developing specific audit objectives
Review of Band Eligibility	January 2015	▶ Review of eligibility of band members

Other projects & information

Self Assessment

The Division's Quality Assurance Improvement Program requires an annual self assessment be conducted. The purpose of an annual self assessment is to provide the audit committee with assurance that the internal audit activity is maintaining the standard of performance required by the Institute of Internal Auditors and to identify areas where improvements could be made. The self assessment is underway with expected completion by December 2014. The results of the self assessment will be reported at the next audit committee meeting.

Resources

The Division's vacant position has been advertised.