Florida Agricultural and Mechanical University
Board of Trustees

Division of Audit & Compliance Committee
Date: Tuesday, September 25, 2018
Time: 3:00 PM
Location: **President Conference Room (Conference Call)**

AGENDA

I.   Call to Order   Chair Craig Reed

II.   Roll Call   Debra M. Barrington

ACTION ITEMS

III. Presentation of Risk Assessment and Work Plan 2018-19

                                                                                    Richard Givens

IV.   Update on Division Activities:
   a. Audit
   b. Compliance
   c. Collaboration and Coordination of Audit & Compliance Activities

Adjournment

FLORIDA AGRICULTURAL AND MECHANICAL UNIVERSITY

Excellence with Caring

Risk Assessment and Internal Audit Plan
2018 - 2019

Division of Audit and Compliance
Richard Givens, Vice-President

Florida Agricultural and Mechanical University
Board of Trustees

Division of Audit and Compliance

2018-19 Risk Assessment and Internal Audit Plan

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In developing the 2018-19 Internal Audit Plan, we performed a university-wide internal audit risk assessment, a process that identified and analyzed risks facing Florida Agricultural and Mechanical University (FAMU). The risk assessment served as the primary basis for developing the 2018-2019 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.

While completing this year's risk assessment, we met with the senior management team to identify risk spheres in which the University's risk changed from the prior year's risk assessment as a result of new programs or initiatives implemented during 2017-18 to mitigate risks, and changes that could adversely impact risks, such as legislation or other factors. Additionally, we involved all departments in the risk assessment process by having department management complete customized risk-assessments which assessed the department's implementation and effectiveness of controls related to areas of risk as defined by the Association of College and University Auditors. We also considered the results of various Division of Audit & Compliance audits, investigations, and consulting activities that disclosed risks or mitigating controls affecting risk. Also considered were results of external audits (primarily the operational audit performed by the Office of the Auditor General). We conducted interviews with certain members of the Executive Staff and members of FAMU's Board of Trustees related to the University's overall risk universe. Each interviewee was asked to comment on the risks associated with FAMU's ability to execute its core objectives and risks specifically related to their span of control.

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

1. Determine the risk universe for FAMU

2. Determine the likelihood of occurrence having a material impact on the University

3. Risk definition – low, moderate and high

Risk Universe

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

Likelihood of Material Impact of Occurrence

Likelihood

The risk related to each category was scored based on the likelihood of having a material impact on the University. Likelihood was assessed based on the risk assessment survey each department's management completed which assessed the controls that are in place to mitigate risks related to that particular category. The more controls that were not in place, or that were in place but required improvement, increased the likelihood that a risk event could occur in that area.
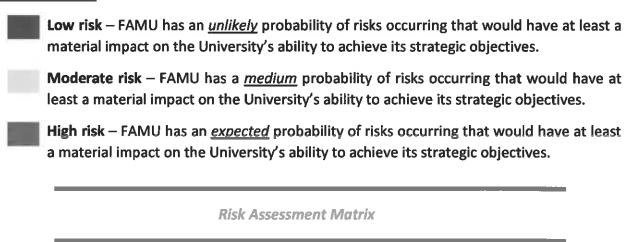
Impact

DAC determined the impact of the control not being in place by information gathered through the leadership interview process, review of department management feedback from risk assessment surveys, DAC's review of audits, investigation and advisory work related to the department performed during 2017-18 FY, and knowledge obtained through information sharing with DAC staff from management, staff, faculty, and others. This information gathering process allowed DAC to determine if the impact to the University would be Low, Moderate, or High:

- Low Impact: Loss of confidence limited to 1 stakeholder group (students, faculty, Board of Governors, Board of Trustees, donors, alumni, SACS, USDOE, etc.); Minimum refinements or adjustments to University's operating plans and execution; Minor interruptions to University operations; Management unaffected; Minimal liabilities; Limited or no Regulatory attention; Financial Impact is less than $1 million

- Moderate Impact: Loss of confidence limited to 2 stakeholder groups; 1 or more changes in senior leadership; Significant changes to University's operating plans and execution; Moderate interruptions to University operations; Legal reserve established; Regulatory investigation; Financial impact of $1M-$10M
- High Impact: Loss of confidence by 3 or more stakeholder groups; 2 or more changes in senior leadership; Potential closing of University; significant changes to University's strategic plan; Significant interruptions to University operations or inability to continue normal operations across the entire University; Management challenges; Large-scale legal actions or liabilities; Regulatory fines or sanctions; Financial impact of more than $10 million

Risk Definition

Low risk – FAMU has an _unlikely_ probability of risks occurring that would have at least a material impact on the University's ability to achieve its strategic objectives.

Moderate risk – FAMU has a _medium_ probability of risks occurring that would have at least a material impact on the University's ability to achieve its strategic objectives.

High risk – FAMU has an _expected_ probability of risks occurring that would have at least a material impact on the University's ability to achieve its strategic objectives.

Risk Assessment Matrix

There are many definitions and categories of risk. Entities perceive risk based on the nature of their operations, the organization's culture, and other factors unique to them. Risk Management is broadly defined as a process designed to identify potential events that may affect the entity, and to manage risks to provide reasonable assurance regarding achievement of entity objectives.[1]

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

The matrix below classifies and ranks FAMU's risks according to the risk universe and scoring as discussed above. Additionally, prior year and planned internal audit coverage is noted in the

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[1] Source: COSO Enterprise Risk Management – Integrated Framework, 2004 COSO

table below. The Auditor General also performs annual financial statement and federal awards audits.

	2017-18 Risk Level	Prior Year Coverage 2017-18	Planned DAC Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
Asset and Risk Management					
Emergency Preparedness	Moderate				
Endowment & Development	Moderate				
Environmental Health & Safety	Moderate				
Auxiliary and Service Departments					
Athletics	High	X	X	X	X
Auxiliary Enterprise Administration	Low				
Bookstore	Low				
Housing	Moderate	X	X		
Police	Moderate				
Recreation & Athletic Centers	Moderate				
Service Centers Auxiliary	Moderate				
Special Events Center	Moderate				
Financial Management					
Accounting	Low				
Accounts Payable	Moderate				
Accounts Receivable	Low				
Capital Asset Depreciation	Low				
Cash Handling	Moderate	X		X	
Cash Management	High	X		X	
Closing Process	Low				
Expenses	Moderate				
Financial Management Operations	Low		X	X	X
Financial Reporting	Low				
Payroll	Moderate				
Revenue	Moderate				
Human Resources Development					
Human Resources	Moderate	X	X		X
Information Technology					
IT Compliance	High	X	X	X	
IT Daily Operations	High	X	X	X	X
IT Strategy Planning & Governance	High	X	X	X	
IT Customer Service	Moderate				
IT Development & Research	High		X		
IT Admin Support	Moderate		X		
Instruction and Academic Support					

	2017-18 Risk Level	Prior Year Coverage 2017-18	Planned DAC Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
Academic Administration	Moderate		X		
Academic IT	Moderate		X	X	
Academic Personnel Administration	Moderate				X
Academic Records Management	Moderate	X	X	X	X
Academic Reporting	Low	X	X	X	X
Academic Support	Moderate		X	X	
Course & Curriculum Development	High		X		
Instruction	Moderate		X		
International Affairs	Low				
Leadership and Governance					
Governance	Moderate	X	X	X	X
Institutional Compliance	High	X	X	X	X
Internal Audit	Low				
Legal	Low		X	X	
Strategic Financial Management	Moderate			X	
Plant Operations and Maintenance					
Building Maintenance	High				
Custodial Services	Low				
Landscape & Grounds	Low				
Major Repair and Renovation	High	X	X	X	X
Motor Pool	Moderate				
Physical Plant and Administration	Low				
Utilities	Moderate		X		
Purchasing and Warehousing					
Purchasing	High	X	X	X	X
Research and Development					
Animal Research	Low				
Compliance Research	High	X	X	X	
Conflict of Interest	Moderate				
Export Controls	Moderate				
Facilities & Equipment Research	Low				
Financial Fraud (Research)	Low	X			
Grants Accounting	Moderate	X	X	X	
Human Subjects Research	Low				
Intellectual Property/Technology Transfer	Low				
Pre-Award & Award Acceptance	Low				
Research Administration	Moderate		X		
Research Financial	Moderate				

	2017-18 Risk Level	Prior Year Coverage 2017-18	Planned DAC Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
Research Quality	Low				
Safety Research	Moderate				
Security Research	High	X			
Trademark Licensing	Low				
Student Services					
Admissions	Moderate	X	X		
Counseling Services	Moderate				
Dining	Low				
Enrollment Management	Moderate	X	X	X	
Financial Aid	High			X	
Health Services	Low				
Registration	Moderate	X			
Student Centers & Activities	Low				
Student Judicial Affairs	Low				
Student Services Administration	Moderate	X	X	X	X
University Relations and Alumni Affairs					
External Services	Low				
Stakeholder Relations	Low				

Risk Themes

<u>**Asset and Risk Management**</u>

The asset and risk management category is comprised of three areas: Emergency Preparedness, Endowment and Development, and Environmental Health and Safety. All three areas were considered a moderate risk area due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management:

- Emergency Preparedness: The risk survey by management indicated that while the University had insurance in place for a natural disaster, the University does not have sufficient financial resources allocated to prepare for and manage emergencies; emergency response plans have not been fully documented and tested; and training and communication to increase awareness of emergency plans needed improvement.
- Environmental Health and Safety: The risk survey by management indicated that while safety training is available for staff, the staff do not always attend; instructions and safety information are not posted near equipment in most instances; follow-up inspections of high priority safety concerns are not always performed; and several fire alarm systems are outdated with hard to

find parts. The Division of Audit and Compliance (DAC) also has received complaints and conducted investigations into mold, asbestos, and other toxic materials in old buildings.

- The Endowment and Development: DAC noted instances of misuse and/or mismanagement of restricted funds; turnover in management; new Florida legislation requirements for Direct Service Organizations; and improvements need in the payment process of grant funds for increased compliance.

Auxiliary and Service Departments

The Auxiliary and Service Department category is comprised of eight areas: Athletics, Auxiliary, Enterprise Administration, Bookstore, Housing, Police, Recreation & Athletic Centers, Service Centers Auxiliary, and Special Events Center. Six of the eight areas were considered moderate or high risk due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management:

- Athletics (High): DAC noted continued annual budget deficits; ineffective cash management practices; controls over athlete travel money; separation of duties issues within the Ticket Office; NCAA Sanctions; NCAA Probation; Significant Employee Turnover; Lack of Compliance Officers; Potential Title IX exposures; and insufficient cash streams. The University has implemented a cross-functional Athletics Task Force to address some of the above financial deficiencies. DAC serves as an advisory participant of the task force.
- Housing (Moderate): The risk survey completed by management indicated that improvements were needed in the areas of ADA compliance; code requirement inspections; policies and procedures for restricting access to housing; emergency preparedness training of students; inaccurate utility cost readings; and lack of strategic planning for housing needs.
- Police (Moderate): Although the University has upgraded police equipment (firearms and radios); installed new safety measures (lit stop signs; paved parking lots; crosswalk signals; cameras at major intersections); implemented various safety trainings for the campus community; and obtained multiple police depart accreditation certifications, this area remain inherently risky due to an open campus environment, need for better lighting; and limitations of police controls should an active shooter situation occur.
- Recreation & Athletic Centers (Moderate): DAC noted that improvements were needed in controls related to maintenance of facilities; emergency preparedness training for facilities; knowledge personnel to manage partnerships for recreational and athletic student opportunities; equipment maintenance; and inherent risk of physical security during major events.
- Service Centers Auxiliary (Moderate): DAC noted that improvements were needed in controls related to development of pricing policies; compliance with governing regulations; and physical safeguards over inventory.
- Special Events Center (Moderate): DAC noted that improvements were needed in controls related to compliance with statutory and rule compliance; physical safeguards and reconciliation of equipment; maintenance of financial position through auxiliary oversight committee and budget process; standard contract s with preapproved language; and cash and pcard management.

<u>**Financial Management**</u>

The Financial Management category is comprised of twelve areas: Accounting, Accounts Receivable, Cash Handling, Closing Process, Financial Management Operations, Payroll, Accounts Payable, Capital Asset Depreciation, Cash Management, Expenses, Financial Reporting, and Revenue. Six of the twelve areas were considered moderate or high risk due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management:

- Cash Handling (Moderate): DAC noted improvements were needed in controls related to inadequate separation of duties; training and enforcement of cash handling policies; integrity and accuracy of cash transaction data; retention of cash receipts; physical safeguarding of cash; and cash being deposited in a timely manner.
- Accounts Payable (Moderate): DAC noted improvements were needed in updating payment policies; compliance to University and state rules and regulations; proper authorization of contracts; and completion of reconciliations.
- Cash Management (High): DAC noted improvements were needed in budget planning; cash forecasting; and knowledgeable staff with cash management expertise within high budget departments.
- Expenses (Moderate): DAC noted that improvements were needed in planning for, approving, tracking, and processing expenses. Additionally, DAC noted that University total expenses were greater than revenues resulting in the University using reserves to balance the budget.
- Payroll (Moderate): Payroll is an inherently risky area and has not been audited in recent years.
- Revenue (Moderate): The University did not receive additional performance funding money; flat enrollment levels; University usage of reserves to balance budget; and revenues were flat which all negatively impact the University's ability to fund strategic plan; mission specific, and performance goals.

<u>**Human Resources Development**</u>

The Human Resources Development category consists solely of human resources. Human Resources was a moderate risk area due to continuing issues with onboarding of new staff; inadequate management and tracking of leave balances for both staff and faculty; legislation and regulation changes; decentralization of human resource activities between staff and faculty; and needed improvements in the performance evaluation process to include accountability measures for training and strategic plan goal performance.

<u>**Information Technology**</u>

The Information Technology category is comprised of six areas: IT Compliance, IT Strategy Planning & Governance, IT Development & Research IT Daily Operations, IT Customer Service, and IT Admin Support. All six areas were considered to be of high or moderate risk due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management:

- IT Compliance (High): The risk survey completed by management indicated improvements were needed in controls related to PCI compliance and data protection. Additionally, DAC noted improvements were needed in order to be in compliance with required regulations (i.e. NIST 800-171) and industry best practices.
- IT Strategy Planning & Governance (High): The risk survey completed by management indicated improvements were needed in the areas of alignment of information technology with business objectives; patch management; documentation of infrastructure architecture; and development of strategic IT plans. Additionally, DAC noted the lack of an IT steering committee to provide governance over University IT initiatives, plans, and goals.
- IT Development & Research (High): The risk survey completed by management indicated that controls were lacking or needed improvement related to IT governance and oversight; keeping pace with leading edge technology; determining priority of projects; adequate staffing levels; specification of all contract and project requirements; delivery of IT projects on time and within budget; and IT risk identification.
- IT Daily Operations (High): The risk survey completed by management indicated that controls were lacking or needed improvement related to availability of systems; unauthorized or inappropriate access to systems; change management; incident response management; process for ensuring the achievement of performance objectives for IT processes; and documented plans for system redundancy and fallback plans for emergency operations.
- IT Customer Service (Moderate): The risk survey completed by management indicated that control improvements were needed related to educating and training users and information security incident or event response.
- IT Admin Support (Moderate): The risk survey completed by management indicated that control improvements were needed related to monitoring of contractor performance; providing of continuing professional education and career ladder opportunities for retention of key employees; and technical review of all contracts before signing. DAC noted that the University's reliance on cloud vendors for key applications, increases the importance of the University having sound contract formation and monitoring processes in places to protect the University's best interest.

Instruction and Academic Support

The Instruction and Academic Support category is comprised of nine areas: Academic Administration, Academic Personnel Administration, Academic Reporting, Course & Curriculum Development, International Affairs, Academic IT, Academic Records Management, Academic Support, and Instruction. Seven of the nine areas were considered moderate or high risk due to concerns noted by the Division of Audit and Compliance (DAC) staff from investigations, audits, consulting engagements or discussions with management:

- Academic Administration (Moderate): DAC noted an increased need for periodic equity reviews of faculty positions and reviews of workload standards by department. As a result of Florida performance based funding metrics, DAC noted a need for analytic reviews to be performed of all programs to evaluate for effectiveness, continued demand, and alignment with University priorities.

- Academic Personnel Administration (Moderate): DAC noted a need for increased accountability of University policy, procedures and regulations by faculty and a better process for the recruitment and retention of qualified faculty. DAC noted improvements needed in controls related to human resource management of faculty (i.e. hiring, background checks, performance evaluations); and leave reporting.
- Course & Curriculum Development (High): DAC noted issues with coordination and development of official curriculums between colleges/schools and the registrar's office; lack of funding and staff have led to curriculums and course offerings not being updated at a pace to match job market; improvements needed in online education development; and the University's inability to accurately predict number of students is negatively impacting its ability to accurately track and schedule course.
- Academic IT (Moderate): DAC noted that data indicated that faculty, academic staff, and students do not fully and consistently take advantage of academic technology that the University has invested in to improve the communication with students; provide students learning opportunities; and facilitate academic intervention for failing or troubled students. Additionally, the time since this area was last audited to provide assurance on controls and governance leads to this area having an elevated risk level.
- Academic Records Management (Moderate): DAC noted a need for improvement in record management of student graduation requirements; substitute class approval and documentation; and graduation approval processes.
- Academic Support (Moderate): DAC noted that additional support is needed for lower level students in basic core courses (i.e. math, English, science); timely and adequate advisement of "at risk" students; and improved tutoring and other resource for students in licensure programs.
- Instruction (Moderate): DAC noted that licensure pass rates for pharmacy, law, and nursing indicated a need for increased instructional efforts in this area to ensure curriculums being taught are appropriately and effectively aligned with exam content.

Leadership and Governance

The Leadership and Governance category is comprised of five areas: Governance, Internal Audit, Strategic Financial Management, Institutional Compliance, and Legal. Three of the five areas were considered moderate or high risk due to concerns noted by the Division of Audit and Compliance (DAC) staff from investigations, audits, consulting engagements or discussions with management:

- Governance (Moderate): DAC noted improvements were needed in establishing a culture of accountability and quality; communication and training on strategic plan goals, policies, and procedures of new and existing staff; funding to implement strategic plan initiatives; and policies, procedures, and regulations are not being updated and/or followed consistently.
- Strategic Financial Management (Moderate): DAC noted improvements have been made in the strategic financial management area through staff changes, budget alignment with strategic plan and performance goals, and budget cuts. However, due to budget constraints, lack of performance funding additional funding, the University may not able to fully pursue strategic endeavors or have the funding needed to make the necessary impacts to the performance funding metric scores.

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- Institutional Compliance (High): During the 2017-18 fiscal year the University hired a Chief Compliance and Ethics Officer who performed a comprehensive University compliance risk assessment. The results of the compliance risk assessment indicated that significant work was needed to improve compliance across all functions of the University. However, the highest risk compliance areas were: athletics, procurement, information technology services, travel, discrimination and harassment, data privacy, cybersecurity, governance, student/employee health and safety, research integrity and compliance, collective bargaining and contract administration, research (pre and post award process), recruiting and search process, and payroll (appropriated vs grant and contract funds).

Plant Operations and Maintenance

The Plant and Operations Maintenance category is comprised of seven areas: Building Maintenance, Landscape and Grounds, Motor Pool, Utilities, Custodial Services, Major Repair and Renovation, and Physical Plant Administration. Three of the five areas were considered moderate or high risk due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management:

- Building Maintenance (High): Management feedback during the risk survey process indicated that the University had $22 million in deferred maintenance needs. DAC also noted trough investigations, advisory and observations reports of mold, asbestos, elevator mechanical failure, and heating/cooling issues in older buildings on campus.
- Motor Pool (Moderate): Although the University does not have a motor pool, the University does allow departments to purchase vehicles for department use. DAC noted that the University needs to provide governance over motor vehicles to ensure appropriate and consistent purchasing, maintenance, usage, documentation, and insurance of state vehicles procedures are developed and utilized by all departments who possesses motor vehicles..
- Utilities (Moderate): Management feedback during the risk survey process indicated the following issues: internal utilities are not in good condition and are not capable of meeting their original design demand; campus heating systems are not stable, nor are they sufficient to comfortably supply campus heating needs; one of two campus power substations is not supplied with sufficient power from the City of Tallahassee; university boilers are in poor condition; water and sewer capacities are not sufficient in several locations; no building on campus has the generator capacity to become autonomous and act as an emergency shelter during a power outage or sever weather condition; and there is no back-up generator to maintain chiller operation during a power emergency.
- Major Repair and Renovation (High): Internal and external audit review of construction processes have noted substantial heating or cooling loss due to infrastructure failure; inadequate budgeting for renovations; a need for Periodic assessment of renovations; failure to perform deferred maintenance on facilities; failure to oversee in-house construction projects; increased need to provide proper education and training for all employees involved in the purchasing process; and inaccurate project accounting.

<u>Purchasing and Warehousing</u>

The Purchasing and Warehousing category consists solely of purchasing. The purchasing area was considered high risk due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management. Specifically, the risk survey submitted by management indicated controls were lacking or needed improvement related to properly administering vendor contracts; purchases, including individual and standing purchase orders, following established approval processes; competitively bidding of purchases; procurement card misuse; development of policies and procedures for all areas of the purchasing process; physical safeguarding of stock and storeroom; organizational structure of the purchasing function; selection of qualified bidder; and purchasing authority conflict of interest monitoring and training. Additionally, DAC noted turnover in key management of the purchasing function; significant pcard misuse; and lack of supporting documentation for transactions.

<u>Research and Development</u>

The Research and Development category is comprised of sixteen risk areas: Animal Research, Conflict of Interest, Facilities & Equipment Research, Grants Accounting, Intellectual Property/Technology Transfer, Research Administration, Research Quality, Security Research, Compliance Research, Export Controls, Financial Fraud-Research, Human Subjects Research, Pre-Award & Award Acceptance, Research Financial, Safety Research, and Trademark Licensing. Eight of the sixteen areas were considered moderate or high risk due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management:

- Conflict of Interest (Moderate): The risk survey completed by management indicated the need for improvements in controls related to implementation of a conflict management plan and ensuring that specific conflict of interest forms are completed for each protocol. Additionally, DAC noted the increasing number of investigations received each year related to conflict of interest; the need for conflict of interest training; and monitoring for conflict of interest risk indicators.
- Grants Accounting (Moderate): The risk survey completed by management indicated that controls were absent or needed improvement related to total documented effort for sponsored projects and institutional (state funded) responsibilities exceeding 100%; adequately monitoring of receivables to ensure prompt payment; auditing for grant compliance requirements; miscoding with untimely correction; centralization of grant reporting function; properly accounting for cost transfers in a timely manner; monitoring of joint appointments between institutions; and depositing grants funds promptly; monitor user complaints regarding expenditure information; and training of personnel on unallowable costs.
- Research Administration (Moderate): DAC noted during investigations that principal investigators were not well trained to follow federal/state/university regulations on managing employees, reporting expenses, etc.
- Security Research (High): DAC noted that the University was not in compliance with security regulation requirement NIST 800-171 which impacts $41 million of research grants at the University.

- Compliance Research (High): The risk survey completed by management indicated that controls were absent or needed improvement related to adequate training and monitoring for operator errors; dedicated compliance officer; compliance training and awareness program; established deadlines to close out grants or transfer funds; and adequate documentation for cost transfers.
- Export Controls (Moderate): The risk survey completed by management indicated that controls were absent or needed improvement related to preventing Office of Foreign Asset Control violations; training and awareness program for foreign students or personnel participating in or given access to research without appropriate documentation and licenses; preventing collaboration with colleagues or sub-contractors on federal department lists; awareness on export control regulations; preventing federally controlled items from being exported without license, including items/technologies shipped or carried (even temporarily) outside the U.S; and PI beginning work on a contract with controlled technologies or export control restrictions prior to the contract being executed by the university.
- Research Financial (Moderate): The risk survey completed by management indicated that controls were absent or needed improvement related to implementing a sound budgeting process to best estimate need; monitoring of account balances; tracking of expenses; cost transfer controls; establishing formal closeout processes; collection of billed revenues; incorrect calculation of facilities and administrative rates; and documented policies and procedures for grants accounting.
- Safety Research (Moderate): The risk survey completed by management indicated that controls were absent or needed improvement related to periodic lab safety inspections; developing a monitoring process for labs and principal investigators; conducting periodic revisions to training manuals and procedures; conducting periodic inventory reports to monitor usage and disposal; proper disposal of laboratory materials through a centralized authority; monitoring and inspection of facilities with a hazard potential; and enforcement of attendance at biohazard safety courses.

Student Services

The Student Services category is comprised of ten risk areas: Admissions, Dining, Financial Aid, Registration, Student Judicial Affairs, Counseling Services, Enrollment Management, Health Services, Student Centers & Activities, and Student Services Administration. Six of the ten risk areas were considered moderate or high risk due to the amount of controls noted by management that were either not in place or needed improvement or concerns noted by Division of Audit and Compliance staff from investigations, audits, consulting engagements or discussions with management:

- Admissions (Moderate): DAC noted improvements were needed in admission areas related to communication with prospective students to provide accurate and timely admission information; compliance with procedures; and management of negative publicity related to admission incidents by prospective students.
- Financial Aid (High): This area is inherently risky due to large amount of funds and significant tie to the University's ability to be a going concern. Although, regular attention is afforded to this area through internal and external audit procedures there have been repeat findings related to return of Title V funds. Additionally, the University has not begun to evaluate financial aid compliance with NIST 800-171 as directed by the US Department of Education.

- Registration (Moderate): The risk survey completed by management indicated that controls were absent or needed improvement related to forecasting class needs to offer adequate sections; monitoring and evaluating enrollment trends; incorrect calculation of tuition and fees; automation of enrollment process; and streamlining of enrollment processes.
- Counseling Services (Moderate): The risk survey completed by management indicated that controls were absent or needed improvement related to crisis management policies, procedures, and training;   counselor to student ratio; budget resources for counseling and advisory services; high risk student intervention policies, procedures, and concern escalation process; and effective communication of available and accessibility of counseling services.
- Enrollment Management (Moderate): University enrollment figures have flattened across academic/fiscal years which negatively impacts the University's ability to meet performance funding metrics and financial needs of the University. Additionally, improvements were needed for controls related to prioritizing spending needs; retention of students; development of effective marketing plan to recruit students; tracking enrollment trends and goals; and continuous improvement of graduation rates to improve performance funding metrics standings.
- Student Services Administration (Moderate): DAC noted improvements were needed in controls related to ability to be competitive with external businesses; investigate and resolve all student complaints; and usage of student fees (i.e. student technology fee).

University Relations and Alumni Affairs

The University Relations and Alumni Affairs category consisted of two risk areas: External Services and Stakeholder Relations. These areas are both considered to be low risk areas for the University based on risk survey feedback of controls in place by management and the Division of Audit and Compliance knowledge of the control environment of these areas.

Proposed 3 Year Work Plan

Project Description	Risk Area	Covered in 2017-18	Planned Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
Governance					
Leave Reporting Review	Governance, Human Resources	X			
Performance Based Funding Metrics	Governance, Academic Reporting, Academic Records Management	X	720	X	X
Review Adequacy of Risk Management	Governance	X			
Review Process for Adopting and Changing Policies	Governance, Legal			X	

Project Description	Risk Area	Covered in 2017-18	Planned Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
Financial					
Decentralized Cash Collections	Cash Handling, Cash Management			X	
Cash Forecasting & Budget Review	Cash Management; Strategic Financial Management			X	
Athletics Expense Review	Athletics, Financial Management, Purchasing, Institutional Compliance	X	140		
Decentralized cash collections	Cash Handling, Cash Management	X	120	X	X
Fiscal Operations: College of Pharmacy	Financial Management Operations, Institutional Compliance, Purchasing			X	
Fiscal Operations: College of Law	Financial Management Operations, Institutional Compliance, Purchasing				X
Fiscal Operations: School of Business and Industry	Financial Management Operations, Institutional Compliance, Purchasing				X
Compliance					
Audit Athletic Operations BOT 2005.18	Athletics	X	250	X	X
Implementation of NIST Standards	IT Strategy Planning & Governance, IT Compliance	X			
Medical Marijuana Compliance Review	Compliance Research, Research Administration, Grants Accounting			X	X
Subcontract Compliance	Compliance Research, Grants Accounting			X	
Faculty Leave Audit	Academic Personnel Administration				X
Operational					
Financial Aid Student Eligibility Review	Financial Aid			X	
Band Eligibility Compliance Review	Student Centers & Activities, Student Services Administration, Institutional Compliance	X	100	X	X

Project Description	Risk Area	Covered in 2017-18	Planned Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
Online Education & Support	Academic IT, Academic Support, Course & Curriculum Development, Instruction		360		
IT-Review 3rd Party Contract Management	IT Compliance, IT Strategy Planning & Governance	X			
IT- Disaster Recovery Plan Review	IT Daily Operations	X			
Cloud Service Provider Review (Governance)	IT Compliance, IT Strategy Planning & Governance, IT Daily Operations	X	90		
IT-Review Automation/Use PeopleSoft	IT Development & Research, IT Daily Operations, IT Admin Support		360		
IT- Active Directory Security and Management	IT Daily Operations; IT Strategy Planning & Governance		360		
IT-Cloud Security Operations Audit	IT Daily Operations			X	
Review P3 Process	Major Repair & Renovation, Financial Management Operations			X	
Admission & enrollment	Admissions, Enrollment Management, Student Services Administration	X			X
Assess Student Retention Programs	Academic Support, Academic IT, Enrollment Management			X	
Assess Student Recruiting Programs	Admissions, Enrollment Management				X
Physical Controls Over Mobile Data Storage Devices	IT Compliance, IT Daily Operations, IT Strategy Planning & Governance			X	X
Application Program Change Controls	IT Daily Operations			X	X
FAMU/FSU College of Engineering Review	Academic Administration, Institutional Compliance		480		
Licensure Program Assessment	Academic Administration, Course & Curriculum Development, Instruction, Academic Support			X	
IT- Data Center Physical Security	IT Daily Operations			X	

Project Description	Risk Area	Covered in 2017-18	Planned Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
IT- ImageNow Operations Audit	IT Daily Operations				X
Continuous Monitoring Services					
Construction Management Review	Major Repair & Renovation	X	240	X	X
Athletics Operations & Financial Review	Athletics	X	660	X	X
Data Analytics	Internal Audit, Institutional Compliance	X	530	X	X
Total Hours Audits & Assurance			4410		
Management Advisory Services					
Consulting on Athletics Compliance Review	Athletics	X	200	X	X
Training Assistance	N/A	X	100	X	X
Enterprise Risk Management	Governance	X	100		
IT Cybersecurity Gap analysis	IT Strategy Planning & Governance, IT Daily Operations, IT Compliance	X	80		
Knight Foundation Grant Unallowable Costs Review	Grant Accounting	X	240		
Medical Marijuana Program Development	Institutional Compliance, Research Administration		200		
Audit Liaison	Internal Audit	X	320	X	X
Management Requests	Various	X	1428	X	X
Monitor Strengthening of Compliance Function	Institutional Compliance	X			
HCM 9.2 Upgrade Review	Human Resources, IT Compliance, IT Development & Research		50		
HR Onboarding and Exit Process Review	Human Resources				X
Procurement Policy & Procedure Review	Purchasing, Legal, Institutional Compliance		320		
Total Management Services			3038		
Follow-ups, Risk Assessment, and Investigations					

Project Description	Risk Area	Covered in 2017-18	Planned Coverage For Fiscal Year		
			2018-19	2019-20	2020-21
Follow up of Audit Findings	Various		1540	X	X
Risk Assessment	Various	X	580	X	X
Investigations	Various		2081	X	X
Total Follow-Up, Risk Assessment & Investigations			4201		
Internal Audit Administration					
Training			536		
Administration			3815		
Leave			640		
Total Internal Audit Administration			4591		
Total All Hours			16640		

The Division of Audit and Compliance removed or modified the following previously approved engagements on the work plan:

- Assessing Ethics-Related Programs & Activities is being recommended for plan removal as the result of the University hiring a Chief Compliance and Ethics Officer (CCEO) during the 2017-18. The CCEO will be reviewing and implementing ethics related programs as part of her three year plan. As a result, DAC decided it would be a more efficient use of resources to wait until the CCEO's plan is fully implemented before conducting an assessment of this area.
- Implementation of the NIST Standards originally planned for the 2018-19 fiscal year was completed during the 2017-18 fiscal year as part of the 2018 State of Cybersecurity consulting engagement which reviewed NIST 800-171, NIST 800-53, and the NIST Cybersecurity Framework. Additionally, Information Technology Services has hired an outside consultant to perform a gap analysis for NIST 800-171 and NIST 800-53 controls.
- IT- Review 3rd Party Contract, IT Disaster Recovery Plan Review, and Cloud Service Provider Review was completed during the 2017-18 fiscal year as part of a comprehensive Cloud Security Governance Audit. As a result of the Cloud Security Governance Audit, DAC is proposing replacing the planned 2018-19 IT Disaster Recovery Plan Review with a Cloud Security Operations Audit.

In preparation for the risk assessment interviews, the team researched FAMU and its industry risks by utilizing experiences from FAMU and other university internal audits. Based on the research performed, the team members discussed the views of risk facing FAMU, discussed changes in risks from the prior year, and reviewed a listing of projects performed by the Division during the year.

In prior years, the team solicited feedback on the relevant risk points and potential projects during the risk assessment interview process. The interviews are an integral part of the risk assessment process, as the Division brings internal audit experience and FAMU management expertise on the risks facing the University. To conduct the risk assessment process for the 2018-19 year, interviews were conducted with executive leadership and individuals concerning high risk areas.

The risk assessment survey process was modified this year to develop customized risk and control assessments for all risk areas. The surveys were sent to appropriate management of the risk area for completion along with solicited feedback regarding policy, procedure, regulation and legislation changes and relevant risk points outside of their area of influence.

The team also considered factors such as results of prior audits, investigations, and advisory services; cumulative knowledge obtained from several years of performing risk assessments; and documentation obtained from relevant analytical procedures.

In addition, the risk assessment was discussed with Senior Leadership Team members soliciting their input on risks facing the University and changes in risks from the prior year.

Risk Assessment Interviews

In conducting the 2018-19 University risk assessment, we interviewed 19 individuals across the organization in key financial, operational, strategic and compliance functions. Interviewees were asked to specifically consider and comment on the following items:

- Risk threatening their area of responsibility and their assessment of controls that are in place to address those risks;
- Opportunities for FAMU to improve its current operations;
- Areas that they recommend for audit or advisory services;
- Their thoughts on the University implementing an enterprise risk management program;
- Assessment of the alignment of University resources with the University's mission, strategic plan, and performance funding metrics; and
- Assessment of the University's cybersecurity posture and information technology support services.

The following members of FAMU's Board of Trustees, Executive Staff, and other members of Administration were interviewed:

NAME	DEPARTMENT/DIVISION
Larry Robinson	President
Rodner Wright	Provost & Vice President for Academic Affairs
Shira Thomas	Interim General Counsel
William Hudson, Jr.	Vice President Student Affairs
Rica Calhoun	Compliance Officer
Wanda Ford	Vice President Administrative & Financial Services
Shawnta Friday-Stroud	Vice President University Advancement
Timothy Moore	Vice President Research
Kathy Times	Executive Director, Office of Communications
John Eason	Athletic Director
Charles Weatherford	Executive Director, Tittle III Programs
Ronald Henry	CIO & Associate Vice President EIT
Kelvin Lawson	Chair, Board of Trustees
Craig Reed	Chair of Audit Committee, Board of Trustees
Joyce Ingram	Assistant Vice President and Chief Human Resources Officer
Terrance Calloway	Chief of Police
Sameer Kapileshwari	Associate Vice President Facilities, Planning, Construction and Safety
Archie Bouie III	Associate Vice President, Administrative and Financial Services
Maurice Eddington	Vice President for Strategic Planning, Analysis, & Institutional Effectiveness

STATUS OF PRIOR AUDIT FINDINGS

A detailed report of the open findings as of September 14, 2018, was provided separately. Two findings have been corrected since the last report and validation of corrected findings was completed for six findings. A summary of the status of open audit findings as of September 14, 2018, is shown below:

Executive Owner	Total Number of Open Findings	Partially Corrected Findings	Uncorrected Findings	Corrective Actions to be Validated *	Number of Findings with Corrective Actions Not Due
Wanda Ford	5	2	3		
John Eason	18	2		12	4
William Hudson	1				1
Totals	24	4	3	12	5

*Corrective actions have been implemented and validation is in process. Nine of the findings for Athletics relate to the cash collection process, which was re-assigned to the Controller's Office effective May 1, 2018 and the collection process is being re-designed. The Controller's Office, Athletics Department, and Audit & Compliance are collaborating to design and implement the new procedures.

REVIEW RATTLER BOOSTER FINANCIAL RECORDS

As a result of inadequate and incomplete financial records and internal control deficiencies, the Rattler Boosters, Inc. received a disclaimer of opinion on the audit of its financial statements for the year ended June 30, 2017. As a result of the issues in the June 30, 2017 audit, we reviewed the status of the financial records and internal controls as of September 17, 2018. The objectives of the project were as follows:

- Determine if Rattler Boosters Inc. 2017-18 internal controls have been implemented and are effective, and if accounting records have been established for external auditors to conduct a financial audit of the Rattler Boosters for 2017-18; and

- Determine compliance with BOT regulation 2005-18 (University Athletics Booster Policy).

Our review disclosed that:

- Supporting documentation for money collected and disbursed was being maintained in an auditable form;
- Money collected was being deposited in the Foundation and the Athletic Director was approving disbursements as required by BOT regulation 2005-18;
- Membership records were also maintained;
- An adequate separation of duties had been achieved through assignment of duties to Booster board members and compensating controls;
- A general ledger system had been acquired and implementation is in process;

However, we noted the following had not been corrected:

- Written policies and procedures covering the Boosters financial operations had not been developed.

The Division is working in collaboration with the Boosters management to monitor implementation of the corrective actions.

UPDATE – ATHLETICS REVIEW

Since the Athletic Department continues to experience expenses in excess of revenues, the BOG has requested involvement of the Division to identify causes of system breakdowns and recommend improvements to controls. Our reviews disclosed the following:
- Untimely payment of bills and budget over-expenditures appeared to result from;
    - Lack of resources to timely pay;
    - Failure to encumber obligations in the accounting records which allowed expenses to continue to be charged against the budget even though there were outstanding 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; and disciplinary action was not taken against the employees responsible for the purchases;
- P-Card purchases were generally adequately documented; however, P-card transactions were not; timely reconciled in some instances. Although P-card use was terminated for some employees, no additional disciplinary actions were taken;
- Improvements in pre-audit of purchases of services are needed to document the type service, date service performed, number of hours worked, number of individuals working, and hourly rates charged for the service;
- Athletics staff has received current fiscal training and additional training is scheduled for the fall 2018.

In addition to the above, the Division is working in collaboration with the Controller's office and Athletics Department to implement a new process for ticket office sales. This project is in process with a goal to ensure that internal controls are in place to ensure that collections from sales are adequately safeguarded, recorded, and reported.

UPDATE – EXTERNAL AUDITS

Operational Audit

The Auditor General (Legislative Auditor) is required to perform an operational audit of the University every three years. The last report was issued in March 2017 and covered the period from April 2015 through March 2016. In April 2018, the Auditor General started an operational audit that covers the period from January 1, 2017 through December 31, 2017. The scope of the audit includes athletic operations, textbook affordability, construction, supervisory review of time, travel by the BOT and senior management staff, P-cards, procurement, background checks, president's remuneration, IT access controls, access to social security numbers by employees, performance evaluations, and direct support organizations' use of university resources. A report is expected to be released in the fall 2018.

Financial and Federal Programs Audits

The annual financial and federal program audits for the year ended June 30, 2018 are underway with an expected completion date of January 2019.

Florida Agricultural and Mechanical University
Board of Trustees

Division of Audit and Compliance

Compliance and Ethics Program Update

Compliance and Ethics Risk Assessment

The Chief Compliance and Ethics Officer completed a risk assessment focused on issue specific compliance risks utilizing a similar methodology to that of Internal Audit, soliciting feedback from 30 individuals from a cross section of management and reviewing operations. The assessment focused on compliance risks, the current ways in which the risk is managed, identified gaps, as well as the impact and likelihood of the risk being realized. The Chief Compliance and Ethics Officer and the Vice President of Audit and Compliance met to review the assessments and compare findings. Working groups from the Enterprise Compliance Committee, consisting of mid to high level managers, have been assigned to develop recommendations addressing the areas identified.

Compliance and Ethics Program Update

Progress continues to be made in the implementation of Florida A&M University's Compliance and Ethics Program. We have met all targets set by the Board of Governors for initial compliance. The Enterprise Compliance Committee has been working diligently in the assessment of compliance risks throughout the university and ways to address gaps in compliance.

Compliance has worked collaboratively with Internal Audit to enhance assurance and management response without unnecessary duplication of effort. DAC has coordinated with the Office of the General Counsel to establish a triage for complaint referral and investigation to ensure awareness regarding the status of complaints. The CCEO conducts compliance reviews by request to assist departments in making management decisions. The CCEO also conducts self-initiated compliance reviews, as needed.

The compliance function has been established as a proactive resource for the University community. Communication regarding the program has been consistent through personal contact and literature. Training opportunities and platforms are in the review stages. We look forward to continue innovating and working with members of the University community.