Audit & Compliance Committee Meeting
Date: Monday, November 7, 2016
Time: 3:00 PM

Conference Call

Committee Members: Trustee Nicole Washington, Chair
Trustee Jaylen J. Smith, Trustee Gary T. McCoy,
Trustee Craig Reed, Trustee Robert Woody

AGENDA

I. Call to Order
II. Roll Call

ACTION ITEMS

III. Approval of Minutes – September 14, 2016

IV. Accept Audit Reports
   a. Rattler Boosters
   b. Financial Aid Process Review

V. Amend 2016-17 Work Plan

INFORMATION ITEMS

VI. Update related to pending DAC issues
VII. Follow up of prior audit findings
VIII. Status of Athletic Department Corrective Action Plan and Budget

Adjournment
Florida Agricultural and Mechanical University  
Board of Trustees  

Division of Audit & Compliance  
Tuesday, September 14, 2016, 2:30 PM  

Minutes  

Members Present:  
Trustee Nicole Washington, Chairman  
Trustee Jaylen Smith, Trustee Gary T. McCoy,  
Trustee Craig Reed (absent), Trustee Robert Woody  

Trustee Nicole Washington, Chair, called the meeting to order.  

Debra M. Barrington, Administrative Assistant to the Vice President, called the roll. A quorum was established.  

Trustee Nicole Washington, Chair, led the meeting. There are three (3) Action Items on the agenda. The first was the minutes of Thursday, June 9 and Tuesday, August 23, 2016 Audit Committee meetings. It was properly motioned by Trustee Woody and seconded by Trustee Jaylen Smith for approval of the minutes. Motion carried.  

The second Action Item was the approval of 2016-17 University Risk Assessment performed for the purpose of developing the Internal Audit Work Plan. The Audit Committee held an Informational Workshop on the risk assessment at the August 23, 2016 audit committee meeting, and VP Givens presented a detailed outline of the Division's Risk Assessment processes and objectives. It was properly motioned by Jaylen Smith and seconded by Trustee Robert Trustee that the Risk Assessment be approved. The motion carried.  

The third "Action Item" was the approval of the 2016-17 Division of Audit and Compliance's Work Plan. The Proposed Work Plan is based on the high risk areas identified in the Risk Assessment and the Division's professional judgement. There is a three (3) year map of planned audits which are analyzed annually.  

Vice President Givens gave a brief overview of the proposed work plan. It was properly motioned by Jaylen Smith and seconded by Trustee Robert Woody to approve the 2016-17 Division of Audit and Compliance Work Plan. The motion carried.  

Chair Washington acknowledged a memo was received from Alan Levine, who is the Chair for the Audit and Compliance Committee of the Board of Governors. The letter indicated that, in order for the audit function to maintain independence, best practice is for a university's audit and compliance functions to be separate from operational committees such as budget and finance. Chair Washington followed up with Chair Levine and he confirmed he is happy with the University's Audit function and Audit Committee current status.  

Chair Washington reported on the Division of Audit and Compliance Annual Report; the full report is in the meeting materials. The Division is required to produce this Annual Report which outlines the audits, follow-ups, consultations and the advisory services that are conducted during the prior fiscal year. The report also provides the detail break down of how the Division's work is allocated and includes some assurances regarding their investigations and the integrity of their work.  

Vice President Givens gave an update regarding the significant changes made to the proposed BOG Regulations as a result of a workshop held in June. The BOG has proposed four regulations related to the audit and compliance areas. It is expected that the BOG will approve the regulations for official notice at its September meeting.
Trustee Jaylen Smith inquired about procedures in place to ensure that the Division remains autonomous; and that the autonomy is respected.

VP Givens responded that the Division has remained independent and the information is included in the Charters. The Division reports functionally to the Board and administratively to the President, which is considered best practice.

Trustee Bettye Grabie asked for clarification as to whether the whistle-blower regulation was in place and, if so, how they are currently handled.

VP Givens indicated the whistle-blower law is in place and that the proposed regulation designates the chief audit executive as the one responsible for making required determinations under the whistle-blower act, and that is the process currently being used by the University. Typically each complaint comes through Audit and Compliance. They also go through other offices. Each complaint is evaluated to determine whether it meets the requirements to be a whistle-blower.

The meeting was adjourned by Trustee, Chair Washington.
Subject: Acceptance of the audit reports for the Rattler Boosters and Financial Aid Process Review

Rationale: To accept the results of the audit of transactions of the Rattler Boosters, Inc., and the audit of the Financial Aid process review.

Recommendation: The Audit Reports be accepted.
Florida Agricultural and Mechanical University
Board of Trustees

ACTION ITEM

Meeting Date November 7, 2016

Agenda Item

**Item Origination and Authorization**

- Policy [ ] Award of Bid [X]
- Budget Amendment [ ] Change Order [ ]
- Resolution [ ] Contract [ ]
- Grant [ ] Other [X]

**Action of Board**

- Approved [X] Approved w/ Conditions [ ]
- Disapproved [ ] Continued [ ]
- Withdrawn [ ]

**Subject:** Amend the Division’s work plan to include a review of band eligibility and Travel Compliance

**Rationale:** To assure that University officials assessed that academic eligibility requirements as described in the Music Department Handbook are satisfied

**Recommendation:** Amend the Division’s Work Plan to include a review of band eligibility and Travel Compliance.
External Audit Rattler Boosters

A Request for Proposal for an audit of the Rattler Boosters, Inc. was sent to 16 firms on October 31, 2016. Responses to the RFP are due November 21, 2016. It is expected that the firm will be selected by December 9, 2016 and a report due by February 28, 2017.

Finding Follow – up – as of October 31, 2016

From 2013 to August 31, 2016, there were 69 previously reported findings/control deficiencies that were to be corrected as of September 30, 2016. A summary of the status of implementation of corrective actions as of October 31, 2016 is presented below:

- 33 (48%) have been fully corrected
- 9 (13%) have been partially corrected
- 17 (25%) have not been corrected
  - 6 relate to use of the design-build construction method, which the University discontinued after the project (high risk)
- 11 findings with a risk classification of moderate
- 7 (10%) were corrected with a significantly different corrective action plan
- 3 (4%) were deemed to warrant no further action
<table>
<thead>
<tr>
<th>2016-17 Year</th>
<th>Activity</th>
<th>Date</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beginning in the Fall</td>
<td>A plan to reduce the budget and pay off the debt was developed.</td>
<td>Sep-16</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Athletics Administration and Financial Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>A revised plan will be developed and submitted to the BOT for approval.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Date</td>
<td>Task Description</td>
<td>Due in the Management of Core Access/Not Connected</td>
<td>9/11/96/17</td>
</tr>
<tr>
<td>------------</td>
<td>----------------------------------------------------------------------------------</td>
<td>----------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td></td>
<td>Verification of Access - Description (e.g., zero trust, role-based access control)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Implementation of Access - Description (e.g., role-based access control)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Authorization Management - Description (e.g., least privilege, role-based access)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Auditing and Monitoring - Description (e.g., access logs, user activity monitoring)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Remediation - Description (e.g., access controls, permissions, role-based access)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Compliance Management - Description (e.g., access controls, permissions)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The table above outlines the tasks related to access management and their due dates. The management of core access is connected or not connected as indicated. The project status for the year 2015 is provided, along with the date 9/11/17, which may represent a significant deadline or milestone.
<table>
<thead>
<tr>
<th>2015-17 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ongoing</strong></td>
</tr>
<tr>
<td><strong>Not corrected</strong></td>
</tr>
</tbody>
</table>

**Improvements have been made** in the process. The University has not developed and implemented a construction plan to provide a construction manual to provide recognized procedures and practices for design, construction, and financial services. The dashboard and risk management techniques used for the OBO

**Reconciliation process** is described. The process can be refined and improved through automation. The dashboard can be refined and improved through reconciliation and documentation in the cost estimates. The reconciliation and documentation fees for the OBO are not timely reported and reviewed.

**Support** and internal audits are needed.
| Online | Onsite | Partially Connected | Faculty Connected | Improvements have been reported to the lurk. The finding which will be reported, which will in which the finding will be found. This will be the general operational and academic Dean's Office, and the General's operational finding in the other. Could be reported as not been connected and needed. However, this has not been the case. | Aug-14 | Academic Affairs | University-wide, web site. Post textbooks library on the University-wide, Register to Order, and Academic Dean's Office, and the General's Office, and the General's Office finding the other. Could be reported as not been connected and needed. However, this has not been the case. | Aug-14 | Academic Affairs | The University will continue to coordinate efforts with the General's Office, and the General's Office finding the other. Could be reported as not been connected and needed. However, this has not been the case. | Efforts to update textbook, which will be reported, which will in which the finding will be found.
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. Responsible 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.

Status of Athletic Department Corrective Action Plan and Budget

Athletic Department Budget Deficit Plan

The 2013 and 2014 Auditor General operational audits noted auxiliary funds other than the Athletic fund paid for Athletic Department expenses, contrary to BOG Regulation 9.013. As a result, the athletic department has operated at a deficit for several years, and currently, the deficit totals $7,014,034. To address the issue, the University has taken the following steps:

- Since detailed records were not maintained of which auxiliary fund paid for athletic department expenses, a reasonable estimate of the amount paid from each auxiliary fund was calculated for the years 2008-2015.
- Record a related payable of $7,014,034 from athletics to the identified funds.
- Establish a repayment plan with initial payment beginning in fiscal year 2016-2017 for a term extending 12 years with 0% interest.
- Repayment is to be shared by the Athletic Department and the University's DSOs.
Proposed Structure for Repayment to Auxiliary Funds

Amount to be repaid  $7,014,034
Interest rate 0%

<table>
<thead>
<tr>
<th>Periods</th>
<th>University Support from Direct Support Organization</th>
<th>Athletics Direct Repayment</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$186,000.61</td>
<td>$0.00</td>
<td>$186,000.61</td>
</tr>
<tr>
<td>2</td>
<td>$226,239.14</td>
<td>$0.00</td>
<td>$226,239.14</td>
</tr>
<tr>
<td>3</td>
<td>$269,593.54</td>
<td>$0.00</td>
<td>$269,593.54</td>
</tr>
<tr>
<td>4</td>
<td>$269,593.54</td>
<td>$51,742.36</td>
<td>$321,335.90</td>
</tr>
<tr>
<td>5</td>
<td>$269,593.54</td>
<td>$113,507.98</td>
<td>$383,101.52</td>
</tr>
<tr>
<td>6</td>
<td>$269,593.54</td>
<td>$187,252.94</td>
<td>$456,846.48</td>
</tr>
<tr>
<td>7</td>
<td>$269,593.54</td>
<td>$275,317.23</td>
<td>$544,910.78</td>
</tr>
<tr>
<td>8</td>
<td>$269,593.54</td>
<td>$380,500.54</td>
<td>$650,094.08</td>
</tr>
<tr>
<td>9</td>
<td>$269,593.54</td>
<td>$506,152.86</td>
<td>$775,746.40</td>
</tr>
<tr>
<td>10</td>
<td>$269,593.54</td>
<td>$656,283.18</td>
<td>$925,876.73</td>
</tr>
<tr>
<td>11</td>
<td>$269,593.54</td>
<td>$835,689.61</td>
<td>$1,105,283.15</td>
</tr>
<tr>
<td>12</td>
<td>$269,593.54</td>
<td>$899,412.13</td>
<td>$1,169,005.67</td>
</tr>
<tr>
<td>Total</td>
<td>$3,108,175.15</td>
<td>$3,905,858.83</td>
<td>$7,014,034.00</td>
</tr>
</tbody>
</table>
The Corrective actions/prevention plan includes:

1. Implement 3 year budget and cash balance review process to include:
   A. Year 1 – monthly reviews with BOG representative / President / CFO / AD / Chair of Athletics Committee.
   B. Year 2 – monthly reviews with budget office and CFO and quarterly reviews with President / CFO / AD / Chair of Athletics Committee.
   C. Year 3 – monthly reviews with budget office and CFO and quarterly reviews with President / CFO / AD / Board Chair.

2. Require CFO and President's approval of auxiliary transfers to athletics to ensure only allowed sources are used.

3. Restrict release of approved annual Athletics budget to 75% based on prior year's history of collected amounts until adequate revenues are realized.


5. Reduce team travel expenses.

6. Implement aggressive fundraising campaign from Athletics and DSO groups.

7. Request Board of Governors to conduct a study of SUS institutions on use of auxiliary finds and other funds to support Athletics.

8. Review and update operating guidelines for auxiliary enterprises to establish reporting and accountability requirements.

9. Track Expenses for spirit groups in separate auxiliary fund based on established budgets.