

Accretive Solutions **as** promised

Final Report on the Verification and Validation of the FAMU Corrective Action Plan

Task Force on FAMU Finance and Operational Control Issues



BOARD OF GOVERNORS STATE UNIVERSITY SYSTEM OF FLORIDA

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Final Report on the Verification and Validation of the FAMU Corrective Action Plan

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June 16, 2008

Lynn Pappas, Chair
Task Force on FAMU Finance and Operational Control Issues
325 W. Gaines Street, Suite 1614
Tallahassee, FL 32399

Dear Ms. Pappas:

On behalf of Accretive Solutions, Inc. - Jacksonville, we thank you for the opportunity to present our final report on the verification and validation procedures performed on the FAMU Corrective Action Plan. It has been a pleasure to partner with the Board of Governors, Inspector General and the FAMU Task Force to provide an evaluation of the corrective action plan prepared by FAMU in response to findings contained in the recent Auditor General audits and to facilitate improvements to the action plan.

This report is intended solely for the information and use of the Task Force on FAMU Finance and Operational Control Issues, Florida Board of Governors, Florida A&M University and the Florida Legislature and is not intended to be and should not be used by anyone other than these specified users.

Accretive Solutions appreciates this opportunity to provide you with our report, conclusions and recommendations. Should you have any questions about this report or our services, please call us at 904-208-5607.

Sincerely,
Thomas King
Practice Director – Enterprise Governance

Cc: Mark B. Rosenberg, Chancellor, Board of Governors
Carolyn Roberts, Chair, Board of Governors
Dr. James Ammons, President, Florida A&M University
Derry Harper, Inspector General and Director of Compliance, Board of Governors

Task Force on FAMU Finance and Operational Control Issues

VALIDATION AND VERIFICATION OF FAMU CORRECTIVE ACTION PLAN

REPORT

Section I. EXECUTIVE SUMMARY

The Florida Agricultural & Mechanical University (FAMU) Corrective Action Plan is a substantial component of the University's control environment. This report summarizes conclusions and recommendations based on procedures agreed upon by the Board of Governors (BOG) Task Force on FAMU Finance and Operational Control Issues (Task Force) and are deemed reasonable to adequately verify and validate FAMU's Corrective Action Plan (FAMU CAP). FAMU's Board of Trustees (UBOT) administration, management and internal audit function are responsible for establishing and maintaining adequate internal controls.

Accretive Solutions' (Accretive) Interim Report to the Task Force dated March 3, 2008 contained the results of our procedures on 48 of the 59 findings outlined in the Auditor General's (AG) series of operational and financial audit reports published from 2006 to 2007. Since that date, the FAMU senior leadership team has continued to effectively implement the corrective actions. This Report summarizes the conclusions from work performed on the final 11 operational and financial findings that were not rated during the interim work as well as 15 findings related to Enterprise Information Technology (EIT). Because two of the 11 not rated items were substantially covered by the EIT work, those items were combined and rated only once in the EIT section of the report.

Table 1 below summarizes our overall findings. The corrective actions as designed and implemented by FAMU are addressing the findings of the various AG's audit reports in an effective way. FAMU has additionally worked to implement corrections and improvements to the internal procedures and processes to ensure that the corrective actions taken result in ongoing, institutionalized processes that mitigate financial and operational risk and result in complete, accurate, and timely financial reporting, compliance with laws and safeguarding of assets.

INTRODUCTION

The Task Force engaged Accretive to verify and validate the corrective actions prepared by FAMU in response to findings contained in recent AG operational, financial and information technology audits and to facilitate enhancement and improvements to the FAMU CAP. The scope of services was subsequently extended to perform similar

procedures for the FAMU EIT CAP and to provide additional services related to IT security.

OBJECTIVE AND SCOPE

To meet the objective of reporting on the progress FAMU had made regarding implementing their CAP the following steps were undertaken by Accretive:

- Perform high level risk assessment¹
- Prepare detailed work plan
- Execute procedures to verify and validate FAMU CAP
- Issue Interim Report on FAMU's implementation progress (March 3, 2008)
- Issue final report on FAMU's implementation progress (June 30, 2008)

The specific procedures performed to verify and validate the FAMU CAP included inquiries of FAMU personnel, analytical procedures, observation of processes and duties, inspection of documents and records, and re-performance of certain control activities identified in conjunction with FAMU staff overview of current controls, key indicators and business risk.

We were not engaged to and did not conduct an audit or any other attestation service as ordinarily performed by a CPA, the objective of which would be the expression of an opinion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Consequently, our role for this engagement is strictly as an advisor to management in an internal audit consulting capacity.

OVERALL CONCLUSIONS AND RECOMMENDATIONS

The vast majority (92%) of the FAMU CAP line items that have been subject to our procedures are adequately designed to correct the material findings documented by the AG and the plans are operating satisfactorily. Verifying and validating the CAP involved separate evaluations of the 72 different action plan line items that make up the total FAMU CAP. Each line of the FAMU CAP was evaluated in detail using the Methodology described in full as part of the Interim Report.² Appendix 3 contains a summary of the

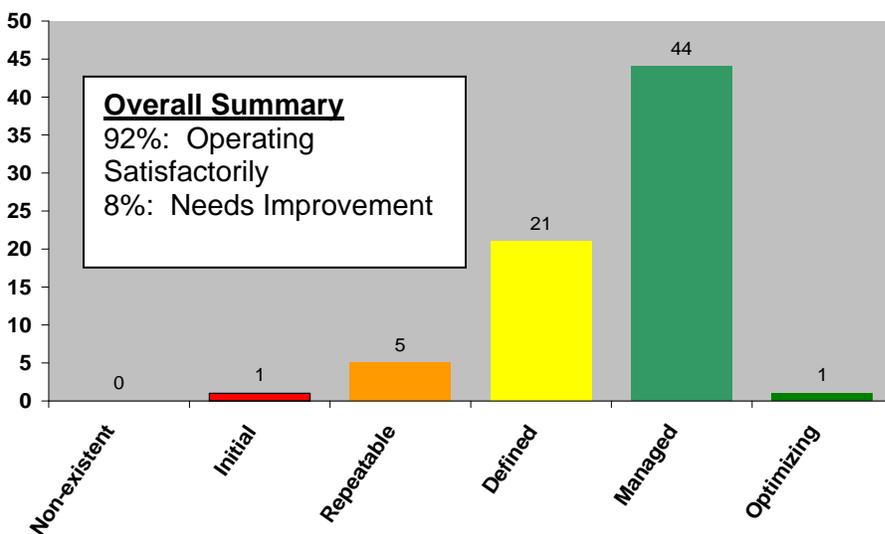
¹ The Risk Assessment included reviewing work papers and file memoranda performed by other parties retained by FAMU to assist in implementing internal control improvements; review all AG reports issued for the last 36 months; interviews with all Task Force Members, the President and Senior Staff; AG Personnel who conducted the previous audits, the BOG Chancellor and Senior Staff. This Risk Assessment process led to the development of a Detailed Work Plan consistent with the Task Force mission and objectives. See Accretive Interim Report to the Task Force page 5.

² Internal control is defined as a system affected by the University's board and management designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

internal control maturity level model (scale) used in this evaluation. In short, the FAMU CAP line item is considered to be operating satisfactorily if rated as Defined, Managed, or Optimized. FAMU CAP line items that need improvement are rated as Repeatable, Initial, or Non Existent.

Table 1:

Report Ratings for Corrective Action Plan Items						
	Satisfactory Operation			Needs Improvement		
	Optimizing	Managed	Defined	Repeatable	Initial	Non-Existent
Operational (page 13)		17	13	3	1	
Financial (page 15)		3	3			
A-133 (page 16)	1	12	3	1		
EIT (page 8)		12	2	1		
TOTAL	1	44	21	5	1	
Percentage	2%	61%	29%	7%	1%	
% of Rated	92%			8%		



Maturity Ratings Key
 (See Appendix 3 for Definitions)
Optimizing: Constantly improving, highly automated
Managed: Measured and reported, secondary review
Defined: Policies, procedures exist/institutionalized
Repeatable: Individual-dependent, policies not institutionalized
Initial: Undefined, reliant on initiative, reactive
Non-Existent: Lack of process

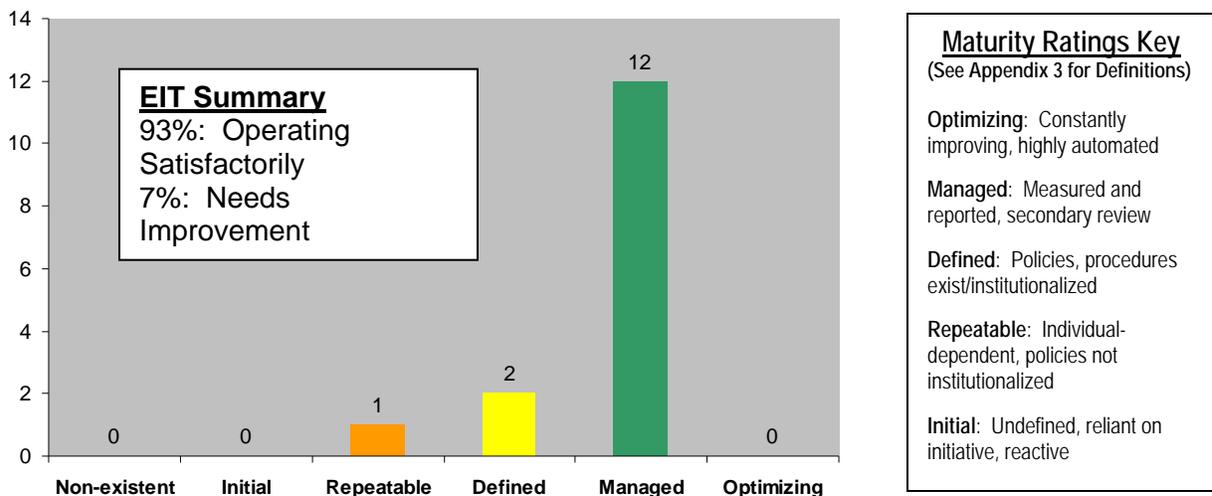
Effectiveness and efficiency of operations; Reliability of complete, accurate and timely financial reporting; Compliance with applicable laws and regulations; Safeguarding of assets. See Accretive Interim Report to the Task Force page 6-7.

Based on our review, FAMU has implemented improvements for all findings addressed in the FAMU CAP. Internal controls change as financial and operational processes and procedures change. As a result, some improvements may be considered close to completion while others are still early in implementation. The internal control maturity model used to document the state of each control reviewed, including detailed definitions, is included in Appendix 3.

Section II. CONCLUSIONS AND RECOMMENDATIONS: EIT Corrective Action Plan

A. EIT Verification and Validation

Chart of Maturity Rating – EIT Issues Only



Of the 15 EIT CAPs 14 were determined to be “Satisfactory”. This included 12 EIT CAPs ranked as “Managed” and 2 ranked as “Defined”. One item was determined to “Need Improvement” with a ranking of “Repeatable”.

Background

The AG’s office performed an audit of FAMU’s PeopleSoft Financials application. The report (2006-187) was issued with comments on 10 related areas within EIT (each comment contained related sub-items). Subsequent operational, financial, and other audits by the AG have included follow-up reviews on these 10 areas and the majority of these were subsequently cleared.

The FAMU EIT Cap included 15 separate EIT corrective actions to address the original 10 AG findings (and sub-findings). The Task Force Information Technology Action Team, (IT Action Team), consisting of the BOG Information Resource Management Director, the University of Florida CIO, and the University of Central Florida CIO, was formed to review the FAMU EIT CAP and provide additional support where needed. Their report, dated February 18, 2008 was issued as part of the Interim Report dated March 3, 2008. This report concluded that the corrective actions developed by FAMU would indeed address the AG concerns.

Accretive's formal project planning was conducted during February 2008. The detailed work plan was delivered to the Task Force in February. The procedures to verify and validate the FAMU EIT CAP were performed during the period between March 5 and June 9, 2008.

To develop an understanding of the FAMU EIT CAP, we reviewed all individual FAMU EIT CAP line items in detail. Interviews were held with key EIT personnel. In addition, we met and discussed the findings with the AG staff. A detailed work plan was developed that outlined specific procedures to be performed to verify and validate each line item in the FAMU EIT CAP.

The scope of the Validation and Verification procedures performed solely focused on the AG comments and related EIT corrective actions. These EIT Corrective Action Plans in turn focused solely on the PeopleSoft Financial applications and related infrastructure. It did not in any way extend to other areas.

Management Recommendations and FAMU Response

Listed below is the area identified by the AG that represents the highest level of risk to FAMU. We have included our recommendations to help ensure that these areas continue to meet the expectations of the University's senior management team, students, and external parties (AG, Southern Association of Colleges and Schools, etc.).

PeopleSoft Financial Application Access (2a)

In our opinion, the highest risk area identified by the AG related to PeopleSoft application security. While many of the instances identified by the AG have been addressed, the effort is still underway and not complete at this time. However, EIT has made significant progress in this area through the following efforts:

- A comprehensive analysis of PeopleSoft Financials security has been performed to identify areas of potential risk.
- Items identified have been corrected or are undergoing correction with priority given to those considered higher risk. Balancing the workload with other efforts, the remediation has been incorporated into the PeopleSoft 9.0 upgrade scheduled for 6/30/2008.
- Supporting procedures have been defined and are being developed and implemented to support maintaining a secure PeopleSoft environment.

Significant resources continue to be applied to address the risk items and to implement a security framework to effectively control security activity going forward. These enhancements are being implemented in conjunction with the PeopleSoft upgrade from 8.4 to 9.0. From a cost-benefit perspective this presented the best opportunity for FAMU to evaluate and implement these enhanced security measures. Based on FAMU's current plan and commitment this will address the AG concerns and provide an adequate level of control going forward.

EIT should continue to ensure that the identified security issues within the PeopleSoft Financial applications are adequately addressed. Once the security framework is fully implemented FAMU should also consider the following control procedures on a go forward basis.

- Periodic reviews of PeopleSoft Administration and Application user accounts should be performed. This should focus on validating the user and their related access. In addition, third parties such as contractors with access should have their accounts reviewed. The initial review and establishment of the baseline is currently being performed in conjunction with the implementation effort.
- Perform periodic assessments (self-assessments, Internal Audit reviews) of the management procedures surrounding the administration of PeopleSoft security such as adding, changing, and deleting employees. In addition, any new, changed, or deleted roles should go through the established change management process.

FAMU EIT Response:

FAMU concurs with the recommendations outlined above. As we upgrade to PeopleSoft 9.0, all areas of security will be greatly enhanced to provide an even stronger security environment.

Conclusion

Based on our review, the implementation of the FAMU EIT CAP line items is complete and adequately and appropriately addresses the AG findings (with the exception of PeopleSoft security which is being implemented during the PeopleSoft 9.0 upgrade project). Significant effort has been made to correct the items identified by the AG as well as enhance internal controls in other related areas. Even through certain items were determined to be "Satisfactory" EIT is continuing to enhance these areas. This effort will extend into future periods and should be considered as an on-going effort.

In addition, certain of the internal control activities implemented to address the AG findings are still relatively new. Newly designed and implemented controls will need to go through a maturation process in order to be fully effective and efficient. These will need to be monitored for a period of time to ensure the control continues to meet management's expectations.

These situations, in addition to the frequent audits, regulatory requirements, etc. point out that it is critical to the University to maintain an adequate system of internal controls within the EIT environment. The effort made through the implementation of the FAMU EIT CAP has been significant.

EIT Management acknowledges of the importance of internal control and has initiated the following effort to establish and maintain an EIT Risk and Control framework to address the numerous requirements it faces. We strongly recommend that EIT continue this effort. Continuing with this approach provides EIT a cost-effective process to ensure it maintains an adequately controlled environment to support the University's mission. Key components of this framework include:

- Establish a strong "Tone at the Top" regarding internal control. EIT is accomplishing this through CIO sponsored presentations, training, and meetings to EIT personnel and to the executive level members at FAMU.
- Establish a process to periodically (at least annually) perform a Risk Assessment to identify high risk areas. A Risk Assessment was performed in late 2007. In addition, a framework and process to update this on an annual basis (or as needed) has been developed.
- Based on the Risk Assessment, establish and document Control Activities to address specific identified risks. Documentation of key controls is underway and will continue into future periods. As FAMU's EIT risk environment changes, related controls will need to be updated or implemented.
- Establish a self-assessment process to measure the effectiveness of the Control Activities in place. As part of these control and documentation activities, assessment steps and the required evidence are being documented.

B. PeopleSoft Security Evaluation

Background

In addition to the Verification and Validation effort undertaken by the IT Action Team, it also assisted in the analysis of PeopleSoft security access levels. This analysis is in conjunction with the upgrade of the PeopleSoft Financial applications to version 9.0.

Key activities of this analysis include:

Identify areas of improvement in the current PeopleSoft (8.4) environment. This included the items identified by the AG as well as other areas. An extensive module by module analysis was conducted to identify where improvements could be made and to ensure all access was appropriate.

Identify the new or changed features in PeopleSoft (9.0). The application upgrade provides new and/or changed functionality. This new and/or changed functionality needs to be analyzed to ensure adequate security is applied when implemented.

Combine these into the “new” PeopleSoft Security Matrix. The items discussed above are being brought together so that a new PeopleSoft Security Matrix representing the desired security settings will be implemented with the 9.0 upgrade.

Document “Business Rules” to support the “new” PeopleSoft Security Matrix. One of the contributing factors to the concerns identified by the AG was the lack of a security strategy that documented why accesses were set up a certain way and what should be considered for future updates. To provide a strong foundation for the existing security set-up and a basis for on-going changes, documentation of the “business rationale” will be done.

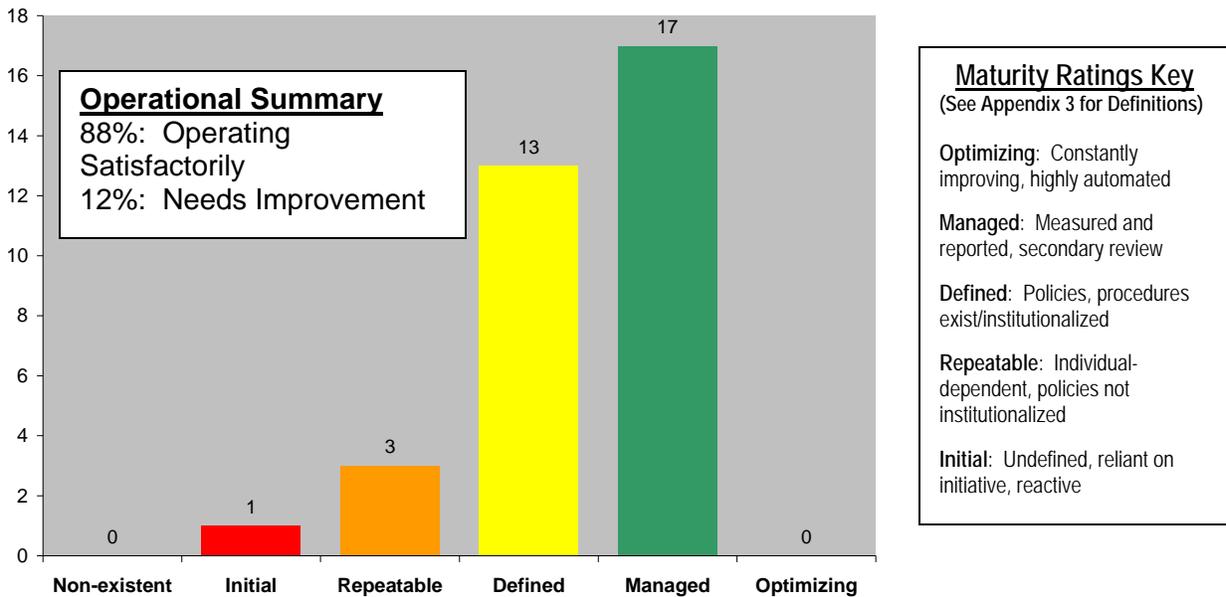
Coordinate implementation of the new security set-up with the business user. The effort to implement the new security set-up needs significant coordination between the FAMU EIT function, integration consultants, and end users. This includes processes to maintain the integrity of security going forward.

Recognizing the importance of addressing the items above, a PeopleSoft Financials security expert under the direction and oversight of Accretive Solutions was brought in to work directly with FAMU’s Director of Information Security. He is assisting with the coordination effort required for the implementation of enhanced security during the PeopleSoft upgrade.

Section III. CONCLUSIONS AND RECOMMENDATIONS: Operational, Financial, and A-133 Corrective Action Plan

C. FAMU Operational Audit Corrective Action Plan

Chart of Maturity Rating – Operational Issues Only



All of the line items in the Operational FAMU CAP are adequately designed. 88% are operating at a satisfactory level, while 12% still reflect a need for improvement in control processes. The FAMU CAP Operational line items categorized with a maturity ranking of “Defined” or greater are considered satisfactory. Controls are in place and adequately documented. The effectiveness of the Action Plan is being adequately evaluated on a periodic basis and University personnel are aware of their responsibilities for control. FAMU management has established a process by which it is able to deal predictably and consistently with most control issues.

Operational Action Plan line items categorized with a maturity ranking of less than “Defined” demonstrate where additional improvements are necessary. Control weaknesses remain and if not adequately addressed could impact financial integrity. FAMU has controls in place and effective policies and procedures are in the process of being institutionalized for each of these areas.

Four of the Operational Findings were rated as needing improvement:

1. Operational Finding #14: Did not retain documentation for salary payment cancellations – Needs Improvement (Rated as of Interim Report, 3/3/08)

- a. A Maturity level of 'Repeatable' reflects the recent implementation of this process and the lack of updated procedures. Efforts to finalize written procedures for the new system should be a priority, and would be necessary for the control structure to be considered 'Defined'.

FAMU Response:

FAMU does not concur with this rating. Accretive Solution test noted that documentation for salary payments was properly cancelled. Currently, all procedures have been updated and documented according to the new system.

2. Operational Finding #22: Controls over communication expenses – Needs Improvement (Rated as of Final Report)

- a. This issue was initially *not rated* because it will require a coordinated, joint effort from both EIT and the Finance business units. . Since the Interim Report, EIT and Finance have held meetings to review requirements and policy. We were unable to review the approved logs as required by current policy. The policy and procedures are still under review.

FAMU Response:

FAMU concurs with this rating. The University is committed and ready to institutionalize the University's new Telecommunication Policy. The Office of Financial and Administrative Services is spearheading this initiative with support provided by EIT. Full implementation is schedule for July 1, 2008.

3. Operational Finding #26: No competition for procuring new contracts – Needs Improvement (Rated as of Interim Report, 3/3/08)

- a. A Maturity level of 'Repeatable' is assigned because the policy states that if the contract is not to be competitively bid, the Director of Purchasing is to insert documentation approved by the VP Fiscal Affairs explaining the reason for the lack of competitive bids. Two of the three contracts selected omitted this required document. The policy exists, but is not always followed or enforced.

FAMU Response:

FAMU concurs with this rating. Procedures are being strengthened to ensure contracts are competitively bid in accordance with Purchasing guidelines.

4. Operational Finding #31: Vehicle usages logs were not maintained – Needs Improvement (Rated as of Interim Report, 3/3/08)

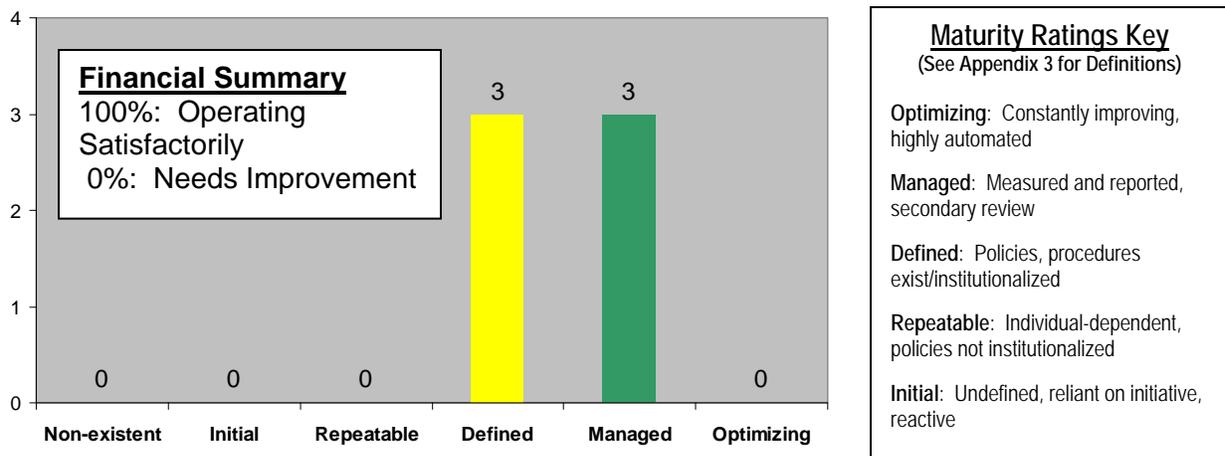
- a. Monthly Vehicle Mileage Logs are not being consistently completed, approved and sent to Plant Operations and Maintenance as required by UBOT policy 2006-05. In reviewing the Vehicle Logs Inventory Update from May 2007 through December 2007, we found that approximately 44% of approved Monthly Vehicle Mileage Logs were not received by Plant Operations and Maintenance. In addition, follow up by the Director of Physical Plant in receiving monthly vehicle mileage logs is not consistently and timely performed. The Director of Physical Plant has drafted a memo to send to the various individuals/departments that are not in compliance, but these memos should have been sent when the mileage logs were not received, as required by policy.

FAMU Response:

FAMU concurs with this rating. Memorandums have been delivered to departments re-stating the policy. Monthly monitoring has been implemented to ensure vehicle log compliance.

D. FAMU Financial Audit Corrective Action Plan

Chart of Maturity Rating – Financial Issues Only



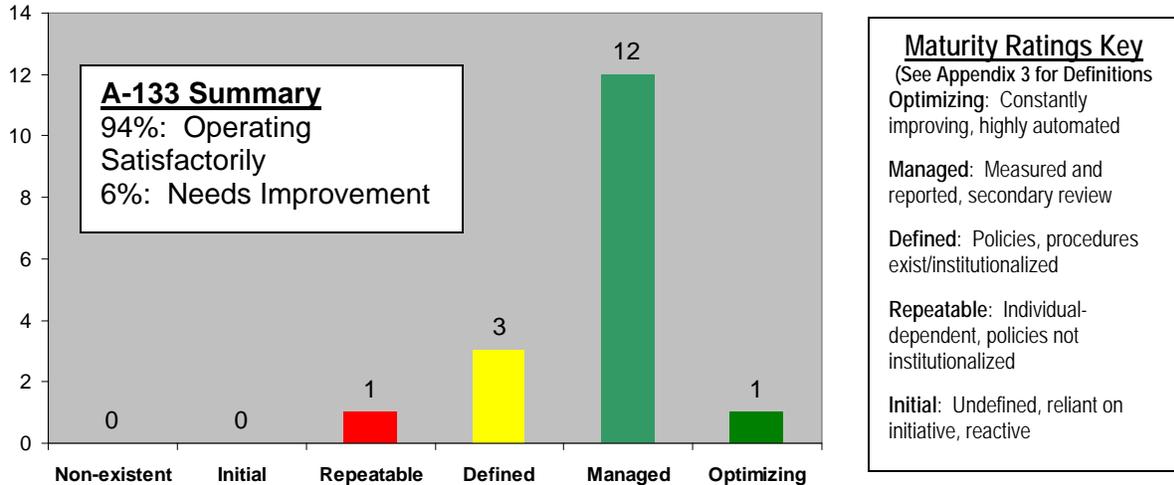
All (100%) of the FAMU CAP Financial line items are adequately designed and are operating satisfactorily. The FAMU CAP Financial line items categorized with a maturity ranking of “Defined” or greater are considered satisfactory. Controls are in place and adequately documented. The effectiveness of the FAMU CAP is being adequately evaluated on a periodic basis and University personnel are aware of their

responsibilities for control. FAMU management has established a process by which it is able to deal predictably and consistently with most control issues.

One of the Findings, FIN06 Segregation of duties, was previously not rated in this section, but has now been rated as part of the EIT Section II as a “Repeatable” (Needs Improvement) finding. The Finance group has taken measures to alleviate the Segregation of Duties issues found during the previous audits from an organizational standpoint. The payroll function has been removed from the Human Resource business unit and added to Finance, and all journal entries are required to be approved by the Controller or Assistant Controller. Section II, page 8, item 1 of the EIT comments discusses this issue in further detail in connection with the **PeopleSoft Financial Application Access (2a) issue**.

E. FAMU Federal A-133 Audit Corrective Action Plan

Chart of Maturity Rating – A-133 Issues Only



All of the FAMU CAP A-133 line items are adequately designed. The FAMU CAP A-133 line items categorized with a maturity ranking of “Defined” or greater are considered satisfactory, representing 94% of the items. Controls are in place and adequately documented. The effectiveness of the FAMU CAP is being adequately evaluated on a periodic basis and University personnel are aware of their responsibilities for control. FAMU management has established a process by which it is able to deal predictably and consistently with most control issues.

One A-133 FAMU CAP line item is categorized with a maturity ranking of “Repeatable” indicating additional improvement is necessary (6% of A-133 items). Control weaknesses remain and if not adequately addressed could impact financial integrity; however, FAMU has implemented new procedures which are in the process of being institutionalized for this area.

A-133 Finding 06-017: SEFA – Needs Improvement

The University has developed policies and procedures to enhance the accuracy of grant and contract reporting, as well as procedures to prepare the SEFA report accurately. The process still appears to be dependent on a limited number of individuals.

FAMU Response:

Although the SEFA report is considered materially correct, the University is enhancing its current processes to further ensure completeness and accuracy. Completion of the SEFA report will be the primary responsibility of the Associate Controller and two other support staff. The Associate Controller along with the

University Controller will be responsible for reviewing and approving the report for submission.

Currently the University is developing the automatic generation of the SEFA report for the 2008 fiscal year. This process will use the final file from the financials which will further ensure that the SEFA expenditures agree with the financial statements. Additionally, the file from the Contracts and Grants submodule within PeopleSoft will be used to obtain the applicable CFDA numbers. The reports generated from these processes will be reviewed by Contracts and Grants staff prior to submission to the Department of Financial Services.

CONTRACTS AND GRANTS UPDATE

The Interim Report to the Task Force included five (5) findings that were not rated related to Contracts and Grants. FAMU had implemented an aggressive Plan of Action to address the numerous issues that had resulted in both repeat findings by the AG as well as the ongoing audit activities required under the 2005 settlement agreement with the National Science Foundation (NSF). The results of our verification and validation processes on these issues are contained in Appendix 2. All of the five findings previously not rated were rated as “Defined” or “Managed” indicating that FAMU has developed policies, procedures and standards for these issues and has institutionalized them.

The FAMU Plan of Action, which is being well documented and monitored by senior management, included steps to improve Contract and Grant Accounting such as:

- Restructured Departmental Organization, and added staff,
- Assessed training needs, conducted walk-thru with staff on transition to PeopleSoft 9.0, coordinated with EIT
- Contracted with experienced consultants, Borders Solutions Group, to assist with grant account reconciliations and other preparation to accomplish PeopleSoft 9.0 transition, including utilizing the Billing Module for billing, as of July 1, 2008.
- Enhanced reporting with EIT support to assist with Time and Effort reporting for Spring 2008 period
- Submitted request to EIT to request automation of the F&A process
- Close project with expiration date prior to June 30, 2004 (completed June 10, 2008)
- Close expired projects to present date (in process)
- Ongoing activities to improve communication with the research community and the Office of Sponsored Research.

In addition to external audits performed annually by the AG on the Financial Statements and the A-133 federal funds, the University is required to have an annual audit of specific requirements performed by an external auditor as part of the NSF Compliance Agreement. This annual audit includes an examination of evidence about FAMU's compliance with the specific requirements listed in the Schedule of Findings and

Questioned Costs. Specific requirements include issues such as time and effort reporting, cost sharing, eligibility, procurement, sub-recipient monitoring, etc. The report for June 30, 2007 was submitted and accepted by the NSF. The current audit for June 30, 2008 is in process.

In conclusion, the University has instituted new policies and procedures for Grants and Contracts, Sponsored Research and Close-outs. The Policies and Procedures as designed will effectively address the issues in the various AG Report findings. In addition, the University is in the final stages of training and preparation to further automate billing for grants out of the PeopleSoft 9.0 module, concurrent with the upgrade to this version. The utilization of the billing module will enhance the ability of management to measure grant activities and report to sponsoring agencies, further enhancing controls over that process.

Section IV. OVERALL CONCLUSIONS AND RECOMMENDATIONS

The vast majority (92%) of the FAMU CAP line items that have been subject to our procedures are adequately designed to correct the material findings documented by the AG and the plans are operating satisfactorily. The FAMU CAP line items categorized with a maturity ranking of “Defined” or greater are considered satisfactory. Controls are in place and adequately documented. The effectiveness of the FAMU CAP is being adequately evaluated on a periodic basis and University personnel are aware of their responsibilities for control. FAMU management has established a process by which it is able to deal predictably and consistently with most control issues. FAMU’s administration and management are ultimately responsible for establishing and maintaining adequate internal controls.

FAMU CAP line items categorized with a maturity ranking of less than “Defined” demonstrate where additional improvements are necessary (8% of total). Control weaknesses remain and if not adequately addressed could impact financial integrity. FAMU has controls in place and effective policies and procedures are in the process of being institutionalized for each of these areas.

1. Enterprise Information Technology should continue with the efforts currently underway to establish to the best security measures practical within the PeopleSoft financial applications. Once completed, periodic reviews of the security should be performed in conjunction with the user departments. In addition, periodic assessment of the security administration procedures should be performed to measure the level of compliance.
2. The Division of Audit and Compliance should include all areas categorized as needing improvement in the annual risk assessment for purposes of finalizing the 2008-2009 University Audit Plan. The Audit Committee of the BOT of FAMU has overall responsibility for insuring that the audit plan includes high risk areas (such as PeopleSoft Financial Application Access or Contracts and Grants)

The FAMU CAP is a well-designed tool to assist the University in correcting the findings outlined in the AG’s latest operational, financial and information technology audit reports. The FAMU senior leadership team and FAMU CAP process owners have the authority and qualifications to effectively execute the corrective actions and their priorities are properly focused to address the major identified areas of risk. The University is well on its way to effective implementation of the entire plan and should be congratulated on the significant control improvements.

APPENDIX 1: EIT LEAD SHEETS

(On File at Board of Governors)

APPENDIX 2: LEAD SHEETS FOR PREVIOUS NON-RATED FINDINGS

(On File at Board of Governors)

APPENDIX 3: MATURITY LEVEL DEFINITIONS

6 Levels – Maturity Definitions	
Optimizing	Constantly improving processes through effective feedback and automation.
Managed	Processes effectively measured and reported. Many controls are automated. Management catches most issues
Defined	Processes defined and institutionalized – Policies, procedures and standards
Repeatable	Processes dependent on motivated, informed individuals – Defined tasks
Initial	Undefined tasks – Reliant on initiative – mostly reactive in nature
Non – Existent	Lack of any process; high occurrence of deficiencies

The internal controls outlined in the CAP are evaluated on a scale ranging from “Non-existent” to “Optimizing”. The detail descriptions of each maturity level are provided below. **It is important to note that an organization’s goal is not always to be at an optimizing level. Depending on the complexity of the process or the relative business/accounting risk being affected by the CAP, the most effective level may be “Managed”. For areas with few transactions and a relatively low risk level, “Defined” may be sufficient. FAMU senior management along with the Board of Trustees should ultimately decide on the level of resources to apply in defining, managing, or optimizing a control.**

Maturity Level Status of the Internal Control Environment

Non-existent

There is no recognition of the need for internal control. There is no intent to assess the need for internal control. Control is not part of the organization’s culture or mission. Incidents are dealt with as they arise. There is a high risk of control deficiencies and incidents.

Initial/ad hoc

There is some recognition of the need for internal control. The approach to risk and control requirements is *ad hoc* and disorganized, without communication or monitoring. Deficiencies may not be identified. Employees are not always aware of their responsibilities.

There is little awareness of the need for assessment of what is needed. When performed, it is only on an *ad hoc* basis, at a high level and in reaction to significant incidents. Assessment addresses only the actual incident.

Repeatable but Intuitive

Controls are in place but are not well documented. Their operation is dependent on knowledge and motivation of individuals. Effectiveness is not adequately evaluated. Control weaknesses exist but are being addressed. Management actions to resolve control issues are prioritized. Employees may not be aware of their responsibilities.

Defined Process

Controls are in place and are adequately documented. Operating effectiveness is evaluated on a periodic basis. However, the evaluation process is not well documented. While management is able to deal predictably with most control issues, some control weaknesses could still persist. Employees are aware of their responsibilities for control.

Managed and Measurable

There is an effective internal control and risk management environment. A formal, documented evaluation of controls occurs frequently. Many controls are automated and regularly reviewed. Management is likely to detect most control issues but not all issues are routinely identified. There is consistent follow-up to address identified control weaknesses. A limited, tactical use of technology is applied to automate controls.

Optimizing

An enterprise wide risk and control program provides continuous and effective control and risk issues resolution. Internal control and risk management are integrated with enterprise practices, supported with automated real-time monitoring with full accountability for control monitoring, risk management and compliance enforcement. Control evaluation is continuous, based on self-assessments and gap and root cause analyses. Employees are proactively involved in control improvements.

APPENDIX 4: SUMMARY OF ISSUES AND MATURITY LEVEL

Finding	Maturity Level	Related Area
Operational #01	Managed	IG did not report to Pres. No peer review.
Operational #02	Managed	Accounting records did not match BOG budget
Operational #03	Managed	EFT controls
Operational #04	Defined	Write off returned check receivables
Operational #05	Managed	Physical inventory missing
Operational #06	Managed	Capital outlay expenditures not reconciled to records
Operational #07	Defined	Decentralized collections and retain records
Operational #08	Managed	Monitoring of Auxiliary contracts
Operational #09	Managed	Tuition waivers and refunds not correct and not approved by BOG
Operational #10	Managed	Accountability over receipts and expenditures of financial aid fees.
Operational #11	Defined	Use of health, athletic, and transportation access fees
Operational #12	Managed	Employees not paid timely
Operational #13	Managed	Did not timely implement salary increases
Operational #14	Repeatable	Did not retain documentation for salary payment cancellations
Operational #15	Managed	Background fingerprinting not conducted
Operational #16	Defined	Leave records were not properly updated for unused leave payments
Operational #17	Managed	Annual performance evaluations
Operational #18	Defined	Sabbatical leave reports not handled promptly
Operational #19	Defined	Purchasing Dept. policies and procedures
Operational #20	Managed	University's disbursement processing procedures
Operational #21	Defined	Payments to medical providers for student athletes
Operational #22	Repeatable	Controls over communication expenses
Operational #23	Defined	Monitoring of cell phone usage
Operational #24	Defined	Student travel food expenses not dispersed
Operational #25	Managed	Contractors were not paid pursuant to signed, and sufficiently detailed, written agreements
Operational #26	Repeatable	No competition for procuring new contracts
Operational #27	Defined	Labor burden rate

Finding	Maturity Level	Related Area
Operational #28	Defined	Controls over research contracts and grants
Operational #29	Managed	Presidential scholars program controls
Operational #30	Defined	Not shown new vehicle purchases were cost effective
Operational #31	Initial	Vehicle usages logs were not maintained
Operational #32	Managed	Controls for grade changes and degree certification
Operational #33	Defined	Fire safety inspections
Operational #34*	See EIT Issue #09	Comprehensive disaster recovery plan
Operational #35	Managed	Human Resource staffing
Financial #01	Managed	06-07 Financial report errors
Financial #02	Managed	Bank account reconciliations
Financial #03	Defined	Subsidiary records for A/R and deferred revenues
Financial #04	Defined	Subsidiary records for loans, N/R, interest and I/R
Financial #05	Defined	Capital assets and related depreciation
Financial #06*	See EIT Issue #02a	Separation of duties and adequate compensating controls
Financial #13	Managed	Bond requirements
A-133 FS 06-017	Repeatable	SEFA
A-133 FA 06-083	Managed	Title IV HEA Standards of Administrative Capability
A-133 FA 06-084	Managed	Title IV HEA funds escheated to third party
A-133 FA 06-085	Optimizing	FPL weren't deposited in interest bearing account
A-133 FA 06-086	Managed	Title IV HEA reconciliations
A-133 FA 06-089	Managed	Academic progress/Enrollment for Title IV, Excess Pell
A-133 FA 06-094	Managed	Disbursement notification to FDSL and FPL loan borrowers
A-133 FA 06-095	Managed	Return unearned Title IV HEA funds timely who withdrew
A-133 FA 06-096	Managed	Return of unearned Title IV HEA funds who ceased attendance without telling FAMU
A-133 FA 06-097	Managed	Document attendance in at least one class for students who received Title IV HEA funds
A-133 FA 06-098	Managed	14 FDSL student loan borrowers who graduated, withdrew, or ceased to be enrolled at least half-time

Finding	Maturity Level	Related Area
A-133 FA 06-099	Managed	Exit counseling procedures inadequate and new system did not perform as intended (Fiscal 05-06)
A-133 FA 06-100	Managed	Exit counseling procedures inadequate and new system did not perform as intended (Fiscal 04-05)
A-133 FA 06-112	Defined	Monitoring of indirect cost charges on Federal grants
A-133 FA 06-115	Managed	Interest earned on excess Federal funds and timely remittal
A-133 FA 06-120	Defined	Completeness and accuracy of information reported to Federal agencies
A-133 FA 06-122	Defined	Accounting and grant records reflected numerous expired contract and grant accounts which hadn't been closed
EIT Audit Issue #01	Managed	Records and Documentation on IT Controls Over PS Finance Systems
EIT Audit Issue #02a	Repeatable	PS Finance Inappropriate Access
EIT Audit Issue #02b	Managed	Access Terminations
EIT Audit Issue #02c	Defined	Program Change
EIT Audit Issue #02d	Defined	History Logs of PS Finance User Access Changes
EIT Audit Issue #03	Managed	Information Security Program
EIT Audit Issue #04a	Managed	Desktop Security - Software Security
EIT Audit Issue #04b	Managed	Desktop Security - PS Apps Administrator Rights
EIT Audit Issue #04c	Managed	Desktop Security - PS Apps Access via Internet (non-FAMU computers)
EIT Audit Issue #05	Managed	Background Checks and Fingerprinting
EIT Audit Issue #06	Managed	Physical Access to NOC and Password Parameters
EIT Audit Issue #07	Managed	Environmental Controls
EIT Audit Issue #08	Managed	Disposal of IT Equipment
EIT Audit Issue #09	Managed	Disaster Recovery Plan
EIT Audit Issue #10	Managed	IBM Service Level Agreement & SAS70

***Note:** Certain Carryover issues were completed as part of the EIT review. Details on these can be found with the corresponding EIT issue listed.

FINDING Highlighted finding indicates this item was non-rated at the Interim Report Date of 3/3/2008.