

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE
NOVEMBER 2021 MEETING

9:15–10:45 am EDT
Friday
November 19, 2021

East Tennessee Room
D.P. Culp Student Center
412 J.L. Seehorn Road
Johnson City, TN

AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of Minutes from September 17, 2021](#)
- IV. [Review of Audit Committee Responsibilities – Lewis \(5 minutes\)](#)
- V. [Policy Review – Fulks \(10 minutes\)](#)
 - A. [Employee Code of Conduct](#)
 - B. [Conflict of Interest and Commitment](#)
- VI. [Audit Work Performed September through October 2021– Lewis \(15 minutes\)](#)
 - A. [State Audit Follow Up](#)
 - B. [Softball Expenditures](#)
 - C. [President’s Expenditure Audit](#)
 - D. [Memorandum on Investigations](#)
 - E. [Completed Audit Heat Map](#)
- VII. [Recommendation Log Status as of October, 2021 – Lewis \(5 minutes\)](#)
- VIII. Other Business
- IX. Executive Session to Discuss Active Audits, Enterprise Risk Management (30 minutes)
- X. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 19, 2021

ITEM: Approval of the Minutes of September 17, 2021

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: Rebecca A. Lewis, CPA
Chief Audit Executive

The minutes of the September 17, 2021 meeting of the Audit Committee are included in the meeting materials

MOTION: I move that the Board of Trustees adopt the resolution, approving the minutes as outlined in the meeting materials.

RESOLVED: The reading of the minutes of the September 17, 2021 meeting of the Audit Committee is omitted, and the minutes are approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

September 17, 2021
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, September 17, 2021, at 8 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chairperson Melissa Steagall-Jones called the meeting to order at 8 a.m.

II. Roll Call

Board Secretary Dr. Adam Green led the roll call. Because Trustee Dorothy Grisham participated remotely, in accordance with Tennessee Code § 8-44-108 section (c) (3), Dr. Green asked Trustee Grisham for the record if she could clearly hear so that she could participate in the meeting, and if she would identify any persons present in the room with her from which she was participating in the meeting. She reported that she could hear and was alone. Those Trustees present in the East Tennessee Room affirmed they were able to hear Trustee Grisham.

Additionally, Dr. Green reported that since a Trustee is participating remotely, should any votes be taken, they must be taken by roll call.

Committee members present were:

Trustee Ron Ramsey
Trustee Dorothy Grisham (participating remotely)
Trustee Melissa Steagall Jones

Dr. Green reported to Trustee Steagall-Jones that a quorum was present. In addition to the Committee members, Trustees Virginia Foley and Linda Latimer were also present.

III. Minutes of the Audit Committee Meeting from October

The minutes from October 21, 2020 and April 23, 2021 were reviewed. Trustee Ramsey made a motion for the minutes to be approved. Trustee Grisham seconded the motion. The motion passed unanimously upon a roll call vote.

IV. Annual Audit Plan for FY 2022

Ms. Rebecca Lewis presented the Annual Audit Plan which is developed by Internal Audit through a risk assessment process. In addition to risk-based audits, the proposed plan also includes required audits, special requests, follow-up reviews, and audits/investigations in progress from the prior fiscal year. Once the plan is approved, it is submitted to the Comptroller of the Treasury, Division of State Audit. All revisions to the audit plan must be approved throughout the year by the Audit Committee.

Trustee Ramsey made a motion for the plan to be approved. Trustee Grisham seconded the motion. The motion passed unanimously upon a roll call vote.

V. Audit Work Performed April through August 2021

Ms. Lewis reported that Internal Audit has completed one audit and two investigations since the last committee meeting.

An audit related to the Performance Audit of the Board of Trustees issued by the Comptroller of the Treasury was completed. This follow up focused on the additional controls that were put in place since the audit related to the Clery Daily Crime Log. Based on the review, Ms. Lewis felt that significant improvements have been made to help ensure the accuracy of the daily crime log entries.

Investigation into allegations involving the Ronald E. McNair Post-Baccalaureate Achievement Program was conducted. The main portion of the audit was related to a claim that payments were not accurately paid to participants. According to Ms. Lewis, this was primarily unsubstantiated. These payments do, however, go through financial aid and could affect the amount of aid.

An investigation into Slocumb Galleries was also conducted. This involved the sale of donated artwork. Various policies involving the acceptance of the gifts and the subsequent sale did not follow university policies. Corrective action has been identified by the college to help prevent future policy violations from occurring.

A copy of the Audit Heat Map was included in agenda materials and presented to committee members.

VI. Recommendation Log Status as of August 31, 2021

Committee members reviewed the recommendation log and offered no changes.

VII. Report of Audit Functions for FY 2021

Ms. Lewis discussed the annual report on the internal audit function. During FY 2020, her office completed 12 audits or investigations as well as nine follow-up reviews. Approximately 70 percent of audit time was spent in the areas of “Instruction and Academic Support” and “Financial Management.”

VIII. Internal Audit Employee Profiles

Ms. Lewis presented the departmental profiles, which include salaries, professional certification, and years of experiences for each member of the ETSU Internal Audit team. A new employee, Bryan Brockwell, joined the team a month ago. In accordance with the Audit Committee Charter, these profiles must be approved by the Audit Committee annually. Trustee Ramsey made a motion for approval. Trustee Grisham seconded the motion. The motion passed unanimously upon a roll call vote.

IX. Internal Audit Operating Expenses

A copy of the departmental budget was shared with the Audit Committee.

X. Board of Trustees’ Conflict of Interest Policy

Dr. Mark Fulks, University Counsel, presented a draft copy of the Conflict of Interest Policy for the Board of Trustees. Dr. Fulks stated the policy, which replaces the current policy which was carried forward from the Tennessee Board of Regents, provides a framework for defining potential conflicts of interests, obligates disclosure of any actual or perceived conflicts of interests, outlines prohibited conduct, and requires periodic review of the policy by the Audit Committee.

Trustee Foley raised a question regarding the need for clarification in the policy that employment at ETSU by the faculty and student trustees is permitted and does not reflect a conflict of interest. The committee agreed that this adjustment to the language within the policy should be made.

Trustee Ramsey made a motion for the policy to be approved as amended. Trustee Grisham seconded the motion. The motion passed unanimously upon a roll call vote.

XI. Other Business

There were no other business items to discuss. A motion was made and seconded to adjourn to Executive Session. Chair Steagall-Jones stated that no actions will be taken while the committee is in Executive Session, and that the committee will not reconvene.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 17, 2021

ITEM: Audit Committee Responsibilities

COMMITTEE: Audit Committee

PRESENTED BY: Rebecca A. Lewis, CPA
Chief Audit Executive

Ms. Lewis will provide an overview of the responsibilities of the Audit Committee outlined in the meeting materials.

Roles and Responsibilities of Audit Committee

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
Annual Audit Plan and Year-end Status Report		
TN 49-14-102 (b)	The internal auditor shall file a report on the audit work with the audit committee at least annually.	Annual Audit Plan - First Meeting of new FY
AC Charter III.C.6	Review the results of the year's work with the Chief Internal Auditor	Each AC Meeting as needed
AC Charter III.C.3 & ETSU's Internal Audit Policy V. C.	Review & approve the annual audit plan including management's request for unplanned audits. Review and approve audit plan revisions	Annual Report on Audit Activity - Fall
Quality Assurance and Improvement Program		
AC Charter III.C.7	Ensure audit function maintains a quality assurance & improvement program.	Update Committee As Needed
Audit Reports and Recommendations		
AC Charter III.C.4	Receive and review significant results of internal audits performed.	Each Meeting
ETSU's Internal Audit Policy VII. F.	The Chief Internal Auditor will provide a copy of each report to the Audit Committee.	
AC Charter III.C.5	Ensure implementations of audit recommendations.	
Fraud, Waste, and Abuse		
AC Charter III.F. 1-2.	Ensure that the Board and the institution have an effective process in place to prevent, detect, and report fraud, waste and abuse. Establish a process for employees, taxpayers and other citizens to confidentially report suspected illegal, improper, wasteful, or fraudulent activity.	Annual Report on Audit Activity - Fall
TN 49-14-103 (a)	The internal auditor shall establish a process by which students, employees, taxpayers or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity. Each year the internal auditor shall include with the auditor's annual report a summary of all completed audit activities pursuant to this chapter.	

Roles and Responsibilities of Audit Committee

Policy/Law

Requirement

Meeting

State and External Audits

AC Charter III.A.2.	Review results of the Comptroller's examination of financial statements and another other matters related to the conduct of the audits	Spring and as needed
AC Charter III.B.2.	Review results of external auditors' examination and any other matters related to the conduct of the external audits	

Presidential Expenses Reporting and Audits

TN 49-7-3001 (c)	Each state university board shall require an annual internal financial audit of the office of the president of the institution. The audit shall be reviewed by the institution's governing board and the comptroller of the treasury.	
TN 49-14-106 (c)	Annual or other periodic audits of chief executives shall be performed by an internal auditor or auditors who are not employees of the institution of the chief executive being audited. Notwithstanding the foregoing, internal auditors or auditors who report to the board audit committee may perform annual or other periodic audits of the chancellor of the board of regents system or the University of Tennessee president.	Winter - Due annual by December 1st.
TN 49-14-104	The governing boards of all public institutions of higher education shall establish a policy requiring that annual reports detailing expenditures made by, at the direction of, or for the benefit of a system head or chief executive of an institution are to be filed with their respective boards. It is the legislative intent that the policy require the report of discretionary expenditures, which shall include, but not be limited to, unrestricted gifts, foundation funds, athletic funds, sponsorship fees, licenses and royalty funds, and other such funds that would not be included in the operating budget for the system head's or chief executive's office. System heads or chief executives shall not have the authority to grant themselves an exception to fiscal, spending, or travel policies established by their boards or by statute.	This can be reviewed with audit due Dec. 1.

Miscellaneous Responsibilities

AC Charter III.C.2	Review and approve the charter of the Internal Audit Department	Spring
AC Charter III.D.1	Ensure Chief Internal Auditor reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes only.	Fall
AC Charter III.D.2	Ensure Internal Audit has adequate resources in terms of staff and budget to perform its responsibilities	Fall or as needed
AC Charter III.D.3	Review & approve appointment, compensation, reassignment or dismissal of Chief Internal Auditor	Fall or as needed
AC Charter III.D.4	Review & approve the compensation & termination of campus internal auditors.	Fall or as needed

Roles and Responsibilities of Audit Committee

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.E.5	Review & evaluate risk assessments performed by management.	Winter and updates throughout
AC Charter III. G. 1.	Review and assess the adequacy of the Audit Committee's charter annually, requesting Board approval for any proposed changes.	Spring or as needed
AC Charter III. G. 3.	Review the University's code of conduct and/or policies regarding employee conduct to ensure that they are easy to access, are widely distributed, are easy to understand & implement, include confidential mechanism for reporting code violations, are enforced and include a conflict of interest policy.	Spring
AC Charter III. G. 4.	Review the University's conflict of interest policy to ensure that the term "conflict of interest" is clearly defined, the policy is comprehensive, annual signoff is required, and potential conflicts are adequately resolved and documented.	Spring

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 19, 2021

ITEM: Review of ETSU Employee Code of Conduct and Conflicts of Interest and Commitment

COMMITTEE: Audit Committee

PRESENTED BY: Dr. Mark Fulks
University Counsel

The Audit Committee is charged with reviewing the institution's policies on [Employee Code of Conduct](#) and [Conflicts of Interest and Commitment](#) on an annual basis.

The Office of University Counsel is responsible for the promulgation of ETSU policies. In accordance with ETSU's Policy on Policy Development and Administrative Rulemaking, a proposed policy is posted for public comment for a fourteen-day period. The policy is revised as necessary based upon input received from the public comment period and then voted on by either the Academic Council or University Council. If approved, then the President or the Board of Trustees (depending on the content of the policy) must also approve the policy.

The Conflict of Interest and Commitment Policy was approved by the Office of the President on August 26, 2021 and the Employee Code of Conduct was approved on October 12, 2021.



Employee Code of Conduct	
Responsible Official: Chief Operating Officer	Responsible Office: Office of Human Resources

Policy Purpose

This policy specifies the expectations of Employees to conduct themselves in a responsible and ethical manner during their employment with ETSU.

Policy Statement

ETSU is committed to the core values of people, relationships, diversity, excellence, efficiency, and honesty, as well as to creating a university community committed to integrity, respect for diversity, engagement in the community, and non-violence. Employees are expected to promote the best interests of students and Employees; treat others with respect and civility; conduct themselves with integrity; utilize ETSU resources in a manner that avoids waste, fraud, and abuse; and maintain a culturally rich and diverse environment in which to work and learn. This policy sets forth standards of conduct to support these core values and is designed to protect the reputation, credibility, financial well-being, and legal obligations of ETSU.

The appearance of unethical or irresponsible conduct, whether such conduct has occurred, can be damaging to ETSU. As such, any appearance of unethical or irresponsible conduct may also be a violation of the Code of Conduct and subject to disciplinary action.

This policy applies to all Employees whether employed full-time, part-time, on a temporary basis, and applies to student workers.

I. Code of Conduct.

Employees must conduct themselves fairly, honestly, in good faith, and in accordance with the highest ethical and professional standards, and must comply with state and federal laws, ETSU policies, and contractual obligations. This includes, but is not limited to:

- A. Employees are expected to be committed to creating an environment that promotes academic freedom, diversity, fair treatment, and respect for all faculty, staff, students, and the general public.

- B. Employees shall follow lawful instructions.
- C. Employees must regularly attend work and accurately report work time and attendance.
- D. Employees are expected to maintain the highest levels of integrity and objectivity as they perform their duties. This includes, but is not limited to their personal conduct, their verbal conduct, their social media presence, and their written work product. Employees are expected to take all reasonable precautions and seek appropriate guidance to ensure their outside interests do not place them in conflict with carrying out their duties and responsibilities to ETSU.
- E. Employees must use institutional and grant property, funds, technology, time, and other resources for legitimate ETSU business purposes. Employees may not use ETSU resources for endeavors unrelated to their ETSU employment responsibilities (e.g. for personal gain or to benefit third parties).
- F. Employees shall not commit fraud, waste, or abuse while executing their employment responsibilities. This includes, but is not limited to falsifying documents or misrepresenting academic credentials, requests for funding, or research findings.
- G. Employees must avoid conflicts of interests or commitments and must follow ETSU policies related to conflicts of interests.
- H. Employees must conduct research with the highest integrity and in compliance with federal, state, and local laws and ETSU policies. Employees involved in conducting research must become familiar with applicable laws, regulations, and policies.
- I. Employees are entrusted with a variety of confidential information about students, faculty, staff, alumni, donors, research sponsors, licensing partners, and university affiliates. Employees must access, use, protect, disclose, preserve, and dispose of confidential information in compliance with applicable laws and ETSU policies. Employees shall not disclose confidential information obtained during their employment, except as required by law. An Employee shall not use confidential information for their personal gain or benefit.
- J. Employees are expected to be committed to the health and safety of all students, faculty, staff, and visitors. Employees are expected to exercise good health and safety practices and to comply with all health and safety laws, regulations, and policies.
- K. Employees are expected to act professionally and treat all students, faculty, staff, persons doing business with ETSU, and visitors with respect. This includes, but is not limited to Employees complying with the ETSU Consensual Relationship Policy. Employees must conduct themselves in a professional manner when communicating in writing, verbally, or signing. Employees shall not commit or assist another Employee in committing Abusive Conduct.

- L. Employees shall not engage in disorderly conduct, including, but not limited to, Abusive Conduct; fighting, provoking a fight, or attempting bodily harm or injury to another Employee or to any other individual or threatening physical action or injury on university property or during university activities; or other conduct that threatens or endangers the health, safety, or well-being of any person.
- M. Employees are expected to report any actual knowledge or any good-faith concern that a violation of this Policy may have occurred as soon as it is reasonably possible.
- N. Employees must comply with Tennessee laws on mandatory reporting of child abuse and child sexual abuse. Tennessee laws mandate reporting by any person who has knowledge of physical or mental harm to a child if: 1) the nature of the harm reasonably indicates it was caused by brutality, abuse, or neglect; or 2) on the basis of available information, the harm reasonably appears to have been caused by brutality, abuse, or neglect. Tennessee law also mandates reporting by any person who knows or has reasonable cause to suspect that a child has been sexually abused, regardless of whether it appears the child has sustained an injury as a result of the abuse. A report of child abuse or child sexual abuse must be made immediately to one of the following authorities: the Tennessee Department of Children's Services (call the Central Intake Child Abuse Hotline at 1-877-542-2873 or 1-877- 237-0004); the sheriff of the county where the child resides; the chief law enforcement official of the city where the child resides; or a judge having juvenile jurisdiction over the child.

II. Reporting Violations.

Employees who have actual knowledge or a good-faith concern about violations of this policy should report their concerns to the Office of Human Resources. Reporting Employees who wish to remain anonymous may report any concerns via the Office of Internal Audit's [anonymous on-line form](#). The Offices of Human Resources or Internal Audit will forward the complaint to the appropriate department for review and investigation pursuant to the applicable ETSU policies.

III. Retaliatory Actions.

No Employee may retaliate against a Reporting Employee for making a good-faith report pursuant to this or any other ETSU policy. If a Reporting Employee experiences retaliation, the Employee should immediately report it the Office of Human Resources.

III. Violation of Code of Conduct.

Employees are required to cooperate fully in any investigation related to a violation of this or any other ETSU Policy. Investigations will be conducted by the appropriate authority based on the nature of the alleged violation. Employees who violate this Code of Conduct will be subject to disciplinary action pursuant to ETSU policies and state and federal law.

Authority:

Previous Policy:

Definitions

A defined term has a special meaning within the context of this policy.

Abusive Conduct	Abusive Conduct shall have the same meaning as defined within the Healthy Workplace Act, T.C.A. § 50-1-502, as “any acts or omissions that would cause a reasonable person, based on the severity, nature, and frequency of the conduct, to believe that an Employee was subject to an abusive work environment, such as: (1) Repeated verbal abuse in the workplace, including derogatory remarks, insults, and epithets; (2) Verbal, non-verbal, or physical conduct of a threatening, intimidating, or humiliating nature in the workplace; or (3) the sabotage or undermining of an Employee’s work performance in the workplace.
Employee	Anyone employed by the university in any capacity except for personnel classified as graduate assistant or student worker.
Reporting Employee	Any Employee who reports actual knowledge or a good-faith concern of a violation of this policy.
Retaliation	An adverse action taken because of a person’s participation in a protected activity that would discourage a reasonable person from engaging in the protected activity.

Policy History

Effective Date: 10/12/21

Revision Date:

Procedure

Procedure History

Effective Date:

Revision Date:

Related Form(s)

Scope and Applicability

Primary: Human Resources

Secondary:



Conflicts of Interest and Commitment

Responsible Official: Chief Operating Officer

Responsible Office: Human Resources

Policy Purpose

This policy specifies how a Covered Employee should disclose Conflicts of Interest or Conflicts of Commitment and how a conflict is evaluated.

Policy Statement

Perceived or real Conflicts of Interest and Conflicts of Commitment are harmful to ETSU and ETSU's reputation. All Covered Employees must disclose any Conflicts of Interest or Conflicts of Commitment. When a Covered Employee believes a Conflict of Interest or Conflict of Commitment exists or may exist for any Covered Employee, including themselves, the Covered Employee must immediately submit a written disclosure of the facts and circumstances surrounding the Conflict of Interest or Conflict of Commitment to the Office of Human Resources through the Disclosure Form.

I. General Principles.

- A. A Covered Employee must take all reasonable precautions to ensure that a Covered Employee's Financial Interests do not place them in a Conflict of Interest or Conflict of Commitment when carrying out their Professional Obligations as employees of ETSU.

Generally, a Conflict of Interest exists when:

1. A Covered Employee allows their Financial Interest to interfere with or compromise the Covered Employee's judgment and objectivity, with respect to the Covered Employee's duties and responsibilities to ETSU.
2. A Covered Employee makes ETSU or ETSU-related decisions or uses ETSU resources in a manner that results in or is expected to result in:
 - a. Financial gain for the Covered Employee or financial gain for a Family Member; or,
 - b. An unfair advantage to or favored treatment for a third-party outside of ETSU.
3. A Covered Employee allows a Financial Interest to affect the design, conduct, or reporting of research. This type of conflict is addressed in the Institutional Financial Conflicts of Interest Policy.

B. Examples of Conflicts of Interest.

The following situations are examples of prohibited Conflicts of Interest. This is not an all-inclusive list of prohibited Conflicts of Interest.

1. A Covered Employee serving as a member of the board of directors of, serving as a consultant to, or holding an office or management position in an outside entity, and:
 - a. The Covered Employee procures or influences the procurement of goods or services from the outside entity for ETSU; or,
 - b. The Covered Employee uses their ETSU position to obtain favored treatment for that outside entity or to provide an unfair advantage to that outside entity.
2. A Covered Employee holding more than a five percent (5%) Financial Interest, inclusive of Financial Interests held by a Family Member, in an outside venture, and:
 - a. The Covered Employee procures or influences the procurement of goods or services from that outside venture for ETSU; or,
 - b. The Covered Employee uses their ETSU position to obtain favored treatment for that outside venture or to provide an unfair advantage to that outside venture.
3. A Covered Employee soliciting or accepting Gifts from a person or entity:
 - a. In return for influencing a Covered Employee in the discharge of their ETSU or ETSU-related Professional Obligations; or,
 - b. While in a position to obtain favored treatment for that person or entity or to provide an unfair advantage to that person or entity.
4. A Covered Employee selling any products or services to ETSU or another State of Tennessee agency while an employee of or within six (6) months after termination of active employment with ETSU.
 - a. This does not apply to the sale of textbooks, stage plays, and other copyright literary property for which the Covered Employee receives royalties from a distributor in which the Covered Employee does not own a controlling interest.
 - b. This does not apply to Sole-source Suppliers, unless the Covered Employee also procures or influences the procurement of the particular product or service for ETSU. However, the Covered Employee's interest in the Sole-source Supplier must be publicly acknowledged.
5. A Covered Employee using confidential or official ETSU information in any manner that results in or is expected to result in financial gain or an unfair advantage to the Covered Employee, a Family Member, or a third-party.

II. Enforcement.

Compliance with this policy is a condition of employment for all Covered Employees. A Covered Employee who fails to comply with this policy is subject to discipline, including termination.

Authority: FOCUS Act Tenn. Code Ann. § 49-8-203, et. seq.

Previous Policy: Tennessee Board of Regents Policy 1.02.03.10

Definitions

A defined term has a special meaning within the context of this policy.

Conflict of Commitment:	The actual or perceived divergence of a Covered Employee's personal time, attention, and energy from the Covered Employee's Professional Obligations
Conflict of Interest:	The actual or perceived divergence of a Covered Employee's personal interests, including, but not limited to, Financial Interests, from the Covered Employee's Professional Obligations.
Covered Employee:	Any ETSU employee who is employed in any capacity except student workers, graduate assistants, medical residents, or volunteers
Family Member:	Includes 1) spouse; 2) child, step-child; 3) parent, step-parent, foster parent, parent-in-law; 4) sibling(s); 5) grandparents and grandchildren and: 6) other members of the family who reside within the home.
Financial Interest:	Any interest of monetary value, whether or not that value is readily ascertainable, including any interest of a Family Member
Gift:	Any item gifted in excess of \$250, including but not limited to, any gratuity, service, favor, food, entertainment, lodging, transportation, loan, loan guarantee, or any other item of monetary or personal value.
Professional Obligations:	The duties and responsibilities owed by a Covered Employee as part of their employment at ETSU, including to act in a manner that the Covered Employee reasonably believes to be in the best interests of ETSU.
Sole-source Supplier:	The only supplier that can provide a particular good or product.

Policy History

Effective Date:

Revision Date: 8/26/21

Procedure

The procedures for disclosure of a Conflicts of Interest or Conflicts of Commitment and the review process are as follows:

I. Disclosure by Covered Employee.

A Covered Employee completes the Disclosure Form on the Human Resources website.

II. Review of Disclosures.

One representative from the Office of Human Resources, the Office of University Counsel, the Division of Business and Finance, the Office of Internal Audit, and the department head for the Covered Employee's unit meets to evaluate the disclosure and determine what action is necessary. A Covered Employee involved in a potential or alleged Conflict of Interest or Conflict of Commitment is not permitted to participate in the evaluation of the matter.

Procedure History

Effective Date: 8/26/21

Revision Date:

Related Form(s)

Disclosure Form

Scope and Applicability

Primary: Human Resources

Secondary:

Review of Policies



Employee Code of Conduct Policy



Employee Code of Conduct Policy

- This policy outlines the expectations and obligations of ETSU employees during the course of their employment.
- Employees are expected to conduct themselves fairly, honestly, in good faith, and in accordance with the highest ethical and professional standards.
- Employees are required to comply with state and federal laws, ETSU policies, and contractual obligations.



Employee Code of Conduct Policy

- This policy also addresses the following expectations:
 - Create an environment that promotes academic freedom, diversity, fair treatment, and respect
 - Follow lawful instructions
 - Attend work regularly and on-time
 - Maintain integrity and objectivity
 - Use resources for legitimate ETSU business purposes



Employee Code of Conduct Policy

- Shall not commit fraud, waste, or abuse
- Avoid conflicts of interests
- Conduct research in accordance with federal, state, and local laws
- Maintain confidentiality where applicable
- Act professionally, including but not limited to following ETSU's Consensual Relationship Policy and avoiding abusive conduct



Employee Code of Conduct Policy

- Comply with mandatory requirements for reporting child abuse or child sexual abuse
- Report violations of the code of conduct in a timely manner
- Cooperate with investigations of violations of the code of conduct



Conflicts of Interest or Commitment Policy



Conflicts of Interest or Commitment Policy

- This policy provides that perceived or real Conflicts of Interest and Conflicts of Commitment are harmful to ETSU and ETSU's reputation.
- All Covered Employees are required to disclose any Conflicts of Interest or Conflicts of Commitment.
- A Covered Employee is any ETSU employee who is employed in any capacity except student workers, graduate assistants, medical residents, or volunteers.



Conflicts of Interest or Commitment Policy

- The policy provides examples of when a conflict of interest may develop due to an outside influence. For example:
 - due to personal financial interests;
 - holding a position of authority;
 - accepting gifts that may influence a decision; and
 - using confidential information to gain an unfair advantage, etc.



Conflicts of Interest or Commitment Policy

- After an employee discloses a conflict, the conflicts committee will review the conflict and determine a recommended course of action
- The conflicts committee is comprised of members from Human Resources, University Counsel, Business and Finance, Internal Audit, and the applicable department.



Questions?



THE END



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 19, 2021

ITEM: Audits and Investigations Performed

COMMITTEE: Audit Committee

PRESENTED BY: Rebecca A. Lewis, CPA
Chief Audit Executive

Ms. Lewis will provide an overview of the audits completed during the period September 1, 2021 to October 31, 2021.

Audits

- Follow-up to the Financial Statement Audit – The Department of Internal Audit has performed a follow-up of the Tennessee Comptroller of the Treasury Financial Statement Audit finding and recommendations contained in the audit report for June 30, 2020. The follow-up was conducted under the authority delegated in East Tennessee State University’s *Internal Audit Policy*. The objective of the follow-up was to determine whether adequate corrective actions have been implemented to comply with audit recommendations.
- Softball Expenditures – An audit of the Softball Expenditures was conducted in accordance with the Annual Audit Plan. At the request of administration, the Office of Internal Audit conducts an audit of head coaches at the end of their employment. In June 2021, the Softball Head Coach resigned.
- President’s Expenses – An audit of the President’s expense was conducted in order to comply with Tennessee Code Annotated, Title 49, Chapters 7 and 14, by performing an internal financial audit of the Office of the President for the Fiscal Year ending June 30, 2021. The objectives were to determine compliance with state statutes and institutional policies regarding expenses and to identify and report all expenses made by, at the direction of or for the benefit of the President regardless of the funding source.

Investigations

- Health Services Missing Petty Cash Fund – An investigation was conducted related to a missing petty cash. The objectives of the investigation were to obtain information regarding the missing funds, assess the possibility of employee misfeasance, evaluate the adequacy of internal controls over petty cash procedures, and make recommendations to improve deficiencies.
- College of Nursing – An investigation was conducted due to concerns associated with the payment of workload and overload during the spring term 2021. The primary objectives were to investigate the validity of the issues identified during the review; determine the extent of any violations related to applicable policies, procedures, or regulations; evaluate the adequacy of internal controls; and make recommendations to improve deficiencies.

East Tennessee State University
Follow-Up to the Financial and Compliance Audit Report
Issued March 18, 2021 for Fiscal Year 2020
By the Tennessee Comptroller of the Treasury
Executive Summary

Key Staff Areas: Business and Finance, ITS, and Financial Aid	Auditor: Associate Director of Internal Audit
Introduction: East Tennessee State University’s financial statement audit for the year ended June 30, 2020 contained one finding. As required, Internal Audit performed a follow-up review of actions taken in response to the finding.	
Objectives: The objective of the follow-up is to determine if management has implemented corrective actions for the finding noted in the Division of State Audit’s annual audit report for the fiscal year ended June 30, 2020.	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Finding and Current Status</p> <p><u>Original Finding:</u> <i>East Tennessee State University did not have adequate internal controls in three areas</i></p> <p>Pursuant to Standard 4.40 of the U.S. Government Accountability Office’s Governmental Auditing Standards, details were omitted from this finding because they are confidential under the provisions of Section 10-7-504(i), Tennessee Code Annotated.</p> <p><u>Current Status:</u></p> <p>Based on the follow-up audit conducted by Internal Audit, it appears that management has taken appropriate steps to implement proper controls and procedures in these three areas that will help eliminate future discrepancies.</p> <p>The audit objectives were met.</p>	

**East Tennessee State University
Softball Expenditures
January to May 2021**

Key Staff Person: Former Softball Coach	Auditor: Internal Auditor
<p>Introduction An audit of <i>Softball Expenditures</i> within the Department of Intercollegiate Athletics was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. At the request of administration, the Office of Internal Audit conducts audits of head coaches at the end of their employment. In June 2021, the head coach (Coach) for the Softball team resigned.</p>	
<p>Objectives</p> <ol style="list-style-type: none"> 1. To evaluate the adequacy of the internal controls. 2. To determine compliance with university policies and procedures. 3. To make recommendations for correcting deficiencies or improving operations. 	
<p>Scope</p> <p>The audit was performed in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> and included procedures as were considered necessary in the circumstances.</p>	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Conclusions</p> <p>During the audit, the Coach had direct control over one institutional index within the Banner Finance System entitled Softball. Operational and travel expenditures paid from this index were reviewed and tested for compliance with university policies and procedures. The items tested included all payments made to the Coach, as well as a sample of expenditures related to travel, purchasing card (procard) transactions, and miscellaneous operating expenses.</p> <p>Based on the testing performed, it appears that the Coach's expenditures comply with the applicable University policies and procedures.</p> <p>There were no observations or findings as a result from this audit. The objectives of the audit were met.</p>	

Restriction on Use of Report: *This report is intended solely for the internal use of East Tennessee State University and ETSU's Board of Trustees. It is not intended to be and should not be used for any other purpose. The distribution of the report to external parties must be approved by the Office of Internal Audit and handled in accordance with institutional policies.*

East Tennessee State University
Audit of President's Expenses
For the Fiscal Year July 1, 2020 – June 30, 2021

Objectives	To comply with Tennessee Code Annotated, Title 49, Chapters 7 and 14, by performing an internal financial audit of the Office of the President for the fiscal year July 1, 2020 to June 30, 2021; to determine compliance with state statutes and institutional policies regarding expenses; and to identify and report all expenses made by, at the direction of or for the benefit of the President regardless of the funding source.																																
Scope	The audit included all accounts under the direct budgetary control of the President, whether funded by institutional funds, foundation funds or external sources and other accounts as necessary. The audit was conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> , issued by the Institute of Internal Auditors and included tests of the accounting records and such other auditing procedures considered necessary.																																
Analysis	<p>Financial Services along with the President's Office prepares a detailed annual expense report of the President's Office. These schedules were reviewed and verified for accuracy and completeness during the audit. The following is a summary by funding source of (1) certain expenses made by, at the direction of, or for the benefit of the President, and (2) salary and benefits and any other operating expenses for the President's office during the fiscal year ended June 30, 2021:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="text-align: right; width: 15%;">Institutional</th> <th style="text-align: right; width: 15%;">Foundation</th> <th style="text-align: right; width: 10%;">Total</th> </tr> </thead> <tbody> <tr> <td>Salary & Benefits – President & Staff</td> <td style="text-align: right;">\$ 887,230.78</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 887,230.78</td> </tr> <tr> <td>Travel – President</td> <td style="text-align: right;">2,454.98</td> <td style="text-align: right;">-</td> <td style="text-align: right;">2,454.98</td> </tr> <tr> <td>Travel – Other Personnel</td> <td style="text-align: right;">3,682.55</td> <td style="text-align: right;">613.71</td> <td style="text-align: right;">4,296.26</td> </tr> <tr> <td>Business Meals & Hospitality</td> <td style="text-align: right;">932.90</td> <td style="text-align: right;">8,960.01</td> <td style="text-align: right;">9,892.91</td> </tr> <tr> <td>Other Expenses of the President</td> <td style="text-align: right;">160,254.98</td> <td style="text-align: right;">-</td> <td style="text-align: right;">160,254.98</td> </tr> <tr> <td>Miscellaneous Operating Expenses</td> <td style="text-align: right;">45,921.30</td> <td style="text-align: right;">65,329.04</td> <td style="text-align: right;">111,250.34</td> </tr> <tr> <td> Total Expenses</td> <td style="text-align: right; border-top: 1px solid black;"><u>\$ 1,100,477.49</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>\$ 74,902.76</u></td> <td style="text-align: right; border-top: 1px solid black;"><u>\$ 1,175,380.25</u></td> </tr> </tbody> </table> <p>Additional Disclosures:</p> <p>Salary and Benefits – Salary and Benefits for the President totaled \$574,915.13 and includes the Discretionary Allowance and Vehicle Allowance.</p> <p>Discretionary Allowance – The President was provided a discretionary spending allowance of \$20,000.00 for the period. Use of the allowance was not included in tests performed during the audit because the President elected for it to be paid as taxable income.</p> <p>Vehicle – The President was provided a vehicle allowance of \$1,000.00 per month and paid as taxable income.</p> <p>Housing – The President was provided the use of a residence. Operating and maintenance costs for the residence, totaling \$23,766.91 for the period, were recorded in Facilities and not included in the above totals; the scope of the review related to these expenses was limited. Home improvement costs, however, are included above in Other Expenses of the President.</p>		Institutional	Foundation	Total	Salary & Benefits – President & Staff	\$ 887,230.78	\$ -	\$ 887,230.78	Travel – President	2,454.98	-	2,454.98	Travel – Other Personnel	3,682.55	613.71	4,296.26	Business Meals & Hospitality	932.90	8,960.01	9,892.91	Other Expenses of the President	160,254.98	-	160,254.98	Miscellaneous Operating Expenses	45,921.30	65,329.04	111,250.34	 Total Expenses	<u>\$ 1,100,477.49</u>	<u>\$ 74,902.76</u>	<u>\$ 1,175,380.25</u>
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	<p>Membership – The President is provided a membership to Blackthorn Country Club. The country club membership is paid for by Intercollegiate Athletics and totaled \$3,696.00 for the period. This amount is not reflected in the above totals.</p> <p>Travel – The President is allowed a certain number of flights at no cost on the Niswonger plane. This was made through a verbal agreement and the number of flights allowed is unknown.</p>		
Questioned Costs	None	Recoveries	N/A
Conclusion	<p>The objectives of the audit of the expenses of the Office of the President for East Tennessee State University for the fiscal year July 1, 2020 through June 30, 2021 were met. The audit revealed no significant statutory or policy violations, material omissions from the expense reports or deficiencies in internal controls.</p>		



EAST TENNESSEE STATE UNIVERSITY

Department of Internal Audit
Box 70566
Johnson City, TN 37614-1707
Telephone: 423/439-6155

MEMORANDUM

TO: ETSU Board of Trustees' Audit Committee

FROM: Becky Lewis, Chief Audit Executive *B Lewis*

SUBJECT: Completed Investigations – September 1, 2021 to October 31, 2021

DATE: November 19, 2021

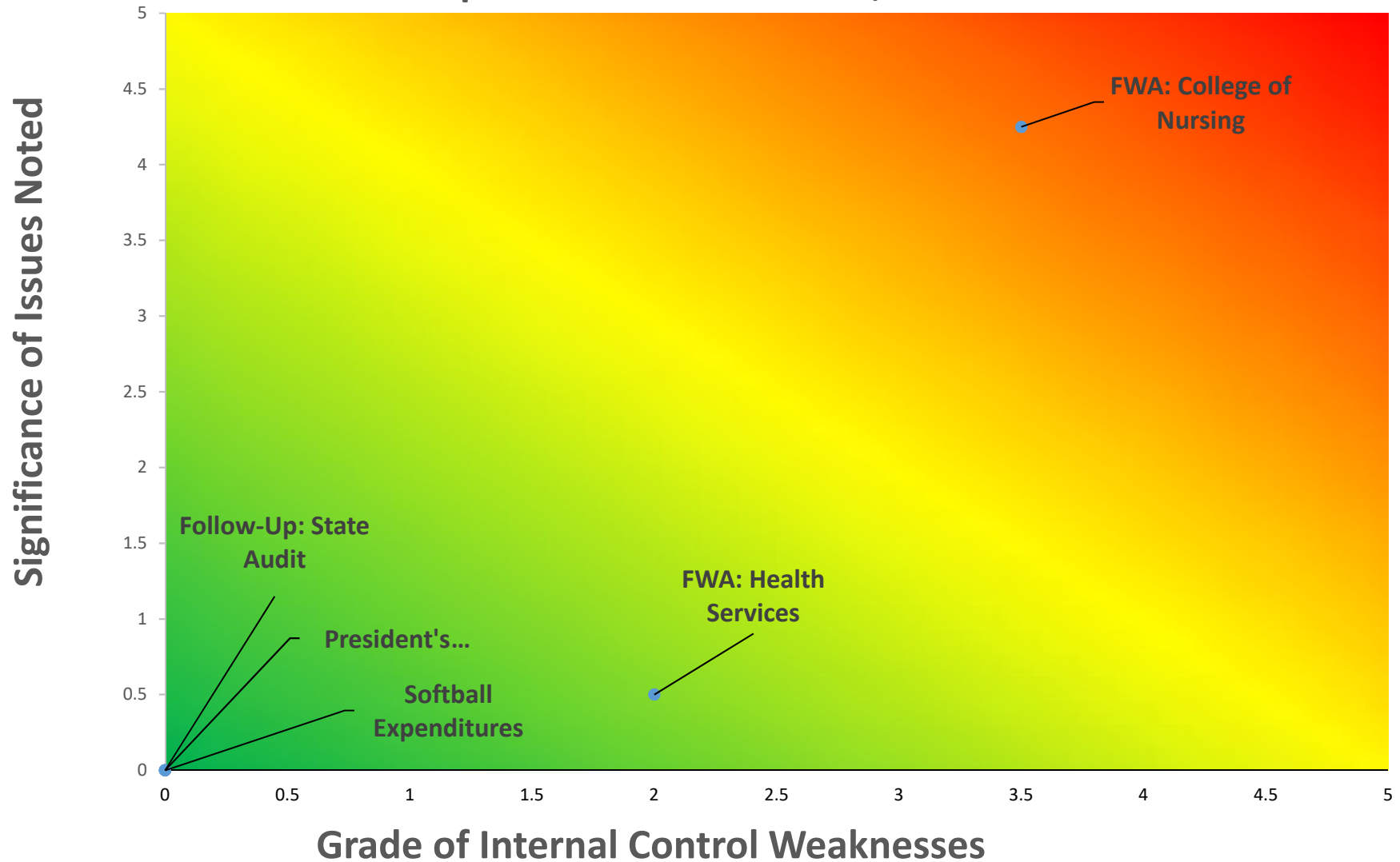
Below is a summary of the investigations completed between September 1, 2021 and October 31, 2021.

Health Services Petty Cash Investigation (FWA 21-07): The investigation revealed that a \$1,000 petty cash fund within Health Services was missing. No employee dishonesty was discovered. Additional controls have been put into place to help ensure petty cash is properly accounted for at all times.

College of Nursing Investigation (FWA 21-03): The investigation revealed some employees in the College of Nursing did not receive equitable pay for overload hours. During the 2020-21 academic year, some faculty members received accurate overload pay based on their overload hours; whereas others were overpaid or underpaid based on relevant supporting documentation. In addition to the faculty, unexplained differences exist between the amount of overload hours assigned and the amounts actually paid for overload among three assistant deans over the past several years. Management will be implementing corrective actions to help ensure transparency and consistency related to overload pay within the college.

Heat Map of Completed Audits

from September 1 - October 31, 2021



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 19, 2021
ITEM: Recommendation Log
COMMITTEE: Audit Committee
PRESENTED BY: Rebecca A. Lewis, CPA
Chief Audit Executive

Audit reports often contain recommendations to improve internal controls or procedures. For each recommendation, management must respond with a corrective action plan. A follow-up review of these corrective action plans is later performed by Internal Audit. A log is maintained to track the status of prior audit recommendations and is communicated to the Board of Trustees' Audit Committee each meeting.

A copy of the Recommendation Log as of October 31, 2021 is provided for the committee's review.

East Tennessee State University		
Internal Audit Recommendation Log as of October 31, 2021		
Area	Recommendation	Status
Off Campus Domestic & International Programs	Controls over Off Campus Domestic & International Programs needs improvement.	Green
Office of Equity & Diversity	Internal Controls related to the use of Access & Diversity funds for promoting the recruitment and retention of faculty, staff, and students needs improvement.	Green
	Internal Controls related to diversity scholarships needs improvement.	Green
Johnson City Community Health Centers (JCCHC) - Financial Procedures	Cash receipting procedures need improvement.	Green
JCCHC - Patient Safety	Physicians review of charts procedures need improvement.	Blue
Little Bucs and Child Study Center	Changes in practices should be considered in order to improve the financial status of the centers.	Blue
	All DHS Regulations should be adhered to by both centers.	Blue
Internal Medicine	Current policies and procedures over grants need to be reviewed and strengthened within various	Green
Psychology	Controls over petty cash funds for research projects needs improvement.	Green
	Expenditures made with research funds should agree with the grant agreement and/or approved IRB study.	Green
	Researchers should follow all IRB policies and procedures.	Green
College of Nursing - Office of Practice	Internal controls over deposit processes within the Bursar's Office needs improvement.	Blue
Dependent/Spouse Tuition Discount	Procedures related to dependent/spouse tuition discounts needs improvement.	Green
College of Nursing - Office of Practice	Internal controls over the handling and safeguarding of petty cash needs improvement.	Blue
Human Patient Simulation Laboratory	Procedures related to conflict of interest need improvement.	Green
	Processes related to licensing agreements need improvement.	Green
Ronald E McNair Program	Processes related to documentaiton on tasks completed needs improvement.	Green
Health Services	Internal controls over the handling and safeguarding of petty cash needs improvement.	Green
College of Nursing	Polices and procedures related to workload and overload pay need improvement.	Green

Legend:	
Actions completed since previous Audit Committee Meeting	Blue
Actions are progressing in a timely fashion or not yet due	Green
Actions are slightly overdue	Yellow
Actions are significantly overdue	Red