

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

April 26, 2019
Johnson City, Tennessee

I. Call to Order

David Golden, Vice-Chairman of the ETSU Board of Trustees and Chairman of the Audit Committee, called the meeting to order at 9 a.m.

Roll Call

Board of Trustees Secretary David Linville led the roll call. Committee members present were:

David Golden
Dorothy Grisham
David Golden
Non-Committee Members Virginia Foley and Cristopher Santana were also present

Scott Niswonger, Chairman of the board, was also present.

II. Approval of Minutes

The minutes from the February 22 audit committee meeting were reviewed. Mr. Ramsey made a motion for approval, and Ms. Grisham seconded the motion. The minutes were approved.

III. Annual Review of the Audit Committee Charter and Internal Audit Charter

Ms. Rebecca Lewis presented a copy of the Audit Committee Charter approved by the Board of Trustees and the Comptroller of the Treasury in September 2017, as well as the Internal Audit Charter approved by the Board of Trustees in April 2018. According to the charter, the Audit Committee must review these charters annually. Ms. Lewis reported that her office did not identify any corrections or additions needed for either charter.

IV. Annual Review of Audit Policies

Ms. Lewis provided copies of the Internal Audit Policy, the Preventing and Reporting Fraud, Waste, and Abuse Policy, and the Conflict of Interest Policy. As with the charters in agenda item IV, the Audit Committee is required to review these annually.

Ms. Lewis stated that the ETSU Internal Audit office did not identify any changes needed to the Internal Audit nor the Preventing and Reporting Fraud, Waste, and Abuse policies. ETSU is currently following the Tennessee Board of Regents' Conflict of Interest Policy, and a committee has prepared a draft of an ETSU Conflict of Interest Policy that will replace the current TBR one.

The Audit Committee is required to review the Code of Conduct policy. Ms. Lewis noted that ETSU does not currently have a Code of Conduct policy but she has discussed the need for one with the Office of Human Resources.

President Noland reported on the hiring of additional staff for the newly created Compliance Office at ETSU and that policies on matters such as Code of Conduct will be coming from that office in the future.

V. Revisions to the 2018-19 Audit Plan

According to Ms. Lewis, three investigations have been added since the February 22, 2019 Audit Committee Meeting. One of these was administratively closed by Internal Audit, and the second is to be discussed later in the agenda. In addition, an audit of the ETSU men's golf program will be conducted following the announcement of Coach Fred Warren's retirement. It is the university's policy to audit each head coach upon his/her departure from the university. With these additions to the audit plan, some audits have been removed. Information on those specific audits were included in the committee materials.

VI. Audits and Investigations Performed

Since the previous Audit Committee meeting, two audits have been completed. One was for timekeeping in Sherrod Library administration, and the other was for Jeanne Clery Act Compliance. The timekeeping audit identified issues regarding the Family Medical Leave Act (FMLA), and Ms. Lewis' office is currently working with management to implement controls. Minor issues were also noted in the audit regarding compliance efforts for the Clery Act, which addresses federal laws governing how crimes are reported. Minor discrepancies regarding reporting were found, and staff is working with the Clery coordinator to address these issues.

An investigation involving the Center for Academic Achievement was conducted. The center houses testing and tutoring services for the university. The investigation found that the director of the office had made personal purchases in the amount of \$17,000 using a pro card. The majority of these purchases were for guitar pedals and other miscellaneous equipment as well as items that had no legitimate business purpose. In addition, the investigation found that the same employee had approximately 800 hours of unreported annual/sick leave that totaled around \$29,000. Together, these two totals exceeded \$47,000.

Ms. Lewis reported that the case has been turned over to ETSU Public Safety. In terms of internal controls regarding pro card use, Ms. Lewis noted that those controls

were in place and procedures were being followed. Ms. Lewis and her staff are working with ETSU's procurement office about having additional policies related to pro cards in order to strengthen procedures. This investigation was initiated following an anonymous tip. President Noland noted that once ETSU became aware of the complaint, Ms. Lewis and her staff moved quickly. He added that the individual involved in the investigation is no longer employed at the university.

A completed Audit Heat Map was presented to the committee.

VII. Recommendation Log Status

The Recommendation Log was presented that shows follow-up activities that have occurred since the previous Audit Committee meeting.

VIII. Review of Audited Financial Statements from the Comptroller of the Treasury

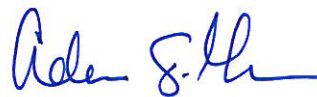
A copy of the annual financial statement audit of ETSU conducted by the Comptroller of the Treasury was presented. For FY 18, there were no findings, and an unmodified opinion was issued. Ms. Lewis stated that an unmodified opinion is the best financial statement opinion that could be obtained.

Ms. Lewis introduced ETSU's new compliance counsel, Ashley Leonard, who started April 8. A compliance officer and two investigators have been hired to join Ms. Leonard in the Office of University Compliance. In addition to conducting investigations, the office will provide education and training to the campus.

IX. Other Business

No other business items were discussed. The meeting adjourned and committee members moved into Executive Session.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its September 20, 2019 meeting.