

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

April 27, 2018
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Audit Committee met at 9 a.m. on Friday, April 27, 2018, in the third floor meeting room of the D.P. Culp University Center.

I. Call to Order

Mr. David Golden, chair of the Audit Committee and vice chair of the Board of Trustees, called the meeting to order at 9:03 a.m.

II. Roll Call

Nathan Dugger, in place of Board of Trustees Secretary Dr. David Linville, led the roll call. Trustees in attendance were:

Dorothy Grisham
Ron Ramsey
David Golden

Guests at the meeting were Nathan Dugger; Becky Lewis, chief internal auditor; Martha Stirling, internal auditor; Dr. Brian Noland, ETSU president; Kristen Swing, director of communications; and Joe Smith, executive assistant to the president for University Relations (taking minutes).

III. Approval of Minutes of the Audit Committee from February 23, 2018

The minutes of the February 23, 2018 meeting of the Audit Committee were presented and approved.

IV. Annual Review of Audit Committee Charter

Ms. Lewis presented a copy of the Audit Committee Charter which the board and the Comptroller of the Treasury approved in September 2017. No corrections or additions were identified by Ms. Lewis or by Trustee Golden.

V. Amended Internal Audit Charter

Ms. Lewis said the charter for the Office of Internal Audit was approved by the Audit Committee in May 2017. Since then, one revision has been identified. In January 2017, the Institute of Internal Auditors added "Core Principles for the Professional Practice of Internal Auditing" to the list of items the office is required to follow.

VI. Amended Internal Audit Policy

Ms. Lewis reported that the Internal Audit Policy needs one revision to update the mandatory guidance of the Institute of Internal Auditors as discussed in item five of the agenda. The change involves the “Core Principles for the Professional Practice of Internal Auditing.”

VII. Review of Existing Policies

Ms. Lewis referenced two policies – the ETSU Preventing and Reporting FWA Policy and the TBR Conflict of Interest Policy – that were provided in the committee materials. The audit committee is required to review these annually. The ETSU Office of Internal Audit did not identify any changes to the FWA policy. ETSU is currently under the TBR’s Conflict of Interest Policy. A committee has been working to develop a University Conflict of Interest Policy that will replace the TBR one. Ms. Lewis added that the audit committee is also required to review the University’s Code of Conduct. Prior to the FOCUS Act, neither ETSU nor TBR had one. She has had discussions with Human Resources staff and various administrators about the need for ETSU to have a Code of Conduct.

Trustee Golden made a motion to amend the Audit Policy and Audit Charter. The motion was seconded by Ron Ramsey. Motion passed.

VIII. Revisions to the FY 2017-2018 Audit Plan

Three new audits have been conducted since the previous Audit Committee meeting. These include two FWA investigations as well as a review of men’s soccer expenditures given that the head men’s soccer coach is no longer at ETSU.

Ms. Lewis requested that the two investigations be added to the Audit Plan as well as the review of Men’s Soccer Team Expenditures. Based on a prior audit, it was requested that ETSU Internal Audit perform an audit of all head coaches upon their retirement or resignation.

Ron Ramsey made a motion to approve the audit plan revisions, and Trustee Golden seconded the motion. Motion passed.

IX. Audits and Investigations Performed

Ms. Lewis discussed two audits and two investigations that have been completed since the last audit committee meeting.

Executive Level Expenditures: At the request of President Noland, an executive level expenditure audit will be performed annually on a member of his executive staff. For this particular audit, the expenditures of Dr. B.J. King, chief financial officer, were reviewed. She was randomly selected and will not be included in the list

of possible audits next year. There were no findings or observations as a result of this audit.

Office of Equity and Diversity: This audit was also requested by Dr. Noland due to the retirement of the Special Assistant to the President who worked in this area. The purpose of the audit was to identify ways to improve efficiency and effectiveness of this department. Equity and Diversity is charged with assisting students who are members of underrepresented groups. ETSU Internal Audit staff felt that the work they performed was in the best interest of the students, but the audit did find areas in which policies and controls were insufficient. Corrective actions are being implemented that should improve the transparency, procedures, and efficiencies of the department.

Center for Physical Activity: An investigation took place after \$91 in cash collected during an employee's shift was missing. The cash was left unsecured by the employee, and no employee dishonesty was discovered. Steps to improve controls were discussed and should be implemented.

Language and Culture Resource Center: This investigation found that deposits were not made intact and were being used to pay for expenditures directly. It was also discovered that sales tax was not being paid on the food vendor fees. In addition, it was noted that records for revenues and expenditures from a festival were not always maintained.

X. **Recommendation Log**

The current recommendation log shows the status of audit recommendations from previous audits. All actions taken by management appear to be progressing in a timely fashion or are not yet due. Updates have been provided regarding the PCI questionnaire that was discussed at the November 2017 audit committee meeting, and the project is progressing toward an August completion date. One other follow-up has been completed since the last minute in which appropriate actions have been implemented.

XI. **Quality Assurance and Improvement Plan**

As part of the Quality Assurance and Improvement Program, ETSU has chosen to do the self-assessment with external validation. Betsy Bowers, an internal auditor at the University of West Florida, will lead the external assessment team for the ETSU Internal Audit review. Ms. Bowers worked at ETSU from 1982-1990 and has been at UWF since 1993, and Ms. Lewis and her staff have only dealt with Ms. Bowers through her work at UWF. The team will also include Susanne Walker from Pellissippi State Community College and Robert Berry from the University of South Alabama.

Ms. Lewis said the self-assessment is underway and should be completed soon. She anticipates the site review team being on campus at the end of July or the beginning of August. More than likely they will request to speak with Trustee Golden and possibly the other committee members.

The self-assessment is required to be completed by ETSU every 2.5 years with the external validation and review every 5 years.

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

A copy of the final audit report of ETSU's financial statements has been provided to the committee members. The audit opinion was unmodified; however there were two findings. One was related to incorrect accumulated depreciation being reported. Management has indicated this was due to the Banner system miscalculating depreciation. Financial Services will calculate depreciation expense each year and reconcile the amount to the complete equipment listing.

The second finding was related to the return of Title IX funds from federal financial aid. The issue involved students who officially or unofficially withdrew and the federal regulations related to school breaks. The Office of Financial Aid will review all students who officially or unofficially withdraw to ensure compliance with federal regulations. The Office of Internal Audit will follow-up on these findings before the next Audit Committee meeting.

XIII. Other Business

Work will begin in June 2018 on the 2018-19 Audit Plan. The committee agreed that Ms. Lewis would submit the audit plan to Trustee Golden by June 15. Based on his review, Trustee Golden will review the plan and tentatively approve the audit plan. It will be formally approved at the September 2018 audit committee meeting. All committee members were in agreement with this decision. Any suggested audits need to be sent to ETSU Internal Audit by June 1.

Ms. Lewis also reported that the mission of Internal Audit was recently updated. A copy of the mission is available in the committee materials and on the office's web page.

Trustee Golden asked if there were any other business items to discuss. Given that none were announced, the public portion of the committee meeting adjourned and committee members moved into executive session.

Respectfully submitted,



David Linville
Secretary of the Board of Trustees

Approved by the Board of Trustees at its September 21, 2018 meeting.