

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE
FEBRUARY 2022 MEETING

11:30 a.m. – 12:30 p.m. EST
Friday
February 18, 2022

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

COMMITTEE MEMBERS

Melissa Steagall-Jones, Committee Chair
Dorothy Grisham
Dr. Linda Latimer
Ron Ramsey

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AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of Minutes from November 19, 2021](#) (2 minutes)
- IV. [Action Item: Revisions to the Audit Plan – Lewis](#) (2 minutes)
- V. [Audit Work Performed November 2021 through January 2022 – Lewis](#) (10 minutes)
 - A. [Women’s Basketball](#)
 - B. [WETS-FM Radio](#)
 - C. [Memorandum on Investigations](#)
 - D. [Completed Audit Heat Map](#)
- VI. [Recommendation Log Status as of January 31, 2022 – Lewis](#) (2 minutes)
- VII. [Campus Safety and Emergency Overview/Annual Security & Fire Safety Report – Ross](#) (15 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: February 18, 2022

ITEM: Approval of the Minutes of November 19, 2021

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The minutes of the November 19, 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 November 19, 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

November 19, 2021
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, November 19, 2021, at 9:15 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 9:17 a.m.

II. Roll Call

Board Secretary Dr. Adam Green led the roll call and confirmed to the Committee that a quorum was present.

Committee members present were:

Trustee Dorothy Grisham
Board Chair Dr. Linda Latimer
Trustee Ron Ramsey
Committee Chair Steagall-Jones

Trustees Virginia Foley, Charles Allen, and Steve DeCarlo also participated in the meeting.

III. Approval of the Audit Committee Minutes from September 17, 2021

The minutes from September 17, 2021, were approved as submitted, with Trustee Ron Ramsey making the motion and Trustee Virginia Foley seconding the motion. The motion passed unanimously.

IV. Review of Audit Committee Responsibilities

Ms. Rebecca Lewis provided an annual overview of the Audit Committee responsibilities, which are based on State Law, Requirements of State Audit, the Audit Committee Charter, and/or the Internal Audit Policy. These requirements are used to determine the agenda of each audit committee, including such things as audit plans and reports, fraud, waste and abuse responsibilities, and the department's Quality Assurance and Improvement Program.

V. Policy Review

The Audit Committee is charged with reviewing the institution's policies on Employee Code of Conduct and Conflicts of Interest and Commitment annually.

A review of the ETSU Employee Code of Conduct was presented by Dr. Mark Fulks, University Counsel. The purpose of this policy specifies expectations of Employees to conduct themselves in a responsible and ethical manner during their employment with ETSU.

Dr. Fulks also reviewed the Conflicts of Interest and Commitment policy. This policy specifies how a Covered Employee should disclose Conflicts of Interest or Conflicts of Commitment and how a conflict is evaluated.

VI. Audit Work Completed September to November 2021

Ms. Lewis reported that Internal Audit had completed three audits and two investigations since August.

Internal Audit completed a follow-up of the most recent financial statement audit issued by State Audit. The original finding indicated that controls were inadequate in three areas. The details of the findings were issued as a Limited Official Use Report and considered confidential under state law. Internal Audit also released their follow-up as a Limited Official Use Report. It was concluded that based on the examination, it appears management has taken appropriate steps to implement proper controls and procedures in these three areas.

An audit of Softball Expenditures was completed upon the resignation of the Head Coach. No notable concerns were discovered during this review.

An annual audit of the President's Expenses for FY 2021 was completed. State Law requires this audit. No concerns were identified during the audit.

An investigation into the Health Sciences petty cash fund was conducted. This fund, held by a faculty member in Health Sciences, was believed to be missing when they failed to respond to the Bursar's Office inquiries. The cash was later returned by the department. The audit also addressed concerns regarding temporary employees who also volunteered for the same supervisor after the grant ended.

A College of Nursing investigation involved discrepancies and inconsistencies in overload pay for faculty and assistant deans. Management has begun implementing corrective actions to help ensure transparency and consistency related to overload pay within the college.

President Noland informed the Audit Committee that it is customary for both the Softball Expenditures Audit and the College of Nursing Investigation to be performed due to management changes.

VII. Recommendation Log Status

A recommendation log included in the Board of Trustees materials contained a listing of issues found in prior audit reports. The Internal Audit office performed follow-up audits to ensure corrective actions have been taken. Those follow-up reviews completed in September and October are shown in blue on the recommendation log. Ms. Lewis explained that corrective actions for those reviews have been implemented.

VIII. 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

ACTION ITEM

DATE: February 18, 2022

ITEM: Revisions to the FY 2021-2022 Audit Plan

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

Ms. Lewis will provide a listing of additions and deletions to the fiscal year 2021-2022 Audit Plan since the last meeting.

Additions

- Men's Soccer – At the request of administration, the Office of Internal Audit will conduct an audit of Men's Soccer. This is a common practice when a head athletic coach departs.
- Football – At the request of administration, the Office of Internal Audit will conduct an audit of Football. This is a common practice when a head athletic coach departs.
- FWA 22-04 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

Deletions

- None

MOTION: I move that the Audit Committee recommend adoption of the following resolution by the Board of Trustees:

RESOLVED: The revisions to the Audit Plan for 2021-2022 are approved as presented in the meeting materials.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 18, 2022

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 November 1, 2021 to January 31, 2022.

Audits

- **Women’s Basketball** – An audit of Women’s Basketball Expenditures 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 athletic coaches at the end of their employment. In March 2021, the head coach for the women’s basketball team resigned.
- **WETS-FM Radio** – A financial statement audit for WETS-FM radio was performed to determine the fair presentation of the financial statements for FY 2021 as required by the Corporation for Public Broadcast (CPB).

Investigations

- **Department of Health Services Administration Cash and iPad Loss (21-05)** – A review was conducted by Internal Audit staff related to a theft that occurred at an employee’s personal residence in Mobile, Alabama. The individual was an employee within the Department of Health Services Management. The objectives were to obtain information regarding the theft, assess the possibility of employee misfeasance, evaluate the adequacy of internal controls over safeguarding university assets, and make recommendations to improve deficiencies. The investigation of the theft was conducted by the Mobile Police Department.

**East Tennessee State University
Women's Basketball Expenditures
July 1, 2020 – May 8, 2021**

Key Staff Person: Former Women's Basketball Coach	Internal Audit: Internal Auditor
<p>Introduction An audit of <i>Women's Basketball 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 March 2021, the Head Coach (Coach) for the women's basketball 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. 	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Current Audit Results</p> <p>During the audit, the Coach had direct control over one institutional index within the Banner Finance System entitled "Women's Basketball". Operational and travel expenditures paid from this index were reviewed and tested for compliance with university policies and procedures. The items selected for testwork included all direct payments to the Coach, as well as a sample of other indirect expenditures. These included not only travel and miscellaneous operating expenses but also purchasing card (procard) transactions.</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 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
WETS-FM Radio
For the Period July 1, 2020 to June 30, 2021
Executive Summary

Department: WETS-FM Radio Station	Auditor: Internal Audit Staff	
Background A financial statement audit for WETS-FM radio was performed to determine the fair presentation of the financial statements for FY 2021 as required by the Corporation for Public Broadcast (CPB).		
Objectives <ol style="list-style-type: none"> 1. To determine the accuracy of the existing system of internal control. 2. To determine the fairness of financial presentation. 3. To determine accuracy and completeness of financial records, and compliance to University policies and procedures. 4. To determine if the Station complies with CPB regulations and to certify the CPB Annual Financial Report. 5. To produce audited reports for CPB reporting purposes. 		
Total Questioned Costs or Losses: None	Total Recoveries: Not Applicable	
Findings - None		
Audit Conclusion The audit report for WETS-FM radio was issued with an unmodified opinion. The financial statements appeared to fairly present, in all material respects, the financial position of the radio station as of June 30, 2021. A summary WETS-FM Radio's revenues, expenditures, and changes in net position for the year ended June 30, 2021 and June 30, 2020, are as follows:		
	<u>2021</u>	<u>2020</u>
Operating revenues:		
Community service grants	\$ 110,816	\$ 89,088
Total operating revenues	110,816	89,088
Operating expenses	786,796	868,367
Operating loss	(675,980)	(779,279)
Nonoperating revenues and expenses:		
State Appropriations	395,336	425,271
Contributions	295,046	428,819
Underwriting	75,874	74,694
Indirect administrative support	32,201	39,691
Other revenues and expenses	1,547	3,048
Total nonoperating revenues and expenses	800,004	971,523
Increase (decrease) in net position	124,024	192,244
Net position beginning of year	715,789	523,545
Net position at end of year	\$ 839,813	\$ 715,789
The audit objectives were met.		



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 – November 1, 2021 to January 31, 2022

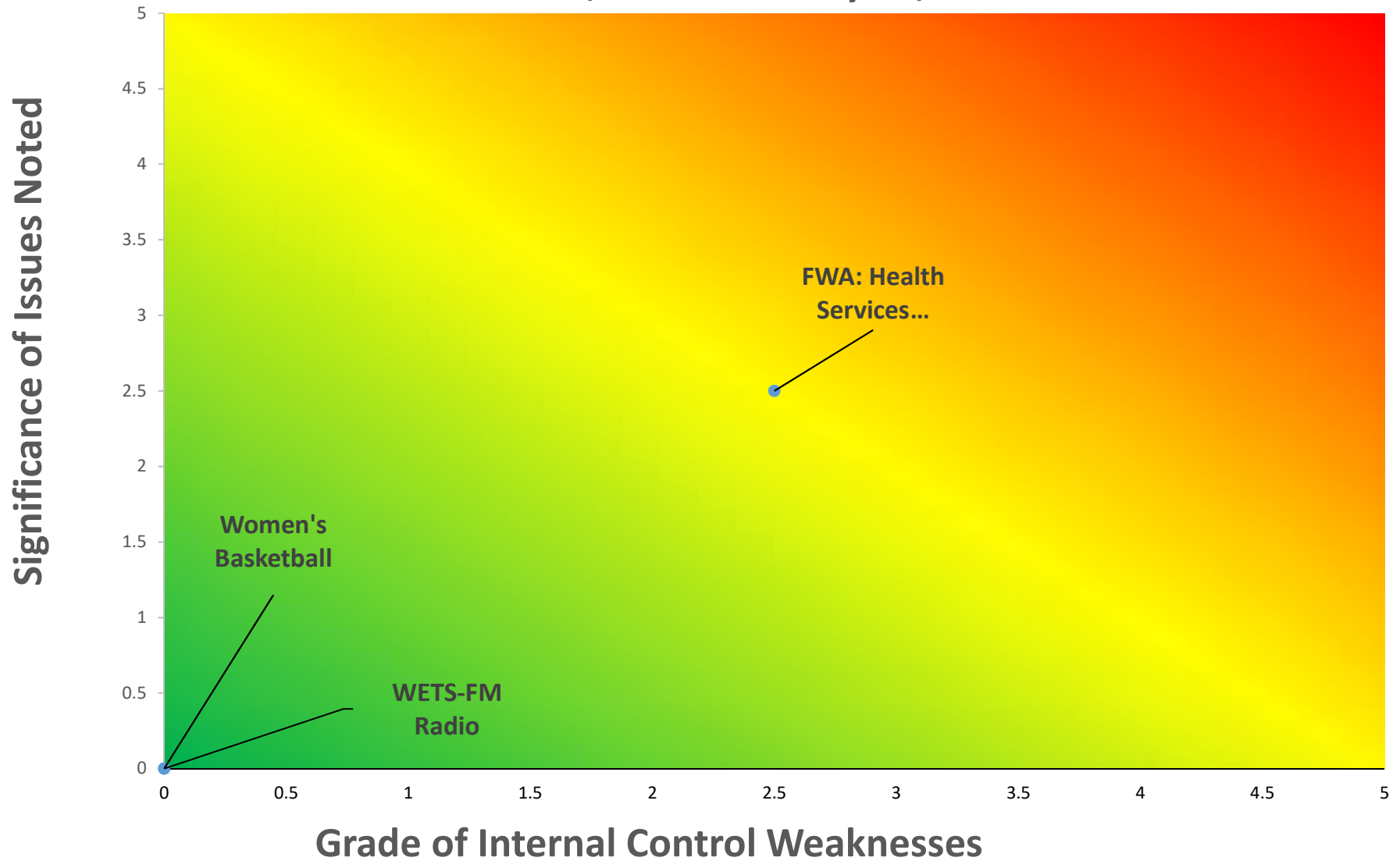
DATE: February 18, 2022

Below is a summary of the investigations completed between November 1, 2021 and January 31, 2022.

Department of Health Services Administration Cash and iPad Loss (FWA 21-05): Internal Audit was notified on June 7, 2021 that an employee's apartment located in Mobile, Alabama was broken into. This employee was working on the Health Services Management's Choose Well Evaluation Project, which was taking place in several adjacent states. The employee had between \$80 and \$100 of an ETSU petty cash fund, which was stolen during the robbery. On June 14, 2021, Internal Audit was notified that three ETSU-owned iPads were also stolen during the break-in. According to the asset report from Procurement and Contract Services, the value of the iPads totaled \$2,370. No recoveries have been made at this time. Based on conversations with the department, it appears that Personal Private Information (PPI) was not stored on the iPads and would not be accessible to the individual(s) who stole the devices. Additional controls should be considered to increase the security of university-owned assets and cash.

Heat Map of Completed Audits

from November 1, 2021 - January 31, 2022



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 18, 2022
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 January 31, 2022 is provided for the committee's review.

East Tennessee State University		
Internal Audit Recommendation Log as of January 31, 2022		
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.	Blue
	Internal Controls related to diversity scholarships needs improvement.	Blue
Johnson City Community Health Centers (JCCHC) - Financial Procedures	Cash receipting procedures need improvement.	Green
Internal Medicine	Current policies and procedures over grants need to be reviewed and strengthened within various academic departments, the Office of Research and Sponsored Programs, and Grant Accounting.	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
Dependent/Spouse Tuition Discount	Procedures related to dependent/spouse tuition discounts needs improvement.	Green
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

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 18, 2022

ITEM: Campus Safety and Emergency Overview/Annual Security
& Fire Safety Report

COMMITTEE: Audit Committee

PRESENTED BY: Jeremy Ross
Chief Operating Officer

Jeremy Ross will provide a brief overview of staffing and outcomes relative to safety and emergency preparedness at ETSU. Additionally, a brief overview of East Tennessee State University's 2021 Annual Security & Fire Safety Report—a report published in accordance with the Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act—will be presented. The public report includes specific security practices and resources that are available for the campus community to utilize in order to reduce the risk of becoming the victim of a crime.

The full report may be found on ETSU's website at:
www.etsu.edu/dps/documents/final-2020-2021-report.pdf