EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE
SEPTEMBER 2026 MEETING

10:20 a.m. EDT
Friday
September 11, 2026

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

COMMITTEE MEMBERS

—

AGENDA

I. Call to Order

II. Roll Call

III. Approval of the Committee Minutes from May 21, 2026

IV. Action Item: Audit Plan for FY27 – *Lewis* (2 minutes)

V. Action Item: Internal Audit Employee Profiles – *Lewis* (2 minutes)

VI. Audits and Investigations Performed May through August 2026 – *Lewis* (5 minutes)

   A. Institutional Animal Care Audit
   B. Executive Level Audit for the Office of Planning and Decision Support
   C. NCAA Compliance Audit
   D. Memo on Investigations
   E. Memo on Advisory Services

VII. Recommendation Log Status as of August 31, 2026 – *Lewis* (2 minutes)

VIII. Report on Internal Audit Operating Expenses – *Lewis* (2 minutes)

IX. Other Business

X. Executive Session to Discuss Active Audits, Enterprise Risk Management, and Review University Risks and Related Internal Controls

XI. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE:	September 11, 2026
ITEM:	Approval of the Minutes from May 21, 2026
COMMITTEE:	Audit
RECOMMENDED ACTION:	Approve
PRESENTED BY:	Rebecca A. Lewis, CPA Chief Audit Executive

The minutes of the May 21, 2026, 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 May 21, 2026, 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

May 21, 2026
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Thursday, May 21, 2026, at 11:18 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Ron Ramsey called the meeting to order at 11:18 a.m.

II. Roll Call

Board Secretary Dr. Adam Green conducted the roll call. The following committee members were physically present:

Committee Chair Ron Ramsey
Trustee Wade Farmer
Trustee Dorothy Grisham
Trustee Melissa Steagall-Jones

Other Trustees present were Charles Allen, Janet Ayers, Dr. Steph Frye-Clark, Jon Lundberg, Grant Summers, Tony Treadway, and Aashi Vora.

III. Approval of the Committee Minutes from February 20, 2026

The minutes from the February 20, 2026, meeting of the Audit Committee were approved as submitted with Trustee Wade Farmer making the motion and Trustee Dorothy Grisham seconding the motion. The motion passed unanimously.

IV. Action Item: Revisions to FY26 Audit Plan

Ms. Becky Lewis, Chief Audit Executive, requested four additions to the Audit Plan. She said her office has received notice of three possible fraud, waste, or abuse concerns. Those will be investigated by Internal Audit and/or assigned to the appropriate authority. In addition, an engagement was requested by the new ETSU GEAR UP program for recommendations related to financial oversight, expenditure responsibilities, and coordination between the university and six local school districts participating in the GEAR UP grant.

Trustee Dorothy Grisham made a motion that the revisions to the plan be adopted, and Trustee Melissa Steagall-Jones seconded the motion. It passed unanimously.

V. Annual Review of Charters

Ms. Lewis indicated that there are three university charters that the Audit Committee must review: the Audit Committee Charter, the Internal Audit Charter, and the Compliance Charter. She said that Internal Audit has reviewed the first two with no changes recommended in either. The Compliance Office and the Office of Legal Counsel reviewed the Compliance Charter, and no changes were recommended.

VI. Annual Review of Policies

Ms. Lewis reported that her office has reviewed the Internal Audit Policy and the Preventing and Reporting Fraud, Waste, or Abuse Policy. No changes are recommended. The Conflict of Interest Policy and the Employee Code of Conduct Policy were reviewed by the Office of Human Resources and the Office of Legal Counsel. No changes were recommended.

VII. Audits and Investigations Performed February Through April 2026

Ms. Lewis told the committee that one audit was completed during this period by her office, dealing with employee fee waivers and tuition reimbursements. There were two observations. First, related to employee fee waivers, it was determined that updates need to be made to the university's personnel policy, reflecting the university's transition from the Tennessee Board of Regents to its status as a Locally-Governed Institution. And with the recent addition of winter session courses and seven-week courses, definitions should be updated. Related to employee tuition reimbursements, definitions need to be updated, ambiguity should be eliminated, and inaccurate or outdated processes or provisions should be revised.

VIII. Recommendation Log Status as of April 30, 2026

Ms. Lewis outlined the status of prior audit recommendations, indicating that her office is continuing to perform follow-up reviews. Because of the implementation of the Voyager system, she said, review of ProCard processes and procedures had to be halted but will resume this summer.

IX. Other Business

There was no other business to come before the committee.

X. Executive Session to Discuss Active Audits, Enterprise Risk Management, and Review University Risks and Related Internal Controls

The committee adjourned at 11:29 a.m. to go into executive session.

XI. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE:	September 11, 2026
ITEM:	Audit Plan for FY27
COMMITTEE:	Audit
RECOMMENDED ACTION:	Approve
PRESENTED BY:	Rebecca A. Lewis, CPA Chief Audit Executive

The annual audit plan is developed through a risk assessment process. Risk factors include previous audit results, internal control systems, policy or personnel changes, size, sensitivity, and external audit coverage. Special requests by Board of Trustees and university management are also considered when scheduling audits. The audit plan is developed at the beginning of each fiscal year and is subject to revision throughout the year. The approved plan is also submitted to the Comptroller of the Treasury, Division of State Audit.

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

> **RESOLVED: The Audit Plan for 2026-27 is approved as presented in the meeting materials.**

East Tennessee State University Internal Audit Plan Fiscal Year Ended June 30, 2027
Required Audits
Year End Processes
President's Expense FY 2026
Risk Assessments
President's Expense FY 2027
Follow Up Reviews
Follow-Up: Grade Changes
Follow-Up: Continuing Education for Health Professionals
Follow-Up: College of Pharmacy
Follow-Up: Clery Act
Follow-Up: International Enrollment and Services
Follow-Up: Employee Fee Waivers and Tuition Reimbursements
Follow-Up: Institutional Animal Care
Follow-Up: ETSU-Con
Follow-Up: NCAA Compliance - Official Visits
Unscheduled Follow-Ups
Investigations
Investigation 26-06
Investigation 26-07
Investigation 26-08
Investigation 26-09
Investigation 26-10
Investigation 27-01
Unscheduled Investigations
Consultations
General Consultation
Procard Consultation
Projects
Board of Trustees (Prep for Meetings, Meetings, etc.)
IIA Gap Analysis with new standards
QAIP Self Assessment
Advisory Services
Continuing Education for Health Professionals
GEAR UP Grant
Professional Development
Advisory: Controlled Substance Management
Advisory: Athletics
Advisory: Scholarships
Special Requests
Study Abroad
Procards (including follow-up)
Executive Level Audit FY 2027

Dean's Office - College of Public Health (due to retirement of dean)
Dean's Office - University Libraries (due to retirement of dean)
Risk Based Audits
Compensation in Voyager
Mental Health
Student Accounts
Dental Clinic
NCAA Compliance - Sports Camps and Clinics
Research - Indirect Expense Allocation
Voyager - Deferred Revenues and Budgets
Grade Requirements

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE:	September 11, 2026
ITEM:	Internal Audit Employee Profiles
COMMITTEE:	Audit
RECOMMENDED ACTION:	Approve
PRESENTED BY:	Rebecca A. Lewis, CPA Chief Audit Executive

The Board of Trustees must annually approve the salaries of those individuals working in the Department of Internal Audit. A table of salaries is provided in the meeting materials. This also provides information regarding the professional certifications and years of service.

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

> **RESOLVED: The salaries of the Internal Audit staff are approved as presented in the meeting materials.**

ETSU Internal Audit Employee Profile - FY 2027

Name	Position	Professional Certification	Current Annual Salary	Years of Professional Experience	Years of Experience at ETSU
Becky Lewis	Chief Audit Executive	CPA	$ 106,276	32	28
Martha Winegar	Associate Director	CPA, CFE	$ 89,321	21	14
Bryan Brockwell	Internal Auditor	CFE	$ 62,128	7	7
Jonathan Cox	Internal Auditor	-	$ 61,397	2	1

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE:	September 11, 2026
ITEM:	Audits and Investigations Performed May through August 2026
COMMITTEE:	Audit
PRESENTED BY:	Rebecca A. Lewis, CPA Chief Audit Executive

Staff will provide an overview of the audits, advisory services, and internal investigations completed during the period May 1 to August 31, 2026.

Audits

Institutional Animal Care Audit – An audit of the Institutional Animal Care and Use Program was conducted in accordance with the annual audit plan. Areas under review included controlled substance management, physical hazards, painful procedures without relief, euthanasia protocols deviation, security of research animals and data, and the process for reporting noncompliance.

Executive Level Audit – An audit of the Vice Provost for Decision Support was conducted in accordance with the annual audit plan. Expenditures reviewed included those under the control of the Chief Planning Officer.

NCAA Compliance Audit – An audit of NCAA Compliance was conducted in accordance with the annual audit plan. Areas under review included medical evaluation, official visits, recruiting violations, reimbursements to coaches, contacts and evaluations, and unofficial visits.

Investigations

ETSU-Con - An investigative review regarding fund handling and reconciliation practices for ETSU-Con was completed by the Department of Internal Audit. The investigation was conducted due to concerns related to the handling of revenues and delayed deposits. It was reported that revenue received during the March 2025 event was not deposited until February 2026.

Payroll Check Fraud – An investigation regarding a payroll incident was conducted after Internal Audit was notified of a fraud involving the April 2026 payroll. It was reported on May 21, 2026, that the direct deposit of one employee had been fraudulently diverted to an unauthorized bank account.

Advisory Service

ETSU GEAR UP – An advisory engagement was requested by the Director of the recently established ETSU GEAR UP program. Advisory services provided included an assessment of the current framework, guidance regarding the reimbursement process and documentation standards, advisement related to grant compliance, and recommendations of proper internal controls and best practices.

Professional Development – An advisory service was requested by the Chief Planning Officer due to changes in personnel within the Office of Professional Development. During the engagement, Internal Audit conducted an assessment of the current processes, governance structure, and internal control environment. The purpose of the review was to identify opportunities for improvement and enhanced transparency and accountability.

East Tennessee State University
Institutional Animal Care
August 1 - October 31, 2025

Introduction

An audit of the Institutional Animal Care and Use Program was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. Based on a risk assessment conducted by DLAR and Internal Audit, selective testwork was performed in the following areas: physical hazards, controlled substance management, painful procedures without relief, euthanasia protocols deviation, security of research animals and data, and the process for reporting noncompliance.

Objectives

- To assess the adequacy of safety protocols and training for personnel handling animals.
- To determine whether incidents are tracked, reported, and mitigated effectively.
- To evaluate compliance with DEA requirements for controlled substances.
- To verify that researchers possess appropriate licenses & follow secure storage protocols.
- To determine whether pain relief protocols are followed in all applicable studies.
- To assess oversight mechanisms for Type E procedures.
- To assess adherence to approved euthanasia protocols.
- To identify any deviations and evaluate corrective action plans.
- To evaluate physical and digital security measures for animal research.
- To assess inventory tracking systems and access controls.
- To assess the effectiveness of the noncompliance reporting process.
- To determine whether issues are investigated and resolved appropriately.

Current Audit Results

The audit identified one significant finding and one opportunity for improvement, along with several positive practices that demonstrate overall program strengths.

The primary finding relates to noncompliance with controlled substance management requirements within the research program. While multiple laboratories were reviewed, deficiencies were concentrated within one lab and included gaps in required training, lack of documented authorization for individuals handling controlled substances, and incomplete or inaccurate inventory records. Additional issues were noted with physical storage practices and reconciliation of drug quantities.

These conditions increase the risk of regulatory noncompliance with Drug Enforcement Administration requirements and expose the University to potential legal, financial, and reputational consequences, including the risk of diversion or misuse of controlled substances.

Management has acknowledged the finding and indicated that research leadership will collaborate with appropriate campus units to establish clear responsibility for oversight and strengthen compliance controls.

An opportunity for improvement was also identified related to euthanasia documentation practices. Specifically, logs did not always include the individual performing the procedure or the confirmation of death. Enhancing documentation in this area would improve consistency, accountability, and audit trail completeness. Management acknowledged the observation but does not plan to implement changes at this time.

In addition to these items, the audit noted multiple positive practices across the program, including strong safety and occupational health protocols, effective oversight of pain management and animal procedures, compliant euthanasia practices, robust physical and data security controls, and clear noncompliance reporting mechanisms. These strengths reflect a well-established framework supporting animal welfare, regulatory compliance, and research integrity.

East Tennessee State University
Executive Level Expenditures
Office of Planning and Decision Support
For the Period July 1, 2025 to April 30, 2026
Executive Summary

Introduction

An audit of East Tennessee State University's Vice Provost for Decision Support and Chief Planning Officer (CPO) was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. At the request of administration, the Office of Internal Audit conducts an audit of a randomly selected executive level administrator annually. The expenditures reviewed were those under the direct control of the Chief Planning Officer.

Objectives

1. To evaluate the adequacy of the internal controls.
2. To determine compliance with university policies/procedures and applicable federal regulations.
3. To make recommendations for correcting deficiencies or improving operations.

Total Questioned Costs/Losses: None
Total Recoveries: N/A

Conclusions

Operational and travel expenditures paid from the accounts under the direct control of the Vice Provost for Decision Support and Chief Planning Officer were reviewed and tested for compliance with university policies and procedures. There were two institutional accounts, which were reviewed. The items tested included a sample of travel, miscellaneous expenditures, and procard transactions. There were no payments made to the CPO for operating and travel expenses during the audit period. A total of 28 transactions were tested, which amounted to $100,492.94 in expenditures.

There were no findings as a result of this audit.

Based on the testwork performed, expenditures complied with applicable policies and procedures. The objectives of the audit were met.

East Tennessee State University
NCAA Audit
Calendar Year 2024

Introduction

An audit of NCAA Compliance was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. Based on a risk assessment conducted by Athletics and Internal Audit, selective testwork was performed in the following areas: medical evaluations, official visits, recruiting violations, reimbursements to coaches, contacts and evaluations, and unofficial visits.

Objectives

- To determine whether medical evaluations of prospective, incoming, and returning student-athletes are completed, reviewed, and documented in accordance with NCAA and institutional requirements.
- To determine whether official visits are conducted in compliance with NCAA regulations related to timing, duration, permissible benefits, expense limits, and participant eligibility.
- To determine whether recruiting activities are conducted in compliance with NCAA rules regarding timing, permissible contacts, benefits, and inducements.
- To determine whether reimbursements to coaches related to recruiting and prospect activities are allowable, accurate, and appropriately approved under NCAA and institutional policies.
- To determine whether contacts and evaluations of prospective and transfer student-athletes comply with NCAA rules governing timing, authorization, documentation, and involvement of third parties.
- To determine whether unofficial visits comply with NCAA regulations regarding timing, permissible expenses, and benefits, and that such visits are appropriately distinguished from official visits.

Current Audit Results

Finding 1: Internal Audit identified significant weaknesses in the documentation, oversight, and approval processes for official recruiting visits and related transportation expenses within the Football program. Testing of official visits revealed instances of substantial transportation costs, incomplete supporting documentation, and insufficient records to demonstrate that expenditures were reasonable, properly approved, and compliant with NCAA requirements.

Auditors noted that travel arrangements and associated costs for several prospective student-athletes (PSAs) could not be easily reconstructed due to the absence of records within the centralized tracking system. In certain cases, transportation expenses were unusually high and lacked documented justification or cost comparisons. The expenditures were made by an employee who had not received required Procard training since he was not the assigned cardholder.

Finding 2: Internal Audit identified a control weakness in the administration of football student-host funds. Contrary to established institutional procedures, student-host funds were distributed by the Head Football Coach using personal cash and later reimbursed by the university. Review of three reimbursement requests submitted during 2024 totaling $1,170, found that one reimbursement totaling $450 while supporting Student-Athlete Host Forms documented only $400 in student-host payments. This resulted in a $50 over-reimbursement. Additionally, the Student-Athlete Host Forms do not reflect current operating practices.

The use of personal cash advances bypassed established university controls designed to ensure recruiting funds are properly authorized, documented, and distributed directly to student hosts.

<u>Opportunity for Improvement</u>: NCAA Bylaw 13 permits institutions to provide meals and entertainment during an official visit for the prospective student-athlete (PSA) and up to four family members. Family members include a spouse, parent or legal guardian, child, sibling, grandparent, domestic partner, or any individual whose close association with the PSA is the practical equivalent of a family relationship.

Intercollegiate Athletics should require documentation (e.g., PSA attestation, compliance form, or supporting explanation) to substantiate that the relationship meets NCAA criteria.

Intercollegiate Athletics concurred with the findings and opportunity for improvement. Steps are being taken to help ensure compliance in these areas.

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

SUBJECT: FWA Investigations – May 1, 2026 to August 31, 2026

DATE: September 11, 2026

Below is a summary of the FWA investigations completed between May 1 to August 31, 2026.

ETSU-Con Undeposited Funds:

An investigation related to ETSU-Con, an annual student-run campus event, was conducted due to concerns related to the handling of revenues and delayed deposits. It was reported that revenue received during the March 2025 event was not deposited until February 2026.

The investigation revealed that internal controls were insufficient to ensure event-related revenues were complete and accurate. Missing controls include receipting and badge tracking, clear assignment of cash custody, timely deposits, and post-event reconciliation. As a result, Internal Audit was unable to independently verify the completeness of event revenues.

Student Activities and Organizations has carefully evaluated the findings and has developed a comprehensive corrective action plan that establishes clear accountability, enhanced reconciliation processes, improved financial oversight, and formal cash handling procedures when cash transactions are permitted. Together, these measures provide a stronger control environment, improve transparency and accountability, and reduce institutional risk associated with future revenue-generating events.

Payroll Check Fraud:

The Office of Internal Audit was notified on May 21, 2026 that the direct deposit of an employee was sent to a fraudster's bank account. The investigation confirmed that a total of $10,995.80 had been diverted. Following this incident, the Offices of Financial Services and Information Technology Services began implementing control enhancements to strengthen current processes to help prevent this from occurring in the future. No evidence was identified to suggest that a university employee was involved in the payroll fraud scheme.

Department of Internal Audit
Box 70566
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MEMORANDUM

TO: ETSU Board of Trustees' Audit Committee

FROM: Becky Lewis, Chief Audit Executive

SUBJECT: Advisory Services – May 1, 2026 to August 31, 2026

DATE: September 11, 2026

Below is a summary of the advisory services completed between May 1 to August 31, 2026.

ETSU GEAR UP: As a newly awarded grant recipient, ETSU has a strong opportunity to establish a consistent and compliant program while expanding educational opportunities for students within the public-school systems of Northeast Tennessee. Implementation of recommendations provided by Internal Audit will promote compliance with federal and state requirements, reduce risk of disallowed costs, ensure consistency across school districts, and support effective program delivery over the life of the grant.

Office of Professional Development: The advisory review for the Office of Professional Development identified several opportunities to strengthen the consistency, transparency, and effectiveness of program administration within the department. Key areas for improvement include the development and consistent use of a standardized budget tool, enhanced tracking of program-level revenue and expenses, implementation of structured documentation practices, and the establishment of clear guidance for refunds and employee audit requirements.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE:	September 11, 2026
ITEM:	Recommendation Log Status as of August 31, 2026
COMMITTEE:	Audit
PRESENTED BY:	Rebecca A. Lewis, CPA Chief Audit Executive

Audit reports often contain recommendations to improve internal controls or procedures. In addition, advisory service reports contain recommendations to improve operations. 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 and advisory service recommendations and is communicated to the Board of Trustees' Audit Committee each meeting.

East Tennessee State University		
Internal Audit Recommendation Log as of August 31, 2026		
Area	**Recommendation**	**Status**
Procard System	Controls over procard purchases need improvement	**Near Completion**
Administration	Various policies, procedures, and other internal controls within the Office of Administration need improvement.	**Completed**
Grade Changes	Controls over grade changes need improvement	**Active**
Continuing Education for Health Professionals	Procedural changes implemented based on advisory service recommendations needs reviewed	**Active**
College of Pharmacy	Procedural changes implemented based on advisory service recommendations needs reviewed	**Active**
Clery Act	Procedural changes implemented based on advisory service recommendations needs reviewed	**Active**
International Enrollment and Services	Controls over petty cash funds need improvement	**Completed**
Employee Fee Waivers and Tuition Reimbursements	Employee Fee Waivers and Tuition Reimbursements need improvement	**Active**
Institutional Animal Care	Controlled substance management practices need improvement	**Active**
ETSU-Con	Internal controls over fund handling and reconciliation need improvement	**Active**
NCAA Compliance	Controls and documentation over official visits and transportation costs needs improvement	**Active**
	Procedures for football student hosts need improvement	**Active**
Payroll Check Fraud	Internal controls over direct deposit changes need improvement	**Active**

Legend:	
Actions completed since previous Audit Committee Meeting	**Completed**
Actions are progressing in a timely fashion or not yet due	**Active**
Audit testwork completed and currently under review by internal audit management	**Near Completion**
Actions are slightly overdue	**Late**
Actions are significantly overdue	**Critical**

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE:	September 11, 2026
ITEM:	Report on Internal Audit Operating Expenses
COMMITTEE:	Audit
PRESENTED BY:	Rebecca A. Lewis, CPA Chief Audit Executive

The Board of Trustees, through its Audit Committee, must ensure the Department of Internal Audit has sufficient resources to complete its work. Included in the meeting materials is a copy of the operating budget for the office.

Internal Audit Travel and Operating Budget for FY 2027

		Total Budget		Average Per Auditor
Current Travel Budget	$	4,750.00	$	1,187.50
Current Operating Budget	$	10,790.00	$	2,697.50

Travel Budget covers:

Audit Work
Continuing Professional Development for 4 Staff Members

Operating Budget covers:

Telephone instrument and long distance charges
Professional membership fees
Operating Supplies
Conference registration fee for continuing education
Copier Charges
Computer and Laptop Replacement