EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE
SEPTEMBER 2023 MEETING

11:30 a.m. – 12:30 p.m. EDT
Friday
September 15, 2023

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
Tony Treadway

AGENDA

I. Call to Order

II. Roll Call

III. Approval of the Committee Minutes from April 21, 2023

IV. Action Item: Approval of Board of Trustees Professional Development Policy
   – Green and Fulks (3 minutes)

V. Action Item: Approval of Appearance Before the Board of Trustees Policy
   – Green and Fulks (3 minutes)

VI. Action Item: Audit Plan for FY 24 – Lewis (3 minutes)

VII. Audits and Investigations Performed April 2023 through August 2023 – Lewis (5 minutes)
    A. Executive Level Audit
    B. Follow-Up to State Audit Findings
    C. Guest and Group Housing
    D. Memorandum on Investigations
    E. Completed Audits Heat Map

VIII. Recommendation Log Status as of August 31, 2023 – Lewis (2 minutes)

IX. Report on Audit Functions for FY 2023 – Lewis (3 minutes)
X. **Action Item: Internal Audit Employee Profiles** – *Lewis* (2 minutes)

XI. **Internal Audit Operating Expenses** – *Lewis* (2 minutes)

XII. **Quality Assurance and Improvement Program Report** – *Lewis* (5 minutes)

XIII. Other Business

XIV. Executive Session to Discuss Active Audits and Enterprise Risk Management

XV. Adjournment
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 15, 2023

ITEM: Approval of the Minutes of April 21, 2023

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The minutes of the April 21, 2023 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 April 21, 2023 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.
The East Tennessee State University Board of Trustees’ Audit Committee met on Friday, April 21, 2023, at 11:00 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Melissa Steagall-Jones called the meeting to order at 11:00 a.m.

II. Roll Call

Board Secretary Dr. Adam Green conducted the roll call. All committee members were physically present.

Committee members attending were:

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

Other Trustees who attended the committee meeting included: Charles Allen, Allen Archer, Janet Ayers, Steve DeCarlo, and Dr. Virginia Foley.

III. Approval of the Committee Minutes from February 17, 2023

The minutes from the February 17, 2023, meeting of the Audit Committee were approved as submitted with Trustee Ron Ramsey making the motion and Trustee Dr. Linda Latimer seconding the motion. The motion passed unanimously.

IV. Annual Review of Charters

Ms. Becky Lewis, Chief Audit Executive, reported that her office has reviewed all three charters currently subject to review: the Audit Committee Charter, the Internal Audit Charter, and the Compliance Charter. In addition, the Office of University Counsel and the Office of
Compliance reviewed the Compliance Charter. Ms. Lewis indicated that no changes are needed in any of these charters.

V. **Annual Review of Policies**

Ms. Lewis said that these four policies must undergo an annual review:

- Internal Audit Policy
- Preventing and Reporting Fraud, Waste, and Abuse Policy
- Conflict of Interest Policy
- Employee Code of Conduct Policy

Reviews were conducted by Internal Audit, Human Resources, and the Office of University Counsel. No adjustments were identified, nor did the Audit Committee suggest any adjustments.

VI. **Action Item: Revisions to the FY 2022-2023 Audit Plan**

Ms. Lewis asked that the committee approve one revision to the FY 2022-2023 audit plan: one potential fraud, waste, and abuse concern that has arisen since February 2023.

Trustee Grisham made a motion that the item be added to the plan. Trustee Ramsey seconded the motion. It passed unanimously.

VII. **Audits and Investigations Performed February 2023 Through March 2023**

Ms. Lewis reported the completion of two audits during this period: the annual financial statement audit of public radio station WETS-FM, which is required by the Corporation for Public Broadcasting, and a randomly selected audit of the ETSU Department of Obstetrics and Gynecology. Both of those audits are referenced in the Office of Internal Audit’s Heat Map of Completed Audits from February 1, 2023, to March 31, and both are weakness discovered were minor.

VIII. **Recommendation Log Status as of March 31, 2023**

The log presented by Ms. Lewis lists 14 different recommendations. She indicated that all are progressing in a timely fashion.

IX. **Review of Audited Financial Statements from the Comptroller of the Treasury**

This report was presented by Ms. Christy Graham, Chief Financial Officer. The Tennessee Comptroller of the Treasury, Division of State Audit, issued a final audit report of ETSU’s financial statements for the fiscal year ending June 30, 2022.
The two findings in the report have been addressed. The first was a repeat from a prior audit: that university staff in the Bursar’s Office and College of Nursing did not conduct proper collection procedures on accounts receivable. Ms. Graham pointed out that management has taken several steps to ensure that staff adhere to policies to ensure timely collections. The other finding in the report was that the ETSU Office of Financial Aid and Scholarships did not adequately monitor the eligibility of Title IV financial aid recipients. Ms. Graham reported that management has implemented procedures to confirm student eligibility for financial aid. She added that this finding involved only a very small number of students, and she commended the Office of Financial Aid and Scholarships for compliance in excess of 99 percent.

X. Other Business

There was no additional business to come before the committee. The committee adjourned to go into executive session at 11:22.

XI. Executive Session to Discuss Active Audits and Enterprise Risk Management

XII. Adjournment
In compliance with T.C.A. § 49-8-201(f)(8)(C), staff recommends that the ETSU Board of Trustees adopt a policy that facilitates professional development for its members.

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

**RESOLVED:** Upon the recommendation of the Audit Committee, the Board of Trustees adopts the Policy on Professional Development as outlined in the agenda materials.
POLICY ON PROFESSIONAL DEVELOPMENT FOR ETSU BOARD OF TRUSTEES

Responsible Official: Secretary of the Board of Trustees
Responsible Office: Board of Trustees

Policy Purpose

The purpose of this policy is to facilitate ongoing professional development for board members.

Policy Statement

The Board recognizes the importance of ongoing professional development and training for its members and will provide professional development opportunities for them.

I. Such development opportunities may include but are not limited to informational sessions on topics deemed appropriate by the Chair or the Executive Committee.

II. The Chair or the Executive Committee may consider and schedule other types of professional development opportunities to ensure ongoing professional development for Board members.

III. New Board members are expected to complete any State of Tennessee required Board orientation (i.e. Tennessee Higher Education Commission Board Training). Additionally, the President shall establish an orientation program for new members, which shall include information related to the operations of the Board and administration of East Tennessee State University (ETSU).

IV. The Board chair or their designee has the final authority to interpret the terms of this policy.

Authority: T.C.A. § 49-8-201(f)(8)(C)

Previous Policy: New
Defined Terms

Policy History

Effective Date
a. Initial:

b. Revised:

Procedure

Procedure History

Effective Date
a. Initial:

b. Revised:

Related Form(s)

Primary:

Secondary:
DATE: September 15, 2023

ITEM: Approval of Appearance Before the Board of Trustees Policy

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: Dr. Adam Green
Board Secretary
Dr. Mark Fulks
University Counsel

In compliance with T.C.A. § 49-8-203, T.C.A. § 49-8-208, and T.C.A. § 8-44-113, staff recommends that the ETSU Board of Trustees adopt a new policy that specifies a standard process for members of the University community and the general public to address the Board of Trustees during full Board meetings.

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

RESOLVED: Upon the recommendation of the Audit Committee, the Board of Trustees adopts the Policy on Appearances Before the Board of Trustees as outlined in the agenda materials.
APPEARANCES BEFORE THE BOARD OF TRUSTEES

Responsible Official: Secretary of the Board of Trustees
Responsible Office: Board of Trustees

Policy Purpose

This policy specifies a standard process for members of the University community and the general public to address the Board of Trustees (Board) during full Board meetings.

Policy Statement

In accordance with the Tennessee Open Meetings Act, the ETSU Board of Trustees (Board) provides the opportunity for members of the University community and the general public to address the Board on matters germane to actionable items listed on full Board meeting agendas. A portion of public full Board meetings will be reserved for individuals who wish to address the Board.

- This policy does not apply to full Board meetings for which there are no actionable items on the agenda.
- This policy does not apply to committee meetings.
- This policy does not apply to a Board meeting, or a portion thereof, wherein a disciplinary hearing, grievance, or appeal is being conducted for a person or persons subject to the Board’s jurisdiction.
- This policy does not apply to: pending or threatened litigation involving the University or University officials; the employment status of any specific individual; statements concerning the private activities, lifestyles or beliefs of any individuals; and/or proposals or bids for contracts.

Authority: T.C.A. § 49-8-203, T.C.A. § 8-44-108, and T.C.A. § 8-44-113

Previous Policy: Appearances Before the Board of Trustees

Defined Terms
Policy History

Effective Date

a. Initial: 04/26/2019

b. Revised:

Procedure

I. Procedures for Addressing the Board

This process provides for reasonable access to the Board of Trustees, while also preserving the Board’s orderly business operations.

A. Individuals desiring to address the Board must preregister by providing the following to the Board Secretary at least 3 days (72 hours) prior to the start of the full board meeting:

   a. Contact information (Name, Address, Email Address, and Phone Number);
   b. Your role (Student, Faculty Member, Staff Member, Alum, Member of General Public); and
   c. The germane actionable agenda item topic for which the individual wishes to provide comment.
   d. The amount of time you wish to speak. This amount of time must not exceed 3 minutes.

B. Individuals should provide the above information by emailing trustees@etsu.edu

C. Persons who have preregistered to speak on permissible subjects in compliance with this policy will be scheduled on a “first come, first served” basis until a fifteen (15) minute period has been scheduled, except that no more than two (2) speakers will be scheduled to speak on the same subject. Scheduled speakers who are unable to attend the meeting may not send a substitute.

D. The Board Secretary will acknowledge receipt of requests and confirm logistical details for the public comment period.

E. If a full Board meeting is conducted by electronic or virtual means of communication, then an individual who has preregistered and has been confirmed to speak before the Board at that meeting will be permitted to participate or provide comment by electronic or virtual means of communication. The Board Secretary will confirm logistical details
on such occasion.

II.  Limitations

A. A Person addressing the Board will have a maximum of 3 minutes for any comments. Exceptions to this time period will only be allowed at the discretion of the Board Chair at the time of the meeting.

The aggregate time for all public comments at a meeting will not exceed fifteen (15) minutes in total. Exceptions to this time period will only be allowed at the discretion of the Board Chair at the time of the meeting.

B. Only one (1) individual will be permitted to speak at a time.

C. Individuals addressing the board are not permitted to use audio and/or visual presentation equipment during their remarks.

Procedure History

Effective Date

a. Initial: 04/26/2019

b. Revised:

Related Form(s)
The 2023-24 annual audit plan was developed through a formal 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 2023-24 is approved as presented in the meeting materials.
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<th>Rank</th>
<th>Type</th>
<th>Area</th>
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<td>FM</td>
<td>Procard System Procedures (includes Follow Up)</td>
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</tbody>
</table>

Estimate-Hours Available For Audits = 4,768

Audit Types:
R - Required
A - Risk-Based (Assessed)
S - Special Request
I - Investigation
P - Project (Ongoing or Recurring)
C - Consultation
F - Follow-up Review

Functional Areas:
AD - Advancement
AT - Athletics
AX - Auxiliary
FM - Financial Management
IA - Instruction & Academic Support
IS - Institutional Support
IT - Information Technology
PP - Physical Plant
RS - Research
SS - Student Services
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2023

ITEM: Audits and Investigations Performed April 2023 through August 2023

COMMITTEE: Audit Committee

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

Staff will provide an overview of the audits and internal investigations completed during the period April 1, 2023 to August 31, 2023.

Audits

• Executive Level Audit – An audit of East Tennessee State University’s Chief Marketing and Communications Officer (Marketing Officer) was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. At the request of administration, the Office of Internal Audit will conduct an audit of a randomly selected executive level administrator annually. The expenditures reviewed were those under the direct control of the Marketing Officer.

• Follow-up to the State Audit – The Department of Internal Audit has performed a follow-up of the state audit findings and recommendations contained in their audit report for the year ended June 30, 2022. The follow-up was conducted under the authority delegated in East Tennessee State University’s Internal Audit Policy and is a requirement of the Tennessee Comptroller of the Treasury.

• Guest and Group Housing – An audit was recently completed regarding guest and group housing in accordance with the annual audit plan. The testwork included the billing and collection of revenues related to guest and groups of the university.

Investigations

• Family Medicine – Bristol (23-05) – An investigative review of the Bristol Family Medicine Timekeeping Procedures was conducted by Internal Audit personnel based on concerns reported. In addition to timekeeping, a recent theft of medical supplies was also reviewed.

• Center of Excellence in Sports Science and Coach Education (23-03) – On April 6, 2023, Internal Audit was notified of a possible loss that occurred within the Center of Excellence
in Sports Science and Coach Education (CESSCE). While the initial loss was believed to be minimal ($60), concerns over the process of distributing gift cards to research participants and Institutional Review Board (IRB) approvals were reviewed.
## East Tennessee State University

### Executive Level Expenditures

#### University Marketing and Communications

**For the Fiscal Year 2021-2022**

#### Executive Summary

<table>
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<th>Key Staff Person:</th>
<th>Chief Marketing and Communications Officer</th>
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<tr>
<td>Auditor:</td>
<td>Internal Audit Staff Member</td>
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### Introduction

An audit of East Tennessee State University’s Chief Marketing and Communications Officer (Marketing Officer) was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. At the request of administration, the Office of Internal Audit will conduct an audit of a randomly selected executive level administrator annually. The expenditures reviewed were those under the direct control of the Marketing 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 Marketing Officer were reviewed and tested for compliance with university policies and procedures. The items tested included all payments made to the Marketing Officer as well as other travel, meals/entertainment, procard transactions, and miscellaneous operating expenses. There were no findings as a result of this audit.

Based on the testing performed it appears that the expenditures tested with applicable policies and procedures. The objectives of the audit were met.
Executive Summary

Key Staff Areas: Business & Finance and Financial Aid
Auditor: Associate Director of Internal Audit and Internal Auditor

Introduction: East Tennessee State University’s financial statement audit for the year ended June 30, 2022 contained two findings. 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 findings noted in the Division of State Audit’s annual audit report for the fiscal year ended June 30, 2022.

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

Findings and Current Status

Original Finding 1: University staff did not conduct proper collection procedures on accounts receivable

As noted in the prior audit, management did not ensure collection procedures for accounts receivable were performed timely by Bursar’s Office and ETSU College of Nursing personnel. We tested a sample of 32 delinquent receivables, which consisted of 27 student accounts receivable and 5 College of Nursing clinic receivables that were more than 90 days old at June 30, 2022.

For the student accounts receivables, the following was noted:
- Of 27 student receivables tested, for 9 (33%), a billing letter was issued from 1 day to 19 months late.
- Of 27 student receivables tested, 13 (48%) were referred to the collection agency late.

For the College of Nursing clinic receivable, the following was noted:
- Of five clinic receivables tested, three (60%) were referred to the collection agency from six days to five months late.
- For one (20%) of the five delinquent clinic receivables tested, the account was not referred to a collection agency.

Current Status 1: A sample of 62 past due student accounts receivable as well as 11 College of Nursing clinic receivables were selected for testwork. Each were reviewed for evidence and timeliness of notification letters as well as referral to a collection agency, in accordance with University and College of Nursing policies as applicable. Based on the testwork performed, corrective actions have been implemented to help ensure policies related to receivable collections efforts are followed for both student and clinic receivables.
Original Finding 2: The ETSU Office of Financial Aid and Scholarships did not adequately monitor the eligibility of Title IV financial aid recipients

East Tennessee State University’s Office of Financial Aid and Scholarships did not adequately monitor the eligibility of Title IV financial aid recipients. We reviewed the entire population of students enrolled at ETSU who received Title IV student financial assistance during the 2021-2022 award year. The population we reviewed also included students in the university’s Colleges of Medicine and Pharmacy. A total of 8,036 students were tested (7,593 enrolled at ETSU, 222 enrolled at the College of Medicine, and 221 enrolled at the College of Pharmacy). Of the 7,593 students at ETSU, 13 students (0.17%) received excess financial aid based on their eligibility, resulting in overpayments totaling $77,329. We did not identify errors for the College of Medicine or the College of Pharmacy.

Current Status 2: A sample of 81 ETSU students who received Title IV financial aid during the Spring 2023 semester was selected for testwork. This included 10 College of Medicine and 10 College of Pharmacy students. Testwork was completed to ensure the following:

- Students who earned more than 60 credit hours have declared a major.
- Annual loan limits were not exceeded
- Aggregate loan limits were not exceeded
- Students were in satisfactory academic progress as required

Based on a review of current procedures and testwork performed, it appears management has implemented adequate controls to ensure compliance in the areas identified. All Title IV recipients tested were eligible for the funds received.

The audit objectives were met.
East Tennessee State University  
Guest and Group Housing  
Calendar Year 2021  
Executive Summary

**Key Staff Person:** Associate Director, Housing Operations  
**Auditor:** Associate Director, Internal Audit

**Introduction**
An audit of the East Tennessee State University’s Guest and Group Housing was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The testwork included the billing and collection of revenues related to guest and group housing.

**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

**Finding**
The Office of Housing and Residence Life (Housing) does not always maintain accurate and up-to-date information regarding guests and groups staying on campus. This has resulted in an incomplete audit trail related to billing and collections. Failure to maintain adequate documentation and processes over billing and collections could result in loss of revenue for the university.

Management concurs with the audit findings and the recommendations. The billing and collections will be reviewed by two professional staff members and submitted to the Director on a monthly basis to ensure regular timely reviews and quality controls are in place. Management has taken several steps to improve the efficiency/accuracy of the guest housing process.

The audit objectives were met.
MEMORANDUM

TO: ETSU Board of Trustees’ Audit Committee

FROM: Becky Lewis, Chief Audit Executive

SUBJECT: Completed Investigations – April 1 to August 31, 2023

DATE: September 15, 2023

Below is a summary of the investigations completed between April 1 and August 31, 2023.

*Family Medicine - Bristol (FWA 23-05)*: The investigation revealed that policies related to compensatory time were not always followed. For a brief period, compensatory time was not being recorded in the Time Record System (TRS) as required by policy. Hours worked often did not agree between the sign in/out sheets and the official timesheet located in TRS. Management has begun taking the needed steps to help ensure compliance with policies and accuracy of records.

*Center of Excellence in Sports Science and Coach Education (FWA 23-03)*: Based on the investigation performed by Internal Audit and additional repayments made, it was discovered that the actual loss was $0. However, the process used to distribute gift cards to research participants did not follow the protocol approved by the Institutional Review Board (IRB). In addition, the IRB indicated that they would not have approved the methods the CESSCE used.
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2023

ITEM: Recommendation Log Status as of August 31, 2023

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.
<table>
<thead>
<tr>
<th>Area</th>
<th>Recommendation</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Off Campus Domestic &amp; International Programs</td>
<td>Controls over Off Campus Domestic &amp; International Programs needs improvement</td>
<td>Blue</td>
</tr>
<tr>
<td>Internal Medicine</td>
<td>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</td>
<td>Green</td>
</tr>
<tr>
<td>Dependent/Spouse Tuition Discount</td>
<td>Procedures related to dependent/spouse tuition discounts needs improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Human Patient Simulation Laboratory</td>
<td>Procedures related to conflict of interest need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Health Services</td>
<td>Internal controls over the handling and safeguarding of petty cash needs improvement</td>
<td>Green</td>
</tr>
<tr>
<td>College of Nursing</td>
<td>Policies and procedures related to workload and overload pay need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Center of Excellence in STEM Education</td>
<td>Departmental controls over travel need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Men’s Basketball Expenditures</td>
<td>Departmental controls over business meal expenditures need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Men’s Basketball</td>
<td>Departmental controls over travel need improvement</td>
<td>Blue</td>
</tr>
<tr>
<td>Procard System</td>
<td>Controls over procard purchases need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Access ETSU</td>
<td>Controls over fundraising events need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>RDC Grants</td>
<td>Controls over RDC Grant compliance need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Athletic Ticket Office</td>
<td>Internal controls over the handling and safeguarding of petty cash needs improvement.</td>
<td>Green</td>
</tr>
<tr>
<td>College of Nursing Health Clinics</td>
<td>Policies and procedures related to employees and the family members seeking treatment at a health clinic need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Family Medicine Timekeeping</td>
<td>Policies and procedures related to compensatory time need improvement</td>
<td>Green</td>
</tr>
<tr>
<td>Guest and Group Housing</td>
<td>Billing and collection of guest and group housing needs improvement</td>
<td>Green</td>
</tr>
</tbody>
</table>

**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
The Annual Report for the Department of Internal Audit for the 2023 fiscal year is included in the meeting materials. This report fulfills the annual reporting requirements (T.C.A. § 4-14-102) and provides information to the Board of Trustees concerning the 2023 audit efforts of Internal Audit.
Department of Internal Audit
East Tennessee State University

2022-23 Annual Report

Message from the Chief Audit Executive

It is our pleasure to present the Annual Report for ETSU’s Department of Internal Auditing. Fiscal Year 2022-23 was a productive year for us.

Our accomplishments include the following:

- Completed 12 Audits and 10 Investigations
- Followed up on 4 Prior Internal Audit Reports
- Issued a Follow Up Report related to 1 State Audit Review
- Completed a Quality Assessment Review for 1 Peer Institution

Internal Audit reports functionally to the ETSU Board of Trustees and administratively to the President. The BOT Audit Committee continues to provide tremendous support, enabling our department to serve as an effective, independent resource.

Becky Lewis, CPA
Chief Audit Executive

The Rest of the Team
Martha Winegar, CPA
Associate Director
Bryan Brockwell
Internal Auditor
Bridgett Maupin
Internal Auditor

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Audit Activity Completed 2
Audit Hours by Area 2
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Satisfaction Surveys 3
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Mandatory Disclosures 4
### East Tennessee State University
Audit Activity Completed
Fiscal Year Ended June 30, 2023

<table>
<thead>
<tr>
<th>Audits - Required</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FM Cash Counts/Inventories</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM President's Expense FY 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM WETS-FM</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Risk Assessments</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audits - Special Requests</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IA College of Nursing - Dean's Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS RDC Grants</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Executive Level Audit FY 2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Executive Level Audit FY 2023</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Audits - Risk Based</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FM Agency Accounts</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Procards (New System)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM ID Bucs (used on campus)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IA Obstetrics and Gynecology</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Follow-Ups Reviews</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IA Follow-Up Johnson City Community Health Center Financial Procedures</td>
<td></td>
<td></td>
</tr>
<tr>
<td>RS Follow-Up Psychology</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IA Follow-Up Human Patient Simulation Laboratory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IT Follow-Up State Audit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>SS Follow-Up: Upward Bound</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investigations</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IA Investigation 18-03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AT Investigation 22-06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IA Investigation 22-07</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AT Investigation 23-01</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Investigation 23-02</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AT Investigation 23-03</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Investigation 23-04</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Investigation 23-05</td>
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<td></td>
</tr>
<tr>
<td>AT Investigation 23-06</td>
<td></td>
<td></td>
</tr>
<tr>
<td>FM Investigation 23-09</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Consulting/Projects</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IS General Consultation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IS Board of Trustees (Prep for Meetings, Meetings, etc.)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IS TTU Quality Assurance Peer Review</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Actual Audit Hours by Type FY 2023

- **Risk Based**: 11%
- **Special Request**: 17%
- **Required**: 28%
- **Follow-Up Review**: 25%
- **Investigations**: 15%
- **Projects**: 3%

This includes 20 audits that were started during FY 2022 and brought forward into FY 2023.
## Customer Satisfaction Survey

Starting in July 2018, Internal Audit implemented an anonymous customer satisfaction survey. In January and July, surveys were sent to employees who recently had significant contact with Internal Audit. Each individual was asked to complete a 10 question survey. The results of the FY 2023 surveys are below:

<table>
<thead>
<tr>
<th>Number of Surveys Sent Out</th>
<th>35</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Positive Surveys Returned</td>
<td>16</td>
</tr>
<tr>
<td>Number of Negative/Mixed Surveys Returned</td>
<td>2</td>
</tr>
<tr>
<td>Number of Surveys not Returned</td>
<td>17</td>
</tr>
</tbody>
</table>

**Comments:**
- The IA staff were very knowledgeable and helped guide us in the right direction.
- Additional details about why we are being audited would be helpful; we were unsure if we did something wrong.
- The initial meeting with the auditors explaining everything they would review and need from the department was very helpful.
- I am consistently impressed with the professionalism and expertise with which the IA staff operate.
- I received timely information and IA was very decisive and quick to make great suggestions.
- Overall, nicely done.
- Very thorough investigation.
- More communication would be appreciated in regards to the timeline of the audit in order for to determine planning in regards to corrections needed.
- I honestly believe that our IA office cares about the people at ETSU.
<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>FY 22/23</th>
<th>FY 21/22</th>
<th>FY 20/21</th>
<th>FY 19/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Full Time Staff</td>
<td>3.48</td>
<td>3.83</td>
<td>3</td>
<td>3.75</td>
</tr>
<tr>
<td>Number of Audits Completed</td>
<td>12</td>
<td>9</td>
<td>5</td>
<td>9</td>
</tr>
<tr>
<td>Number of Follow-Ups on Prior Internal Audit Findings</td>
<td>4</td>
<td>6</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Number of State Audit Follow-Up Issued</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Number of Investigations Completed</td>
<td>10</td>
<td>11</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Number of Procard Reviews</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>Number of Other Audit Activities Completed (i.e. consulting,</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>projects, etc.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of Effort Spent on Audit Activities</td>
<td>51%</td>
<td>50%</td>
<td>55%</td>
<td>58%</td>
</tr>
<tr>
<td>Average Number of Years of Professional Experience</td>
<td>13.5</td>
<td>10</td>
<td>12</td>
<td>18</td>
</tr>
</tbody>
</table>

**Mandatory Disclosures:**

The Office of Internal Audit’s activities are governed by standards promulgated by the Institute of Internal Auditors. These standards require the reporting of specific items to an organization’s Board and Senior Management. The following is a list of required disclosures not previously addressed in this document.

**Organizational Independence:** As required by standard, the Office of internal Audit must confirm to the Board, at least annually, the organizational independence of internal audit activity. ETSU’s Office of Internal Audit reports administratively to the President’s Office and functionally to the Board of Trustees’ Audit Committee. Reporting to the audit committee helps promote the independence necessary for Internal Audit to adequately perform its job functions.

**Impairments to Independence or Objectivity:** If independence or objectivity is impaired in fact or appearance, the details of the impairments must be disclosed. There were no impairments to independence or objectivity for any engagements performed during the 2021-2022 fiscal year.

**Disclosures of Nonconformance:** Occasionally circumstances require the completion of projects and/or engagements in a manner that is not consistent with applicable standards. When this occurs, the Office of Internal Audit must disclose the nonconformance and the impact to Senior Management and the Board. During the 2021-2022 fiscal year, there were no instances in which projects were performed in a manner that did not comply with applicable standards.

**Resolution of Management’s Acceptance of Risk:** Each audit engagement can potentially produce items that may pose risk to university operations. Some items will require management’s attention while others may be situations in which management decides to accept the risk associated with continuing the current practice. This is normal in limited circumstances and is often due to cost/benefit constraints. The Office of Internal Audit is required to disclose, to Senior Management and the Board, any situation in which it is believed university personnel has accepted a level of residual risk that may not adequately reduce/mitigate the risk of loss. There were no such instances discovered during the 2021-2022 fiscal year.
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTIONS ITEM

DATE: September 15, 2023

ITEM: Internal Audit Employee Profiles

COMMITTEE: Audit Committee

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 2024

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Professional Certification</th>
<th>Current Annual Salary</th>
<th>Years of Professional Experience</th>
<th>Years of Experience at ETSU</th>
</tr>
</thead>
<tbody>
<tr>
<td>Becky Lewis</td>
<td>Chief Audit Executive</td>
<td>CPA</td>
<td>$111,946</td>
<td>29</td>
<td>25</td>
</tr>
<tr>
<td>Martha Winegar</td>
<td>Associate Director</td>
<td>CPA</td>
<td>$73,195</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Bryan Brockwell</td>
<td>Internal Auditor</td>
<td>-</td>
<td>$51,366</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Bridgett Maupin</td>
<td>Internal Auditor</td>
<td>-</td>
<td>$51,366</td>
<td>7</td>
<td>1</td>
</tr>
</tbody>
</table>
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 in a copy of the operating budget for the office.
### Internal Audit Travel and Operating Budget for FY 2024

<table>
<thead>
<tr>
<th></th>
<th>Total Budget</th>
<th>Average Per Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Travel Budget</td>
<td>$ 4,750.00</td>
<td>$ 1,187.50</td>
</tr>
<tr>
<td>Current Operating Budget</td>
<td>$ 10,790.00</td>
<td>$ 2,697.50</td>
</tr>
</tbody>
</table>

**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
DATE: September 15, 2023

ITEM: Quality Assessment and Improvement Program

COMMITTEE: Audit Committee

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

State law requires the Office of Internal Audit to follow the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors (IIA). The IPPF requires external assessments be performed every five years by a qualified, independent assessor or assessment team from outside the organization. The IPPF defines two acceptable methods for an external assessment: a full external assessment or a self-assessment with independent validation.

A self-assessment with external validation was the method chosen by the Audit Committee. The Office of Internal Audit completed the Self-Assessment in May 2023 and the Independent Validation report was completed on August 25, 2023.
August 25, 2023

Dr. Brian Noland, President, East Tennessee State University (ETSU)  
Ms. Melissa Steagall-Jones, CPA, CICA, Chair of the Audit Committee of the Board of Trustees

Dear Dr. Noland and Ms. Steagall-Jones,

In May 2023, the ETSU Office of Internal Audit (IA), completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). IA engaged an independent review team consisting of internal audit professionals with higher education experience to perform an independent validation of IA’s QAR self-assessment. The primary objective of the validation was to verify assertions made in the QAR report concerning IA’s conformity to the IIA’s *International Standards for the Professional Practice of Internal Auditing* (Standards) and Code of Ethics.

The IIA’s *Quality Assessment Manual* suggests a scale of three ratings, “generally conforms,” “partially conforms,” and “does not conform.” "Generally conforms" is the top rating and means an internal audit activity has a charter, policies, and processes judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by IA, we agree with their overall conclusion that the internal audit function “generally conforms” with the IIA’s *Standards* and Code of Ethics. Our review noted successful internal audit practices, recommendations for improving conformance, and best practice suggestions.

On behalf of the entire QAR team, I appreciate the cooperation, time, and candid feedback of executive leadership, stakeholders, and IA personnel.

Bruce Weisman, CIA, CPA  
Chief Audit Executive  
Internal Audit  
Western Kentucky University

Janna Hixson, CGAP  
Audit Manager  
Audit & Compliance  
University of Tennessee System

Kayla Faulkner, CIA, CRMA  
Assistant Director  
Internal Audit  
Virginia Community College System

cc: Ms. Rebecca Lewis, CPA  
Chief Audit Executive, ETSU