AGENDA

I. Call to Order

II. Roll Call

III. Minutes of the Audit Committee October 21, 2020 (2 minutes) - Green

IV. Approval of Audit Committee Charter (2 minutes) – Lewis

V. Review of Audit Committee Responsibilities (5 minutes) – Lewis

VI. Approval of Charter of the ETSU Internal Audit Department (2 minutes) - Lewis

VII. Audit Work Performed April 2020 through October 2020 (15 minutes) - Lewis
   A. Dependent/Spouse Tuition Discount
   B. Men’s Basketball Expenditures
   C. President’s Expenditure Audit
   D. Memorandum on Investigations
   E. Completed Audit Heat Map

VIII. Recommendation Log Status as of October 31, 2020 (2 minutes) – Lewis

IX. Report of the Audit Function for FY 2020 (5 minutes) – Lewis

X. Approval of Internal Audit Employee Profiles (2 minutes) – Lewis

XI. Internal Audit Operating Expense Budget FY 2021 (2 minutes) – Lewis

XII. Approval of Revisions to the Audit Plan (2 minutes) - Lewis

XIII. Other Business

XIV. Executive Session to Discuss Active Audits and Enterprise Risk Management (20 minutes)

XV. Adjournment
DATE: November 13, 2020

ITEM: Approval of Minutes from October 21, 2020

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approval

PRESENTED BY: Adam Green
              Secretary of the Board

The minutes of the October 21, 2020 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 October 21, 2020 meeting of the Audit Committee of the Board of Trustees 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 ETSU Board of Trustees Audit Committee met in a called meeting at 11:30 a.m. on Wednesday, October 21, 2020. The virtual meeting was held on Zoom and was broadcast over YouTube.

I. Call to Order

President Brian Noland welcomed the participants and introduced Melissa Steagall-Jones, a member of the ETSU Board of Trustees who was selected by the Board to serve as the Chair of the Audit Committee. Chairman Steagall-Jones called the committee meeting to order at 11:31 a.m.

II. Roll Call

Board of Trustees Secretary Adam Green explained that before a roll call could be taken, a series of questions must be presented to the committee members, and that due to some trustees participating remotely, all votes taken must be done so by roll call. Trustees Steagall-Jones and Ron Ramsey were physically present making a quorum present on-ground for the meeting. Trustee Scott Niswonger indicated that he could hear clearly and that there was no one present in the room with him. Committee members present were: Melissa Steagall-Jones, Scott Niswonger, and Ron Ramsey. Other Trustees present were Janet Ayers, Virginia Foley, Linda Latimer and Austin Ramsey.

Secretary Green continued with information around meeting necessity in light of the remote participation by the public due to COVID-19. In accordance with Tennessee Executive Order 60 permitting safe, open and transparent public meetings by electronic means, Secretary Green stated that the committee business is critical to the operations of the university, and in light of the COVID-19 virus outbreak and the statewide recommendations as well as those from the Centers for Disease Control and Prevention, social distancing measures and a limit on groups that gather are being observed. Secretary Green stated that a quorum of the Board members by electronic or other means of communication is necessary and he requested a roll call vote to determine the necessity of holding the meeting.

A motion was made by Trustee Ramsey and was seconded by Trustee Niswonger. A roll call vote was taken and the motion passed 3-0.

III. Adjournment and Move to Executive Session
Chairman Steagall-Jones stated that the purpose of the meeting was to keep her informed of active audits currently taking place at ETSU, and she requested that the committee move into Executive Session. Trustee Ramsey made a motion to move into executive session, and Trustee Niswonger seconded the motion. A roll call vote was taken and the motion passed 3-0.

The committee meeting adjourned at 11:35 a.m. and went into executive session.
With the State of Tennessee Audit Committee Act of 2005, a state governing board, council, commission, or equivalent body that has the authority to hire and terminate its employees shall create an audit committee. The specifications in TCA § 4-35-103 require that an audit committee develop a charter addressing the committee's purpose, powers, duties, and mission.

As outlined in TCA § 4-15-105, the responsibilities of the Audit Committee include “overseeing the university’s financial reporting and related disclosures, especially when financial statements are issued; evaluating management's assessment of the body's system of internal controls; formally reiterating, on a regular basis, to the state governing board, council, commission, equivalent body, or management and staff of the agency to which the audit committee is attached, the responsibility of the state governing board, council, commission, equivalent body, or management and staff of the agency for preventing, detecting, and reporting fraud, waste, and abuse; serving as a facilitator of any audits or investigations of the body to which the audit committee is attached, including advising auditors and investigators of any information the audit committee may receive pertinent to audit or investigative matters; informing the comptroller of the treasury of the results of assessment and controls to reduce the risk of fraud; and promptly notifying the comptroller of the treasury of any indications of fraud.”

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

RESOLVED: The Audit Committee Charter is approved as presented in the meeting materials.
I. Purpose and Mission

The Audit Committee, a standing committee of the East Tennessee State University Board of Trustees, provides oversight and accountability on all aspects of university operations. The committee will assist the Board in fulfilling its oversight responsibilities by reporting regularly to the Board about Audit Committee activities and issues that arise with such recommendations as the committee deems appropriate. The Audit Committee will provide for open communications among the Board, university senior management, and the Tennessee Comptroller’s Office auditors regarding audit matters.

The Audit Committee will provide oversight in the following areas:

A. Audit engagements with the Tennessee Comptroller’s Office, including the integrity of financial statements and compliance with legal and regulatory requirements,
B. Audit engagements with external auditors,
C. Internal Audit administration and activities,
D. Management’s internal controls and compliance with laws, regulations, and other requirements,
E. Management’s risk and control assessments,
F. The University’s Code of Conduct,
G. Fraud, waste, and abuse prevention, detection, and reporting, and
H. Other areas as directed by the Board.

II. Authority

The Audit Committee has the authority to conduct or authorize audits or investigations into any matter within its scope of responsibility. The scope of internal auditing extends to all aspects of institutional operations and beyond fiscal boundaries. The committee is authorized to:

A. Seek any information it requires from employees or external parties. Employees are directed to cooperate with the committee’s requests,
B. Have access to all books, records, and physical properties of East Tennessee State University,
C. Meet with Board and institutional officials, external and internal auditors, legal counsel, or others as necessary, and
D. Delegate authority to subcommittees, providing that such decisions by any subcommittee are presented to the full committee at its next scheduled meeting.
III. Responsibilities

The Board employs a person qualified by training and experience to serve as the Chief Internal Auditor, who reports directly to the Audit Committee. The Chief Internal Auditor coordinates audit activities with the Tennessee Comptroller of the Treasury and with any other appropriate external auditors. The Audit Committee facilitates any audit and investigative matters, including advising auditors and investigators of any information the committee may receive pertinent to these matters.

The Audit Committee will carry out the following duties for the Board and will report to the Board about Audit Committee activities and issues that arise with such recommendations as the committee deems appropriate:

A. Tennessee Comptroller’s Office Audits (State Auditors)
   1. Understand the scope and approach used by the State Auditors in conducting their examinations,
   2. Review results of the Comptroller’s examinations of financial statements and any other matters related to the conduct of the audits,
   3. Review with management and legal counsel any legal matters (including pending litigation) that may have a material impact on the financial statements, and any material reports or inquiries from regulatory or governmental agencies,
   4. Ensure that the Comptroller is notified of any indications of fraud in the manner prescribed by the Comptroller,
   5. Resolve any differences between management and the Comptroller’s auditors regarding financial reporting, and
   6. Meet, as needed, with the Comptroller’s auditors to discuss any matters that the Audit Committee or State Auditors deem appropriate.

B. External Audits
   1. Understand the scope and approach used by the external auditors in conducting their examinations,
   2. Review results of the external auditors’ examinations and any other matters related to the conduct of the external audits, and
   3. Meet, as needed, with the external auditors to discuss any matters that the Audit Committee or external auditors deem appropriate.

C. Internal Audit Activities
   1. Ensure that the Chief Internal Auditor reports directly to the Audit Committee and has direct and unrestricted access to the chair and other committee members,
   2. Review and approve the charter for the East Tennessee State University’s Internal Audit department,
   3. Review and approve the annual audit plans for East Tennessee State University’s Internal Audit department, including management’s request for unplanned audits,
4. Receive and review significant results of internal audits performed,
5. Work with East Tennessee State University management and Internal Audit to assist with the resolution of cooperation issues and to ensure the implementation of audit recommendations,
6. Review the results of the year’s work with the Chief Internal Auditor, and
7. Assure compliance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, the Office of Internal Audit must implement and maintain a quality assurance and improvement program that incorporates both internal and external assessments.
   a. Internal assessments are ongoing, internal evaluations of the internal audit activity, coupled with periodic self-assessments and/or reviews.
   b. External assessments enable the internal audit activity to evaluate conformance with the *Standards*; internal audit and audit committee charters; the organization’s risk and control assessment; the effective use of resources; and the use of successful practices.
   c. An external assessment must be performed at least every five years by an independent reviewer or review team.
   d. Results of the external assessment will be communicated to the Audit Committee and management.

D. **Internal Audit Administration**
   1. Ensure the Chief Internal Auditor reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes only.
   2. Ensure that East Tennessee State University Internal Audit has adequate resources in terms of staff and budget to effectively perform its responsibilities.
   3. Review and approve the appointment, compensation, reassignment, or dismissal of the Chief Internal Auditor, and
   4. Review and approve the compensation and dismissal of campus internal auditors.

E. **Risk, Internal Control and Compliance**
   2. Consider the effectiveness of the internal control system and compliance with laws and regulations, including computerized information system controls and security,
   3. Understand the scope of internal and external auditors’ reviews of internal controls over financial reporting,
   4. Make recommendations to improve management’s internal control and compliance systems to ensure the safeguarding of assets and prevention and detection of errors and fraud. The components of the control system are:
      a. control environment—creating a culture of accountability;
      b. risk assessment—performing analyses of program operations to determine if risks exist;
      c. control activities—taking actions to address identified risk areas;
      d. information and communication—using and sharing relevant, reliable, and timely information; and
e. monitoring —tracking improvement initiatives and identifying additional actions needed to further improve program efficiency and effectiveness.

5. Review and evaluate the enterprise risk management process performed by institutional management, and

6. Inform the Comptroller of the Treasury of the results of enterprise risk management process.

F. Fraud

1. Ensure that the Board and the institution have an effective process in place to prevent, detect, and report fraud, waste and abuse.

2. Establish a process for employees, taxpayers and other citizens to confidentially report suspected illegal, improper, wasteful, or fraudulent activity.

3. Inform the Comptroller of the Treasury of assessments of controls to reduce risks of fraud.

4. Promptly report indications of fraud to the Comptroller of the Treasury.

5. Facilitate audit and investigative matters, including advising auditors and investigators of any pertinent information received by the Audit Committee.

G. Other

1. Review and assess the adequacy of the Audit Committee’s charter annually -, requesting Board approval for any proposed changes.

2. Ensure there are procedures for the receipt, retention, and treatment of complaints about accounting, internal controls, or auditing matters.

3. Review East Tennessee State University’s code of conduct and/or policies regarding employee conduct to ensure that they are easy to access, are widely distributed, are easy to understand and implement, include a confidential mechanism for reporting code violations, are enforced, and include a conflict of interest policy.

4. Review East Tennessee State University’s conflict of interest policy to ensure that the term “conflict of interest” is clearly defined, the policy is comprehensive, annual signoff is required, and potential conflicts are adequately resolved and documented.

IV. Independence

Each member should be independent in fact and appearance of any interests that are in conflict with their duties as a Committee member.

Each member shall strictly adhere to the Code of Ethics for Appointed Board Members.
V. Membership

A. Pursuant to TCA § 4-35-104, the Audit Committee shall have at least three members,
B. The Committee and its Chair shall be approved by the Board upon recommendation of the Board Chair,
C. Audit Committee members, including its Chair, shall serve for a two-year term,
D. For good cause, such as the need to ensure continuity in Board leadership during a period of transition in Board membership or in the offices of Governor or President, the Board, on the recommendation of the Chair, may extend the term of the Committee and Committee Chair appointments for up to one year beyond the two year term,
E. Competencies and professional or business expertise of members and previous Board and committee experience of Trustees, together with any special qualifications required by the bylaws for certain committees, will be considered in committee and chair appointments.
F. The Audit Committee shall include at least one member, preferably the chair of the committee, who shall have extensive accounting, auditing, or financial management expertise,
G. Each member of the audit committee should have an adequate background and education to allow a reasonable understanding of the information presented in the financial reports of the university and the comments of auditors with regard to internal control and compliance findings and other issues.
H. The Vice Chair of the Board shall serve as an ex officio member of the Audit Committee but shall not be counted for quorum purposes.
I. The Audit Committee may be composed of one external member and two or more Trustees who satisfy the membership requirements. An external member must have extensive accounting, auditing, or financial management expertise. An external member may not serve as Chair of the Audit Committee.
J. If a vacancy occurs in a committee or chair position prior to expiration of the two-year term, the Board shall appoint a Trustee to fill the remainder of the term, upon the recommendation of the Chair.

VI. Meetings

A. The Audit Committee shall meet as necessary, but at least annually, and also whenever requested by the chair of the Audit Committee or the Comptroller of the Treasury,
B. The Audit Committee may invite Board management, auditors, or others to attend and provide relevant information,
C. Meeting agendas will be provided to members in advance, along with appropriate briefing materials,
D. The Board Secretary or their designee shall take minutes at each meeting of the Audit Committee and maintain approved minutes as the official record of such meeting,
E. A majority of the members of the committee shall constitute a quorum for the transaction of business
F. All meetings of the Audit Committee shall adhere to the Open Meetings Act, Tennessee Code Annotated Title 8, Chapter 44, except that pursuant to TCA § 4-35-108(b), the Audit Committee may hold confidential, nonpublic executive sessions for the sole purpose of discussing the following:
   1. Items deemed not subject to public inspection under Tennessee Code Annotated, Sections 10-7-503 and 10-7-504, and all other matters designated as confidential or privileged under state or federal law,
   2. Litigation,
   3. Audits or investigations,
   4. Information protected by federal law, and
   5. Matters involving information under Tennessee Code Annotated, Section 4-35-107(a), where the informant has requested anonymity.

Approvals

Approved by: ________________________________ Date: ________________
Melissa Steagall-Jones
Chair of the Audit Committee

Approved by: ________________________________ Date: ________________
Scott Niswonger
Chairman of the Board
Ms. Lewis will provide an overview of the roles and responsibilities of the Audit Committee as outlined in the meeting materials.
# Roles and Responsibilities of Audit Committee

## Annual Audit Plan and Year-end Status Report

<table>
<thead>
<tr>
<th>Policy/Law</th>
<th>Requirement</th>
<th>Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>TN 49-14-102 (b)</td>
<td>The internal auditor shall file a report on the audit work with the audit committee at least annually.</td>
<td>Annual Audit Plan - First Meeting of new FY</td>
</tr>
<tr>
<td>AC Charter III.C.6</td>
<td>Review the results of the year's work with the Chief Internal Auditor</td>
<td>Each AC Meeting as needed</td>
</tr>
<tr>
<td>AC Charter III.C.3 &amp; ETSU's Internal Audit Policy V. C.</td>
<td>Review &amp; approve the annual audit plan including management's request for unplanned audits. Review and approve audit plan revisions</td>
<td>Annual Report on Audit Activity - Fall</td>
</tr>
</tbody>
</table>

## Quality Assurance and Improvement Program

<table>
<thead>
<tr>
<th>Policy/Law</th>
<th>Requirement</th>
<th>Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Charter III.C.7</td>
<td>Ensure audit function maintains a quality assurance &amp; improvement program.</td>
<td>Update Committee As Needed</td>
</tr>
</tbody>
</table>

## Audit Reports and Recommendations

<table>
<thead>
<tr>
<th>Policy/Law</th>
<th>Requirement</th>
<th>Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Charter III.C.4</td>
<td>Receive and review significant results of internal audits performed.</td>
<td>Each Meeting</td>
</tr>
<tr>
<td>ETSU's Internal Audit Policy VII. F.</td>
<td>The Chief Internal Auditor will provide a copy of each report to the Audit Committee.</td>
<td></td>
</tr>
<tr>
<td>AC Charter III.C.5</td>
<td>Ensure implementations of audit recommendations.</td>
<td></td>
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## Fraud, Waste, and Abuse

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<thead>
<tr>
<th>Policy/Law</th>
<th>Requirement</th>
<th>Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Charter III.F. 1-2.</td>
<td>Ensure that the Board and the institution have an effective process in place to prevent, detect, and report fraud, waste and abuse. Establish a process for employees, taxpayers and other citizens to confidentially report suspected illegal, improper, wasteful, or fraudulent activity.</td>
<td>Annual Report on Audit Activity - Fall</td>
</tr>
<tr>
<td>TN 49-14-103 (a)</td>
<td>The internal auditor shall establish a process by which students, employees, taxpayers or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity. Each year the internal auditor shall include with the auditor's annual report a summary of all completed audit activities pursuant to this chapter.</td>
<td></td>
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</tbody>
</table>
# Roles and Responsibilities of Audit Committee

## State and External Audits

<table>
<thead>
<tr>
<th>Policy/Law</th>
<th>Requirement</th>
<th>Meeting</th>
</tr>
</thead>
<tbody>
<tr>
<td>AC Charter III.A.2.</td>
<td>Review results of the Comptroller's examination of financial statements and another other matters related to the conduct of the audits</td>
<td>Spring and as needed</td>
</tr>
<tr>
<td>AC Charter III.B.2.</td>
<td>Review results of external auditors' examination and any other matters related to the conduct of the external audits</td>
<td></td>
</tr>
</tbody>
</table>

## Presidential Expenses Reporting and Audits

<table>
<thead>
<tr>
<th>Legislative Citation</th>
<th>Requirement</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>TN 49-7-3001 (c)</td>
<td>Each state university board shall require an annual internal financial audit of the office of the president of the institution. The audit shall be reviewed by the institution’s governing board and the comptroller of the treasury.</td>
<td>Winter - Due annual by December 1st.</td>
</tr>
<tr>
<td>TN 49-14-106 (c)</td>
<td>Annual or other periodic audits of chief executives shall be performed by an internal auditor or auditors who are not employees of the institution of the chief executive being audited. Notwithstanding the foregoing, internal auditors or auditors who report to the board audit committee may perform annual or other periodic audits of the chancellor of the board of regents system or the University of Tennessee president.</td>
<td></td>
</tr>
<tr>
<td>TN 49-14-104</td>
<td>The governing boards of all public institutions of higher education shall establish a policy requiring that annual reports detailing expenditures made by, at the direction of, or for the benefit of a system head or chief executive of an institution are to be filed with their respective boards. It is the legislative intent that the policy require the report of discretionary expenditures, which shall include, but not be limited to, unrestricted gifts, foundation funds, athletic funds, sponsorship fees, licenses and royalty funds, and other such funds that would not be included in the operating budget for the system head's or chief executive's office. System heads or chief executives shall not have the authority to grant themselves an exception to fiscal, spending, or travel policies established by their boards or by statute.</td>
<td>This can be reviewed with audit due Dec. 1.</td>
</tr>
</tbody>
</table>
## Roles and Responsibilities of Audit Committee

### Miscellaneous Responsibilities

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>AC Charter III.C.2</td>
<td>Review and approve the charter of the Internal Audit Department</td>
<td>Spring</td>
</tr>
<tr>
<td>AC Charter III.D.1</td>
<td>Ensure Chief Internal Auditor reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes only.</td>
<td>Fall</td>
</tr>
<tr>
<td>AC Charter III.D.2</td>
<td>Ensure Internal Audit has adequate resources in terms of staff and budget to perform its responsibilities</td>
<td>Fall or as needed</td>
</tr>
<tr>
<td>AC Charter III.D.3</td>
<td>Review &amp; approve appointment, compensation, reassignment or dismissal of Chief Internal Auditor</td>
<td>Fall or as needed</td>
</tr>
<tr>
<td>AC Charter III.D.4</td>
<td>Review &amp; approve the compensation &amp; termination of campus internal auditors.</td>
<td>Fall or as needed</td>
</tr>
<tr>
<td>AC Charter III.E.5</td>
<td>Review &amp; evaluate risk assessments performed by management.</td>
<td>Winter and updates throughout</td>
</tr>
<tr>
<td>AC Charter III. G. 1.</td>
<td>Review and assess the adequacy of the Audit Committee's charter annually, requesting Board approval for any proposed changes.</td>
<td>Spring or as needed</td>
</tr>
<tr>
<td>AC Charter III. G. 3.</td>
<td>Review the University's code of conduct and/or policies regarding employee conduct to ensure that they are easy to access, are widely distributed, are easy to understand &amp; implement, include confidential mechanism for reporting code violations, are enforced and include a conflict of interest policy.</td>
<td>Spring</td>
</tr>
<tr>
<td>AC Charter III. G. 4.</td>
<td>Review the University's conflict of interest policy to ensure that the term &quot;conflict of interest&quot; is clearly defined, the policy is comprehensive, annual signoff is required, and potential conflicts are adequately resolved and documented.</td>
<td>Spring</td>
</tr>
</tbody>
</table>
The Office of Internal Audit adheres to the Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. To that end, the Office of Internal Audit has a charter, which outlines the following, the Office’s: purpose; authority and scope; role and responsibility; organizational status/reporting structure; audit standards and ethics; and how often the charter should be reviewed.

The proposed charter for the Office of Internal Audit has been reviewed and approved by the office staff and by the president.

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

**RESOLVED:** The Internal Audit Charter is approved as presented in the meeting materials.
East Tennessee State University
Internal Audit Charter

Introduction
East Tennessee State University is governed by a Board of Trustees, consisting of 10 members (the Board) as determined by state law. The Audit Committee is a standing committee of the Board. The Chief Internal Auditor reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes. This reporting structure assures the independence of the internal audit function.

Purpose
Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve East Tennessee State University management systems. Internal Audit helps East Tennessee State University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of management’s risk management, control, and governance processes. Internal Audit assists East Tennessee State University’s management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements and providing other information designed to promote effective controls.

Assurance services involve the internal auditor’s objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services, the internal auditor should maintain objectivity and not assume management responsibility.

East Tennessee State University’s management has the primary responsibility for establishing and maintaining a sufficient system of internal controls as well as the enterprise risk management process.

Authority and Scope
Internal Audit’s review of operations may include the examination and evaluation of the effectiveness of all aspects of operations at East Tennessee State University. In the course of its work, Internal Audit has full and complete direct access to all East Tennessee State University books, electronic and manual records, physical properties, and personnel information relative to the performance of duties and responsibilities. All documents and information given to Internal Audit during their work will be handled in the same prudent manner that East Tennessee State University expects of the employees normally accountable for them.
Other than its work performed in conjunction with its quality assurance and improvement program, Internal Audit has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews nor shall their review relieve others of their responsibilities. The internal auditors must maintain a high degree of independence and not be assigned duties or engage in any operations or decision making in any activities that they would normally be expected to review or evaluate as part of the normal audit function.

**Role and Responsibility**
The role of Internal Audit is to assist members of the organization in the effective discharge of their responsibilities. Meaningful internal auditing requires cooperation among Internal Audit, East Tennessee State University’s administration, and the department being audited. In fulfilling their responsibilities, Internal Audit will:

- Comply with auditing standards established by the Institute of Internal Auditors to ensure the effectiveness and quality of the internal audit effort.
- Develop and implement audit plans after consultation with the President and the Audit Committee that respond to both risk and cost effectiveness criteria.
- Review the reliability and integrity of information, and the information technology processes that produce that information.
- Verify compliance with applicable policies, guidelines, laws, and regulations.
- Suggest policies and procedures or improvements to existing policies and procedures where appropriate.
- Provide audit reports that identify internal control issues and make cost-effective recommendations to strengthen control.
- Facilitate the resolution of audit issues with administrators who have the most direct involvement and accountability.
- Review institutional operations (financial and other) on an advisory basis to inform and assist management in the successful execution of their duties.
- Assist with audits or perform certain agreed upon procedures for external parties. External parties include but are not limited to audit offices of federal and state governments and related agencies.
- Review management’s risk assessment process and advise management on the reasonableness and propriety of the assessment.
- Promote and evaluate fraud prevention and identification programs and investigate allegations involving fraud, waste, and abuse.
• Demonstrate and promote appropriate ethics and values within the organization.

• Communicate activities and information among the board, internal auditors, external auditors and the administration.

**Organizational Status/Reporting Structure**
The Chief Internal Auditor reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes. The internal auditing services provided by Internal Audit are reported directly to the President and the Audit Committee of the Board. All audit work is summarized in timely written reports distributed to management to ensure that the results are given due consideration. In addition to management, reports or summaries are distributed to all members of the Audit Committee and to the State of Tennessee, Comptroller’s Office. Management is provided a discussion draft of the audit report prior to the report being issued. Internal Audit is responsible for following up timely on audit findings to ascertain the status of management’s corrective actions.

**Audit Standards and Ethics**
The Internal Audit function adheres to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

**Periodic Review of Internal Audit Charter**
This charter will be periodically assessed by the Chief Internal Auditor to determine whether the purpose, authority, and responsibilities defined in this charter are adequate to enable the internal auditing activity to accomplish its objectives. The results of the periodic assessment will be communicated to the President and the Audit Committee.

__________________________________________________________________________________________
President, East Tennessee State University  
Date

__________________________________________________________________________________________
Chair, ETSU Board of Trustees Audit Committee  
Date

__________________________________________________________________________________________
Chief Internal Auditor, East Tennessee State University  
Date
Ms. Lewis will provide an overview of the audits and internal investigations completed during the period April 1, 2020 to October 31, 2020.

**Audits**

- **Dependent/Spouse Tuition Discount** – An audit of the universities Dependent/Spouse Tuition Discount Program was conducted by Internal Audit in accordance with the unit’s Annual Audit Plan. The objectives of the audit were to evaluate the adequacy of internal controls, to determine compliance with university policies and procedures, and to make recommendations for correcting deficiencies or improving operations.

- **Men’s Basketball Expenditures** – An audit of Men’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 university administration, the Office of Internal Audit conducts audits of head coaches at the end of their employment as part of the transition process prior to the arrival of the new head coach. In April 2020, the head coach of the men’s basketball team resigned. The objectives of the audit were to evaluate the adequacy of the internal controls, to determine compliance with university policies and procedures, and to make recommendations for correcting deficiencies or improving operations.

- **President’s Expenditure Audit** – An audit of the President’s expense was conducted in order to comply with Tennessee Code Annotated, Title 49, Chapters 7 and 14, by performing an internal financial audit of the Office of the President for the Fiscal Year ending June 30, 2020. The objectives were to determine compliance with state statutes and institutional policies regarding expenses and to identify and report all expenses made by, at the direction of or for the benefit of the President regardless of the funding source.
Investigations

- **Department of Psychology Investigation (20-01)** – After performing a routine petty cash count in Financial Services, an investigative review was conducted regarding a fund maintained by a professor in the Department of Psychology. The objectives were to investigate the validity of the issues identified during the review, determine the extent of any violations of University policies and procedures, evaluate the adequacy of internal controls over petty cash and other expenditures related to IRB protocols and RDC funding, and to make recommendations to improve deficiencies.

- **College of Nursing, Office of Practice Missing Deposit (20-10)** – An investigation was conducted related to a missing deposit. The objectives of the investigation were to obtain information regarding the missing deposit, assess the possibility of employee misfeasance, evaluate the adequacy of internal controls over deposits and cash receipts, and make recommendations to improve deficiencies.

- **Child Study Center Missing Petty Cash (20-11)** – An investigation was conducted related to a missing petty cash. The objectives of the investigation were to obtain information regarding the missing funds, assess the possibility of employee misfeasance, evaluate the adequacy of internal controls over petty cash procedures, and make recommendations to improve deficiencies.

- **College of Nursing Missing Petty Cash (21-01)** – An investigation was conducted related to a missing petty cash. The objectives of the investigation were to obtain information regarding the missing funds, assess the possibility of employee misfeasance, evaluate the adequacy of internal controls over petty cash procedures, and make recommendations to improve deficiencies.
Introduction:

An audit of East Tennessee State University’s Dependent/Spouse Tuition Discount Program was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The rules and regulations regarding the dependent and spouse discount are detailed in ETSU Policy PPP-13.

Objectives

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:

<table>
<thead>
<tr>
<th>Spring 2019</th>
<th>$4,747.26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prior terms</td>
<td>$32,694.50</td>
</tr>
</tbody>
</table>

Total Recoveries: N/A

Current Audit Results

Finding 1: During the course of the audit, it was discovered that three students were ineligible for the tuition discount they received during the Spring 2019 term. These students’ Banner accounts were reviewed further to determine if any discounts they received for other terms were valid. The audit revealed questioned costs for ineligible discounts totaling $37,441.76. Of this amount, $4,747.26 was related to the Spring 2019 term.

The Office of Human Resources is taking steps to ensure all spouses/dependents are eligible for the fee discount, including verifying the reason for separation and the date of retirement or death.

Finding 2: A sample of 59 students receiving the discount during Spring 2019 was selected for testwork. In addition to the three ineligible students discussed in Finding 1, HR files were reviewed to determine if eligibility could be confirmed for the remaining 56 students based on documentation maintained. There were thirty (30) instances in which supporting documentation was not available to verify the relationship between the employee and the student. In addition, supporting documentation was not available to confirm the age of eight (8) student dependents who attended a state institution other than ETSU.

The Office of Human Resources has instituted a procedure to verify spouse/dependent status that includes obtaining documentation to validate the relationship between the employee and the spouse/dependent.
# East Tennessee State University
## Men’s Basketball Expenditures
### For July 1, 2019 – April 30, 2020

<table>
<thead>
<tr>
<th>Key Staff Person:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Former Men’s Basketball Coach</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Auditor:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Auditor</td>
</tr>
</tbody>
</table>

## Introduction
An audit of Men’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 coaches at the end of their employment. In April 2020, the Head Coach (Coach) for the men’s basketball team resigned.

## Objectives
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.

## Scope
The audit was performed in accordance with the International Standards for the Professional Practice of Internal Auditing and included procedures as were considered necessary in the circumstances.

## Total Questioned Costs/Losses: None

## Total Recoveries: N/A

## Conclusions
During the audit, the Coach had direct control over one institutional index within the Banner Finance System entitled Men’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.

Based on the testing performed, it appears that the Coach’s expenditures comply with the applicable University policies and procedures.

There were no observations or findings result from this audit. The objectives of the audit were met.
**Objectives**

To comply with Tennessee Code Annotated, Title 49, Chapters 7 and 14, by performing an internal financial audit of the Office of the President for the fiscal year July 1, 2019 to June 30, 2020; to determine compliance with state statutes and institutional policies regarding expenses; and to identify and report all expenses made by, at the direction of or for the benefit of the President regardless of the funding source.

**Scope**

The audit included all accounts under the direct budgetary control of the President, whether funded by institutional funds, foundation funds or external sources and other accounts as necessary. The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors and included tests of the accounting records and such other auditing procedures considered necessary.

**Analysis**

Financial Services along with the President’s Office prepares a detailed annual expense report of the President’s Office. These schedules were reviewed and verified for accuracy and completeness during the audit. The following is a summary by funding source of expenses made by, at the direction of, or for the benefit of the President, and salary and benefits and any other operating expenses for the President’s office during the fiscal year ended June 30, 2020:

<table>
<thead>
<tr>
<th></th>
<th>Institutional</th>
<th>Foundation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary &amp; Benefits – President &amp; Staff</td>
<td>$ 904,462.83</td>
<td>$ -</td>
<td>$ 904,462.83</td>
</tr>
<tr>
<td>Travel – President</td>
<td>24,761.71</td>
<td>-</td>
<td>24,761.71</td>
</tr>
<tr>
<td>Travel – Other Personnel</td>
<td>6,227.71</td>
<td>2,889.43</td>
<td>9,117.14</td>
</tr>
<tr>
<td>Business Meals &amp; Hospitality</td>
<td>11,635.42</td>
<td>39,377.05</td>
<td>51,012.47</td>
</tr>
<tr>
<td>Other Expenses of the President</td>
<td>61,014.22</td>
<td>-</td>
<td>61,014.22</td>
</tr>
<tr>
<td>Miscellaneous Operating Expenses</td>
<td>35,998.47</td>
<td>65,553.25</td>
<td>101,551.72</td>
</tr>
</tbody>
</table>

**Total Expenses**

$ 1,044,100.36

$ 107,819.73

$ 1,151,920.09

**Additional Disclosures:**

**Salary and Benefits** – Salary and Benefits for the President totaled $466,687.91 and includes the Discretionary and Vehicle Allowances.

**Discretionary Allowance** – The President was provided a discretionary spending allowance of $20,000.00 for the period. Use of the allowance was not included in testwork performed since it was paid as taxable income.

**Vehicle** – The President was provided a vehicle allowance of $1,000.00 per month, which was paid as taxable income.

**Housing** – The President was provided the use of a residence. Operating and maintenance costs for the residence, totaling $24,613.15 for the period, were recorded in Facilities and not included in the above totals; the scope of the review related to these expenses was limited. Home improvement costs, however, are included in Other Expenses above.

**Membership** – The President is provided a membership to Blackthorn Country Club. The country club membership is paid for by Intercollegiate Athletics and totaled $3,643.50 for the period. This amount is not reflected in the above totals.

**Questioned Cost** - None

**Recoveries** - N/A

**Conclusion**

The audit objectives related to the expenses of the Office of the President for East Tennessee State University for the fiscal year July 1, 2019 through June 30, 2020 were met. The audit revealed no significant statutory or policy violations, material omissions from the expense reports or deficiencies in internal controls.
MEMORANDUM

TO: ETSU Board of Trustees’ Audit Committee

FROM: Becky Lewis, Chief Audit Executive

SUBJECT: Completed Investigations – April 1 to October 31, 2020

DATE: November 13, 2020

Below is a summary of the investigations completed between April 1 and October 31, 2020.

**Department of Psychology (FWA 20-01):** The investigation revealed that a $3,000 petty cash fund was maintained by a Professor for almost six years after the study ended. In addition, expenditures related to the research study totaling $3,552.62 did not agree with the Professor’s RDC grant agreement and/or approved IRB study. This included expenses for Amazon MTurk, postage, video conferencing, and follow-up surveys. It was also discovered that the Professor did not always follow IRB policies. While the actions taken by the Professor did not appear to constitute fraud, several violations of compliance occurred related to university policies and procedures.

**College of Nursing – Office of Practice Missing Deposit (FWA 20-10):** Internal Audit received information from the Bursar’s Office that a deposit, consisting of both cash and checks, from the College of Nursing’s Office of Practice was missing. Based on the investigation performed, the deposit was later located a few weeks later in a desk drawer within the Bursar’s Office. Even though the funds were discovered intact, additional controls have been put in place to help ensure deposits are properly recorded and processed by the Bursar’s Office.

**Child Study Center Missing Petty Cash (FWA 20-11):** The investigation revealed that a $75 petty cash fund within the Child Study Center (CSC) was missing. No employee dishonesty was discovered. Additional controls were not implemented since the CSC recently closed.
College of Nursing Missing Petty Cash (FWA 21-01): The investigation revealed that a $100 petty cash fund within the College of Nursing’s Office of Practice was missing. No employee dishonesty was discovered. Additional controls have been put into place to help ensure petty cash is properly accounted for at all times.
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>Green</td>
</tr>
<tr>
<td>Child Study Center</td>
<td>The collection of revenue and payment of expenditures related to the pride picnic should follow university policies and procedures as well as any applicable state laws.</td>
<td>Blue</td>
</tr>
<tr>
<td>Office of Equity &amp; Diversity</td>
<td>Internal Controls related to the use of Access &amp; Diversity funds for promoting the recruitment and retention of faculty, staff, and students needs improvement.</td>
<td>Green</td>
</tr>
<tr>
<td>Office of Equity &amp; Diversity</td>
<td>Internal Controls related to diversity scholarships needs improvement.</td>
<td>Green</td>
</tr>
<tr>
<td>Johnson City Community Health Centers - Financial Procedures</td>
<td>Cash receipting procedures need improvement.</td>
<td>Green</td>
</tr>
<tr>
<td>Johnson City Community Health Centers - Patient Safety</td>
<td>Patient account and billing procedures need improvement.</td>
<td>Green</td>
</tr>
<tr>
<td>Third Party Servers</td>
<td>Weaknesses in five specific areas need corrected in order to improve internal controls. Corrective actions have been implemented for two of these.</td>
<td>Green</td>
</tr>
<tr>
<td>Little Bucs and Child Study Center</td>
<td>Changes in practices should be considered in order to improve the financial status of the centers. All DHS Regulations should be adhered to by both centers.</td>
<td>Green</td>
</tr>
<tr>
<td>Slocumb Galleries</td>
<td>University policies and procedures related to revenue and expenditures should be adhered to by the Gallery. Policies related to donations should be adhered to by the Gallery. Bank accounts established for student organizations should be properly maintained and controlled. Purchases made with procurement cards (procard) should adhere to applicable policies.</td>
<td>Green</td>
</tr>
<tr>
<td>Art and Design</td>
<td>Art and Design should adhere to proper policies and procedures related to printing services at the Visual Resource Center. Departmental controls over student course fees need improvement.</td>
<td>Green</td>
</tr>
<tr>
<td>Golf Expenditures</td>
<td>Management should ensure all hotel deposits are credited on the final invoice.</td>
<td>Green</td>
</tr>
<tr>
<td>Women's Soccer Expenditures</td>
<td>Management should continue to review Procard charges during the reconciliation process to ensure overpayments do not exist. If overpayments are identified, refunds should be requested.</td>
<td>Green</td>
</tr>
<tr>
<td>Honors College Timekeeping</td>
<td>Timesheets need to be maintained for all employees in accordance with ETSU policies. Procedures related to working overtime needs improvement.</td>
<td>Green</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>Psychology</td>
<td>Controls over petty cash funds for research projects needs improvement. Expenditures made with research funds should agree with the grant agreement and/or approved IRB study. Researchers should follow all IRB policies and procedures.</td>
<td>Green</td>
</tr>
<tr>
<td>College of Nursing - Office of Practice</td>
<td>Internal controls over deposit processes within the Bursar’s Office needs improvement.</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>College of Nursing - Office of Practice</td>
<td>Internal controls over the handling and safeguarding of petty cash 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
DATE: November 13, 2020

ITEM: Annual Report on Audit Function

COMMITTEE: Audit Committee

PRESENTED BY: Rebecca A. Lewis
Chief Audit Executive

The Annual Report for the Department of Internal Audit for the 2020 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 2020 audit efforts of Internal Audit.
2019-20 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 2019-20 was a very productive year for us, even with a global pandemic occurring. Our accomplishments include the following:

- Completed a total of 9 Audits
- Completed 19 Procard Reviews
- Followed up on 6 Prior Audit Reports
- Conducted 7 Investigations

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
## East Tennessee State University

### Audit Activity Completed

**Fiscal Year Ended June 30, 2020**

<table>
<thead>
<tr>
<th>Audits - Required</th>
<th>FM</th>
<th>President's Expense FY 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>FM</td>
<td>Cash Counts/Inventories</td>
</tr>
<tr>
<td></td>
<td>FM</td>
<td>WETS-FM</td>
</tr>
<tr>
<td></td>
<td>IT</td>
<td>NACHA Web Transactions Data Security FY 2020</td>
</tr>
<tr>
<td>Audits - Special Requests</td>
<td>AT</td>
<td>Volleyball Expenditures</td>
</tr>
<tr>
<td></td>
<td>AT</td>
<td>Golf Expenditures</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Art &amp; Design</td>
</tr>
<tr>
<td></td>
<td>FM</td>
<td>Executive Level Audit</td>
</tr>
<tr>
<td></td>
<td>AT</td>
<td>Women's Soccer Expenditures</td>
</tr>
<tr>
<td></td>
<td>AT</td>
<td>Follow-Up Tennis Expenditures</td>
</tr>
<tr>
<td>Follow-Ups Reviews</td>
<td>AT</td>
<td>Follow-Up Baseball Expenditures</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Follow-Up Physical Therapy</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Follow-Up Timekeeping—Library Administration</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Follow-Up Center for Academic Achievement</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Follow-Up Timekeeping—Families First</td>
</tr>
<tr>
<td>Investigations</td>
<td>IA</td>
<td>Investigation 19-04</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Investigation 19-06</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Investigation 19-10</td>
</tr>
<tr>
<td></td>
<td>RS</td>
<td>Investigation 20-02</td>
</tr>
<tr>
<td></td>
<td>IA</td>
<td>Investigation 20-03</td>
</tr>
<tr>
<td></td>
<td>IS</td>
<td>Investigation 20-05</td>
</tr>
<tr>
<td></td>
<td>FM</td>
<td>Investigation 20-06</td>
</tr>
</tbody>
</table>

### Actual Audit Hours by Functional Area FY 2020

- **AT - Athletics**: 14%
- **FM - Financial Management**: 21%
- **IA - Instruction & Academic Support**: 25%
- **IS - Institutional Support**: 13%
- **IT - Information Technology**: 17%
- **PP - Physical Plant**: 1%
- **RS - Research**: 1%
- **SS - Student Services**: 3%

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**Agenda**

Audit Committee
November 13, 2020

---

32
# 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 2020 surveys are below:

<table>
<thead>
<tr>
<th>Survey Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Surveys Sent Out</td>
<td>27</td>
</tr>
<tr>
<td>Number of Positive Surveys Returned</td>
<td>10</td>
</tr>
<tr>
<td>Number of Surveys not Returned</td>
<td>17</td>
</tr>
</tbody>
</table>

---

## Other Services

- **Fraud Training**: In FY 2018, Internal Audit began offering fraud training to the campus community. Four employees attended during FY 2020.
- **Procard Reviews**: Due to the risks associated with procards, our office began assisting Procurement with their periodic procard reviews. During FY 2020, audit completed 19 reviews.
<table>
<thead>
<tr>
<th>Key Performance Indicators</th>
<th>FY 19/20</th>
<th>FY 18/19</th>
<th>FY 17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Audits Completed</td>
<td>9</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Number of Follow-Ups on Prior Audit Findings</td>
<td>6</td>
<td>11</td>
<td>6</td>
</tr>
<tr>
<td>Number of Investigations Completed</td>
<td>7</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td>Number of Procard Reviews</td>
<td>19</td>
<td>16</td>
<td>3</td>
</tr>
<tr>
<td>Number of Other Audit Activities Completed (i.e. consulting, projects, etc.)</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Percentage of Effort Spent on Audit Activities</td>
<td>58%</td>
<td>74%</td>
<td>69%</td>
</tr>
<tr>
<td>Average Number of Years of Professional Experience</td>
<td>18</td>
<td>17</td>
<td>16</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 2019-2020 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 2019-2020 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 2019-2020 fiscal year.
EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 13, 2020
ITEM: Internal Audit Employee Profiles
COMMITTEE: Audit Committee
RECOMMENDED ACTION: Approval
PRESENTED BY: Rebecca A. Lewis
Chief Audit Executive

The Board of Trustees’ Audit Committee 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:

RESOLVED: The salaries of the Internal Audit staff is approved as presented in the meeting materials.
ETSU Internal Audit Employee Profile - FY 2021

<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>Rebecca Lewis</td>
<td>Chief Audit Executive</td>
<td>CPA</td>
<td>$104,000</td>
<td>26</td>
<td>22</td>
</tr>
<tr>
<td>Martha Burge</td>
<td>Associate Director</td>
<td>CPA</td>
<td>$68,000</td>
<td>15</td>
<td>8</td>
</tr>
<tr>
<td>Logan Greer</td>
<td>Internal Auditor</td>
<td>-</td>
<td>$47,860</td>
<td>8</td>
<td>5</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 is a copy of the operating budget for the office.
## Internal Audit Travel and Operating Budget for FY 2021

<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>$ 1,583.33</td>
</tr>
<tr>
<td>Current Operating Budget</td>
<td>$ 10,790.00</td>
<td>$ 3,596.67</td>
</tr>
</tbody>
</table>

**Travel Budget covers:**
- Audit Work
- Continuing Professional Development for 3 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: November 13, 2020

ITEM: Revisions to the FY 2020-2021 Audit Plan

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approval

PRESENTED BY: Rebecca A. Lewis
Chief Audit Executive

Ms. Lewis will provide a listing of additions and deletions to the fiscal year 2020-2021 audit plan since the last meeting.

**Additions**

Investigation 20-09

**Deletions**

None