

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

11:30 a.m. – 12:30 p.m. EDT
Friday
September 16, 2022

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

COMMITTEE MEMBERS

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

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AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Committee Minutes from April 22, 2022](#)
- IV. [Action Item: Audit Plan for FY 2023 – Lewis \(2 minutes\)](#)
- V. [Audit and Investigations Performed April 2022 through August 2022 – Lewis \(3 minutes\)](#)
 - A. [Men’s Basketball Expenditures](#)
 - B. [Campus ID Services – ID Buc\\$](#)
 - C. [Procards – System Audit](#)
 - D. [Follow Up – Sim Lab](#)
 - E. [Memorandum on Investigations](#)
 - F. [Completed Audit Heat Map](#)
- VI. [Recommendation Log Status as of August 31, 2022 – Lewis \(2 minutes\)](#)
- VII. [Report on Audit Functions for FY 2022 – Lewis \(3 minutes\)](#)
- VIII. [Action Item: Internal Audit Employee Profiles – Lewis \(2 minutes\)](#)
- IX. [Internal Audit Operating Expenses – Lewis \(3 minutes\)](#)
- X. [Quality Assurance and Improvement Program – Lewis \(5 minutes\)](#)

- XI. Other Business
- XII. Executive Session to Discuss Active Audits and Enterprise Risk Management
- XIII. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 16, 2022

ITEM: Approval of the Minutes of April 22, 2022

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The minutes of the April 22, 2022 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 22, 2022 meeting of the Audit Committee is omitted, and the minutes are approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

April 22, 2022
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, April 22, 2022, at 10:47 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chairperson Melissa Steagall-Jones called the meeting to order at 10:47 a.m. The meeting was initially slated to convene at 11:30 a.m. but was able to begin earlier due to the early adjournment of the Finance and Administration Committee meeting.

II. Roll Call

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

Committee members present were:

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

III. Approval of the Audit Committee Minutes from February 18, 2022

The minutes from February 18, 2022, were approved as submitted, with Board Chair Dr. Linda Latimer making the motion and Trustee Dorothy Grisham seconding the motion. The motion passed unanimously.

IV. Annual Review of Charters

Chief Audit Executive Rebecca A. Lewis, CPA, presented three Charters, which were included in the agenda materials, to the Audit Committee for their annual review including:

- Audit Committee Charter
- Internal Audit Charter
- Compliance Charter

Ms. Lewis noted that Internal Audit had reviewed the three Charters and determined that no revisions were required.

The Audit Committee made no proposals for Charter amendments.

V. Annual Review of Policies

In accordance with the Audit Committee Charter, the Audit Committee must annually review its Internal Audit Policy and its Preventing and Reporting Fraud, Waste, and Abuse Policy. Both policies were included in agenda materials.

The Committee had no queries or reservations about these policies and did not suggest any changes.

VI. Action Item: Revisions to the FY 2021-2022 Audit Plan

Ms. Lewis requested approval for the following additions to the audit plan for fiscal year 2021-2022.

- Guest and Group Housing – An audit of guest and group housing was requested by management.
- FWA 22-05 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.
- FWA 22-06 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

Ms. Lewis also requested approval for the following deletions from the audit plan for fiscal year 2021-2022.

- Football – Internal Audit is adjusting the process for completing audits within the Athletic Department. Rather than conducting an audit at the end of a head coach's tenure, Internal Audit will review a specific risk area and conduct the audit across all sports on an annual basis.
- NCAA Compliance – This audit was removed in order to add the Group and Guest Housing Audit.

The requested revisions to the audit plan were approved as submitted, with Trustee Dorothy Grisham making the motion and Board Chair Dr. Linda Latimer seconding the motion. The motion passed unanimously.

VII. Audit Investigations Performed February 2022 through March 2022

Ms. Lewis provided an overview of the audits and investigations completed from February 1, 2022 to March 31, 2022 including:

- Men’s Soccer Expenditures within the Department of Intercollegiate Athletics
- Provost/Senior Vice President for Academics was conducted by Internal Audit personnel in accordance with the Annual Audit Plan.
 - At the request of Administration, the Office of Internal Audit conducts an audit of a randomly selected executive-level administrator annually.
- Center of Excellence in Math and Science Education (CEMSE)
 - This audit was conducted at the request of the Clemmer College Dean due to structural changes within the Center.

Between February 1 and March 31, 2022, one investigation was conducted. The investigation memorandum was included in the agenda materials on page 41.

VIII. Recommendation Log Status as of March 31, 2022

A copy of the Recommendation Log as of March 31, 2022, was provided for the Committee’s review on page 44 of the agenda. Per Ms. Lewis, it appears that management has taken appropriate actions to correct those deficiencies recorded on the log.

IX. Quality Assurance and Improvement Program

State law mandates that the Office of Internal Audit adhere to the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors (IIA). The IPPF requires Internal Audit to maintain an active Quality Assurance and Improvement Program (QAIP) that includes periodic self-assessments and external assessments. Every five years, the IPPF mandates an external assessment by a qualified, independent assessor or assessment team from outside the organization. The acceptable methods for an external evaluation include a full external assessment or a self-assessment with independent validation. The self-assessment with external

validation is the most common and cost-effective means of completing the required external assessment. Members of the International Association of College and University Auditors (ACUA) frequently volunteer as external assessors, requiring just travel expenses for the week-long site visit. The previous external evaluation, a self-assessment with ACUA validation, was completed in August 2018, coinciding with the formation of the Board of Trustees. This evaluation was performed outside of the normal audit cycle to allow the newly formed Board to assess the depth, breadth, and scope of the Office of Internal Audit. The subsequent external evaluation will take place in August 2023. In addition to the external evaluation, the Office of Internal Audit usually conducts a self-evaluation in the middle of the five-year period.

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

Dr. B.J. King, Chief Financial Officer for Business and Finance, provided an overview of Audited Financial Statements from the Comptroller of the Treasury. The Tennessee Comptroller of the Treasury, Division of State Audit, issued a final Financial and Compliance Audit Report of ETSU's financial statements for the fiscal year ending June 30, 2021. The audit report in its entirety was included immediately following page 54 of the agenda. An exit conference with the Division of State Audit was held on January 27, 2022; participants met both in person and via Zoom. Dr. B.J. King, Chief Financial Officer, noted that the independent auditor's report was issued with unmodified opinions.

There were no questions or discussions following Dr. King's presentation.

XI. Other Business

There were no additional discussions.

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

At the request of the Committee Chair, the Audit Committee adjourned to Executive Session to discuss active audits and enterprise risk management.

XIII. Adjournment

The meeting adjourned at the conclusion of the Executive Session.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 16, 2022
ITEM: Audit Plan for FY 2023
COMMITTEE: Audit Committee
RECOMMENDED ACTION: Approve
PRESENTED BY: Rebecca A. Lewis, CPA
Chief Audit Executive

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

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

RESOLVED: The Audit Plan for 2022-23 is approved as presented in the meeting materials.

East Tennessee State University
Internal Audit Plan as of 08/10/2022
Fiscal Year Ended June 30, 2023

Rank	Type	Area	Audit
Required by State Audit	R	FM	Cash Counts/Inventories
Brought Forward Required by State Statute	R	FM	President's Expense FY 2022
Required by State Statute	R	FM	President's Expense FY 2023
Required by CPB	R	FM	WETS-FM
Required by Many	R	FM	Risk Assessments
Brought Forward Follow-Up	F	IA	Follow-Up JCCHC Financial Procedures
Brought Forward Follow-Up	F	RS	Follow-Up Psychology
Brought Forward Follow-Up	F	IA	Follow-Up Human Patient Simulation Laboratory
Brought Forward Follow-Up	F	RS	Follow-Up Internal Medicine
Brought Forward Follow-Up	F	IS	Follow-Up Dependent/Spouse Tuition Discount
Brought Forward Follow-Up	F	IT	Follow-Up Off Campus Domestic/International Pgms
Follow-Up	F	IT	Follow-Up State Audit
Follow-Up	F	IA	Follow-Up: Health Services (missing petty cash)
Follow-Up	F	IA	Follow-Up: College of Nursing
Follow-Up	F	SS	Follow-Up: Upward Bound
Follow-Up	F	IA	Follow-Up: Center of Excellence in STEM Education
Follow-Up	F	AT	Follow-Up: Men's Basketball Expenditures
Brought Forward Invest	I	IA	Investigation 18-03
Brought Forward Invest	I	AT	Investigation 22-06
Brought Forward Invest	I	IA	Investigation 22-07
Brought Forward Invest	I	RS	Investigation 22-05
Investigations	I	AT	Investigation 23-01
Investigations	I	FM	Unscheduled Investigations
Consulting	C	IS	General Consultation
Project	P	IS	Board of Trustees (Prep for Meetings, Meetings, etc.)
Project	P	IS	IIA Quality Assurance Peer Review (ETSU)
Project	P	IS	TBR Quality Assurance Peer Review
Brought Forward Special Request	S	IA	College of Nursing - Dean's Office
Brought Forward Special Request	S	RS	RDC Grants
Brought Forward Special Request	S	FM	Executive Level Audit FY 2022
Brought Forward Special Request	S	RS	R15 Research Grants
Special Request	S	FM	Executive Level Audit FY 2023
Brought Forward Risk Based	A	FM	Agency Accounts
Brought Forward Risk Based	A	IA	Minors on Campus
Brought Forward Risk Based	A	FM	Procards (New System)
Brought Forward Risk Based	A	FM	ID Bucs (used on campus)
Brought Forward Risk Based	A	SS	Guest and Group Housing
Risk Based	A	AT	Athletics Revenue
Risk Based	A	IT	ITS General Controls
Risk Based	A	PP	Emergency Preparedness
Risk Based	A	AD	Donor Gift Processing
Risk Based	A	AX	Auxiliary Enterprises
Risk Based	A	PP	Facility, Chemical, and Environmental Safety
Risk Based	A	IA	Obstetrics and Gynecology
			Total

Estimate-Hours Available For Audits = 4,285 (4 staff auditors: 2 for 12 months, 1 on a modified 12 month contract, and 1 for 10.5 months)

Audit Types:

- R - Required
- A - Risk-Based (Assessed)
- S - Special Request
- I - Investigation
- P - Project (Ongoing or Recurring)
- M - Management's Risk Assessment
- 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

EAST TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 16, 2022

ITEM: Audits and Investigations Performed

COMMITTEE: Audit Committee

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

Ms. Lewis will provide an overview of the audits and internal investigations completed during the period April 1, 2022 to August 31, 2022.

Audits

- Men's Basketball Expenditures – An audit of *Men's Basketball Expenditures* within the Department of Intercollegiate Athletics was conducted by Internal Audit personnel. In March 2021, concerns were raised regarding the financial records maintained by the Director of Basketball Operations (DBO). Shortly thereafter, the Head Coach (Coach) for Men's Basketball resigned. At the request of administration, the Office of Internal Audit conducts audits of head coaches at the end of their employment. The DBO also resigned in April 2021. Therefore, this audit serves a dual purpose.
- Campus ID Services - ID Buc\$ – An audit of the *ID Buc\$* Program managed by Campus ID Services was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. ID Buc\$ is a debit card program for students, staff, and faculty members. Funds can be deposited onto the ID card and then used around campus for food, printing services, books and supplies, vending, various fees, and laundry. In addition, several off-campus locations accept ID Buc\$ as a method of payment.
- Procards - System Audit – A system audit of Procurement Cards (Procards) within the US Bank Online System was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. This audit focused on the new system used for documenting and approving purchases made using procards.
- Follow Up – Sim Lab - The College of Medicine: Human Patient Simulation Laboratory Audit report issued January 19, 2021 contained two findings. As required, Internal Audit has performed a follow-up review of actions taken in response to these findings. The follow up revealed that appropriate action has not been taken related

to one of the two finding.

Investigations

- Men's Basketball (22-06) – An investigative review into the possible forged signatures on meal per diem forms involving the Intercollegiate Athletics' Men's Basketball Team at East Tennessee State University (ETSU) was conducted by the Department of Internal Audit. In March 2022, the Office of Financial Services received a document to support petty cash disbursements for meal money which appeared forged. Internal Audit conducted an investigation of all petty cash transactions involving Men's Basketball. The primary objectives were to investigate the validity of the issues identified during the review, determine the extent of any violations of university policies and State law, and evaluate the adequacy of internal controls.
- Clemmer College - Access ETSU (22-07) – An investigative review into a fundraiser entitled "Access the Groove" hosted by Clemmer College's Access ETSU was conducted by the Department of Internal Audit. After the fundraiser event was completed, the Project Director contacted the Foundation to inquire about next steps. During these conversations Foundation Accounting became aware that a Square device was used to receive payments at the event. Square allows smart phone or tablet owners to accept and receive debit/credit card payments. These funds are then held by Square until transferred to a bank account or uploaded to a debit card. The use of Square is not an approved method for accepting university payments. Internal Audit conducted an investigation of all transactions related to the fundraiser. Based on the test work performed, financial fraud was not discovered. However, several violations of laws, policies, and procedures occurred.

**East Tennessee State University
Men's Basketball Expenditures
June 1, 2020 – March 31, 2021**

<p>Key Staff Person: Former Men's Basketball Coach and Former Director of Basketball Operations.</p>	<p>Internal Audit: Associate Director, Internal Audit</p>
<p>Introduction An audit of <i>Men's Basketball Expenditures</i> within the Department of Intercollegiate Athletics was conducted by Internal Audit personnel. In March 2021, concerns were raised that the financial records maintained by the Director of Basketball Operations (DBO). Afterwards, the Head Coach (Coach) for Men's Basketball resigned. At the request of administration, the Office of Internal Audit conducts audits of head coaches at the end of their employment. The DBO also resigned in April 2021. Therefore, this audit serves a dual purpose.</p>	
<p>Objectives</p> <ol style="list-style-type: none"> 1. To evaluate the adequacy of the internal controls. 2. To determine compliance with university policies and procedures. 3. To review the accuracy records maintained by the DBO to ensure compliance with policies and the validity of expenses. 4. To make recommendations for correcting deficiencies or improving operations. 	
<p>Total Questioned Costs/Losses: None</p>	<p>Total Recoveries: N/A</p>
<p>Current Audit Results</p> <p>According to Athletics Administration, the former Director of Basketball Operations (former DBO) sometimes failed to obtain and/or maintain supporting documentation for expenditures. This included the meal allowance exceptions, itemized receipts, justification for fuel purchases, and adequate support for petty cash expenses. The audit confirmed these concerns. According to Athletics, improvements have been made following the resignation of the former DBO.</p> <p>While testwork performed did not identify any evidence of mismanagement, an additional concern, described in the finding below, was identified during the audit.</p> <p>Finding: <i>Documentation of various cost alternatives is not always being maintained by the Athletic Department as required by university policy.</i></p> <p>According to Athletics Administration, team hotel stays are negotiated under a contract with Road Rebel travel agency. The Chief Financial Officer in Athletics (CFO) stated that Road Rebel maintains all of the necessary documentation for the department including all lodging expenses and it not maintained within the Intercollegiate Athletics. The head coach of each team is required to provide their schedules to Road Rebel who then works to find the best rates based on the coach's criteria and budget per the Senior Associate Athletic Director of Marketing and Promotion. The team can then choose whether to utilize this available service and book their accommodations through ETSU's Road Rebel representative based on the hotel options provided.</p> <p>ETSU's <i>General Travel Policy XIV. Team Travel and all Other Group Travel</i>, (D)(D) states that actual lodging will be reimbursed unless reduced by the department. The policy goes on to state, however, that "documentation must be maintained in the Athletic Department, or other appropriate</p>	

department or office, indicating that various cost alternatives have been explored before making all arrangements and reservations". The CFO indicated that the accommodation options were sent by Road Rebel to the former DBO and/or former Coach during the audit period, but were not maintained in Athletics. Internal Audit was advised by the CFO to contact the former DBO to determine if this information is still available. Internal Audit, however, chose not to pursue this since the university's policy states that the documentation must be maintained in the Athletic (or other) Department. The CFO also indicated that it is likely that other sports are not maintaining this documentation. It is typically not attached to the travel authorization/claim. This documentation should be used by Athletic Administration when reviewing and approving travel authorizations to help ensure due diligence is being followed.

In addition, both the Associate Vice President of Financial Services and the Manager of Accounts Payable concur that Athletics should be supplying and maintaining documentation of the various cost alternatives for all team travel in accordance with policy.

As indicated in the policy, the lodging expenses for the trips reviewed were paid in full by the university.

Recommendation:

Athletic Administration should maintain the cost alternatives for lodging expenses in accordance with university policy.

Management's Response:

We concur with the finding and recommendation. ETSU Athletics has been and will continue to utilize Road Rebel whenever possible to confirm the best possible hotel/travel opportunities for our teams. This practice has been underway for some time and aligns with university policy in eliminating any waste, fraud, and abuse issues associated with team travel. Athletics will make every effort to document Road Rebel information in the completion of travel claims. In the event Road Rebel is not an option, teams will be expected to show proof that the travel accommodations chosen are within expected university parameters.

Restriction on Use of Report: *This report is intended solely for the internal use of East Tennessee State University and ETSU's Board of Trustees. It is not intended to be and should not be used for any other purpose. The distribution of the report to external parties must be approved by the Office of Internal Audit and handled in accordance with institutional policies.*

**East Tennessee State University
Campus ID Services
ID Buc\$ Program
For August 1, 2021 – December 31, 2021**

Key Staff Person: Director Student Center and Campus ID Services	Auditor: Internal Auditor
<p>Introduction An audit of the <i>ID Buc\$</i> Program managed by Campus ID Services was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. ID Buc\$ is a debit card program for students, staff, and faculty members. Funds can be deposited onto your ID card and then used around campus for food, printing services, books and supplies, vending, various fees, and laundry. In addition, several off-campus locations accept ID Buc\$ as a method of payment.</p>	
<p>Objectives</p> <ol style="list-style-type: none"> 1. To review the procedures and controls for all department that accept ID Buc\$ as a form of payment. 2. To review transactions for a sample of those departments to evaluate whether: <ol style="list-style-type: none"> a. Fee assessed for services had been approved by the university b. Fee assessed was not for services covered by tuition and fees 3. To make recommendations for correcting deficiencies or improving operations. 	
<p>Scope The audit was performed in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> and included procedures as were considered necessary in the circumstances.</p>	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Conclusion During the audit, two departments were selected for testwork. Those two areas were Printing Services and the Center for Physical Activity (CPA). Charges paid for using ID Buc\$ within these two areas were reviewed and tested for compliance with university policies and procedures.</p> <p>Based on the testing performed, it appears that charges paid using ID Buc\$ complies with the applicable University policies and procedures. The audit did not reveal any unapproved fees. In addition, the fees charged did not appear to be covered by tuition.</p> <p>There were no observations or findings as a result from this audit. The objectives of the audit were met.</p>	

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**East Tennessee State University
Procards – System Audit
July 1 through October 31, 2021**

Key Staff Person: Manager of Accounts Payable	Internal Audit: Internal Auditor
Introduction An audit of <i>Procards</i> within the US Bank Online System was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. Procard transactions moved to the new online system in January 2020.	
Objectives <ol style="list-style-type: none"> 1. To evaluate the adequacy of the internal controls within the US Bank Online System as well university procedures. 2. To evaluate the potential use of reports generated through the online system 3. To determine compliance with university policies and procedures and applicable federal regulations. 4. To make recommendations for correcting deficiencies or improving operations. 	
Current Audit Results <u>Observation:</u> Although it appears the bank’s online system is compliant with the University’s record retention policies, supporting documentation is not always readily available and difficult to locate. If university personnel need to review a document that is older than twelve months, they must submit a request to the bank. When requesting this information, university personnel cannot request a specific item. Instead, they must request items based on date range, approval status, and cardholder. <u>Finding 1:</u> Reports obtained from the online procard system indicated compliance with policies need improvement. Of 1,186 transactions, the following discrepancies were discovered from the four queried reports: <ul style="list-style-type: none"> • 255 procard transactions appeared to contain payments for Tennessee sales tax. • 339 procard transactions were not approved by the cardholder in the online system. • 919 procard transactions were not approved by the supervisor in the online system. • 215 procard purchases totaling \$61,645.16 did not have supporting documentation scanned into the online system. In addition, of the 215 purchases lacking documentation, 195 were not approved by either the cardholder or the supervisor. <u>Finding 2:</u> Testwork performed by Internal Audit indicated compliance with policies need improvement. Of the 1,186 transactions identified in Finding 1 through the use of queried reports from the system, 250 transactions were selected for detailed testwork. In addition to concerns over sales tax payments, transactions approval, and lack of supporting documentation, other potential issues were noted. These included such things as incomplete or un-itemized receipts, receipts for unrelated purchase, and missing travel authorizations. Management concurred with the observation and findings. They plan to utilized the reporting function within the online system to identify areas of non-compliance and enforce sanctions. In addition, Accounts Payable will contact the US Bank representatives and discuss the issues related to the availability of supporting documentation.	

East Tennessee State University
College of Medicine: Human Patient Simulation Laboratory
Follow-Up to the Audit Report Issued January 19, 2021
For the Audit Period July 1, 2021 – January 31, 2022

Key Staff Person: Senior Director of Experiential Learning	Auditor: Associate Director, Internal Audit
<p>Introduction: The College of Medicine: Human Patient Simulation Laboratory Audit report issued January 19, 2021 contained two findings. As required, Internal Audit has performed a follow-up review of actions taken in response to these findings.</p>	
<p>Objectives: The objective of this follow-up review is to determine if management has implemented corrective actions for the findings noted in the previously issued audit report.</p>	
Total Questioned Costs: None	Recoveries: None
<p>Original Findings and Recommendations:</p> <ol style="list-style-type: none"> 1. A conflict of interest (COI) was created when two companies owned by university employees entered into a business relationship with ETSU that appeared questionable. The identified issue was verified. Two limited liability corporations (LLCs) owned by two separate ETSU employees entered into a business relationship with the university resulting in an inappropriate conflict of interest. The former Coordinator of the Sim Lab (Employee A) owns a business (Company A) which sells medical supplies and teaches various medical training courses. Typical course offerings include Paramedic (PJ) Training, Advanced Wilderness Life Support (AWLS), Basic Life Support (BLS), Stop the Bleed, and CPR. These courses were sometimes conducted in conjunction with another outside company (Company B) which is owned by the Director of the Center for Experiential Learning (Employee B). It should be noted that Employee A had submitted his resignation from the university prior to the start of this investigation and is no longer employed. Conflicts of interest should be properly disclosed as required by policy. This includes disclosure and approval through the conflict-of-interest committee headed by Human Resources personnel. Business relationships involving a conflict of interest should not be entered into without seeking proper documented approvals. However, approvals should not be granted if it violates university policy or state statute or if it is not in line with the university's mission. 2. Employee A did not obtain proper approval on licensing agreements involving the Sim Lab. The identified issue was verified; the agreement for internal and external parties to use the Sim Lab did not contain all the necessary approval signatures. This agreement was reviewed by University Council in August 2016. The approved version required the signatures of the 'Employee A', the Vice President for Health Affairs and the licensee. Immediately afterwards, the agreements used contained these signatures as well as the Associate Vice President for Health Affairs. Agreements used by the Sim Lab after January 2017 only contained the signatures of 'Employee A' and the licensee. The reason for this change is unknown. Evidence of any approvals obtained for this change was not discovered. The identified issue was verified; the agreement for internal and external parties to use the Sim Lab did not contain all the necessary approval signatures. This agreement was reviewed by University Council in August 2016. The approved version required the signatures of the 'Employee A', the Vice President for Health Affairs and the licensee. Immediately afterwards, the agreements used 	

contained these signatures as well as the Associate Vice President for Health Affairs. Agreements used by the Sim Lab after January 2017 only contained the signatures of 'Employee A' and the licensee. The reason for this change is unknown. Evidence of any approvals obtained for this change was not discovered.

Original Management's Response:

The audit has highlighted specific areas for improvement that will be addressed in the coming months, specifically in the areas of employee on boarding, annual conflict of interest statements, and continuing education regarding policies and procedures. With regards to new employees, a plan for review of current policies and controls will be developed with University Counsel and audit staff to be reviewed with all new faculty and staff. In addition, a plan for ongoing review of these policies on a scheduled (yearly) basis will be integrated into our internal communications processes. The College of Medicine began a yearly conflict of interest attestation in 2019, which is ongoing and provides another opportunity for review of these policies and procedures. These conflict-of-interest disclosure forms will be provided to Human Resources.

Changes have been made during the period of the audit to both pricing and contracting for simulation experiences. These processes are overseen by COM Finance and Administration and require the appropriate signatures and authority to guard against circumstances as occurred previously.

With regards to the employees involved in this specific audit, employee A voluntarily left the University in 2019. Employee B remains a faculty member in the College of Medicine and will undergo counseling and review of the audit findings in November 2020 at the time of annual review. The potential for development of some of the learning activities conducted under proper contracting and authority will be reviewed and adherence to policy will be required.

Current Status:

1. Improvements have been made regarding conflict-of-interest disclosures. However, the following issues were noted:
 - a. Sixty individuals identified by Human Resources as being professors within the College of Medicine (CoM) did not have a conflict-of-interest form on file with the CoM.
 - b. None of the conflict-of-interest forms completed in the College of Medicine were provided to Human Resources.
 - c. Of the COI forms completed, sixteen disclosed a potential conflict of interest. These forms were not reviewed by the COI Committee in accordance with university policy.
 - d. Eight individuals listed outside employment on the COI forms. However, no outside employment forms were on file within Human Resources.
 - e. Of the forms obtained, the following was noted:
 - i. One did not have a completion date
 - ii. One had a completion date that was greater than one year old
 - iii. Twenty-three had a completion date in March 2021 and were about to expire when the documentation was requested. Unsure if these individuals completed a new COI disclosure form in March 2022.
2. Major improvements have been made in regards to licensing contracts. Based on testwork performed, licensing contracts have been amended and approved by appropriate personnel. In addition, all required approval signatures were obtained and all applicable exhibits were attached to the contract.

Conclusion

Based on our review, the audit objectives were met. It appears appropriate corrective actions have been taken on issue two, but not on issue one. Additional controls must be implemented in regards to the conflict-of-interest disclosures and outside employment. Internal Audit will organize a meeting between the College of Medicine and Human Resources to discuss responsibilities related to COI disclosures. Once a plan is developed, Internal Audit will follow-up on adherence to the policies and procedures as they relate to reporting and managing possible conflict of interests.

Restriction on Use of Report: *This report is intended solely for the internal use of East Tennessee State University and ETSU's Board of Trustees. It is not intended to be and should not be used for any other purpose. The distribution of the report to external parties must be approved by the Office of Internal Audit and handled in accordance with institutional policies.*



EAST TENNESSEE STATE UNIVERSITY

Department of Internal Audit
Box 70566
Johnson City, TN 37614-1707
Telephone: 423/439-6155

MEMORANDUM

TO: ETSU Board of Trustees' Audit Committee

FROM: Becky Lewis, Chief Audit Executive *B Lewis*

SUBJECT: Completed Investigations – April 1 to August 31, 2022

DATE: September 16, 2022

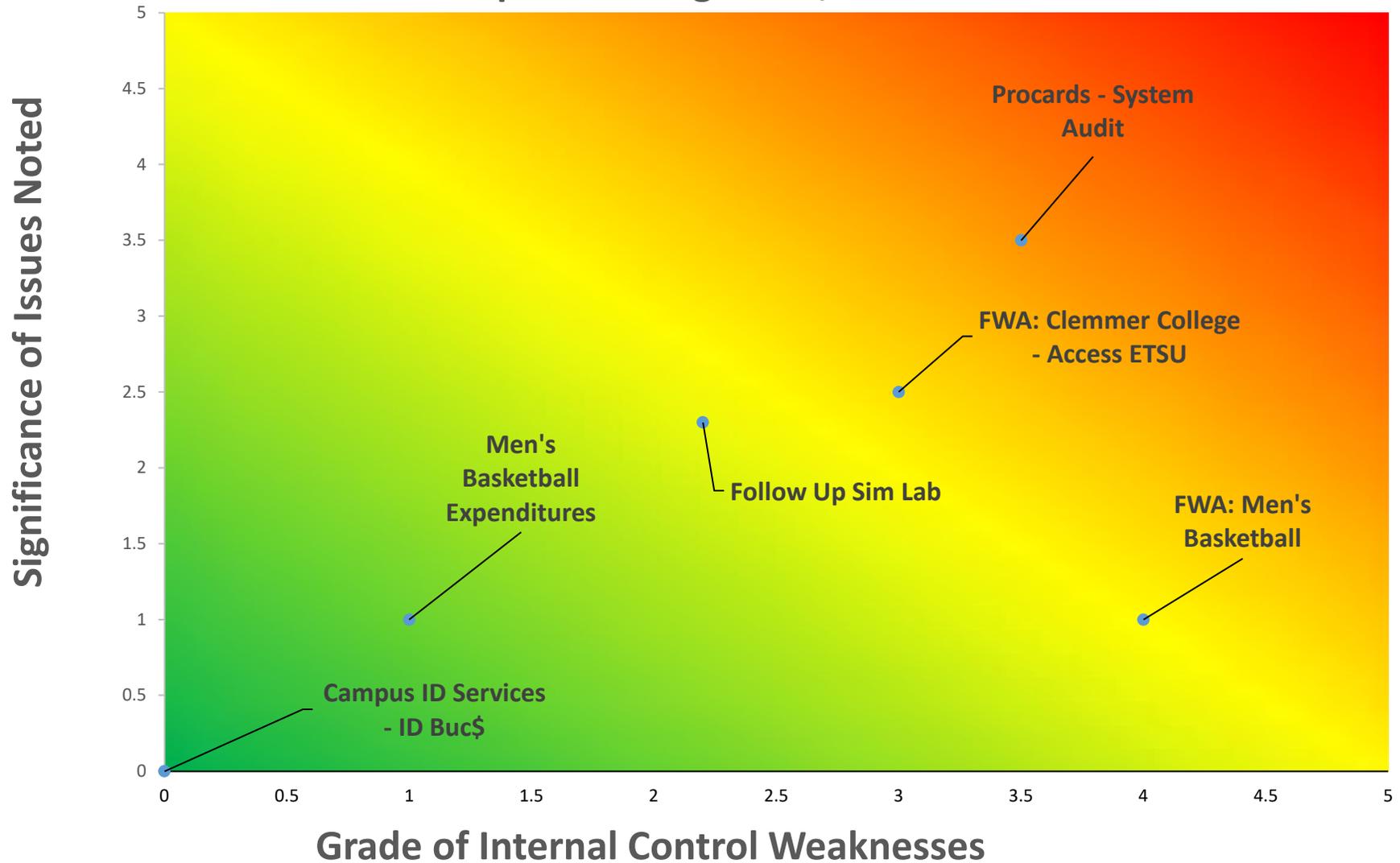
Below is a summary of the investigations completed between April 1 and August 31, 2022.

Men's Basketball (FWA 22-06): The investigation revealed that an unidentified person(s) working/volunteering with the Men's Basketball program forged the signatures of student-athletes on several occasions. It appears, however, that the student-athletes received the amount of money indicated on the forms. Therefore, no financial loss was discovered during the investigation. It appears the Athletics' Business Office has implemented changes to help prevent this from occurring in the future.

Clemmer College - Access ETSU (FWA 22-07): The investigation revealed that Access ETSU did not always adhere to the policies and procedures that have been established in regards to cash receipts and the deposit of funds during a fundraising event. This included the use of a Square device to accept payments and administering a raffle as part of the event. Although proper policies were established by the University, controls and procedures need to be in place within Access ETSU to ensure compliance and to prevent violations from occurring. Communication will be held between Internal Audit and the Foundation to help ensure proper instructions are provided to departments planning fundraising events.

Heat Map of Completed Audits

from April 1 to August 31, 2022



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 16, 2022

ITEM: Recommendation Log Status as of August 31, 2022

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.

East Tennessee State University		
Internal Audit Recommendation Log as of August 31, 2022		
Area	Recommendation	Status
Off Campus Domestic & International Programs	Controls over Off Campus Domestic & International Programs needs improvement.	Green
JCCHC - Financial Procedures	Cash receipting procedures need improvement.	Blue
Internal Medicine	Current policies and procedures over grants need to be reviewed and strengthened within various academic departments, the Office of Research and Sponsored Programs, and Grant Accounting.	Green
Psychology	Controls over petty cash funds for research projects needs improvement.	Green
	Expenditures made with research funds should agree with the grant agreement and/or approved IRB study.	Green
	Researchers should follow all IRB policies and procedures.	Green
Dependent/Spouse Tuition Discount	Procedures related to dependent/spouse tuition discounts needs improvement.	Green
Human Patient Simulation Laboratory	Procedures related to conflict of interest need improvement.	Yellow
	Processes related to licensing agreements need improvement.	Blue
Health Services	Internal controls over the handling and safeguarding of petty cash needs improvement.	Green
College of Nursing	Polices and procedures related to workload and overload pay need improvement.	Green
Upward Bound	Controls over cash given to students and participants for the Upward Bound trips need to be strengthened.	Blue
Center of Excellence in STEM Education	Departmental controls over travel need improvement.	Green
	Departmental controls over business meal expenditures need improvement.	Green
Men's Basketball Expenditures	Departmental controls over travel need improvement.	Green
Men's Basketball	Departmental controls over meal signature forms need improvement	Green
Procard System	Controls over procard purchases need improvement	Green
Access ETSU	Controls over fundraising events need improvement	Green

Legend:	
Actions completed since previous Audit Committee Meeting	Blue
Actions are progressing in a timely fashion or not yet due	Green
Actions are slightly overdue	Yellow
Actions are significantly overdue	Red

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 16, 2022

ITEM: Report on Audit Functions for FY 2022

COMMITTEE: Audit Committee

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

The Annual Report for the Department of Internal Audit for the 2022 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 2022 audit efforts of Internal Audit.



Department of Internal Audit
East Tennessee State University

2021-22 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 2021-22 was a productive year for us.

Our accomplishments include the following:

- ◆ Completed 9 Audits and 11 Investigations
- ◆ Followed up on 6 Prior Internal Audit Reports
- ◆ Issued a Follow Up Report related to 1 State Audit Review

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

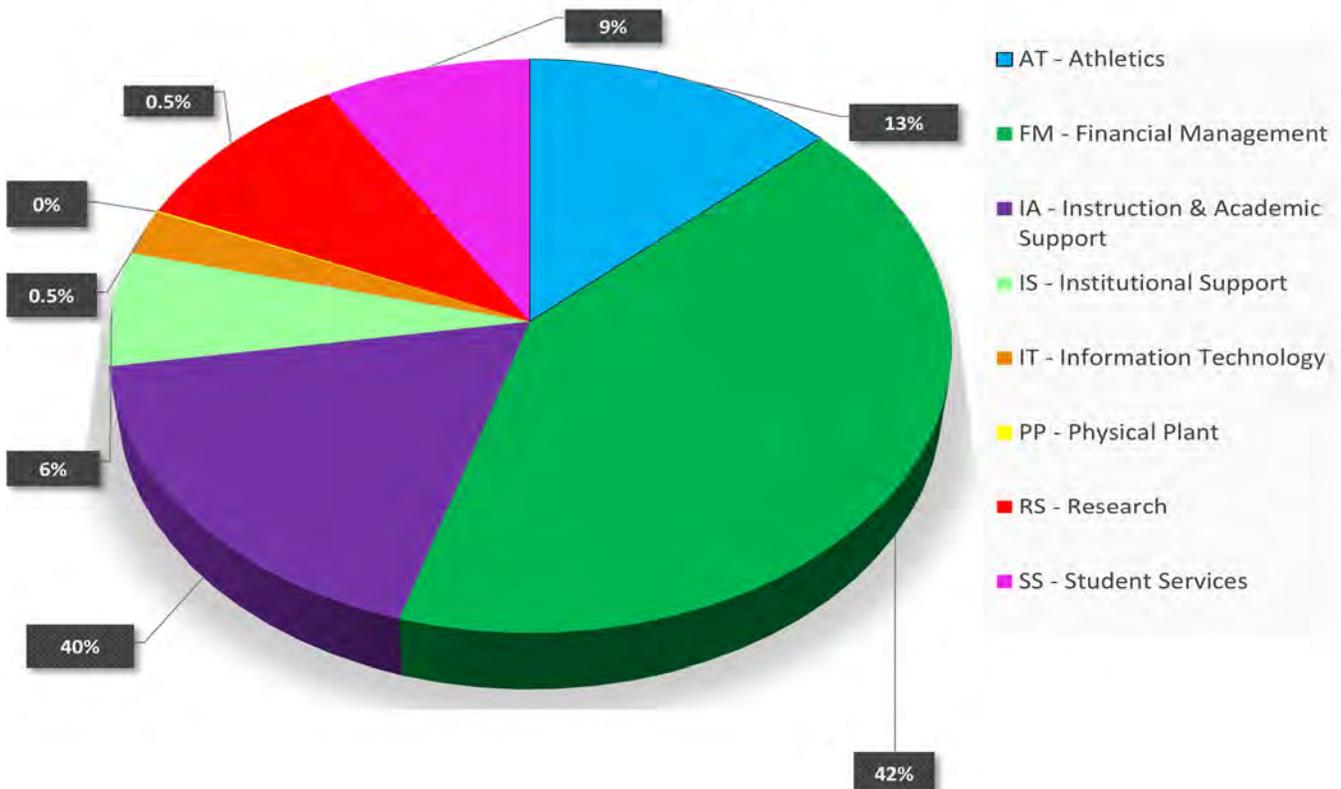
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East Tennessee State University
Audit Activity Completed
Fiscal Year Ended June 30, 2022

Audits - Required	FM Cash Counts/Inventories FM President's Expense FY 2021 FM WETS-FM
Audits - Special Requests	IA Center of Excellence in Math & Science Education AT Men's Basketball Expenditures FY 2021 AT Women's Basketball Expenditures AT Softball Expenditures FM Executive Level Audit FY 2021 AT Men's Soccer Expenditures
Follow-Ups Reviews	IA Follow-Up Johnson City Community Health Center Patient Safety IT Follow-Up Third Party Servers IT Follow-Up State Audit IS Follow-Up Office of Access & Diversity IA Follow-Up Little Bucs (DHS) IA Follow-Up College of Nursing - Office of Practice (missing checks and petty cash loss) IA Follow-Up Ronald E. McNair Program
Investigations	SS Investigation 20-04 IA Investigation 21-02 IA Investigation 21-03 IA Investigation 21-05 IA Investigation 21-06 IA Investigation 21-07 IA Investigation 22-01 IS Investigation 22-02 IA Investigation 22-03 PP Investigation 22-04 IA Investigation 22-08

**Actual Audit Hours by Functional Area
FY 2022**



East Tennessee State University
Audit Activity in Progress
As of June 30, 2022

Audits - Required	FM	President's Expense FY 2022
	FM	Risk Assessments
Audits - Special Requests	IA	College of Nursing - Dean's Office
	RS	RDC Grants
	FM	Executive Level Audit FY 2022
	RS	R15 Research Grants
Audits - Risk Based	FM	Agency Accounts
	IA	Minors on Campus
	FM	Procards (New System)
	FM	ID Bucs (used on campus)
Follow-Ups Reviews	SS	Guest and Group Housing
	IA	Follow-Up Johnson City Community Health Center Financial Procedures
	IT	Follow-Up Off Campus Domestic & International Programs
	RS	Follow-Up Internal Medicine
	RS	Follow-Up Psychology
	IS	Follow-Up Dependent/Spouse Tuition Discount
	IA	Follow-Up Human Patient Simulation Laboratory
Investigations	IA	Investigation 18-03
	RS	Investigation 22-05
	AT	Investigation 22-06
	IA	Investigation 22-07

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 2022 surveys are below:

Number of Surveys Sent Out	32
Number of Positive Surveys Returned	12
Number of Negative/Mixed Surveys Returned	2
Number of Surveys not Returned	18

Comments:

- The professionalism of the staff throughout the process was exceptional.
- A little more notice as to when the audit will take place would be helpful.
- Internal Audit provides a vital service and does so with professionalism and consideration.
- Need to be more direct and have timely communication with the department and/or individual being audited.
- This audit team consistently displays exceptional integrity, communication, innovation, and teamwork which makes improvements in our respective areas more efficient and effective.
- Need to complete audits in a timely manner.
- The staff is very much respected and have the trust of the campus.

Key Performance Indicators	FY 21/22	FY 20/21	FY 19/20	FY 18/19
Number of Full Time Staff	3.83	3	3.75	4
Number of Audits Completed	9	5	9	9
Number of Follow-Ups on Prior Internal Audit Findings	6	8	6	10
Number of State Audit Follow-Up Issued	1	1	0	1
Number of Investigations Completed	11	7	7	9
Number of Procard Reviews	0	0	19	16
Number of Other Audit Activities Completed (i.e. consulting, projects, etc.)	3	3	3	3
Percentage of Effort Spent on Audit Activities	50%	55%	58%	74%
Average Number of Years of Professional Experience	10	12	18	17

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

ACTION ITEM

DATE: September 16, 2022

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 2023

Name	Position	Professional Certification	Current Annual Salary	Years of Professional Experience	Years of Experience at ETSU
Becky Lewis	Chief Audit Executive	CPA	\$ 107,640	28	24
Martha Winegar	Associate Director	CPA	\$ 70,380	17	10
Bryan Brockwell	Internal Auditor	-	\$ 49,390	3	3
Bridgett Maupin	Internal Auditor	-	\$ 49,390	6	0

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 16, 2022

ITEM: Internal Audit Operating Expenses

COMMITTEE: Audit Committee

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

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

Internal Audit Travel and Operating Budget for FY 2023

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

Travel Budget covers:

- Audit Work
- Continuing Professional Development for 4 Staff Members

Operating Budget covers:

- Telephone instrument and long distance charges
- Professional membership fees
- Operating Supplies
- Conference registration fees for continuing education
- Copier Charges

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 16, 2022

ITEM: Quality Assurance and Improvement Program

COMMITTEE: Audit Committee

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

Background Information:

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 is the internationally recognized authoritative guidance for internal audit professionals worldwide. The mandatory elements of the IPPF are:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing
- Definition of Internal Auditing

The IPPF requires Internal Audit to have an active quality assurance and improvement program, which includes periodic self-assessment and external assessments.

The IPPF requires external assessments be performed every five years by a qualified, independent assessor or assessment team from outside the organization. The objective of the assessment is to determine if the internal audit function is conforming with the IPPF's mandatory guidance. External assessments provide the Board of Trustees, executive management, and other stakeholders assurance that Internal Audit is operating as required by the IPPF and potentially highlight opportunities for improvement.

An external assessment is required at least once every five years. The previous external assessment was completed in August 2018; the next one is due in 2023. The IPPF defines two acceptable methods for an external assessment: a full external assessment of a self-assessment with independent validation.

Self-assessment with independent validation: The option allows for internal audit staff to perform an in-depth self-assessment of operations to determine if operations conform to the IPPF mandatory guidance. An external, independent assessor or team performs a site visit to review the self-assessment to determine if the conclusions reached are sound. During this site visit, the assessor or team may interview key staff; review audit working papers; and review related policies, charter, and other pertinent documents. At the conclusion, the independent assessor or team provides a written report to the Audit Committee reporting the results of their review. Often, the assessor or team lead is called to present their report directly to the Audit Committee.

Full external assessment: Unlike the method described above, the assessor or assessment team completes 100 percent of the work needed to determine if the internal audit function is in conformance with the IPPF mandatory guidance.

The self-assessment with external validation is the most common and cost-effective means of completing the required external assessment. Members of the internationally recognized organization, the Association of College and University Auditors (ACUA), often volunteer their time to participate as an external assessor, requiring only to be reimbursed for travel costs associated with the site visit, which normally lasts one week.

The full external assessment option is more expensive and may require services to be competitively bid. The Internal Audit team would still be responsible for pulling together all required documentation needed by the external assessors.

The IPPF requires the Chief Audit Executive to have a discussion with the Board about the form and frequency of external assessments, as well as the qualifications and independence of the external assessor or assessment team conducting the review.