

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

November 10, 2017
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Audit Committee met at 8:30 a.m. on Friday, November 10, 2017 in the Third Floor Meeting Room in the D.P. Culp University Center on ETSU's main campus in Johnson City, Tennessee.

I. **Call to Order**

Mr. David Golden, chair of the Audit Committee and Vice Chair of the Board of Trustees, called the meeting to order at 8:30 a.m.

II. **Roll Call**

Board of Trustees Secretary Dr. David Linville led the roll call. Trustees in attendance were:

Dorothy Grisham
Ron Ramsey
David Golden

Guests in the Third Floor Meeting Room were Dr. David Linville, ETSU Board of Trustees Secretary; Becky Lewis, chief internal auditor; Martha Stirling, internal auditor; Amanda Marsh, communications coordinator; Dr. Karen King, chief information officer; Scott Carter, intercollegiate athletics director; Dr. Brian Noland, ETSU President; Dr. Lauren Collier from the Tennessee Higher Education Commission; Jennifer Clements, marketing and special events director; and Joe Smith, executive assistant to the president for University Relations (taking minutes).

III. **Approval of Minutes of the Audit Committee from September 8, 2017**

The minutes of the September 8, 2017 meeting of the Audit Committee were presented. Trustee Grisham made the motion to approve the minutes, and Trustee Ramsey seconded the motion.

IV. **Audits and Investigations Performed**

Rebecca Lewis, Director of Internal Audit at ETSU, reported on two audits and two investigation reports that were completed during the timeframe of Sept. 1 – Oct. 31, 2017.

Athletic Ticket Office: Relatively minor issues were identified in the Athletic Ticket Office regarding the timeliness of deposits and failure to report and pay sales tax on tickets, vendors, and parking for home games. An executive summary was included in the audit information packet. The total of unpaid sales tax was \$1,003 during the audit period. Controls are to be put into place to help prevent future errors from occurring.

President's Expense Audit: A state statute requires that all public institutions produce an annual report detailing the expenditures made by, at the direction of, or for the benefit of the President and that an audit will be performed annually. The audit revealed no statutory or policy violations, material omissions from the expense report, or deficiencies in internal controls. A summary of expenses as well as supplemental schedules for the travel, business meals and hospitality, and other expenses were included in the audit information packet.

Women's Tennis Expenditures: An investigation of the women's tennis program resulted in two separate reports being issued. The investigation was conducted based on questionable items discovered during a previous investigation involving "Coach A," who was reimbursed for expenses supported by fabricated, forged, or altered documentation.

The reports being presented to the Audit Committee were completed since the prior Sept. 8 meeting and involve a current tennis coach – "Coach B" – and a previous tennis coach, hereunto referred to as "Coach C." The majority of the questionable documents involve tennis racquet restringing expenses submitted by Coach B and Coach C on team travel claims. The major difference between Coach A and Coach B/Coach C is that Coach A was getting reimbursed for stringing services that were not paid for or performed by him. Coach B and Coach C were performing the stringing services. Coach C was being paid for stringing submitted by him and indicating that he had performed the work. This raises concerns regarding Coach C, given that he was an employee and employees should not be compensated through the travel claim process. From 2010-16, the reimbursed amount was \$10,145.

For Coach B, the situation differed in that Coach B performed the racquet stringing services and submitted fabricated receipts to support the expenses. These receipts indicated that another company or institution performed the services. Coach B has received a reprimand and is paying back the questioned costs, which total \$1,926. With the exception of one charge in 2010, all of the questioned costs were from the 2016-17 year.

Committee members asked if there was any knowledge as to why the Coach B exhibited this behavior, and Ms. Lewis stated that we do not know why. Another committee member asked if Coach B had purchased the ledgers from another company or if they had been created. Ms. Lewis said it appeared the invoices for the stringing services were fake. Four invoices appeared to be created with the other

school's logo, date paid, and amount paid. There were two invoices from the same company (ProCircuit Stringing). A blank multi-part receipt identical to the two submitted was discovered in Coach A's Office.

Audit Heat Map: Ms. Lewis presented the completed audits heat map.

Chairman Golden commended Ms. Lewis and her staff for the exceptional work they had done.

- V. **Recommendation Log:** In referring to the recommendation log, Ms. Lewis reported that there are no audits in the red area, which reflects audits that are significantly overdue. Only one item is in the yellow area. This project involves the PCI Questionnaire that needs to be completed. Internal Audit has been working with Information Technology Services to get this resolved as quickly as possible. Dr. Karen King, who is the chief information officer for ETSU, said efforts are underway to get this done.
- VI. **Quality Assurance and Improvement Program:** Ms. Lewis reported that state law requires the Office of Internal Audit to follow the "International Professional Practices Framework" established by the Institute of Internal Auditors (IIA). This framework requires external assessments be performed every five years by a qualified, independent assessor or assessment team outside of the institution. ETSU's most recent assessment was completed in 2013 through TBR, which means that the next review will be due in 2018. According to Ms. Lewis, there are two processes for which the external assessment could be achieved. One is through a self-assessment with independent validation, and the second option is a full external assessment.

Ms. Lewis noted that in either case, a self-assessment will be necessary. The self-assessment with independent validation typically involves volunteers from internal audit offices across the country and that these individuals usually will perform the assessment for travel expense reimbursement only. The full external assessment performs 100 percent of the work needed to determine if the entity is in compliance with IIA Standards. This approach likely would be more costly and time consuming. It was Ms. Lewis' recommendation that the self-assessment with independent validation would be the best approach to ensure items that were in place with the Tennessee Board of Regents have been properly addressed by the institution and by ETSU's Office of Internal Audit.

Chairman Golden noted that he preferred the self-assessment approach with the independent validation would be the better option. It was agreed that Ms. Lewis should move forward with this approach. The 2013 report was issued in August of that year. Ms. Lewis hopes to have the self-assessment done by March of 2018.

VII. Other Business

Chair Golden asked if there were any other business matters to discuss. Given there were no further business matters raised, Chair Golden adjourned the open portion of the meeting and stated that after a brief recess the committee would go into Executive Session.

Respectfully submitted,



David Linville
Secretary of the Board of Trustees

Approved by the Board of Trustees at its February 23, 2018 meeting.