

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

10:45 – 11:15 a.m. EST
Friday
November 18, 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 September 16, 2022](#)
- IV. [Review of Audit Committee Responsibilities – Lewis \(5 minutes\)](#)
- V. [Action Item: Revisions to the FY 2022-2023 Audit Plan – Lewis \(2 minutes\)](#)
- VI. [Audits and Investigations Performed September 2022 through October 2022 – Lewis \(5 minutes\)](#)
 - A. [Follow-up to Financial Statement Audit](#)
 - B. [President’s Expenses](#)
 - C. [Research Development Committee Grants](#)
 - D. [Completed Audit Heat Map](#)
- VII. [Recommendation Log Status as of October 31, 2022 – Lewis \(2 minutes\)](#)
- VIII. [Quality Assurance and Improvement Program – Lewis \(5 minutes\)](#)
- IX. Other Business
- X. Executive Session to Discuss Active Audits and Enterprise Risk Management
- XI. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 18, 2022

ITEM: Approval of the Minutes of September 16, 2022

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The minutes of the September 16, 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 September 16, 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

September 16, 2022
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, September 16, 2022, at 11:30 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Melissa Steagall-Jones called the meeting to order at 11:30 a.m.

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
Trustee Ron Ramsey
Committee Chair Melissa Steagall-Jones

III. Action Item: Approval of the Audit Committee Minutes from April 22, 2022

The minutes from April 22, 2022, were approved as submitted, with Trustee Ramsey making the motion and Trustee Grisham seconding the motion. The motion passed unanimously.

IV. Action Item: Audit Plan for FY 2023

Chief Audit Executive Rebecca A. Lewis, CPA, presented the FY 2023 Audit Plan included in agenda materials. The plan included required audits, follow-up audits, projects, special requests, investigations, and risk-based audits.

The FY 2023 Audit Plan was approved as submitted, with Trustee Grisham making the motion and Trustee Ramsey seconding the motion. The motion passed unanimously.

V. **Audits and Investigations Performed April 2022 through August 2022**

According to Ms. Lewis, the Office of Internal Audit completed four audits and two investigations between April 1 and August 31, 2022 including:

- Men’s Basketball Expenses Audit — 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.
- ID Buc\$ Program Audit — 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.
- Sim Lab Follow-up Audit Review — 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.
- Men’s Basketball Investigation — 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 Investigation Access ETSU — 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.

VI. Recommendation Log Status as of August 31, 2022

Ms. Lewis reported that her office continues to perform follow-up reviews to ensure that prior recommendations have been addressed. A status of prior audit recommendations as of August 31, 2022 was included in the agenda materials.

VII. Report on Audit Functions for FY 2022

The Annual Report for the Department of Internal Audit for the 2022 fiscal year was presented to committee members. 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. Committee Chair Steagall-Jones noted that the report was also sent to the State of Tennessee.

VIII. Action Item: Internal Audit Employee Profiles

The ETSU Internal Audit Employee Profiles were approved as submitted, with Trustee Ramsey making the motion and Trustee Grisham seconding the motion. The motion passed unanimously.

IX. Internal Audit Operating Expenses

For informational purposes, the operating budget for the Office of Internal Audit was included on page 31 of the agenda materials.

X. Quality Assurance and Improvement Program

The Institute of Internal Auditors requires the Office of Internal Audit to undergo an external evaluation every five years. There are two options for this external evaluation:

1. Self-Assessment with Independent Validation
2. Full External Assessment

After discussing the advantages and disadvantages with Ms. Lewis and learning more about the full external assessment process, Committee Chair Steagall-Jones noted that, barring any additional proposals from the committee, she is comfortable with a self-assessment with independent validation. The chair suggested inviting the lead of the external evaluation to address the committee at a future meeting.

XI. Other Business

No other business was brought before the committee.

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 was adjourned at the conclusion of the Executive Session.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
INFORMATION ITEM

DATE: November 18, 2022
ITEM: Review of Audit Committee Responsibilities
COMMITTEE: Audit Committee
PRESENTED BY: Rebecca A. Lewis, CPA
Chief Audit Executive

Ms. Lewis will provide an overview of the responsibilities of the Audit Committee outlined in the meeting materials.

Roles and Responsibilities of Audit Committee

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
Annual Audit Plan and Year-end Status Report		
TN 49-14-102 (b)	The internal auditor shall file a report on the audit work with the audit committee at least annually.	Annual Audit Plan - First Meeting of new FY
AC Charter III.C.6	Review the results of the year's work with the Chief Internal Auditor	Each AC Meeting as needed
AC Charter III.C.3 & ETSU's Internal Audit Policy V. C.	Review & approve the annual audit plan including management's request for unplanned audits. Review and approve audit plan revisions	Annual Report on Audit Activity - Fall
Quality Assurance and Improvement Program		
AC Charter III.C.7	Ensure audit function maintains a quality assurance & improvement program.	Update Committee As Needed
Audit Reports and Recommendations		
AC Charter III.C.4	Receive and review significant results of internal audits performed.	Each Meeting
ETSU's Internal Audit Policy VII. F.	The Chief Internal Auditor will provide a copy of each report to the Audit Committee.	
AC Charter III.C.5	Ensure implementations of audit recommendations.	
Fraud, Waste, and Abuse		
AC Charter III.F. 1-2.	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.	Annual Report on Audit Activity - Fall
TN 49-14-103 (a)	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.	

Roles and Responsibilities of Audit Committee

Policy/Law

Requirement

Meeting

State and External Audits

AC Charter III.A.2.	Review results of the Comptroller's examination of financial statements and another other matters related to the conduct of the audits	Spring and as needed
AC Charter III.B.2.	Review results of external auditors' examination and any other matters related to the conduct of the external audits	

Presidential Expenses Reporting and Audits

TN 49-7-3001 (c)	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.	
TN 49-14-106 (c)	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.	Winter - Due annual by December 1st.
TN 49-14-104	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.	This can be reviewed with audit due Dec. 1.

Miscellaneous Responsibilities

AC Charter III.C.2	Review and approve the charter of the Internal Audit Department	Spring
AC Charter III.D.1	Ensure Chief Internal Auditor reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes only.	Fall
AC Charter III.D.2	Ensure Internal Audit has adequate resources in terms of staff and budget to perform its responsibilities	Fall or as needed
AC Charter III.D.3	Review & approve appointment, compensation, reassignment or dismissal of Chief Internal Auditor	Fall or as needed
AC Charter III.D.4	Review & approve the compensation & termination of campus internal auditors.	Fall or as needed

Roles and Responsibilities of Audit Committee

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.E.5	Review & evaluate risk assessments performed by management.	Winter and updates throughout
AC Charter III. G. 1.	Review and assess the adequacy of the Audit Committee's charter annually, requesting Board approval for any proposed changes.	Spring or as needed
AC Charter III. G. 3.	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 & implement, include confidential mechanism for reporting code violations, are enforced and include a conflict of interest policy.	Spring
AC Charter III. G. 4.	Review the 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.	Spring

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 18, 2022

ITEM: Revisions to the FY 2022-2023 Audit Plan

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

Ms. Lewis will provide a listing of additions and deletions to the fiscal year 2022-2023 audit plan since the last meeting.

Additions

FWA 23-02 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

FWA 23-03 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

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

RESOLVED: The revisions to the Audit Plan for 2022-2023 are approved as presented in the meeting materials.

EAST TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 18, 2022

ITEM: Audits and Investigations Performed September 2022 through October 2022

COMMITTEE: Audit Committee

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

Ms. Lewis will provide an overview of the audits completed during the period September 1, 2022 to October 31, 2022.

Audits

- Follow-up to the Financial Statement Audit – The Department of Internal Audit has performed a follow-up of the Tennessee Comptroller of the Treasury Financial Statement Audit finding and recommendations contained in the audit report for June 30, 2021. The follow-up was conducted under the authority delegated in East Tennessee State University’s *Internal Audit Policy*. The audit objective was to determine whether adequate corrective actions have been implemented to comply with State Audit’s recommendations.
- President’s Expenses – An audit of the President’s expense was conducted in compliance with Tennessee Code Annotated, Title 49, Chapters 7 and 14. TCA requires an annual financial audit of the Office of the President. 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.
- Research Development Committee Grants – An audit of East Tennessee State University’s Research Development Committee (RDC) Grants was conducted by Internal Audit personnel. The audit was requested based on issues discovered in a previous investigation. The audit also serves as the follow-up to that investigation.

Investigations

- None

East Tennessee State University
Follow-Up to the Financial and Compliance Audit Report
Issued March 3, 2022 for Fiscal Year 2021
By the Tennessee Comptroller of the Treasury
Executive Summary

Key Staff Areas: Business and Finance and ITS	Auditor: Associate Director of Internal Audit
Introduction: East Tennessee State University’s financial statement audit for the year ended June 30, 2021 contained two finding. As required, Internal Audit performed a follow-up review of actions taken in response to the finding.	
Objectives: The objective of the follow-up is to determine if management has implemented corrective actions for the findings noted in the Division of State Audit’s annual audit report for the fiscal year ended June 30, 2021.	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
Finding and Current Status	
<p><u>Original Finding 1:</u> <i>East Tennessee State University did not have adequate internal controls in one area reported for the second consecutive audit.</i></p> <p>For the second consecutive audit, we found an internal control deficiency related to one of the university’s systems. Although management has taken steps to correct this condition, we are reporting an internal control deficiency because corrective action was not sufficient. Pursuant to Standard 6.63 of the U.S. Government Accountability Office’s Government Auditing Standards, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), Tennessee Code Annotated.</p> <p><u>Current Status 1:</u> Based on review of current procedures and testwork performed, it appears management has implemented adequate controls to ensure compliance in the area identified. These procedures were fully in effect June 30, 2022 which resulted in an audit period of July 2022 for this follow up review.</p> <p><u>Original Finding 2:</u> <i>University staff did not conduct proper collection procedures on accounts receivable.</i></p> <p>Management did not ensure that university collection procedures for accounts receivable were performed by Bursar’s Office and ETSU College of Nursing personnel. We tested a sample of 34 delinquent receivables, which consisted of 32 student accounts receivable and 2 College of Nursing clinic receivables that were more than 90 days old at June 30, 2021.</p> <p><u>Current Status 2:</u> A sample of 48 past due student accounts receivable were selected for testwork. During the Spring 2022 semester, the Bursar’s Office established the date/date range which notifications and collection agency referrals would be conducted. This calendar indicated the final notices for the Spring 2022 term were to be mailed between July 8-20, 2022. Based on the testwork performed, these notices were not sent until July 22, 2022. In addition, Internal Audit discovered two students were not mailed a final notice. After Internal Audit brought this to the Bursar’s</p>	

attention, a notice was sent on August 26, 2022 to both students. Furthermore, a sample of five College of Nursing's health clinic receivables was selected for testwork. Based on the testwork performed, collection efforts were made in accordance with the college's policies.

The audit objectives were met.

East Tennessee State University
Audit of President's Expenses
For the Fiscal Year July 1, 2021 – June 30, 2022

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, 2021 to June 30, 2022; 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 <i>International Standards for the Professional Practice of Internal Auditing</i> , issued by the Institute of Internal Auditors and included tests of the accounting records and such other auditing procedures considered necessary.																																
Analysis	<p>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 (1) certain expenses made by, at the direction of, or for the benefit of the President, and (2) salary and benefits and any other operating expenses for the President's office during the fiscal year ended June 30, 2022:</p> <table border="0" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="text-align: right; width: 15%;">Institutional</th> <th style="text-align: right; width: 15%;">Foundation</th> <th style="text-align: right; width: 10%;">Total</th> </tr> </thead> <tbody> <tr> <td>Salary & Benefits – President & Staff</td> <td style="text-align: right;">\$ 876,202.39</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 876,202.39</td> </tr> <tr> <td>Travel – President</td> <td style="text-align: right;">18,302.38</td> <td style="text-align: right;">-</td> <td style="text-align: right;">18,302.38</td> </tr> <tr> <td>Travel – Other Personnel</td> <td style="text-align: right;">3,198.37</td> <td style="text-align: right;">-</td> <td style="text-align: right;">3,198.37</td> </tr> <tr> <td>Business Meals & Hospitality</td> <td style="text-align: right;">14,833.86</td> <td style="text-align: right;">25,186.39</td> <td style="text-align: right;">40,020.25</td> </tr> <tr> <td>Other Expenses of the President</td> <td style="text-align: right;">146,961.19</td> <td style="text-align: right;">-</td> <td style="text-align: right;">146,961.19</td> </tr> <tr> <td>Miscellaneous Operating Expenses</td> <td style="text-align: right;">106,665.00</td> <td style="text-align: right;">97,912.12</td> <td style="text-align: right;">204,577.12</td> </tr> <tr> <td style="padding-left: 20px;">Total Expenses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,166,163.19</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 123,098.51</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 1,289,261.70</td> </tr> </tbody> </table> <p>Additional Disclosures:</p> <p>Salary and Benefits – Salary and Benefits for the President totaled \$470,014.17 and includes both a Discretionary and Vehicle Allowance. The President also received an incentive bonus of \$37,500 that was not paid until July 2022.</p> <p>Discretionary Allowance – The President was provided a discretionary spending allowance of \$20,000 for the period. Use of the allowance was not included in tests performed during the audit because the President elected for it to be paid as taxable income.</p> <p>Vehicle – The President was provided a vehicle allowance of \$1,000 per month and paid as taxable income.</p> <p>Housing – The President was provided the use of a residence. Operating and maintenance costs for the residence, totaling \$29,650.35 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 above in Other Expenses of the President.</p>		Institutional	Foundation	Total	Salary & Benefits – President & Staff	\$ 876,202.39	\$ -	\$ 876,202.39	Travel – President	18,302.38	-	18,302.38	Travel – Other Personnel	3,198.37	-	3,198.37	Business Meals & Hospitality	14,833.86	25,186.39	40,020.25	Other Expenses of the President	146,961.19	-	146,961.19	Miscellaneous Operating Expenses	106,665.00	97,912.12	204,577.12	Total Expenses	\$ 1,166,163.19	\$ 123,098.51	\$ 1,289,261.70
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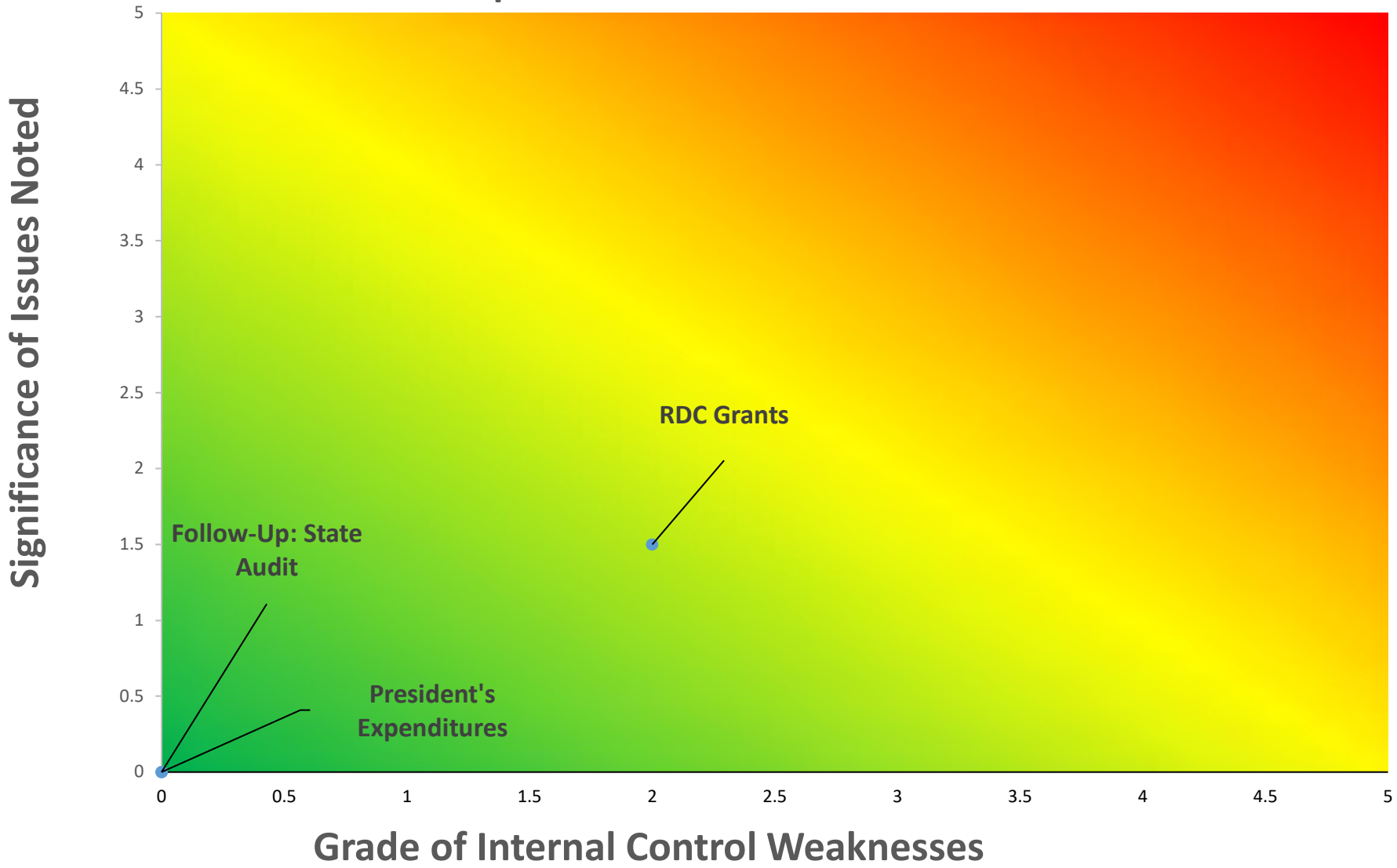
	<p>Membership – The President was provided a membership to Blackthorn Country Club. The country club membership is paid for by Intercollegiate Athletics and totaled \$1,232 for the period. This amount is not reflected in the above totals.</p> <p>Travel – The president was provided airfare at no cost for three separate trips during FY 2022. Airfare was provided by William Greene for a round trip to Chattanooga, the Niswonger Foundation for a return trip from Nashville, and TVA for a return trip from Nashville.</p> <p>Computer – Information Technology Services provided the President with a computer costing \$5,044.84.</p>		
Questioned Costs	None	Recoveries	N/A
Conclusion	The objectives of the audit of the expenses of the Office of the President for East Tennessee State University for the fiscal year July 1, 2021 through June 30, 2022 were met. The audit revealed no significant statutory or policy violations, material omissions from the expense reports or deficiencies in internal controls.		

**East Tennessee State University
Research Development Committee Grants
For Fiscal Year 2021
Executive Summary**

<p>Key Staff Person: Research Development Committee Chair, Office of Research and Sponsored Programs Business Manager, and Various Grantees</p>	<p>Auditor: Associate Director, Internal Audit</p>
<p>Introduction An audit of East Tennessee State University’s Research Development Committee (RDC) Grants was conducted by Internal Audit personnel. The audit was requested based on issues discovered in a previous investigation. The audit also serves as the follow-up to that investigation.</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/procedures and applicable federal regulations. 3. To make recommendations for correcting deficiencies or improving operations. 	
<p>Total Questioned Costs/Losses:</p>	<p>Total Recoveries: None</p>
<p>Findings and Conclusions</p> <p>Finding 1: Seventeen Small RDC grants were tested for compliance with ETSU’s <u>Small Grant Application and Instructions</u>. The audit revealed one instance in which a grantee was awarded more than the maximum amount allowed for a small RDC grant. According to the grant application, small awards are not to exceed \$2,000. One grantee requested a small RDC grant for \$1,965.31; however, the amount awarded totaled \$4,660.</p> <p>Finding 2: Sixteen Major RDC grants were tested for compliance with ETSU’s <u>RDC Major Grant Guidelines</u>. The audit revealed one instance in which a principal investigator (PI) received three Major RDC grants within a five-year period.</p> <p>Finding 3: For the Interdisciplinary grant program, one grant selected for testwork. The funds spent did not always match the grant agreement.</p> <p>Management’s Response: The Office of the Vice Provost, in collaboration with the University Research Council, is revising the internal funding mechanism historically referred to as the Research Development Committee Small, Major, and Interdisciplinary awards. The rebranded internal funding mechanism will be implemented during FY24. The findings of this report will inform revision of the internal funding mechanism policies and procedures.</p>	

Heat Map of Completed Audits

from September to October 2022



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 18, 2022

ITEM: Recommendation Log Status as of October 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 October 31, 2022		
Area	Recommendation	Status
Off Campus Domestic & International Programs	Controls over Off Campus Domestic & International Programs needs improvement.	Green
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.	Blue
	Expenditures made with research funds should agree with the grant agreement and/or approved IRB study.	Blue
	Researchers should follow all IRB policies and procedures.	Blue
Dependent/Spouse Tuition Discount	Procedures related to dependent/spouse tuition discounts needs improvement.	Green
Human Patient Simulation	Procedures related to conflict of interest need improvement.	Green
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
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
RDC Grants	Controls over RDC Grant compliance 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: November 18, 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 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. At the previous meeting, you recommended that we complete the self-assessment with independent validation.

The QAR Team will consist of:

- Lead – Doug Horr, Associate Vice Chancellor – Audit, Risk, and Compliance, Vanderbilt University
- Member – Kayla Faulkner, Assistant Director – Internal Audit, Virginia Community College System
- Member – Brian Daniels, Chief Audit and Compliance Officer, University of Tennessee
 - Alternate: Amy Wilegus, Director – West Tennessee Audit, University of Tennessee

Douglas (Doug) Horr, CIA, CCEP, CBA
Associate Vice Chancellor – Audit, Risk & Compliance

Summary

Doug has nearly 40 years of audit, risk management and compliance experience. He has spent most of his career in higher education serving and consulting both public and private research universities in various roles, including Chief of Staff, ERP team lead, Executive Director of Compliance, and Chief Audit Executive. At Vanderbilt, Doug is responsible for internal audit and building institutional programs in compliance and enterprise risk. He is a founding member of the Central Jersey chapter of the Institute of Internal Auditors (IIA) and a past president of the Association of College and University Auditors (ACUA.) He remains active in both organizations, as well as the Society of Corporate Compliance and Ethics. He has presented at numerous national and international conferences on the topics of fraud, research auditing, export controls, university governance and risk, integrating audit and compliance functions, and building effective relationships, among others.

He has performed upwards of 20 Quality Assurance Reviews and led several, including the Texas A&M system, Louisiana State University, various campuses of the University of Texas, Virginia Community College system, and University of Pittsburgh.

Doug holds a BS in Public Policy from Indiana University, and a masters and post graduate work in Higher Ed Administration from Rutgers, the State University of New Jersey.