

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

11:30 a.m. – 12:30 p.m. EDT
Friday
April 21, 2023

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

COMMITTEE MEMBERS

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

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AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Committee Minutes from February 17, 2023](#)
- IV. [Annual Review of Charters – Lewis \(3 minutes\)](#)
 - A. [Audit Committee Charter](#)
 - B. [Internal Audit Charter](#)
 - C. [Compliance Charter](#)
- V. [Annual Review of Policies – Lewis \(5 minutes\)](#)
 - A. [Internal Audit Policy](#)
 - B. [Preventing and Reporting Fraud, Waste, and Abuse Policy](#)
 - C. [Conflict of Interest Policy](#)
 - D. [Employee Code of Conduct Policy](#)
- VI. [Action Item: Revisions to the FY 2022-2023 Audit Plan – Lewis \(2 minutes\)](#)
- VII. [Audits and Investigations Performed February 2023 through March 2023 – Lewis \(5 minutes\)](#)
 - A. [WETS-FM Radio](#)
 - B. [Department of Obstetrics and Gynecology](#)
 - C. [Completed Audits Heat Map](#)
- VIII. [Recommendation Log Status as of March 31, 2023 – Lewis \(2 minutes\)](#)

- IX. [Review of Audited Financial Statements from the Comptroller of the Treasury](#)
– *Graham* (5 minutes)
- X. Other Business
- XI. Executive Session to Discuss Active Audits and Enterprise Risk Management
- XII. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: April 21, 2023

ITEM: Approval of the Minutes of February 17, 2023

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The minutes of the February 17, 2023 meeting of the Audit Committee are included in the meeting materials.

MOTION: I move that the Board of Trustees adopt the resolution, approving the minutes as outlined in the meeting materials.

RESOLVED: The reading of the minutes of the February 17, 2023 meeting of the Audit Committee is omitted, and the minutes are approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

February 17, 2023
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, February 17, 2023, at 11:00 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

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

II. Roll Call

Board Secretary Dr. Adam Green conducted the roll call.

Committee members attending were:

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

Dr. Green informed the chair that a quorum was physically present.

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

III. Approval of the Committee Minutes from November 18, 2022

The minutes from the November 18, 2022, meeting of the Audit Committee were approved as submitted with Trustee Ron Ramsey making the motion and Trustee Dorothy Grisham seconding the motion. The motion passed unanimously.

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

Ms. Becky Lewis, Chief Audit Executive, provided a listing of additions to the fiscal year 2022-2023 audit plan since the last meeting of the Board of Trustees. Those additions were:

- FWA 23-04: Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by Internal Audit and/or assigned to the appropriate authority.
- FWA 23-05: Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by Internal Audit and/or assigned to the appropriate authority.
- Tennessee Tech Quality Assurance Peer Review: Martha Winegar, Associate Director of Internal Audit, was selected as a peer review team member for TTU.

Trustee Latimer made a motion that the revisions to the plan be adopted as presented. Trustee Grisham seconded the motion. It passed unanimously.

V. Audits and Investigations Performed November 2022 through January 2023

Ms. Lewis told the committee that three reports were issued from November 2022 to January 2023. This includes one audit and two investigations.

- An executive-level audit of the Chief Financial Officer in Athletics was conducted. At the request of the President, at least one executive-level employee is audited annually. Operational and travel expenditures under the CFO's direct control were reviewed, as well as all payments made directly to the CFO. Based on the testwork performed, expenditures complied with applicable policies in all material respects.
- An investigation was completed related to a loss that occurred in the Athletic Ticket Office. A total of \$2,000 was stolen. Public Safety identified a suspect and is handling the criminal aspect of the case. This individual is not an employee of the university. Both Internal Audit and Public Safety identified control weaknesses. Based on the recommendations, Athletics has strengthened controls to help prevent a future loss from occurring.
- Internal Audit also conducted a review related to the employees and any personal use of flu tests at the College of Nursing-managed practice sites. The audit revealed that procedures related to flu testing for staff and/or family members were inconsistent. It appears that self-administering flu tests by employees without documentation, billing, or reimbursement has occurred. Management will be implementing new policies and procedures to help ensure compliance and consistency.

VI. Recommendation Log Status as of January 31, 2023

Included in the Audit Committee material was the recommendation log, which shows the status of prior audit report recommendations. Since the last Audit Committee meeting, a follow-up review has not been completed.

VII. Annual Public Safety and Clery Report Update

ETSU's Director of Public Safety, Chief Cesar Gracia, presented an overview of ETSU's 2022 Annual Security and Fire Safety Report, which is published in accordance with the Jeanne Clery Disclosure of Campus Security Policy and Crime Statistics Act. Chief Gracia pointed out that ETSU is required to report not only all crimes on campus but also those within the definition specified in the Clery Act, which encompasses any area within a one-mile geographic circumference of the campus. He noted that crime statistics on campus have largely remained the same, as outlined in the report. In relation to off-campus crimes, he pointed to a recent homicide at Monarch Apartments, which will be reflected in next year's report.

Chief Gracia commented that this is a challenging time for law enforcement, and he stressed the increasing importance of mental health for officers and the communities they serve. Finally, Chief Gracia announced a "see something, say something" campaign that will get underway in the fall as a means to aid crime prevention on campus.

Jeff Blanton from the Office of Administration reviewed a list of recent accomplishments in the area of faculty and staff training. He highlighted the fact that 2,628 faculty, staff, and students have been trained recently in subjects such as active shooter/emergency response, infrastructure protection, crisis management, and civil rights. That number represents a 300 percent increase over FY22. In addition, 1,788 training hours have been received in de-escalation, mental illness, community engagement, use of force, and ALERRT, which stands for Advanced Law Enforcement Rapid Response Training. A total of 15 safety assessments of campus buildings have been conducted, and ETSU is an active participant in the Regional Active Shooter Response Group, which involves every law enforcement agency in the Washington County area, plus fire departments, EMS, and school boards. Other major initiatives forthcoming are an on-campus training exercise with internal and external partners and a partnership with Student Life for student awareness related to Delta 8/9 and other THC derivatives.

Discussion then took place about the issue of building access on campus. President Noland commented on the challenges presented by the fact that ETSU is an open campus, where anyone can be here at any time of day or night. He expressed thanks to Mr. Ross, Chief Gracia, and Mr. Blanton for doing their jobs so well in a complex environment. He summarized the presentation by saying that in threat assessment, preparation, readiness, and professionalism, ETSU is markedly different than it was five years ago.

VIII. Other Business

There was no other business to come before the committee.

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

The committee then adjourned to discuss active audits and enterprise risk management.

X. Adjournment

The meeting was adjourned at the conclusion of the Executive Session.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: April 21, 2023

ITEM: Annual Review of Charters

COMMITTEE: Audit Committee

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

Audit Committee Charter – The specifications in TCA § 4-35-103 require that an audit committee develop a charter addressing the committee’s purpose, powers, duties, and mission. As outlined in TCA § 4-15-105 the responsibilities of the Audit Committee include “overseeing the university’s financial reporting and related disclosures, especially when financial statements are issued; evaluating management’s assessment of the body’s system of internal controls; formally reiterating, on a regular basis, to the state governing board, council, commission, equivalent body, or management and staff of the agency to which the audit committee is attached, the responsibility of the state governing board, council, commission, equivalent body, or management and staff of the agency for preventing, detecting, and reporting fraud, waste, and abuse; serving as a facilitator of any audits or investigations of the body to which the audit committee is attached, including advising auditors and investigators of any information the audit committee may receive pertinent to audit or investigative matters; informing the comptroller of the treasury of the results of assessment and controls to reduce the risk of fraud; and promptly notifying the comptroller of the treasury of any indications of fraud.”

Internal Audit Charter – The Office of Internal Audit adheres to the Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. To that end, the Office of Internal Audit has a charter, which outlines the following: The Office’s purpose, authority and scope, role and responsibility, organizational status/reporting structure, audit standards and ethics, and how often the charter should be reviewed.

Compliance Charter – The Office of University Compliance has a charter, which outlines the following: The Office’s purpose; mission; vision; organizational oversight; authority; coordination with other units; professional standards; and responsibilities.

East Tennessee State University

Audit Committee Charter

I. **Purpose and Mission**

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

The Audit Committee will provide oversight in the following areas:

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

II. **Authority**

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

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

III. Responsibilities

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

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

A. Tennessee Comptroller's Office Audits (State Auditors)

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

B. External Audits

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

C. Internal Audit Activities

1. Ensure that the Chief Internal Auditor reports directly to the Audit Committee and has direct and unrestricted access to the chair and other committee members,
2. Review and approve the charter for the East Tennessee State University's Internal Audit department,

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

D. Internal Audit Administration

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

E. Risk, Internal Control and Compliance

2. Consider the effectiveness of the internal control system and compliance with laws and regulations, including computerized information system controls and security,
3. Understand the scope of internal and external auditors' reviews of internal controls over financial reporting,
4. Make recommendations to improve management's internal control and compliance systems to ensure the safeguarding of assets and prevention and detection of errors and fraud. The components of the control system are:
 - a. control environment—creating a culture of accountability;
 - b. risk assessment—performing analyses of program operations to determine if risks exist;
 - c. control activities—taking actions to address identified risk areas;

- d. information and communication—using and sharing relevant, reliable, and timely information; and
 - e. monitoring —tracking improvement initiatives and identifying additional actions needed to further improve program efficiency and effectiveness.
 - 5. Review and evaluate the enterprise risk management process performed by institutional management, and
 - 6. Inform the Comptroller of the Treasury of the results of enterprise risk management process.
- F. Fraud
- 1. Ensure that the Board and the institution have an effective process in place to prevent, detect, and report fraud, waste and abuse.
 - 2. Establish a process for employees, taxpayers and other citizens to confidentially report suspected illegal, improper, wasteful, or fraudulent activity.
 - 3. Inform the Comptroller of the Treasury of assessments of controls to reduce risks of fraud.
 - 4. Promptly report indications of fraud to the Comptroller of the Treasury.
 - 5. Facilitate audit and investigative matters, including advising auditors and investigators of any pertinent information received by the Audit Committee.
- G. Other
- 1. Review and assess the adequacy of the Audit Committee’s charter annually -, requesting Board approval for any proposed changes.
 - 2. Ensure there are procedures for the receipt, retention, and treatment of complaints about accounting, internal controls, or auditing matters.
 - 3. Review East Tennessee State University’s code of conduct and/or policies regarding employee conduct to ensure that they are easy to access, are widely distributed, are easy to understand and implement, include a confidential mechanism for reporting code violations, are enforced, and include a conflict of interest policy.
 - 4. Review East Tennessee State University’s conflict of interest policy to ensure that the term “conflict of interest” is clearly defined, the policy is comprehensive, annual signoff is required, and potential conflicts are adequately resolved and documented.

IV. Independence

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

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

V. Membership

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

VI. Meetings

- A. The Audit Committee shall meet as necessary, but at least annually, and also whenever requested by the chair of the Audit Committee or the Comptroller of the Treasury,
- B. The Audit Committee may invite Board management, auditors, or others to attend and provide relevant information,
- C. Meeting agendas will be provided to members in advance, along with appropriate briefing materials,
- D. The Board Secretary or their designee shall take minutes at each meeting of the Audit Committee and maintain approved minutes as the official record of such meeting,
- E. A majority of the members of the committee shall constitute a quorum for the transaction of business

- F. All meetings of the Audit Committee shall adhere to the Open Meetings Act, Tennessee Code Annotated Title 8, Chapter 44, except that pursuant to TCA § 4-35-108(b), the Audit Committee may hold confidential, nonpublic executive sessions for the sole purpose of discussing the following:
1. Items deemed not subject to public inspection under Tennessee Code Annotated, Sections 10-7-503 and 10-7-504, and all other matters designated as confidential or privileged under state or federal law,
 2. Litigation,
 3. Audits or investigations,
 4. Information protected by federal law, and
 5. Matters involving information under Tennessee Code Annotated, Section 4-35-107(a), where the informant has requested anonymity.

Approvals

Approved by: Melissa Steagall-Jones Date: 12/1/2020
Melissa Steagall-Jones
Chair of the Audit Committee

Approved by: Scott Niswonger Date: 12/1/2020
Scott Niswonger
Chairman of the Board

East Tennessee State University

Internal Audit Charter

Introduction

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

Purpose

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

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

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

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

Authority and Scope

Internal Audit's review of operations may include the examination and evaluation of the effectiveness of all aspects of operations at East Tennessee State University. In the course of its work, Internal Audit has full and complete direct access to all East Tennessee State University books, electronic and manual records, physical properties, and personnel information relative to the performance of duties and responsibilities. All documents and information given to Internal Audit during their work will be handled in the same prudent manner that East Tennessee State University expects of the employees normally accountable for them.

Other than its work performed in conjunction with its quality assurance and improvement program, Internal Audit has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews nor shall their review relieve others of their responsibilities. The internal auditors must maintain a high degree of independence and not be assigned duties or engage in any operations or decision making in any activities that they would normally be expected to review or evaluate as part of the normal audit function.

Role and Responsibility

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

- Comply with auditing standards established by the Institute of Internal Auditors to ensure the effectiveness and quality of the internal audit effort.
- Develop and implement audit plans after consultation with the President and the Audit Committee that respond to both risk and cost effectiveness criteria.
- Review the reliability and integrity of information, and the information technology processes that produce that information.
- Verify compliance with applicable policies, guidelines, laws, and regulations.
- Suggest policies and procedures or improvements to existing policies and procedures where appropriate.
- Provide audit reports that identify internal control issues and make cost-effective recommendations to strengthen control.

- Facilitate the resolution of audit issues with administrators who have the most direct involvement and accountability.
- Review institutional operations (financial and other) on an advisory basis to inform and assist management in the successful execution of their duties.
- Assist with audits or perform certain agreed upon procedures for external parties. External parties include but are not limited to audit offices of federal and state governments and related agencies.
- Review management's risk assessment process and advise management on the reasonableness and propriety of the assessment.
- Promote and evaluate fraud prevention and identification programs and investigate allegations involving fraud, waste, and abuse.
- Demonstrate and promote appropriate ethics and values within the organization.
- Communicate activities and information among the board, internal auditors, external auditors and the administration.

Organizational Status/Reporting Structure

The Chief Internal Auditor reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes.

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

Audit Standards and Ethics

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

Periodic Review of Internal Audit Charter

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



President, East Tennessee State University

12/1/2020

Date



Chair, ETSU Board of Trustees Audit Committee

12/1/2020

Date



Chief Internal Auditor, East Tennessee State University

12/1/2020

Date



OFFICE OF UNIVERSITY COMPLIANCE CHARTER

Purpose

The Office of University Compliance supports East Tennessee State University's (ETSU or University) fundamental commitment to the highest standards of ethics, integrity, and lawful conduct by promoting adherence to all applicable federal, state, and local laws, regulations, standards, and internal policies and protocols.

ETSU established the Office of University Compliance to appropriately prevent, detect, and respond to potential violations of law, policy, and regulatory complaints. This goal is achieved through outreach and education, internal investigations, policy development, and fulfilling all reporting requirements by state and federal agencies. This charter defines and specifies key aspects of the Office of University Compliance.

Mission

The Office of University Compliance seeks to support and enhance East Tennessee State University's vision, mission, and values by providing independent and objective measures to address the University's legal, regulatory, and ethical responsibilities with integrity. The office provides program oversight for Title IX of the Education Amendments, the Americans with Disabilities Act, and Title VI and Title VII of the Civil Rights Act. The office collaborates with campus partners to provide policy development, education, enforcement, and remediation to the University community.

Vision

The Office of University Compliance seeks to develop and promote a culture of compliance to support ETSU's mission of delivering education in a world-class environment.

Organizational Oversight

The Compliance Counsel oversees the Office of University Compliance and reports directly to the University Counsel and the President of the University. To facilitate the duties and independence of the office, the Compliance Counsel has a dotted line relationship with the Office of Internal Audit. The Compliance Counsel oversees the Equity Compliance Officer, who in turn oversees two Assistant Equity Compliance Officers.

The Office of University Compliance staff have organizational independence and objectivity to perform their responsibilities, and all activities of the office shall remain free from influence.

Authority

To meet its responsibilities and maintain independence, the Office of University Compliance, with strict accountability for confidentiality and safeguarding of records and information, is authorized to have full, free, unrestricted access to any and all of the University's records, education records, physical properties, and personnel pertinent to conduct compliance assessments, training, monitoring, and investigations.

The University's administration will ensure that units and personnel cooperate with the Office of University Compliance in carrying out its compliance activities.

Coordination with other Units

The Office of University Compliance collaborates with Internal Audit, Human Resources, Student Life & Enrollment, Athletics, and Public Safety, among other university units, to discuss compliance issues, coordinate efforts, and collaborate on compliance initiatives.

Professional Standards

The compliance function's objective is to establish and promote standards that meet the U.S. Federal Sentencing Guidelines' criteria for an effective compliance program:

1. Compliance standards and procedures to prevent and detect criminal activity;
2. Oversight by high-level personnel, with periodic reporting to the Audit Committee of the Board of Trustees from individuals with operational responsibility;
3. Due care in delegating substantial discretionary authority;
4. Effective communication and training to all levels of employees;
5. Systems for monitoring, auditing, and reporting suspected wrong-doing without fear of reprisal and for periodically evaluating the effectiveness of the compliance and ethics programs;
6. Consistent enforcement of compliance standards including disciplinary mechanisms and appropriate incentives to perform in accordance with the compliance and ethics program; and
7. Reasonable steps to respond to and prevent further similar offenses upon detection of a violation.

Responsibilities

All members of the University community share responsibility for maintaining an environment of accountability and integrity.


- Supervisors must ensure employees have the knowledge and skills to fulfill their obligations. Supervisors must appropriately address or elevate reported violations or similar issues, including by preventing retaliation.
- All employees must obey the laws, regulations, and policies applicable to their university activities, and report illegal or unethical action that comes to their attention.

Members of the University community having responsibility for a specific area of compliance must ensure:

- Oversight of compliance in their specific functional areas;
- Adherence to the University's compliance policies; and
- Implementation of corrective action as necessary, arising from compliance reviews or investigations.

The Compliance Counsel and Equity Compliance Officer are to remain well-informed on the content and operation of the University's compliance program to exercise reasonable oversight of the effectiveness of the program. These responsibilities include:

1. Standards of Conduct/Policies and Procedures: confirming that the University implements policies, procedures, training programs, and internal control systems that are reasonably capable of reducing misconduct and that comply with relevant regulatory requirements.
2. Compliance Roles and Responsibilities: establishing clear compliance roles and responsibilities across the University, including maintaining a professional staff with sufficient size, knowledge, skills, and experience to oversee University compliance.
3. Compliance Oversight: exercising reasonable oversight over compliance activities by requesting and receiving updates from compliance partners.
4. Reporting and Investigative Mechanisms: confirming that the University maintains an effective mechanism for stakeholders to report or seek guidance regarding potential or actual wrongdoing, including performing internal investigations and ethics reviews.
5. Correction and Prevention: working with the University's senior leadership to promote and enforce compliance through appropriate incentives and disciplinary measures.
6. Culture of Integrity and Compliance: promoting the University's culture of integrity and compliance through communication of compliance standards and policies.
7. External Inquiries: overseeing and coordinating external inquiries into compliance with federal and state laws or regulatory bodies, including taking appropriate steps to ensure safe harbor in instances of non-compliance.



 Compliance Counsel

9/20/19

 Date



 President

9-20-19

 Date



 Chair, ETSU Board of Trustees Audit Committee

9/20/19

 Date

EAST TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

INFORMATION ITEM

DATE: April 21, 2023

ITEM: Annual Review of Policies

COMMITTEE: Audit Committee

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

The Board of Trustees is committed to the responsible stewardship of university resources. Management of the institution is responsible for maintaining a work environment that promotes ethical and honest behavior. Additionally, it is the responsibility of institutional management to establish and implement internal control systems and procedures to prevent and detect irregularities, including fraud, waste and abuse. Management at all levels of ETSU should be aware of the risks and exposures inherent in their areas of responsibility and should establish and maintain proper internal controls to provide for the security and accountability of all resources entrusted to them.

Internal Audit Policy – addresses staffing, responsibilities of the internal audit function, audit planning and reporting on internal audit activities.

Preventing and Reporting Fraud, Waste, and Abuse – provides the university community with the guidelines on preventing and reporting such activities.

Conflict of Interest Policy – specifies how a covered employee should disclose conflicts of interest or conflicts of commitment and how a conflict is evaluated.

Employee Code of Conduct – specifies the expectations of employees to conduct themselves in a responsible and ethical manner during their employment with ETSU.

East Tennessee State University Policy

Policy Title: Internal Audit

Policy Type: Finance/Administration

New/revised: Revised

Old Policy #: 4:01:05:00

Approval level: Board of Trustees [Select box for appropriate level of anticipated final approval]

President

Vice President

Other (specify here)

Purpose: This policy addresses staffing, responsibilities of the internal audit function, audit planning and reporting on internal audit activities.

Policy:

I. General Statement

- A. The internal audit function contributes to the improvement of the institution's operations by providing objective and relevant assurance regarding risk management, control and governance processes to management and the Board of Trustees.
- B. Management is responsible for evaluating the institution's risks and establishing and maintaining adequate controls and processes.
- C. To provide relevant information, the internal audit activity will consider the goals of the institution, management's risk assessments and other input from management in determining its risk-based audit activities.

II. Internal Audit Standards

- A. Each internal audit function shall adhere to The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics (TCA § 4-3-304(9)). The Institute of Internal Auditors, International Professional Practices Framework (IPPF), incorporates the definition of internal auditing, the *International Standards for the Professional Practice of Internal Auditing (Standards)*, Core Principles for the Professional Practice of Internal Auditing and Code of Ethics into one document. It includes the following definition of internal auditing:
 1. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- B. Risk is the possibility of an event occurring that will have an impact on the achievement of an institution's goals and objectives.
 1. Risk is measured in terms of the impact an event may have and the likelihood that the event will occur.

2. To optimize the achievement of the institution's goals and objectives, the Board of Trustees and management act to minimize the related risks by implementing reasonable procedures to control and monitor the risks.
- C. Governance processes are the combination of processes and structures implemented by the Board of Trustees to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives.
 1. Examples of such processes include:
 - a. The organizational structure within an institution or a department;
 - b. Policies, guidelines and procedures instituted by the Board of Trustees or management to direct and control a particular activity such as maintenance fees or hiring practices; and
 - c. Preparation and review procedures for preparing reports such as annual financial statements or federal grant or financial aid reports.
- D. The IPPF includes attribute standards, which address the expected characteristics of organizations and individuals performing internal audit activities and performance standards, which describe the nature of internal audit activities and establish criteria to evaluate the performance of internal audit activities.
- E. To assure compliance with the IIA *Standards*, the Office of Internal Audit must implement and maintain a quality assurance and improvement program that incorporates both internal and external assessments.
 1. Internal assessments are ongoing, internal evaluations of the internal audit activity, coupled with periodic self-assessments and/or reviews.
 2. External assessments enable the internal audit activity to evaluate conformance with the *Standards*; internal audit and audit committee charters; the organization's risk and control assessment; the effective use of resources; and the use of successful practices.
 3. An external assessment must be performed at least every five years by an independent reviewer or review team.
 4. Results of the external assessment will be communicated to the Audit Committee and management.

III. Internal Audit Personnel

- A. The university shall employ at least two individuals with full-time responsibility as internal auditors.
- B. Internal Audit Staff
 1. Internal audit staff must possess the professional credentials, knowledge, skills, and other competencies needed to perform their individual responsibilities.
 2. The internal audit function collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.
 3. The Chief Internal Auditor must be licensed as a Certified Public Accountant or a Certified Internal Auditor, maintain an active license and annually complete sufficient, relevant continuing professional education to satisfy the requirements for the professional certification held.
 4. Other university auditors should annually complete sufficient, relevant continuing professional education to satisfy the requirements for their related professional certification or, at a minimum, forty hours of relevant continuing professional education annually.

5. The Chief Internal Auditor should communicate concerns to management and the Audit Committee regarding the lack of sufficient resources to complete the objectives of an engagement or the audit plan.
 6. Such resources may include the need for additional personnel or personnel with specialized knowledge, such as those with knowledge of fraud, information technology or other technical areas.
- C. The appointment of the Chief Internal Auditor as recommended by the President is subject to approval by the Audit Committee (TCA § 49-14-102(a)).
 - D. Compensation of the Chief Internal Auditor is subject to review by the Audit Committee.
 - E. The termination or change of status of the Chief Internal Auditor (TCA § 49-14-102(b)) requires a majority vote of the Audit Committee.

IV. Internal Audit Role and Scope

A. Reporting Structure

1. In accordance with TCA § 49-14-102(b) and the Board of Trustees Bylaws, the Chief Internal Auditor reports directly to the Audit Committee.
2. This reporting structure assures the independence of the internal audit function.

B. The internal auditors' responsibilities include:

1. Working with management to assess institutional risks and developing an audit plan that considers the results of the risk assessment.
2. Evaluating institutional controls to determine their effectiveness and efficiency.
3. Coordinating work with external auditors, program reviewers, and consultants.
4. Determining the level of compliance with internal policies and procedures, state and federal laws, and government regulations.
5. Testing the timeliness, reliability, and usefulness of institutional records and reports.
6. Recommending improvements to controls, operations, and risk mitigation resolutions.
7. Assisting the institution with its strategic planning process to include a complete cycle of review of goals and values.
8. Evaluating program performance.
9. Performing consulting services and special requests as directed by the Audit Committee or the institution's President.

C. The scope of internal auditing extends to all aspects of institutional operations and beyond fiscal boundaries. The internal auditor shall have access to all records, personnel, and physical properties relative to the performance of duties and responsibilities.

D. The scope of a particular internal audit activity may be as broad or as restricted as required to meet management needs.

E. Objectivity is essential to the internal audit function. Therefore, internal audit personnel should not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise. However, internal audit personnel may be consulted on the adequacy of controls incorporated into new systems and procedures or on revisions to existing systems.

F. Management is responsible for identifying, evaluating, and responding to potential risks that may impact the achievement of the institution's objectives. Auditors continually evaluate the risk management, internal control, and governance processes. To facilitate

these responsibilities, Internal Audit will receive notices or copies of external audit reviews, program reviews, fiscally related consulting reports, cash shortages, physical property losses, and employee misconduct.

V. Audit Plans and Activity Reports

- A. Internal Audit shall develop an annual audit plan using an approved risk assessment methodology.
- B. At the beginning of each fiscal year, after consultation with the President and other institution management, Internal Audit will prepare an annual audit plan. The audit plan must be flexible to respond to immediate issues and will be revised for such changes during the year.
- C. Audit plans and revisions will be reviewed and approved by the Audit Committee.
- D. At the end of each fiscal year, Internal Audit will prepare an annual activity report of all significant audit services performed.
- E. Annual activity reports and approved audit plans will be provided to the Comptroller's Office, Division of State Audit.

VI. Audit Engagements

- A. Audit engagements will be planned to provide relevant results to management and the Audit Committee regarding the effectiveness and efficiency of processes and controls over operations. To ensure management's expectations are met, auditors will communicate with management regarding the objectives and scope of the engagement.
- B. In planning and during the engagement, auditors should consider and be alert to risks that affect the institution's goals and objectives, operations and resources. Auditors should consider risks based on the operations under review, which include but are not limited to the risk of financial misstatements, noncompliance and fraud.
- C. An audit work program will be designed to achieve the objectives of the engagement and will include the steps necessary to identify, analyze, evaluate and document the information gathered and the conclusions reached during the engagement.
- D. Working papers that are created, obtained or compiled by an internal audit staff are confidential and are not an open record (TCA § 4-3-304(9)).

VII. Communicating Audit Results

- A. A written report that documents the objectives, scope, conclusions, and recommendations of the audit will be prepared for audit engagements providing assurance to the Board of Trustees and management. Management will include corrective action for each reported finding.
- B. Internal Audit will perform audits to follow-up on findings or recommendations included in internal audit and investigation reports. For these follow-ups, a written report will be prepared for any findings or recommendations that have not been corrected and management will be asked to include a revised corrective action plan. For follow-ups in which corrections have been implemented, a memo will be placed in the working paper file documenting the reasons for the closure. In addition, Internal Audit will perform audits to follow-up on findings or recommendations included in State Audit reports and a written report will be prepared. The President, along with the Audit Committee, will be notified at the conclusion of a follow-up audit.
- C. A written report that documents the objectives, scope, conclusions and recommendations will be prepared for investigations resulting from allegations or

identification of fraud, waste or abuse. As appropriate in the circumstances, management will include corrective action for each reported finding. In a case where allegations are not substantiated by the review and there are no other operational concerns to report to management regarding the review, the case may be closed by writing a memo to the working paper file documenting the reasons for closing the case.

- D. Reports on special studies, consulting services, and other non-routine items should be prepared as appropriate, given the nature of the assignment.
 - E. All internal audit reports will be signed by the Chief Internal Auditor and transmitted directly to the President in a timely manner.
 - F. The Chief Internal Auditor will present significant results of internal audit reports to the Audit Committee.
 - G. The Chief Internal Auditor will provide a copy of each report to the Comptroller's Office, Division of State Audit.
- VIII. Exceptions
- A. Any exceptions to the policy established herein shall be subject to the approval of the Audit Committee.

East Tennessee State University Policy

Policy Title: Preventing and Reporting Fraud, Waste or Abuse

Policy Type: Finance/Administration

New/revised: Revised

Old Policy #: 4:01:05:50

Approval level: Board of Trustees [Select box for appropriate level of anticipated final approval]

President

Vice President

Other (specify here)

Purpose: The Board of Trustees is committed to the responsible stewardship of its resources. Management of the university is responsible for maintaining a work environment that promotes ethical and honest behavior. Additionally, it is the responsibility of management to establish and implement internal control systems and procedures to prevent and detect irregularities, including fraud, waste and abuse. Management at all levels should be aware of the risks and exposures inherent in their areas of responsibility, and should establish and maintain proper internal controls to provide for the security and accountability of all resources entrusted to them.

Definitions:

- Fraud - An intentional act to deceive or cheat, ordinarily for the purpose or result of causing a detriment to another and/or bringing about some benefit to oneself or others. Fraudulent activities may include, but are not limited to the following:
 - Theft, misappropriation, misapplication, destruction, removal, or concealment of any institutional assets or resources, including but not limited to funds, securities, supplies, equipment, real property, intellectual property or data.
 - Improper use or assignment of any institutional assets or resources, including but not limited to personnel, services or property.
 - Improper handling or reporting of financial transactions, including use, acquisitions and divestiture of state property, both real and personal.
 - Authorization or receipt of compensation for hours not worked.
 - Inappropriate or unauthorized use, alteration or manipulation of data, computer files, equipment, software, networks, or systems, including personal or private business use, hacking and software piracy.
 - Forgery or unauthorized alteration of documents.
 - Falsification of reports to management or external agencies.
 - Pursuit of a personal benefit or advantage in violation of the ETSU Conflict of Interest Policy.
 - Concealment or misrepresentation of events or data.
 - Acceptance of bribes, kickbacks or any gift, rebate, money or anything of value whatsoever, or any promise, obligation or contract for future reward, compensation, property or item of value, including intellectual property.

- Waste - Waste involves behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances. Waste is a thoughtless or careless act, resulting in the expenditure, consumption, mismanagement, use, or squandering of institutional assets or resources to the detriment or potential detriment of the institution. Waste may also result from incurring unnecessary expenses due to inefficient or ineffective practices, systems, or controls. Waste does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement.
- Abuse - Abuse involves behavior that is deficient or improper when compared with behavior that a prudent person would consider a reasonable and necessary business practice given the facts and circumstances. Abuse also includes misuse of authority or position for personal financial interest or those of an immediate or close family member or business associate. Abuse does not necessarily involve fraud, violation of laws, regulations, or provisions of a contract or grant agreement. (U.S. Government Accountability Office, Government Auditing Standards, July 2007.)

Policy:

I. Preventing Fraud, Waste or Abuse

A. Maintaining an Ethical Work Environment

1. Management is responsible for maintaining a work environment that promotes ethical and honest behavior on the part of all employees, students, contractors, vendors and others.
2. To do so, management at all levels must behave ethically and communicate to employees and others that they are expected to behave ethically.
3. Management must demonstrate through words and actions that unethical behavior will not be tolerated.

B. Implementing Effective Internal Control Systems

1. Management of the university has the responsibility to establish and implement internal control systems and procedures to prevent and detect irregularities, including fraud, waste and abuse.
2. Internal controls are processes performed by management and employees to provide reasonable assurance of:
 - a. Safeguards over institutional assets and resources, including but not limited to cash, securities, supplies, equipment, property, records, data or electronic systems;
 - b. Effective and efficient operations;
 - c. Reliable financial and other types of reports; and
 - d. Compliance with laws, regulations, contracts, grants and policies.
3. To determine whether internal controls are effective, management should perform periodic risk and control assessments, which should include the following activities:
 - a. Review the operational processes of the unit under consideration.
 - b. Determine the potential risk of fraud, waste, or abuse inherent in each process.
 - c. Identify the controls included in the process (or controls that could be included) that result in a reduction in the inherent risk.
 - d. Assess whether there are internal controls that need to be improved or added to the process under consideration.

- e. Implement controls or improve existing controls that are determined to be the most efficient and effective for decreasing the risk of fraud, waste or abuse.
 - 4. Most managers will find that processes already include a number of internal controls, but these controls should be monitored or reviewed for adequacy and effectiveness on a regular basis and improved as needed. Typical examples of internal controls may include, but are not limited to:
 - a. Adequate separation of duties among employees.
 - b. Sufficient physical safeguards over cash, supplies, equipment and other resources.
 - c. Appropriate documentation of transactions.
 - d. Independent validation of transactions for accuracy and completeness.
 - e. Documented supervisory review and approval of transactions or other activities.
 - f. Proper supervision of employees, processes, projects or other operational functions.
 - C. Reviews of Internal Control Systems
 - 1. Audits or other independent reviews may be performed on various components of the internal control systems.
 - D. Internal Audit
 - 1. Internal Audit is responsible for assessing the adequacy and effectiveness of internal controls that are implemented by management and will often recommend control improvements as a result of this assessment.
 - 2. During an audit of a department or process, Internal Audit will also perform tests designed to detect fraud, waste or abuse that may have occurred.
 - E. External Audits
 - 1. The Tennessee Department of Audit, Division of State Audit, performs periodic financial audits of the university.
 - 2. One purpose of this type audit is to evaluate an institution's internal controls, which will often result in recommendations for control improvements.
 - 3. State Audit will also perform tests designed to detect fraud, waste or abuse that may have occurred.
 - F. Other Reviews
 - 1. Various programs may be subject to audits or reviews by federal, state or other outside agencies based on the type of program, function or funding.
 - 2. Although audits and reviews may include assessments of internal controls, the primary responsibility for prevention and detection of fraud, waste or abuse belongs to management.
 - 3. Therefore, management should take steps to review internal controls whether or not audits are to be performed.
- II. Reporting Fraud, Waste or Abuse
 - A. Responsibility for Reporting Fraud, Waste or Abuse
 - 1. Any official of any agency of the state having knowledge that a theft, forgery, credit card fraud, or any other act of unlawful or unauthorized taking, or abuse of, public money, property, or services, or other shortages of public funds has occurred shall report the information immediately to the office of the Comptroller of the Treasury (TCA § 8-19-501(a)), To ensure compliance with this statute, the university provides a means for employees and others to

report such matters, which are subsequently reported to the Comptroller's Office.

- a. Institutional administration with knowledge of fraud, waste or abuse will report such incidents immediately.
- b. Others, including institutional management, faculty and staff with a reasonable basis for believing that fraud, waste or abuse has occurred are strongly encouraged to immediately report such incidents (TCA § 8-50-116).
- c. Students, citizens and others are also encouraged to report known or suspected acts of fraud, waste or abuse.
- d. Although proof of an improper activity is not required at the time the incident is reported, anyone reporting such actions must have reasonable grounds for doing so.
- e. Employees with knowledge of matters constituting fraud, waste or abuse, that fail to report it or employees who knowingly make false accusations may be subject to disciplinary action.

B. Protection from Retaliation

1. State law (TCA § 8-50-116) prohibits discrimination or retaliation against employees for reporting allegations of dishonest acts or cooperating with auditors conducting an investigation.
2. The Higher Education Accountability Act of 2004 directs that a person who knowingly and willingly retaliates or takes adverse action of any kind against any person for reporting alleged wrongdoing pursuant to the provisions of this part commits a Class A misdemeanor.

C. Confidentiality of Reported Information

1. According to TCA § 49-14-103, detailed information received pursuant to a report of fraud, waste or abuse or any on-going investigation thereof shall be considered working papers of the internal auditor and shall be confidential.
2. Although every attempt will be made to keep information confidential, circumstances such as an order of a court or subpoena may result in disclosure.
3. Also, if the university has a separate legal obligation to investigate the complaint (e.g. complaints of illegal harassment or discrimination), the university cannot ensure anonymity or complete confidentiality.

D. Methods for Reporting Fraud, Waste or Abuse

1. Any employee who becomes aware of known or suspected fraud, waste or abuse should immediately report the incident to an appropriate departmental official. Incidents should be reported to one of the following officials or offices:
 - a. A supervisor or department head;
 - b. an institutional official;
 - c. University Counsel;
 - d. Human Resources;
 - e. the institutional internal auditor;
 - f. the Tennessee Comptroller of the Treasury's Hotline for fraud, waste and abuse at 1-800-232-5454.
2. If the incident involves their immediate supervisor, the employee should report the incident to the next highest-level supervisor or one of the officials

or offices listed above. Employees should not confront the suspected individual or initiate an investigation on their own since such actions could compromise the investigation.

3. A department official or other supervisor who receives notice of known or suspected fraud, waste or abuse must immediately report the incident to the following:
 - a. President/Chief Financial Officer (or designee)
 - b. Internal Audit Office
 - c. Department of Public Safety (when appropriate)
4. The President/Vice President or designee receiving such notice will immediately notify the Chief Internal Auditor regarding the acknowledged or suspected fraud or misconduct.
5. The Chief Internal Auditor will notify the Comptroller of the Treasury of instances of fraud, waste, or abuse.
6. After initial notification, the university should refer to applicable policies/guidelines related to institutional losses for additional reporting procedures.

III. Investigations/Actions

A. Cooperation of Employees

1. Individuals involved with suspected fraud, waste or abuse should assist with and cooperate in any authorized investigation, including providing complete, factual responses to questions and either providing access to or turning over relevant documentation immediately upon request by any authorized person.
2. The refusal by an employee to provide such assistance may result in disciplinary action.

B. Remedies Available

1. The university will evaluate the information provided and make a determination concerning external reporting obligations, if any, and the feasibility of pursuing available legal remedies against persons or entities involved in fraud, waste or abuse against the institution.
2. Remedies include, but are not limited to;
 - a. terminating employment,
 - b. requiring restitution, and
 - c. forwarding information regarding the suspected fraud to appropriate external authorities for criminal prosecution.
3. In those cases where disciplinary action is warranted, the Office of Human Resources, Office of University Counsel, and other appropriate offices shall be consulted prior to taking such action, and applicable institutional and Board of Trustees policies related to imposition of employee discipline shall be observed.

C. Resignation of Suspected Employee

1. If the employee suspected of gross misconduct resigns, the investigation will continue despite the resignation.
2. The employment records must reflect the situation as of the date of the resignation and the outcome of the investigation.

- D. Effect on Annual Leave
 - 1. An employee who is dismissed for gross misconduct or who resigns or retires to avoid dismissal for gross misconduct shall not be entitled to any payment for accrued but unused annual leave at the time of dismissal (TCA § 8-50-807).
- E. Student Involvement
 - 1. Students found to have participated in fraud, waste or abuse as defined by this policy will be subject to disciplinary action pursuant to the student disciplinary policy.
 - 2. The Vice President of Student Affairs (or designee) will be responsible for adhering to applicable due process procedures and administering appropriate disciplinary action.
- F. Confidentiality during Investigation
 - 1. All investigations will be conducted in as strict confidence as possible, with information sharing limited to persons on a “need to know” basis.
 - 2. The identities of persons communicating information or otherwise involved in an investigation or allegation of fraud, waste or abuse will not be revealed beyond the university unless necessary to comply with federal or state law, or if legal action is taken.
- G. Management’s Follow-up Responsibility
 - 1. Administrators at all levels of management must implement, maintain, and evaluate an effective compliance program to prevent and detect fraud, waste and abuse.
 - 2. Once such activities have been identified and reported, the overall resolution should include an assessment of how it occurred, an evaluation of what could prevent recurrences of the same or similar conduct, and implementation of appropriate controls, if needed.



Conflicts of Interest and Commitment	
Responsible Official: Chief Operating Officer	Responsible Office: Human Resources

Policy Purpose

This policy specifies how a Covered Employee should disclose Conflicts of Interest or Conflicts of Commitment and how a conflict is evaluated.

Policy Statement

Perceived or real Conflicts of Interest and Conflicts of Commitment are harmful to ETSU and ETSU's reputation. All Covered Employees must disclose any Conflicts of Interest or Conflicts of Commitment. When a Covered Employee believes a Conflict of Interest or Conflict of Commitment exists or may exist for any Covered Employee, including themselves, the Covered Employee must immediately submit a written disclosure of the facts and circumstances surrounding the Conflict of Interest or Conflict of Commitment to the Office of Human Resources through the Disclosure Form.

I. General Principles.

- A. A Covered Employee must take all reasonable precautions to ensure that a Covered Employee's Financial Interests do not place them in a Conflict of Interest or Conflict of Commitment when carrying out their Professional Obligations as employees of ETSU.

Generally, a Conflict of Interest exists when:

1. A Covered Employee allows their Financial Interest to interfere with or compromise the Covered Employee's judgment and objectivity, with respect to the Covered Employee's duties and responsibilities to ETSU.
2. A Covered Employee makes ETSU or ETSU-related decisions or uses ETSU resources in a manner that results in or is expected to result in:
 - a. Financial gain for the Covered Employee or financial gain for a Family Member; or,
 - b. An unfair advantage to or favored treatment for a third-party outside of ETSU.
3. A Covered Employee allows a Financial Interest to affect the design, conduct, or reporting of research. This type of conflict is addressed in the Institutional Financial Conflicts of Interest Policy.

B. Examples of Conflicts of Interest.

The following situations are examples of prohibited Conflicts of Interest. This is not an all-inclusive list of prohibited Conflicts of Interest.

1. A Covered Employee serving as a member of the board of directors of, serving as a consultant to, or holding an office or management position in an outside entity, and:
 - a. The Covered Employee procures or influences the procurement of goods or services from the outside entity for ETSU; or,
 - b. The Covered Employee uses their ETSU position to obtain favored treatment for that outside entity or to provide an unfair advantage to that outside entity.
2. A Covered Employee holding more than a five percent (5%) Financial Interest, inclusive of Financial Interests held by a Family Member, in an outside venture, and:
 - a. The Covered Employee procures or influences the procurement of goods or services from that outside venture for ETSU; or,
 - b. The Covered Employee uses their ETSU position to obtain favored treatment for that outside venture or to provide an unfair advantage to that outside venture.
3. A Covered Employee soliciting or accepting Gifts from a person or entity:
 - a. In return for influencing a Covered Employee in the discharge of their ETSU or ETSU-related Professional Obligations; or,
 - b. While in a position to obtain favored treatment for that person or entity or to provide an unfair advantage to that person or entity.
4. A Covered Employee selling any products or services to ETSU or another State of Tennessee agency while an employee of or within six (6) months after termination of active employment with ETSU.
 - a. This does not apply to the sale of textbooks, stage plays, and other copyright literary property for which the Covered Employee receives royalties from a distributor in which the Covered Employee does not own a controlling interest.
 - b. This does not apply to Sole-source Suppliers, unless the Covered Employee also procures or influences the procurement of the particular product or service for ETSU. However, the Covered Employee's interest in the Sole-source Supplier must be publicly acknowledged.
5. A Covered Employee using confidential or official ETSU information in any manner that results in or is expected to result in financial gain or an unfair advantage to the Covered Employee, a Family Member, or a third-party.

II. Enforcement.

Compliance with this policy is a condition of employment for all Covered Employees. A Covered Employee who fails to comply with this policy is subject to discipline, including termination.

Authority: FOCUS Act Tenn. Code Ann. § 49-8-203, et. seq.

Previous Policy: Tennessee Board of Regents Policy 1.02.03.10

Definitions

A defined term has a special meaning within the context of this policy.

Conflict of Commitment: The actual or perceived divergence of a Covered Employee's personal time, attention, and energy from the Covered Employee's Professional Obligations

Conflict of Interest: The actual or perceived divergence of a Covered Employee's personal interests, including, but not limited to, Financial Interests, from the Covered Employee's Professional Obligations.

Covered Employee: Any ETSU employee who is employed in any capacity except student workers, graduate assistants, medical residents, or volunteers

Family Member: Includes 1) spouse; 2) child, step-child; 3) parent, step-parent, foster parent, parent-in-law; 4) sibling(s); 5) grandparents and grandchildren and: 6) other members of the family who reside within the home.

Financial Interest: Any interest of monetary value, whether or not that value is readily ascertainable, including any interest of a Family Member

Gift: Any item gifted in excess of \$250, including but not limited to, any gratuity, service, favor, food, entertainment, lodging, transportation, loan, loan guarantee, or any other item of monetary or personal value.

Professional Obligations: The duties and responsibilities owed by a Covered Employee as part of their employment at ETSU, including to act in a manner that the Covered Employee reasonably believes to be in the best interests of ETSU.

Sole-source Supplier: The only supplier that can provide a particular good or product.

Policy History

Effective Date:

Revision Date: 8/26/21

Procedure

The procedures for disclosure of a Conflicts of Interest or Conflicts of Commitment and the review process are as follows:

I. Disclosure by Covered Employee.

A Covered Employee completes the Disclosure Form on the Human Resources website.

II. Review of Disclosures.

One representative from the Office of Human Resources, the Office of University Counsel, the Division of Business and Finance, the Office of Internal Audit, and the department head for the Covered Employee's unit meets to evaluate the disclosure and determine what action is necessary. A Covered Employee involved in a potential or alleged Conflict of Interest or Conflict of Commitment is not permitted to participate in the evaluation of the matter.

Procedure History

Effective Date: 8/26/21

Revision Date:

Related Form(s)

Disclosure Form

Scope and Applicability

Primary: Human Resources

Secondary:



Employee Code of Conduct	
Responsible Official: Chief Operating Officer	Responsible Office: Office of Human Resources

Policy Purpose

This policy specifies the expectations of Employees to conduct themselves in a responsible and ethical manner during their employment with ETSU.

Policy Statement

ETSU is committed to the core values of people, relationships, diversity, excellence, efficiency, and honesty, as well as to creating a university community committed to integrity, respect for diversity, engagement in the community, and non-violence. Employees are expected to promote the best interests of students and Employees; treat others with respect and civility; conduct themselves with integrity; utilize ETSU resources in a manner that avoids waste, fraud, and abuse; and maintain a culturally rich and diverse environment in which to work and learn. This policy sets forth standards of conduct to support these core values and is designed to protect the reputation, credibility, financial well-being, and legal obligations of ETSU.

The appearance of unethical or irresponsible conduct, whether such conduct has occurred, can be damaging to ETSU. As such, any appearance of unethical or irresponsible conduct may also be a violation of the Code of Conduct and subject to disciplinary action.

This policy applies to all Employees whether employed full-time, part-time, on a temporary basis, and applies to student workers.

I. Code of Conduct.

Employees must conduct themselves fairly, honestly, in good faith, and in accordance with the highest ethical and professional standards, and must comply with state and federal laws, ETSU policies, and contractual obligations. This includes, but is not limited to:

- A. Employees are expected to be committed to creating an environment that promotes academic freedom, diversity, fair treatment, and respect for all faculty, staff, students, and the general public.

- B. Employees shall follow lawful instructions.
- C. Employees must regularly attend work and accurately report work time and attendance.
- D. Employees are expected to maintain the highest levels of integrity and objectivity as they perform their duties. This includes, but is not limited to their personal conduct, their verbal conduct, their social media presence, and their written work product. Employees are expected to take all reasonable precautions and seek appropriate guidance to ensure their outside interests do not place them in conflict with carrying out their duties and responsibilities to ETSU.
- E. Employees must use institutional and grant property, funds, technology, time, and other resources for legitimate ETSU business purposes. Employees may not use ETSU resources for endeavors unrelated to their ETSU employment responsibilities (e.g. for personal gain or to benefit third parties).
- F. Employees shall not commit fraud, waste, or abuse while executing their employment responsibilities. This includes, but is not limited to falsifying documents or misrepresenting academic credentials, requests for funding, or research findings.
- G. Employees must avoid conflicts of interests or commitments and must follow ETSU policies related to conflicts of interests.
- H. Employees must conduct research with the highest integrity and in compliance with federal, state, and local laws and ETSU policies. Employees involved in conducting research must become familiar with applicable laws, regulations, and policies.
- I. Employees are entrusted with a variety of confidential information about students, faculty, staff, alumni, donors, research sponsors, licensing partners, and university affiliates. Employees must access, use, protect, disclose, preserve, and dispose of confidential information in compliance with applicable laws and ETSU policies. Employees shall not disclose confidential information obtained during their employment, except as required by law. An Employee shall not use confidential information for their personal gain or benefit.
- J. Employees are expected to be committed to the health and safety of all students, faculty, staff, and visitors. Employees are expected to exercise good health and safety practices and to comply with all health and safety laws, regulations, and policies.
- K. Employees are expected to act professionally and treat all students, faculty, staff, persons doing business with ETSU, and visitors with respect. This includes, but is not limited to Employees complying with the ETSU Consensual Relationship Policy. Employees must conduct themselves in a professional manner when communicating in writing, verbally, or signing. Employees shall not commit or assist another Employee in committing Abusive Conduct.

- L. Employees shall not engage in disorderly conduct, including, but not limited to, Abusive Conduct; fighting, provoking a fight, or attempting bodily harm or injury to another Employee or to any other individual or threatening physical action or injury on university property or during university activities; or other conduct that threatens or endangers the health, safety, or well-being of any person.
- M. Employees are expected to report any actual knowledge or any good-faith concern that a violation of this Policy may have occurred as soon as it is reasonably possible.
- N. Employees must comply with Tennessee laws on mandatory reporting of child abuse and child sexual abuse. Tennessee laws mandate reporting by any person who has knowledge of physical or mental harm to a child if: 1) the nature of the harm reasonably indicates it was caused by brutality, abuse, or neglect; or 2) on the basis of available information, the harm reasonably appears to have been caused by brutality, abuse, or neglect. Tennessee law also mandates reporting by any person who knows or has reasonable cause to suspect that a child has been sexually abused, regardless of whether it appears the child has sustained an injury as a result of the abuse. A report of child abuse or child sexual abuse must be made immediately to one of the following authorities: the Tennessee Department of Children’s Services (call the Central Intake Child Abuse Hotline at 1-877-542-2873 or 1-877- 237-0004); the sheriff of the county where the child resides; the chief law enforcement official of the city where the child resides; or a judge having juvenile jurisdiction over the child.

II. Reporting Violations.

Employees who have actual knowledge or a good-faith concern about violations of this policy should report their concerns to the Office of Human Resources. Reporting Employees who wish to remain anonymous may report any concerns via the Office of Internal Audit’s [anonymous on-line form](#). The Offices of Human Resources or Internal Audit will forward the complaint to the appropriate department for review and investigation pursuant to the applicable ETSU policies.

III. Retaliatory Actions.

No Employee may retaliate against a Reporting Employee for making a good-faith report pursuant to this or any other ETSU policy. If a Reporting Employee experiences retaliation, the Employee should immediately report it the Office of Human Resources.

III. Violation of Code of Conduct.

Employees are required to cooperate fully in any investigation related to a violation of this or any other ETSU Policy. Investigations will be conducted by the appropriate authority based on the nature of the alleged violation. Employees who violate this Code of Conduct will be subject to disciplinary action pursuant to ETSU policies and state and federal law.

Authority:

Previous Policy:

Definitions

A defined term has a special meaning within the context of this policy.

Abusive Conduct	Abusive Conduct shall have the same meaning as defined within the Healthy Workplace Act, T.C.A. § 50-1-502, as “any acts or omissions that would cause a reasonable person, based on the severity, nature, and frequency of the conduct, to believe that an Employee was subject to an abusive work environment, such as: (1) Repeated verbal abuse in the workplace, including derogatory remarks, insults, and epithets; (2) Verbal, non-verbal, or physical conduct of a threatening, intimidating, or humiliating nature in the workplace; or (3) the sabotage or undermining of an Employee’s work performance in the workplace.
Employee	Anyone employed by the university in any capacity except for personnel classified as graduate assistant or student worker.
Reporting Employee	Any Employee who reports actual knowledge or a good-faith concern of a violation of this policy.
Retaliation	An adverse action taken because of a person’s participation in a protected activity that would discourage a reasonable person from engaging in the protected activity.

Policy History

Effective Date: 10/12/21

Revision Date:

Procedure

Procedure History

Effective Date:

Revision Date:

Related Form(s)

Scope and Applicability

Primary: Human Resources

Secondary:

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: April 21, 2023
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. These items are as follows:

Additions

FWA 23-05 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

Deletions

None

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: April 21, 2023

ITEM: Audits and Investigations Performed February 2023 through March 2023

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 February 1, 2023 to March 31, 2023. These audits are as follows:

Audits

- **WETS-FM Radio** – A financial statement audit for WETS-FM radio was performed to determine the fair presentation of the financial statements for FY 2022 as required by the Corporation for Public Broadcast (CPB).
- **Department of Obstetrics and Gynecology** – An audit of the Quillen College of Medicine Department of Obstetrics and Gynecology was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The test work included the following: travel, procards, other expenditures, fixed assets, and department volunteers.

East Tennessee State University
WETS-FM Radio
For the Period July 1, 2021 to June 30, 2022
Executive Summary

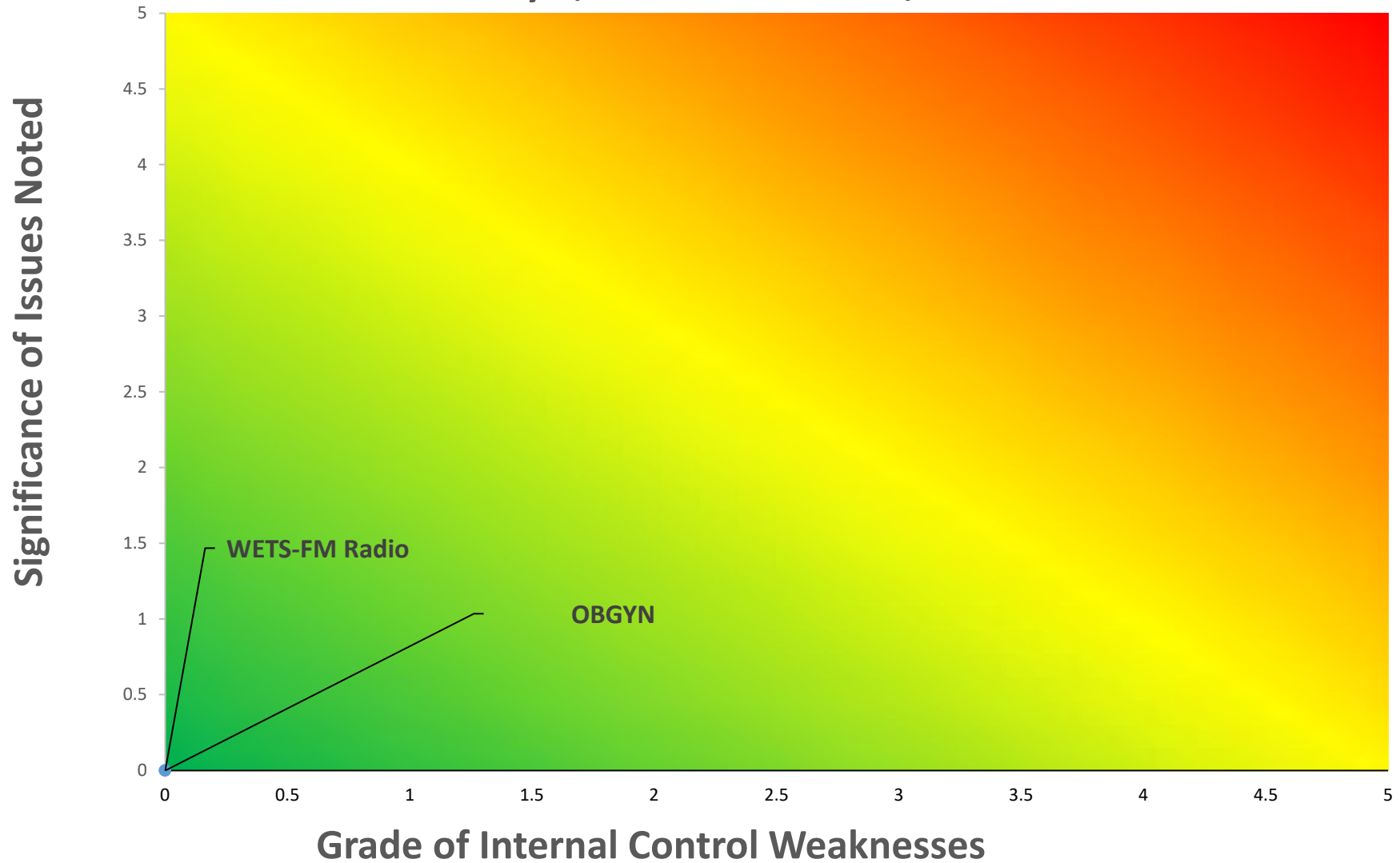
Department: WETS-FM Radio Station	Auditor: Internal Audit Staff	
Background A financial statement audit for WETS-FM radio was performed to determine the fair presentation of the financial statements for FY 2022 as required by the Corporation for Public Broadcast (CPB).		
Objectives		
<ol style="list-style-type: none"> 1. To determine the accuracy of the existing system of internal control. 2. To determine the fairness of financial presentation. 3. To determine accuracy and completeness of financial records and compliance to university policies and procedures. 4. To determine if the Station complies with CPB regulations, and to certify the CPB Annual Financial Report. 5. To produce audited reports for CPB reporting purposes. 		
Total Questioned Costs or Losses: None	Total Recoveries: Not Applicable	
Findings - None		
Audit Conclusion		
The audit report for WETS-FM radio was issued with an unmodified opinion. The financial statements appeared to fairly present, in all material respects, the financial position of the radio station as of June 30, 2022. A summary of WETS-FM Radio's revenues, expenditures, and changes in net position for the year ended June 30, 2022 and June 30, 2021, are as follows:		
	<u>2022</u>	<u>2021</u>
Operating revenues:		
Community service grants	\$ 114,153	\$ 110,816
Total operating revenues	114,153	110,816
Operating expenses	740,711	786,796
Operating loss	(626,558)	(675,980)
Nonoperating revenues and expenses:		
State Appropriations	380,897	395,336
Contributions	299,129	295,046
Underwriting	88,582	75,874
Indirect administrative support	100,555	32,201
Other revenues and expenses	1,148	1,547
Total nonoperating revenues and expenses	870,311	800,004
Increase (decrease) in net position	243,753	124,024
Net position beginning of year	839,813	715,789
Net position at end of year	\$ 1,083,566	\$ 839,813
The audit objectives were met.		

**East Tennessee State University
 Quillen College of Medicine
 Department of Obstetrics and Gynecology
 7/1/2021 – 6/30/2022
 Executive Summary**

Key Staff Person: OB/GYN Interim Chair	Auditor: Internal Audit Staff Member
<p>Introduction</p> <p>An audit of the Quillen College of Medicine Department of Obstetrics and Gynecology was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The testwork included the following; travel, procards, other expenditures, fixed assets, and department volunteers.</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. 	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Conclusions</p> <p>There were no findings as a result of this audit.</p> <p>Based on the testing performed, it appears that the Department of Obstetrics and Gynecology comply with applicable policies and procedures. The objectives of the audit were met.</p>	

Heat Map of Completed Audits

from February 1, 2023 to March 31, 2023



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: April 21, 2023

ITEM: Recommendation Log Status as of March 31, 2023

COMMITTEE: Audit Committee

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

Audit reports often contain recommendations to improve internal controls or procedures. For each recommendation, management must respond with a corrective action plan. A follow-up review of these corrective action plans is later performed by Internal Audit. A log is maintained to track the status of prior audit recommendations and is communicated to the Board of Trustees' Audit Committee each meeting.

East Tennessee State University		
Internal Audit Recommendation Log as of March 31, 2023		
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
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	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 purchahses need improvement	Green
Access ETSU	Controls over fundraising events need improvement	Green
RDC Grants	Controls over RDC Grant compliance need improvement	Green
Athletic Ticket Office	Internal controls over the handling and safeguarding of petty cash needs improvement.	Green
College of Nursing Health Clinics	Policies and procedures related to employees and the family members seeking treatment at a health clinic 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: April 21, 2023

ITEM: Review of Audited Financial Statements from the
Comptroller of the Treasury

COMMITTEE: Audit Committee

PRESENTED BY: Christina Graham
Chief Financial Officer and
Vice President of Business and Finance

The Tennessee Comptroller of the Treasury, Division of State Audit, issued a final audit report of ETSU's financial statements for the fiscal year ending June 30, 2022. This report has been mailed to each Trustee and is attached as a separate document.