

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

11:30 a.m. – 12:30 p.m. EDT
Friday
September 15, 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
Tony Treadway

—
AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Committee Minutes from April 21, 2023](#)
- IV. [Action Item: Approval of Board of Trustees Professional Development Policy](#)
– *Green and Fulks* (3 minutes)
- V. [Action Item: Approval of Appearance Before the Board of Trustees Policy](#)
– *Green and Fulks* (3 minutes)
- VI. [Action Item: Audit Plan for FY 24 – Lewis](#) (3 minutes)
- VII. [Audits and Investigations Performed April 2023 through August 2023 – Lewis](#) (5 minutes)
 - A. Executive Level Audit
 - B. Follow-Up to State Audit Findings
 - C. Guest and Group Housing
 - D. Memorandum on Investigations
 - E. Completed Audits Heat Map
- VIII. [Recommendation Log Status as of August 31, 2023 – Lewis](#) (2 minutes)
- IX. [Report on Audit Functions for FY 2023 – Lewis](#) (3 minutes)

- X. [Action Item: Internal Audit Employee Profiles](#) – *Lewis* (2 minutes)
- XI. [Internal Audit Operating Expenses](#) – *Lewis* (2 minutes)
- XII. [Quality Assurance and Improvement Program Report](#) – *Lewis* (5 minutes)
- XIII. Other Business
- XIV. Executive Session to Discuss Active Audits and Enterprise Risk Management
- XV. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 15, 2023

ITEM: Approval of the Minutes of April 21, 2023

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The minutes of the April 21, 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 April 21, 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

April 21, 2023
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, April 21, 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. All committee members were physically present.

Committee members attending were:

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

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

III. Approval of the Committee Minutes from February 17, 2023

The minutes from the February 17, 2023, meeting of the Audit Committee were approved as submitted with Trustee Ron Ramsey making the motion and Trustee Dr. Linda Latimer seconding the motion. The motion passed unanimously.

IV. Annual Review of Charters

Ms. Becky Lewis, Chief Audit Executive, reported that her office has reviewed all three charters currently subject to review: the Audit Committee Charter, the Internal Audit Charter, and the Compliance Charter. In addition, the Office of University Counsel and the Office of

Compliance reviewed the Compliance Charter. Ms. Lewis indicated that no changes are needed in any of these charters.

V. Annual Review of Policies

Ms. Lewis said that these four policies must undergo an annual review:

- Internal Audit Policy
- Preventing and Reporting Fraud, Waste, and Abuse Policy
- Conflict of Interest Policy
- Employee Code of Conduct Policy

Reviews were conducted by Internal Audit, Human Resources, and the Office of University Counsel. No adjustments were identified, nor did the Audit Committee suggest any adjustments.

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

Ms. Lewis asked that the committee approve one revision to the FY 2022-2023 audit plan: one potential fraud, waste, and abuse concern that has arisen since February 2023.

Trustee Grisham made a motion that the item be added to the plan. Trustee Ramsey seconded the motion. It passed unanimously.

VII. Audits and Investigations Performed February 2023 Through March 2023

Ms. Lewis reported the completion of two audits during this period: the annual financial statement audit of public radio station WETS-FM, which is required by the Corporation for Public Broadcasting, and a randomly selected audit of the ETSU Department of Obstetrics and Gynecology. Both of those audits are referenced in the Office of Internal Audit's Heat Map of Completed Audits from February 1, 2023, to March 31, and both are weakness discovered were minor.

VIII. Recommendation Log Status as of March 31, 2023

The log presented by Ms. Lewis lists 14 different recommendations. She indicated that all are progressing in a timely fashion.

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

This report was presented by Ms. Christy Graham, Chief Financial Officer. 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.

The two findings in the report have been addressed. The first was a repeat from a prior audit: that university staff in the Bursar's Office and College of Nursing did not conduct proper collection procedures on accounts receivable. Ms. Graham pointed out that management has taken several steps to ensure that staff adhere to policies to ensure timely collections. The other finding in the report was that the ETSU Office of Financial Aid and Scholarships did not adequately monitor the eligibility of Title IV financial aid recipients. Ms. Graham reported that management has implemented procedures to confirm student eligibility for financial aid. She added that this finding involved only a very small number of students, and she commended the Office of Financial Aid and Scholarships for compliance in excess of 99 percent.

X. Other Business

There was no additional business to come before the committee. The committee adjourned to go into executive session at 11:22.

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

XII. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 15, 2023

ITEM: Approval of Board of Trustees Professional Development Policy

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: Dr. Adam Green
Board Secretary

Dr. Mark Fulks
University Counsel

In compliance with T.C.A. § 49-8-201(f)(8)(C), staff recommends that the ETSU Board of Trustees adopt a policy that facilitates professional development for its members.

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

RESOLVED: Upon the recommendation of the Audit Committee, the Board of Trustees adopts the Policy on Professional Development as outlined in the agenda materials.



POLICY ON PROFESSIONAL DEVELOPMENT FOR ETSU BOARD OF TRUSTEES	
Responsible Official: Secretary of the Board of Trustees	Responsible Office: Board of Trustees

Policy Purpose

The purpose of this policy is to facilitate ongoing professional development for board members.

Policy Statement

The Board recognizes the importance of ongoing professional development and training for its members and will provide professional development opportunities for them.

- I. Such development opportunities may include but are not limited to informational sessions on topics deemed appropriate by the Chair or the Executive Committee.
- II. The Chair or the Executive Committee may consider and schedule other types of professional development opportunities to ensure ongoing professional development for Board members.
- III. New Board members are expected to complete any State of Tennessee required Board orientation (i.e. Tennessee Higher Education Commission Board Training). Additionally, the President shall establish an orientation program for new members, which shall include information related to the operations of the Board and administration of East Tennessee State University (ETSU).
- IV. The Board chair or their designee has the final authority to interpret the terms of this policy.

Authority: T.C.A. § 49-8-201(f)(8)(C)

Previous Policy: New

Defined Terms

Policy History

Effective Date

- a. Initial:
- b. Revised:

Procedure

Procedure History

Effective Date

- a. Initial:
- b. Revised:

Related Form(s)

Primary:

Secondary:

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 15, 2023

ITEM: Approval of Appearance Before the Board of Trustees Policy

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: Dr. Adam Green
Board Secretary

Dr. Mark Fulks
University Counsel

In compliance with T.C.A. § 49-8-203, T.C.A. § 49-8-208, and T.C.A. § 8-44-113, staff recommends that the ETSU Board of Trustees adopt a new policy that specifies a standard process for members of the University community and the general public to address the Board of Trustees during full Board meetings.

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

RESOLVED: Upon the recommendation of the Audit Committee, the Board of Trustees adopts the Policy on Appearances Before the Board of Trustees as outlined in the agenda materials.



APPEARANCES BEFORE THE BOARD OF TRUSTEES	
Responsible Official: Secretary of the Board of Trustees	Responsible Office: Board of Trustees

Policy Purpose

This policy specifies a standard process for members of the University community and the general public to address the Board of Trustees (Board) during full Board meetings.

Policy Statement

In accordance with the Tennessee Open Meetings Act, the ETSU Board of Trustees (Board) provides the opportunity for members of the University community and the general public to address the Board on matters germane to actionable items listed on full Board meeting agendas. A portion of public full Board meetings will be reserved for individuals who wish to address the Board.

- This policy does not apply to full Board meetings for which there are no actionable items on the agenda.
- This policy does not apply to committee meetings.
- This policy does not apply to a Board meeting, or a portion thereof, wherein a disciplinary hearing, grievance, or appeal is being conducted for a person or persons subject to the Board’s jurisdiction.
- This policy does not apply to: pending or threatened litigation involving the University or University officials; the employment status of any specific individual; statements concerning the private activities, lifestyles or beliefs of any individuals; and/or proposals or bids for contracts.

Authority: T.C.A. § 49-8-203, T.C.A. § 8-44-108, and T.C.A. § 8-44-113

Previous Policy: Appearances Before the Board of Trustees

Defined Terms

Policy History

Effective Date

- a. Initial: 04/26/2019
- b. Revised:

Procedure

I. Procedures for Addressing the Board

This process provides for reasonable access to the Board of Trustees, while also preserving the Board's orderly business operations.

- A. Individuals desiring to address the Board must preregister by providing the following to the Board Secretary at least 3 days (72 hours) prior to the start of the full board meeting:
 - a. Contact information (Name, Address, Email Address, and Phone Number);
 - b. Your role (Student, Faculty Member, Staff Member, Alum, Member of General Public); and
 - c. The germane actionable agenda item topic for which the individual wishes to provide comment.
 - d. The amount of time you wish to speak. This amount of time must not exceed 3 minutes.
- B. Individuals should provide the above information by emailing trustees@etsu.edu
- C. Persons who have preregistered to speak on permissible subjects in compliance with this policy will be scheduled on a "first come, first served" basis until a fifteen (15) minute period has been scheduled, except that no more than two (2) speakers will be scheduled to speak on the same subject. Scheduled speakers who are unable to attend the meeting may not send a substitute.
- D. The Board Secretary will acknowledge receipt of requests and confirm logistical details for the public comment period.
- E. If a full Board meeting is conducted by electronic or virtual means of communication, then an individual who has preregistered and has been confirmed to speak before the Board at that meeting will be permitted to participate or provide comment by electronic or virtual means of communication. The Board Secretary will confirm logistical details

on such occasion.

II. Limitations

- A. A Person addressing the Board will have a maximum of 3 minutes for any comments. Exceptions to this time period will only be allowed at the discretion of the Board Chair at the time of the meeting.

The aggregate time for all public comments at a meeting will not exceed fifteen (15) minutes in total. Exceptions to this time period will only be allowed at the discretion of the Board Chair at the time of the meeting.

- B. Only one (1) individual will be permitted to speak at a time.
- C. Individuals addressing the board are not permitted to use audio and/or visual presentation equipment during their remarks.

Procedure History

Effective Date

- a. Initial: 04/26/2019
- b. Revised:

Related Form(s)

EAST TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: September 15, 2023

ITEM: Audit Plan for FY 24

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The 2023-24 annual audit plan was developed through a formal risk assessment process. Risk factors include previous audit results, internal control systems, policy or personnel changes, size, sensitivity, and external audit coverage. Special requests by Board of Trustees and university management are also considered when scheduling audits. The audit plan is developed at the beginning of each fiscal year and is subject to revision throughout the year. The approved plan is also submitted to the Comptroller of the Treasury, Division of State Audit.

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

RESOLVED: The Audit Plan for 2023-24 is approved as presented in the meeting materials.

**East Tennessee State University
Internal Audit Plan as of 08/21/2023
Fiscal Year Ended June 30, 2024**

Rank	Type	Area	Audit
Required by State Audit	R	FM	Cash Counts/Inventories
Brought Forward Required by State Statute	R	FM	President's Expense FY 2023
Required by Many	R	FM	Risk Assessments
Required by CPB	R	FM	WETS-FM
Required by Contract	R	FM	NET
Required by State Statute	R	FM	President's Expense FY 2024
Required by State Audit	R	FM	Follow-Up: State Audit
Brought Forward Follow-Up	F	IT	Follow-Up Off Campus Domestic/International Pgms
Brought Forward Follow-Up	F	IS	Follow-Up Dependent/Spouse Tuition Discount
Brought Forward Follow-Up	F	IA	Follow-Up Human Patient Simulation Laboratory
Brought Forward Follow-Up	F	AT	Follow-Up: Men's Basketball Expenditures
Follow-Up	F	IA	Follow-Up: Health Services (missing petty cash)
Follow-Up	F	IA	Follow-Up: College of Nursing
Follow-Up	F	IA	Follow-Up: Center of Excellence in STEM Education
Follow-Up	F	IA	Follow-Up: Access ETSU
Follow-Up	F	RS	Follow-Up: RDC Grants
Follow-Up	F	AT	Follow-Up: Athletic Ticket Office
Follow-Up	F	FM	Follow-Up: College of Nursing Health Clinics
Follow-Up	F	FM	Follow-Up: Family Medicine Timekeeping
Follow-Up	F	SS	Follow-Up: Guest and Group Housing
Brought Forward Invest	I	RS	Investigaiton 22-05 Internal Medicine
Brought Forward Invest	I	FM	Investigation 23-07 Psychology (Venmo)
Brought Forward Invest	I	FM	Investigation 23-08 CESSCE (Gift Cards)
Brought Forward Invest	I	FM	Investigation 23-10 Medical Library Timekeeping
Brought Forward Invest	I	FM	Investigation 23-11 CoN Instructiderm
Investigations	I	FM	Investigation 24-01 Chemistry (Procard)
Investigations	I	FM	Unscheduled Investigations
Consulting	C	IS	General Consultation
Consulting	C	FM	Procard Consulting
Project	P	IS	Board of Trustees (Prep for Meetings, Meetings, etc.)
Special Request	S	FM	Executive Level Audit FY 2024
Special Request	S	RS	R15 Research Grants
Special Request	S	FM	Center for Nursing Advancement
Brought Forward Risk Based	A	IA	Minors on Campus
Brought Forward Risk Based	A	SS	Guest and Group Housing
Risk Based	A	AT	Athletics Revenue
Risk Based	A	IT	ITS General Controls
Risk Based	A	PP	Emergency Preparedness
Risk Based	A	AD	Donor Gift Processing
Risk Based	A	AX	Auxiliary Enterprises
Risk Based	A	PP	Facility, Chemical, and Environmental Safety
Risk Based	A	PP	Access Controls
Risk Based	A	IA	Grade Changes
Risk Based	A	FM	Procard System Procedures (includes Follow Up)

Estimate-Hours Available For Audits = 4,768

Audit Types:

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

Functional Areas:

- AD - Advancement
- AT - Athletics
- AX - Auxiliary
- FM - Financial Management
- IA - Instruction & Academic Support
- IS - Institutional Support
- IT - Information Technology
- PP - Physical Plant
- RS - Research
- SS - Student Services

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2023

ITEM: Audits and Investigations Performed April 2023 through August 2023

COMMITTEE: Audit Committee

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

Staff will provide an overview of the audits and internal investigations completed during the period April 1, 2023 to August 31, 2023.

Audits

- Executive Level Audit – An audit of East Tennessee State University’s Chief Marketing and Communications Officer (Marketing Officer) was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. At the request of administration, the Office of Internal Audit will conduct an audit of a randomly selected executive level administrator annually. The expenditures reviewed were those under the direct control of the Marketing Officer.
- Follow-up to the State Audit – The Department of Internal Audit has performed a follow-up of the state audit findings and recommendations contained in their audit report for the year ended June 30, 2022. The follow-up was conducted under the authority delegated in East Tennessee State University’s Internal Audit Policy and is a requirement of the Tennessee Comptroller of the Treasury.
- Guest and Group Housing – An audit was recently completed regarding guest and group housing in accordance with the annual audit plan. The testwork included the billing and collection of revenues related to guest and groups of the university.

Investigations

- Family Medicine – Bristol (23-05) – An investigative review of the Bristol Family Medicine Timekeeping Procedures was conducted by Internal Audit personnel based on concerns reported. In addition to timekeeping, a recent theft of medical supplies was also reviewed.
- Center of Excellence in Sports Science and Coach Education (23-03) – On April 6, 2023, Internal Audit was notified of a possible loss that occurred within the Center of Excellence

in Sports Science and Coach Education (CESSCE). While the initial loss was believed to be minimal (\$60), concerns over the process of distributing gift cards to research participants and Institutional Review Board (IRB) approvals were reviewed.

**East Tennessee State University
Executive Level Expenditures
University Marketing and Communications
For the Fiscal Year 2021-2022
Executive Summary**

Key Staff Person: Chief Marketing and Communications Officer	Auditor: Internal Audit Staff Member
<p>Introduction</p> <p>An audit of East Tennessee State University’s Chief Marketing and Communications Officer (Marketing Officer) was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. At the request of administration, the Office of Internal Audit will conduct an audit of a randomly selected executive level administrator annually. The expenditures reviewed were those under the direct control of the Marketing Officer.</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>Operational and travel expenditures paid from the accounts under the direct control of the Marketing Officer were reviewed and tested for compliance with university policies and procedures. The items tested included all payments made to the Marketing Officer as well as other travel, meals/entertainment, procard transactions, and miscellaneous operating expenses. There were no findings as a result of this audit.</p> <p>Based on the testing performed it appears that the expenditures tested with applicable policies and procedures. The objectives of the audit were met.</p>	

East Tennessee State University
Follow-Up to the Financial and Compliance Audit Report
Issued February 8, 2023 for Fiscal Year 2022
By the Tennessee Comptroller of the Treasury
Executive Summary

Key Staff Areas: Business & Finance and Financial Aid	Auditor: Associate Director of Internal Audit and Internal Auditor
Introduction: East Tennessee State University’s financial statement audit for the year ended June 30, 2022 contained two findings. As required, Internal Audit performed a follow-up review of actions taken in response to the finding.	
Objectives: The objective of the follow-up is to determine if management has implemented corrective actions for the findings noted in the Division of State Audit’s annual audit report for the fiscal year ended June 30, 2022.	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Findings and Current Status</p> <p><u>Original Finding 1:</u> <i>University staff did not conduct proper collection procedures on accounts receivable</i></p> <p>As noted in the prior audit, management did not ensure collection procedures for accounts receivable were performed timely by Bursar’s Office and ETSU College of Nursing personnel. We tested a sample of 32 delinquent receivables, which consisted of 27 student accounts receivable and 5 College of Nursing clinic receivables that were more than 90 days old at June 30, 2022.</p> <p>For the student accounts receivables, the following was noted:</p> <ul style="list-style-type: none"> • Of 27 student receivables tested, for 9 (33%), a billing letter was issued from 1 day to 19 months late. • Of 27 student receivables tested, 13 (48%) were referred to the collection agency late. <p>For the College of Nursing clinic receivable, the following was noted:</p> <ul style="list-style-type: none"> • Of five clinic receivables tested, three (60%) were referred to the collection agency from six days to five months late. • For one (20%) of the five delinquent clinic receivables tested, the account was not referred to a collection agency. <p><u>Current Status 1:</u> A sample of 62 past due student accounts receivable as well as 11 College of Nursing clinic receivables were selected for testwork. Each were reviewed for evidence and timeliness of notification letters as well as referral to a collection agency, in accordance with University and College of Nursing policies as applicable. Based on the testwork performed, corrective actions have been implemented to help ensure policies related to receivable collections efforts are followed for both student and clinic receivables.</p>	

Original Finding 2: *The ETSU Office of Financial Aid and Scholarships did not adequately monitor the eligibility of Title IV financial aid recipients*

East Tennessee State University's Office of Financial Aid and Scholarships did not adequately monitor the eligibility of Title IV financial aid recipients. We reviewed the entire population of students enrolled at ETSU who received Title IV student financial assistance during the 2021-2022 award year. The population we reviewed also included students in the university's Colleges of Medicine and Pharmacy. A total of 8,036 students were tested (7,593 enrolled at ETSU, 222 enrolled at the College of Medicine, and 221 enrolled at the College of Pharmacy). Of the 7,593 students at ETSU, 13 students (0.17%) received excess financial aid based on their eligibility, resulting in overpayments totaling \$77,329. We did not identify errors for the College of Medicine or the College of Pharmacy.

Current Status 2: A sample of 81 ETSU students who received Title IV financial aid during the Spring 2023 semester was selected for testwork. This included 10 College of Medicine and 10 College of Pharmacy students. Testwork was completed to ensure the following:

- Students who earned more than 60 credit hours have declared a major.
- Annual loan limits were not exceeded
- Aggregate loan limits were not exceeded
- Students were in satisfactory academic progress as required

Based on a review of current procedures and testwork performed, it appears management has implemented adequate controls to ensure compliance in the areas identified. All Title IV recipients tested were eligible for the funds received.

The audit objectives were met.

**East Tennessee State University
Guest and Group Housing
Calendar Year 2021
Executive Summary**

Key Staff Person: Associate Director, Housing Operations	Auditor: Associate Director, Internal Audit
<p>Introduction An audit of the East Tennessee State University’s Guest and Group Housing was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The testwork included the billing and collection of revenues related to guest and group housing.</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>Finding The Office of Housing and Residence Life (Housing) does not always maintain accurate and up-to-date information regarding guests and groups staying on campus. This has resulted in an incomplete audit trail related to billing and collections. Failure to maintain adequate documentation and processes over billing and collections could result in loss of revenue for the university.</p> <p>Management concurs with the audit findings and the recommendations. The billing and collections will be reviewed by two professional staff members and submitted to the Director on a monthly basis to ensure regular timely reviews and quality controls are in place. Management has taken several steps to improve the efficiency/accuracy of the guest housing process.</p> <p>The audit objectives were met.</p>	



EAST TENNESSEE STATE UNIVERSITY

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

MEMORANDUM

TO: ETSU Board of Trustees' Audit Committee

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

SUBJECT: Completed Investigations – April 1 to August 31, 2023

DATE: September 15, 2023

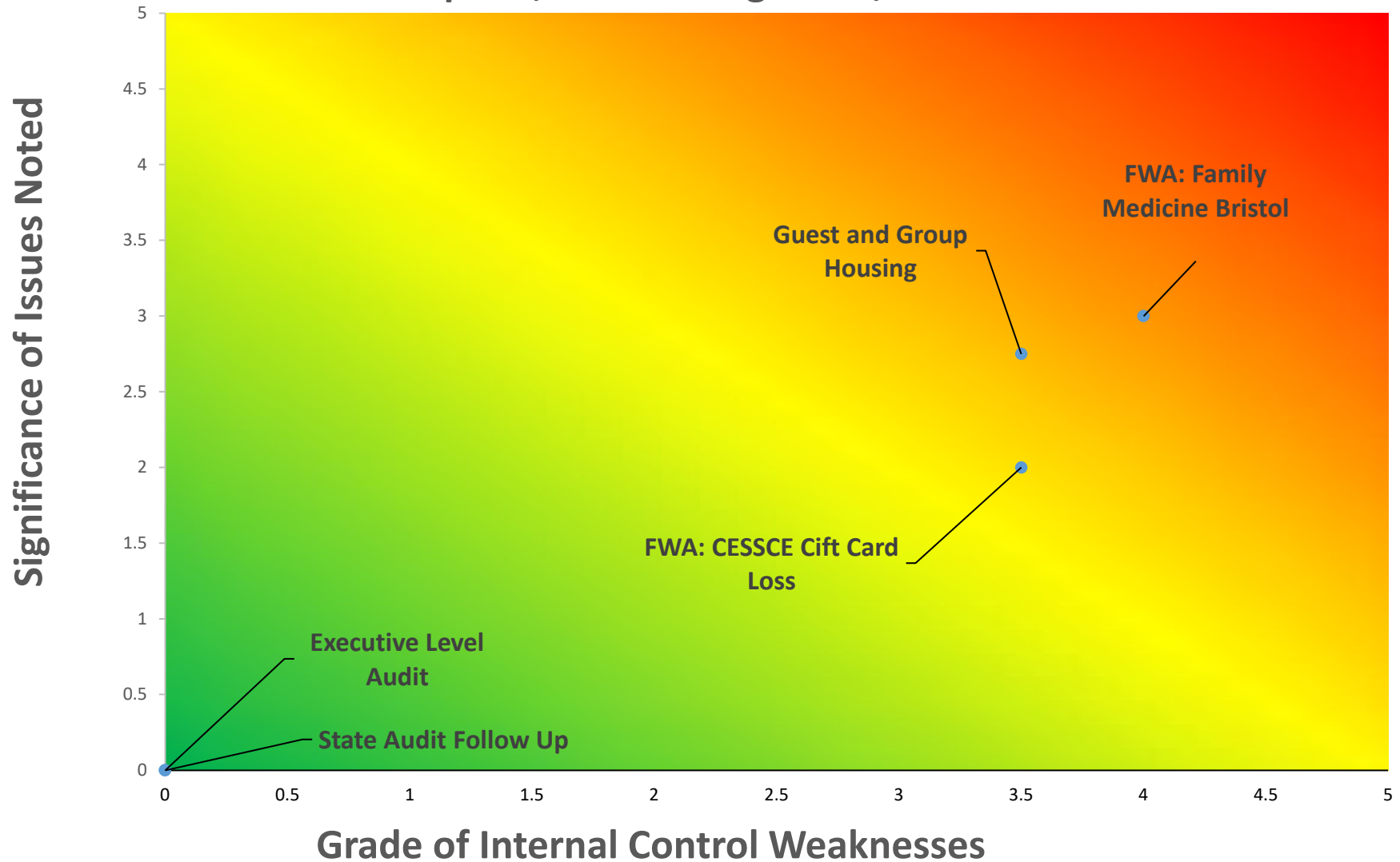
Below is a summary of the investigations completed between April 1 and August 31, 2023.

Family Medicine - Bristol (FWA 23-05): The investigation revealed that policies related to compensatory time were not always followed. For a brief period, compensatory time was not being recorded in the Time Record System (TRS) as required by policy. Hours worked often did not agree between the sign in/out sheets and the official timesheet located in TRS. Management has begun taking the needed steps to help ensure compliance with policies and accuracy of records.

Center of Excellence in Sports Science and Coach Education (FWA 23-03): Based on the investigation performed by Internal Audit and additional repayments made, it was discovered that the actual loss was \$0. However, the process used to distribute gift cards to research participants did not follow the protocol approved by the Institutional Review Board (IRB). In addition, the IRB indicated that they would not have approved the methods the CESSCE used.

Heat Map of Completed Audits

from April 1, 2023 to August 31, 2023



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2023

ITEM: Recommendation Log Status as of August 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 August 31, 2023		
Area	Recommendation	Status
Off Campus Domestic & International Programs	Controls over Off Campus Domestic & International Programs needs improvement	Blue
Internal Medicine	Current policies and procedures over grants need to be reviewed and strengthened within various academic departments, the Office of Research and Sponsored Programs, and Grant Accounting	Green
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	Blue
Men's Basketball	Departmental controls over meal signature forms need improvement	Green
Procard System	Controls over procard purchases need improvement	Green
Access ETSU	Controls over fundraising events need improvement	Green
RDC Grants	Controls over RDC Grant compliance need improvement	Green
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
Family Medicine Timekeeping	Policies and procedures related to compensatory time need improvement	Green
Guest and Group Housing	Billing and collection of guest and group housing needs improvement	Green

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

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2023

ITEM: Report on Audit Functions for FY 2023

COMMITTEE: Audit Committee

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

The Annual Report for the Department of Internal Audit for the 2023 fiscal year is included in the meeting materials. This report fulfills the annual reporting requirements (T.C.A. § 4-14-102) and provides information to the Board of Trustees concerning the 2023 audit efforts of Internal Audit.



Department of Internal Audit
East Tennessee State University

2022-23 Annual Report

Message from the Chief Audit Executive

It is our pleasure to present the Annual Report for ETSU’s Department of Internal Auditing. Fiscal Year 2022-23 was a productive year for us.

Our accomplishments include the following:

- ◆ Completed 12 Audits and 10 Investigations
- ◆ Followed up on 4 Prior Internal Audit Reports
- ◆ Issued a Follow Up Report related to 1 State Audit Review
- ◆ Completed a Quality Assessment Review for 1 Peer Institution

Internal Audit reports functionally to the ETSU Board of Trustees and administratively to the President. The BOT Audit Committee continues to provide tremendous support, enabling our department to serve as an effective, independent resource.

Becky Lewis, CPA
Chief Audit Executive



The Rest of the Team

Martha Winegar, CPA
Associate Director

Bryan Brockwell
Internal Auditor

Bridgett Maupin
Internal Auditor

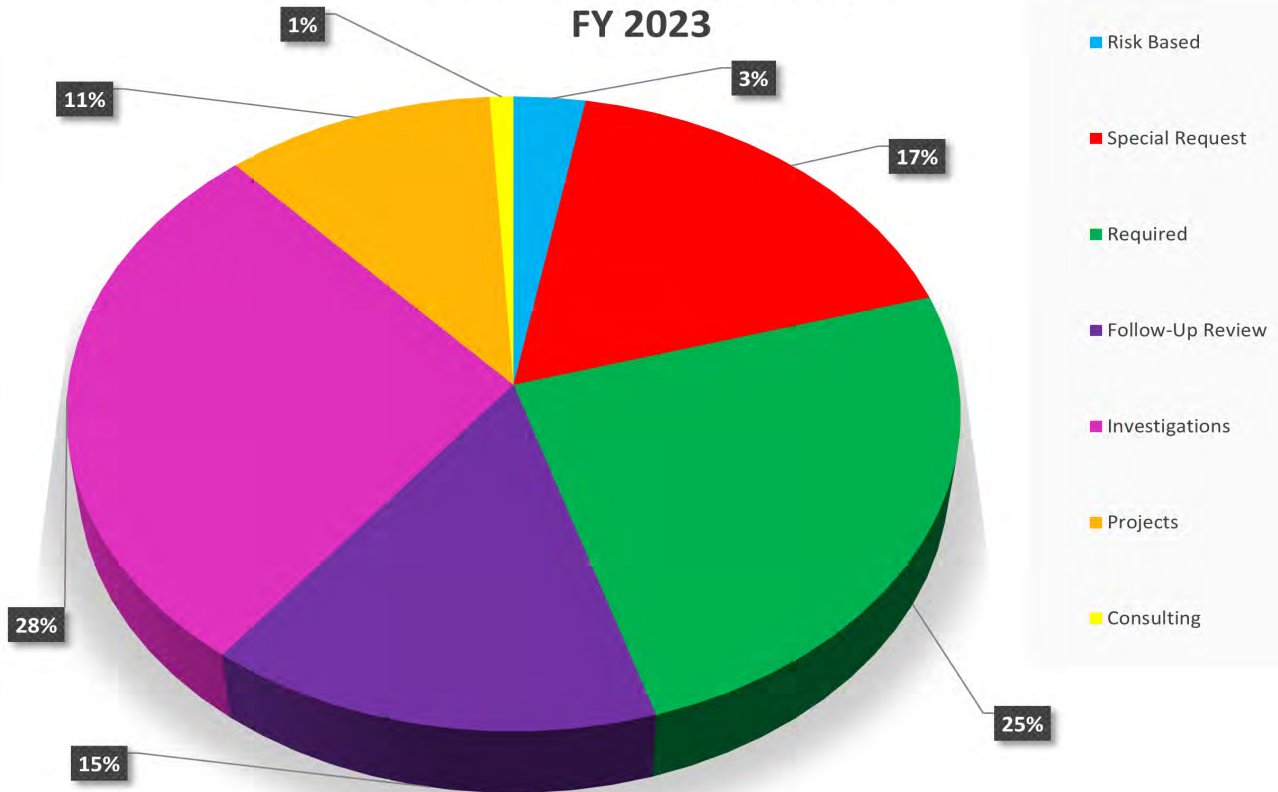
Table of Contents

Audit Activity Completed	2
Audit Hours by Area	2
Audit Activity In Progress	3
Satisfaction Surveys	3
KPI's	4
Mandatory Disclosures	4

East Tennessee State University
Audit Activity Completed
Fiscal Year Ended June 30, 2023

Audits - Required	FM	Cash Counts/Inventories
	FM	President's Expense FY 2022
	FM	WETS-FM
Audits - Special Requests	FM	Risk Assessments
	IA	College of Nursing - Dean's Office
	RS	RDC Grants
	FM	Executive Level Audit FY 2022
Audits - Risk Based	FM	Executive Level Audit FY 2023
	FM	Agency Accounts
	FM	Procards (New System)
Follow-Ups Reviews	FM	ID Bucs (used on campus)
	IA	Obstetrics and Gynecology
	IA	Follow-Up Johnson City Community Health Center Financial Procedures
	RS	Follow-Up Psychology
Investigations	IA	Follow-Up Human Patient Simulation Laboratory
	IT	Follow-Up State Audit
	SS	Follow-Up: Upward Bound
	IA	Investigation 18-03
	AT	Investigation 22-06
	IA	Investigation 22-07
	AT	Investigation 23-01
	FM	Investigation 23-02
Consulting/Projects	AT	Investigation 23-03
	FM	Investigation 23-04
	FM	Investigation 23-05
	AT	Investigation 23-06
	FM	Investigation 23-09
	IS	General Consultation
	IS	Board of Trustees (Prep for Meetings, Meetings, etc.)
IS	TTU Quality Assurance Peer Review	

Actual Audit Hours by Type
FY 2023



This includes 20 audits that were started during FY 2022 and brought forward into FY 2023.

East Tennessee State University
Audit Activity in Progress
As of June 30, 2023

Audits - Required	FM	President's Expense FY 2023	
Audits - Special Requests	RS	R15 Research Grants	
Audits - Risk Based	IA	Minors on Campus	
	SS	Guest and Group Housing	
	AT	Athletics Revenue	
	IT	ITS General Controls	
	PP	Emergency Preparedness	
	AD	Donor Gift Processing	
	AX	Auxiliary Enterprises	
	PP	Facility, Chemical, and Environmental Safety	
	Follow-Ups Reviews	IT	Follow-Up Off Campus Domestic & International Programs
		IS	Follow-Up Dependent/Spouse Tuition Discount
IA		Follow-Up: Health Services (missing petty cash)	
IA		Follow-Up: College of Nursing	
IA		Follow-Up: Center of Excellence in STEM Education	
Investigations	AT	Follow-Up: Men's Basketball Expenditures	
	RS	Investigation 22-05	
	FM	Investigation 23-07	
	FM	Investigation 23-08	
	FM	Investigation 23-10	
	FM	Investigation 23-11	
Consulting/Projects	IS	ETSU Quality Assurance Peer Review	
	IS	TBR Quality Assurance Peer Review	

Customer Satisfaction Survey

Starting in July 2018, Internal Audit implemented an anonymous customer satisfaction survey. In January and July, surveys were sent to employees who recently had significant contact with Internal Audit. Each individual was asked to complete a 10 question survey. The results of the FY 2023 surveys are below:

Number of Surveys Sent Out	35
Number of Positive Surveys Returned	16
Number of Negative/Mixed Surveys Returned	2
Number of Surveys not Returned	17

Comments:

- The IA staff were very knowledgeable and helped guide us in the right direction.
- Additional details about why we are being audited would be helpful; we were unsure if we did something wrong.
- The initial meeting with the auditors explaining everything they would review and need from the department was very helpful.
- I am consistently impressed with the professionalism and expertise with which the IA staff operate.
- I received timely information and IA was very decisive and quick to make great suggestions.
- Overall, nicely done.
- Very thorough investigation.
- More communication would be appreciated in regards to the timeline of the audit in order for to determine planning in regards to corrections needed.
- I honestly believe that our IA office cares about the people at ETSU.

Key Performance Indicators	FY 22/23	FY 21/22	FY 20/21	FY 19/20
Number of Full Time Staff	3.48	3.83	3	3.75
Number of Audits Completed	12	9	5	9
Number of Follow-Ups on Prior Internal Audit Findings	4	6	8	6
Number of State Audit Follow-Up Issued	1	1	1	0
Number of Investigations Completed	10	11	7	7
Number of Procard Reviews	0	0	0	19
Number of Other Audit Activities Completed (i.e. consulting, projects, etc.)	3	3	3	3
Percentage of Effort Spent on Audit Activities	51%	50%	55%	58%
Average Number of Years of Professional Experience	13.5	10	12	18

Mandatory Disclosures:

The Office of Internal Audit’s activities are governed by standards promulgated by the Institute of Internal Auditors. These standards require the reporting of specific items to an organization’s Board and Senior Management. The following is a list of required disclosures not previously addressed in this document.

Organizational Independence: As required by standard, the Office of internal Audit must confirm to the Board, at least annually, the organizational independence of internal audit activity. ETSU’s Office of Internal Audit reports administratively to the President’s Office and functionally to the Board of Trustees’ Audit Committee. Reporting to the audit committee helps promote the independence necessary for Internal Audit to adequately perform its job functions.

Impairments to Independence or Objectivity: If independence or objectivity is impaired in fact or appearance, the details of the impairments must be disclosed. There were no impairments to independence or objectivity for any engagements performed during the 2021-2022 fiscal year.

Disclosures of Nonconformance: Occasionally circumstances require the completion of projects and/or engagements in a manner that is not consistent with applicable standards. When this occurs, the Office of Internal Audit must disclose the nonconformance and the impact to Senior Management and the Board. During the 2021-2022 fiscal year, there were no instances in which projects were performed in a manner that did not comply with applicable standards.

Resolution of Management’s Acceptance of Risk: Each audit engagement can potentially produce items that may pose risk to university operations. Some items will require management’s attention while others may be situations in which management decides to accept the risk associated with continuing the current practice. This is normal in limited circumstances and is often due to cost/benefit constraints. The Office of Internal Audit is required to disclose, to Senior Management and the Board, any situation in which it is believed university personnel has accepted a level of residual risk that may not adequately reduce/mitigate the risk of loss. There were no such instances discovered during the 2021-2022 fiscal year.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 15, 2023

ITEM: Internal Audit Employee Profiles

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The Board of Trustees must annually approve the salaries of those individuals working in the Department of Internal Audit. A table of salaries is provided in the meeting materials. This also provides information regarding the professional certifications and years of service.

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

RESOLVED: The salaries of the Internal Audit staff are approved as presented in the meeting materials.

ETSU Internal Audit Employee Profile - FY 2024

Name	Position	Professional Certification	Current Annual Salary	Years of Professional Experience	Years of Experience at ETSU
Becky Lewis	Chief Audit Executive	CPA	\$ 111,946	29	25
Martha Winegar	Associate Director	CPA	\$ 73,195	18	11
Bryan Brockwell	Internal Auditor	-	\$ 51,366	4	4
Bridgett Maupin	Internal Auditor	-	\$ 51,366	7	1

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2023

ITEM: Internal Audit Operating Expenses

COMMITTEE: Audit Committee

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

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

Internal Audit Travel and Operating Budget for FY 2024

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

Travel Budget covers:

- Audit Work
- Continuing Professional Development for 4 Staff Members

Operating Budget covers:

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

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2023

ITEM: Quality Assessment and Improvement Program

COMMITTEE: Audit Committee

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

State law requires the Office of Internal Audit to follow the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors (IIA). The IPPF requires external assessments be performed every five years by a qualified, independent assessor or assessment team from outside the organization. The IPPF defines two acceptable methods for an external assessment: a full external assessment or a self-assessment with independent validation.

A self-assessment with external validation was the method chosen by the Audit Committee. The Office of Internal Audit completed the Self-Assessment in May 2023 and the Independent Validation report was completed on August 25, 2023.

August 25, 2023

Dr. Brian Noland, President, East Tennessee State University (ETSU)
Ms. Melissa Steagall-Jones, CPA, CICA, Chair of the Audit Committee of the Board of Trustees

Dear Dr. Noland and Ms. Steagall-Jones,

In May 2023, the ETSU Office of Internal Audit (IA), completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). IA engaged an independent review team consisting of internal audit professionals with higher education experience to perform an independent validation of IA's QAR self-assessment. The primary objective of the validation was to verify assertions made in the QAR report concerning IA's conformity to the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means an internal audit activity has a charter, policies, and processes judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by IA, we agree with their overall conclusion that the internal audit function "**generally conforms**" with the IIA's *Standards* and Code of Ethics. Our review noted successful internal audit practices, recommendations for improving conformance, and best practice suggestions.

On behalf of the entire QAR team, I appreciate the cooperation, time, and candid feedback of executive leadership, stakeholders, and IA personnel.



Bruce Weisman, CIA, CPA
Chief Audit Executive
Internal Audit
Western Kentucky University



Janna Hixson, CGAP
Audit Manager
Audit & Compliance
University of Tennessee
System



Kayla Faulkner, CIA, CRMA
Assistant Director
Internal Audit
Virginia Community College
System

cc: Ms. Rebecca Lewis, CPA
Chief Audit Executive, ETSU