

EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES  
AUDIT COMMITTEE  
FEBRUARY 2019 MEETING

9:00-10:00am EST  
Friday  
February 22, 2019

The Millennium Center  
2001 Millennium Pl  
Johnson City, TN

AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Minutes of the Audit Committee November 16, 2018](#)
- IV. [Revisions to the FY 2018-2019 Audit Plan \(5 minutes\)](#)
- V. [Audit Work Performed November 2018 through January 2019 \(5 minutes\)](#)
  - A. Audit of WETS-FM Radio FY 2018
  - B. Completed Audit Heat Map
- VI. [Recommendation Log Status as of January 31, 2019 \(5 minutes\)](#)
- VII. Other Business
- VIII. Executive Session to Discuss Active Audits and Enterprise Risk Management (40 minutes)
- IX. Adjournment

EAST TENNESSEE STATE  
UNIVERSITY BOARD OF TRUSTEES

ACTION ITEM

DATE: February 22, 2019

ITEM: Approval of the Minutes of November 16, 2018

COMMITTEE: Audit

RECOMMENDED ACTION: Approve

PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

The minutes of the November 16, 2018 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 November 16, 2018 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

November 16, 2018  
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Audit Committee met at 10:45 a.m. on Friday, November 16, 2018, at the Millennium Center in Johnson City.

**I. Call to Order**

Mr. David Golden, chair of the Audit Committee and vice chair of the Board of Trustees, called the meeting to order at 10:46 a.m.

**II. Roll Call**

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

Dorothy Grisham

Ron Ramsey

David Golden

Other Board of Trustees members present were Dr. Linda Latimer, Scott Niswonger, Jim Powell and Dr. Fred Alsop.

Guests at the meeting were Becky Lewis, chief internal auditor; Martha Stirling, internal auditor; Dr. Brian Noland, ETSU president; Dr. Lauren Collier, THEC representative; James Batchelder, assistant dean for fiscal affairs, College of Clinical and Rehabilitative Health Sciences; Dr. Karen King, chief information officer; and Joe Smith, executive assistant to the president for University Relations (taking minutes).

**III. Approval of the Minutes of the Audit Committee, September 21, 2018**

The minutes of the September 21 Audit Committee meeting were presented. Trustee Ramsey made the motion for approval and Trustee Grisham seconded the motion. Minutes approved.

**IV. Audit Worked Performed September through October 2018**

Ms. Lewis discussed two audits and one investigation that have been completed since the last Audit Committee meeting. At the request of President Noland, an audit of an athletic program is performed any time a head coach leaves the program. With the December 2017 retirement of Head Football Coach Carl Torbush, an audit of the

football program was conducted. Two minor issues were identified. One involved a valid purchase that was made with a procurement card, and the other was related to a volunteer who was allowed to rent a car. That same volunteer also did not have a volunteer agreement on file.

The second audit was the president's audit, which a state statute requires be conducted annually. The audit focuses on expenditures made by, at the discretion of, or for the benefit of the President. The audit revealed no statutory or policy violations, material omissions from the expense report, or deficiencies in internal controls.

An investigation was conducted in the Department of Physical Therapy based on concerns over revenue collections for student-led events. A Square device and a cell phone app were used to collect payments for these events, which is a violation of university policies. In addition, revenues for the events could not be verified due to lack of supporting documentation. Overall, the audit revealed \$953.32 in net income that was collected through unallowable methods. No evidence of fraud was discovered. The department is making changes in procedures and is educating students on proper procedures.

A completed audit heat map was also provided.

#### **V. Recommendation Log Status as of October 31, 2018**

Ms. Lewis reported on two follow-up reviews since the last audit committee meeting. These included the PCI Questionnaire which has been completed. Staff is working to address a few concerns that were identified.

#### **VI. Internal Audit Salaries**

Information on salaries of the ETSU Internal Audit staff were included in the meeting packet. Vice Chairman Golden noted that the committee's charter requires these salaries be reviewed and approved by the committee. He noted that it is important that these salaries be comparable to the market. Trustee Grisham made a motion for approval, and Trustee Ramsey approved the motion.

#### **VII. Internal Audit Operating Expenses**

Information on current operating expenses for Internal Audit was included in the packet. Since the time that information was submitted, a one-time budget allocation of \$5,000 was added for the QAIP.

#### **VIII. Other Business**

No other business items were brought forward. The Audit Committee concluded its meeting and moved into executive session.

EAST TENNESSEE STATE  
UNIVERSITY BOARD OF TRUSTEES

ACTION ITEM

DATE: February 22, 2019  
ITEM: Revisions to the FY 2018-2019 Audit Plan  
COMMITTEE: Audit Committee  
RECOMMENDED ACTION: Approve  
PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

The following revisions to the original 2018-19 audit plan are requested:

**Additions**

FWA 19-04 – Investigation due to concerns received by Internal Audit.

FWA 19-05 – Investigation due to concerns received by Internal Audit.

FWA 19-06 – Investigation due to concerns received by Internal Audit.

FWA 19-07 – Investigation due to concerns received by Internal Audit.

Volleyball Expenditures – Special Request due to the retirement of the head coach.

Follow-Up: Payroll Services Fraud – Sensitive issue needed to be reviewed before next year.

**Deletions**

ORSPA Grant – Due to the number of investigations that have come in.

Unscheduled Investigations – Hours have been moved to new investigations.

ITS General Controls – Due to the number of investigations that have come in.

Global Sports Leadership – Due to the number of investigations that have come in.

Third Party Servers FY 2019 – Combined the FY 2018 and FY 2019 audit together.

**MOTION: I move that the Audit Committee approve the revisions to the 2018-19 Audit Plan as presented in the meeting materials.**

EAST TENNESSEE STATE  
UNIVERSITY BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 22, 2019

ITEM: Audits and Investigations Performed

COMMITTEE: Audit Committee

PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

Ms. Lewis will provide an overview of the audits and internal investigations completed during the period November 1, 2018 to January 31, 2019.

**Audits**

- WETS-FM Radio FY 2018 – An audit of East Tennessee State University’s Radio Station was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The Corporation of Public Broadcasting (CPB) requires an annual financial statement audit be performed for all noncommercial public radio stations that receive Community Service Grants.

**Investigations**

- None

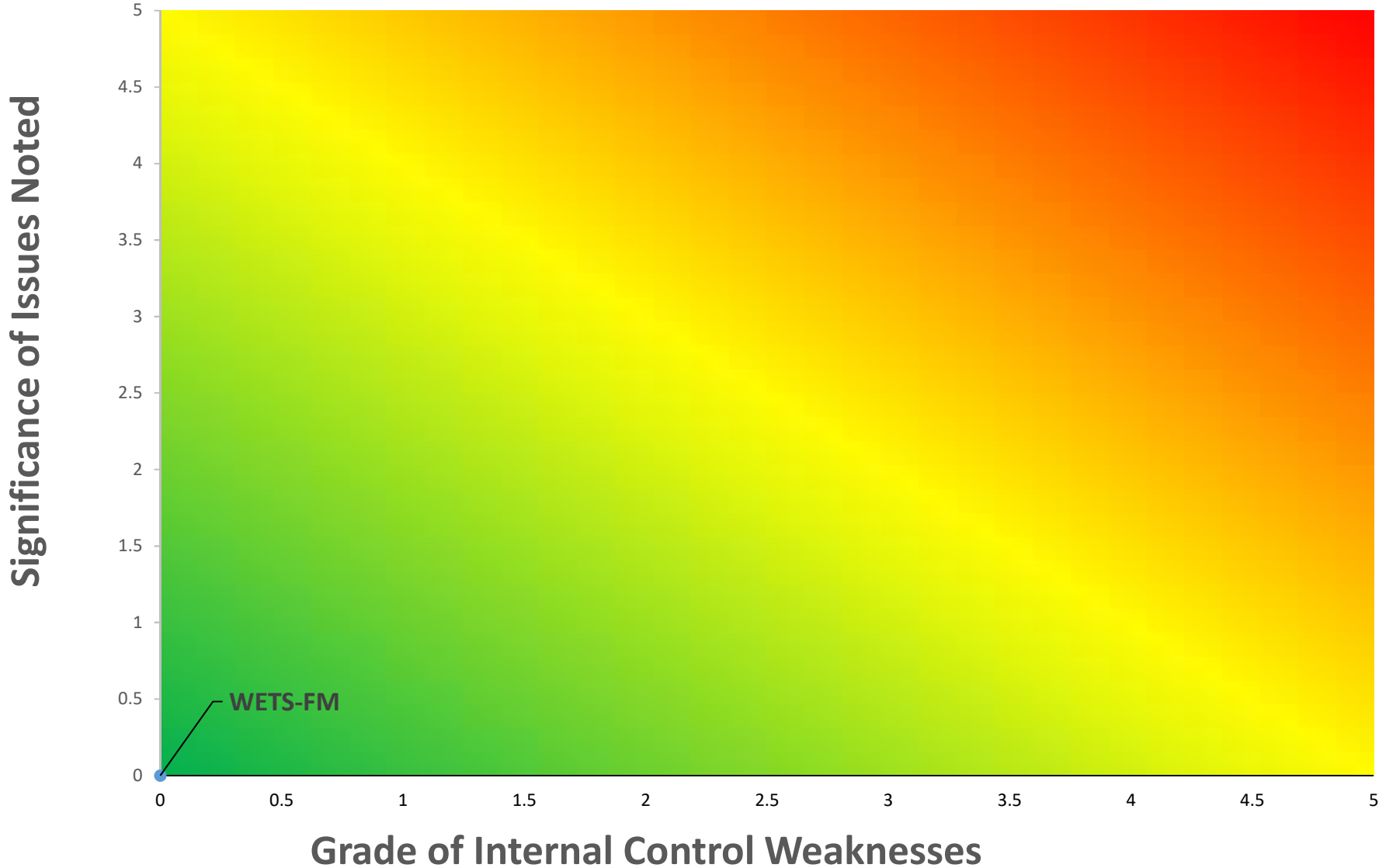
**East Tennessee State University**  
**WETS-FM Radio**  
**For the Period July 1, 2017 to June 30, 2018**  
**Executive Summary**

<b>Department:</b> WETS-FM Radio Station	<b>Auditor:</b> Internal Auditor Staff
<b>Background</b> A financial statement audit for WETS-FM radio was performed to determine the fair presentation of the financial statements for FY 2018 as required by the Corporation for Public Broadcast (CPB).	
<b>Objectives</b> <ol style="list-style-type: none"> <li>1. To determine the accuracy of the existing system of internal control.</li> <li>2. To determine the fairness of financial presentation.</li> <li>3. To determine accuracy and completeness of financial records, and compliance to University policies and procedures.</li> <li>4. To determine if the Station is in compliance with CPB regulations and to certify the CPB Annual Financial Report.</li> <li>5. To produce audited reports for CPB reporting purposes.</li> </ol>	
<b>Total Questioned Costs or Losses:</b> None	<b>Total Recoveries:</b> Not Applicable
<b>Findings</b> None	
<b>Audit Conclusion</b> 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, 2018. The audit objectives were met.	



# Heat Map of Completed Audits

from November 1, 2018 - January 31, 2019



EAST TENNESSEE STATE  
UNIVERSITY BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 22, 2019

ITEM: Recommendation Log

COMMITTEE: Audit Committee

PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

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 January 31, 2019		
Area	Recommendation	Status
Off Campus Domestic & International Programs	Controls over Off Campus Domestic & International Programs needs improvement.	Green
Tennis Expenditures See Additional details in report Issued: June 9, 2017 (Coach A) and October 27, 2017 (Coach B)	General/Overall concerns of travel claim reimbursements need improvement	Green
	Internal controls related to the following expenditure items needs improvement: (1) team meals and snacks, (2) stringing services, (3) registration fees, (4) transportation expenses, and (5) other disbursements.	Green
	Internal controls related to donations and refunds received need improvement	Green
	Internal controls related to reporting of leave used by the coaches need improvement	Green
Baseball Expenditures	Procedures related to team travel need improvement.	Green
	Student workers should be compensated for all hours worked.	Green
Women's Tennis Expenditures (Coach C)	Expenditures which could be considered compensation should not be submitted on the travel claim.	Green
Child Study Center	The collection of revenue and payment of expenditures related to the pride picnic should follow university policies and procedures as well as any applicable state laws.	Green
Language and Culture Resource Center	Internal Controls related to the collection of revenues and payment of expenditures related to the Corozon Latino Festival needs improvement.	Green
	Internal Controls related to the remittance of sales tax on vendor revenue needs improvement.	Green
Office of Equity & Diversity	Internal Controls related to the use of Access & Diversity funds for promoting the recruitment and retention of faculty, staff, and students needs improvement.	Green
	Internal Controls related to diversity scholarships needs improvement.	Green
Nursing Student Services (2 Reports)	Management should take appropriate steps to ensure the University's Personnel Policies and Procedures, Fair Labor Standards Act, and the Family Medical Leave Act are followed.	Blue
	Controls over proper procard spending within the department need improvement.	Blue
Johnson City Community Health Centers - Financial Procedures	Cash receipting procedures need improvement.	Green
	Patient account and billing procedures need improvement.	Green
Johnson City Community Health Centers - Patient Safety	Privileging and credentialing procedures need improvement.	Green
	Follow-up appointment procedures need improvement.	Green
	Physicians review of charts procedures need improvement.	Green
Payroll Services Fraud	Internal controls over changes in an employee's direct deposit information need improvement.	Green
Football Expenditures	Procedures related to Procard use needs improvement.	Green
	Procedures related to volunteers needs improvement.	Green
Physical Therapy	Controls and procedures related to cash receipts, purchasing, and deposit of funds over student-led events needs improvement.	Green

<b>Legend:</b>	
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