

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE
NOVEMBER 2017 MEETING

8:30-9:30 am EST
Friday
November 10, 2017

Third Floor Meeting Room
D.P. Culp University Center
412 J.L. Seehorn Road
Johnson City, TN

AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Minutes of the Audit Committee September 8, 2017](#)
- IV. [Audits and Investigations Performed](#) (10 minutes)
 - A. Athletic Ticket Office Executive Summary
 - B. President Expenses Executive Summary
 - C. Memorandum on Investigations
 - D. Completed Audits Heat Map
- V. [Recommendation Log](#) (5 minutes)
- VI. [Quality Assurance and Improvement Program](#) (5 minutes)
- VII. Other Business
- VIII. Executive Session to Discuss Active Audits and Risk Assessment (15 minutes)
- IX. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 10, 2017

ITEM: Approval of the Minutes of September 8, 2017

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

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

The minutes of the September 8, 2017 meeting of the Audit Committee are included in the meeting materials

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

RESOLVED: The reading of the minutes of the September 8, 2017 meeting of the Audit Committee is omitted, and the minutes are approved as presented in the meeting materials, provided that the Secretary is authorized to make any necessary edits to correct spelling errors, grammatical errors, format errors, or other technical errors subsequently identified.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

September 8, 2017
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Audit Committee held a meeting at 9 a.m. on Friday, September 8, 2017, in Meeting Room 3 of the D.P. Culp University Center on ETSU's main campus in Johnson City, Tennessee.

I. Call to Order

Trustee David Golden, chair of the Audit Committee, called the meeting to order.

II. Roll Call

Secretary Dr. David Linville called the roll. Committee members in attendance were:

David Golden, chair
Ron Ramsey
Dorothy Grisham

Secretary Linville told Chair Golden he had a quorum.

Others in attendance included: ETSU President Brian Noland; Dr. Tony Norman, ACE fellow; Tyler Troutman, graduate assistant in the Internal Audit office; Rebecca Lewis, director of Internal Audit; Martha Stirling, assistant director of Internal Audit; Angie Finney, internal auditor; Secretary of the Board David Linville; Dr. Lauren Collier from THEC; Amanda Marsh, University Relations; and Kristen Swing, University Relations (taking minutes).

III. Approval of the Minutes of June 9, 2017

Trustee Grisham made a motion to approve the minutes of the June 9, 2017, Audit Committee meeting. It was seconded by Trustee Ramsey and unanimously approved.

IV. Audit Committee Charter

Chair Golden explained that the Audit Committee Charter item on the agenda as well as the next one on Audit Committee Responsibilities are normal in establishing the new procedures with the shift from the TBR. He said a couple of tweaks had been recommended by the Comptroller and Treasury Office in relation to the Audit Committee charter. Ms. Lewis said that the charter must be approved by the Comptroller and Treasury Office of the state and that office has requested a membership section be added to the charter. The membership was already listed in the bylaws, but needed to be added to the charter. Section 5 of the charter was added since its last approval.

Trustee Grisham made a motion to approve the revised version of the Audit Committee charter. It was seconded by Trustee Ramsey and unanimously approved.

V. Audit Committee Responsibilities

Ms. Lewis noted that the committee's responsibilities can be found in various sources and she took the opportunity to consolidate those responsibilities into a spreadsheet (provided in meeting materials) as a quick reference guide regarding responsibilities.

Ms. Lewis also addressed responsibilities related to fraud, waste and abuse, telling committee members there is an established process for confidentiality for reporting. She said there are several ways people can report confidentially, including a link on the website, an email address and the state hotline number. Trustee Ramsey asked how often these methods are used. Ms. Lewis said most reporting was coming through TBR (about 50-60 percent). She said her office sees about 20 percent come through the hotline and another 20 percent coming through a call or email directly to the Internal Audit Office. They are required to look at every one that comes in to determine if there is any evidence of impropriety. If there is, Internal Audit issues a report. Trustee Grisham asked whether there is a time limit. Ms. Lewis said no but that her office aims to get them issued within six months and not longer than a year.

Trustee Golden said he liked Ms. Lewis' spreadsheet that maps out the roles and responsibilities. Ms. Lewis also called attention to the Office of the President audit. She said that, with the FOCUS Act, it is required that the president's office be audited annually. Since Internal Audit reports directly to the Audit Committee, that office can conduct the audit. In the past, outside folks handled it. If ever there was a conflict, the committee can decide for someone else to conduct the audit.

VI. Audit Plan Revisions

Ms. Lewis reported that there has been a request for one additional audit to be added to the Audit Plan, it being the Office of Equity and Diversity due to the department head retiring. Trustee Ramsey asked whether it was normal to conduct such an audit when someone retires. Ms. Lewis said it can be and that her office is planning on doing more of it as it becomes more of a trend. She said the audit will provide benchmarking on where the department needs to be and if restructuring should be considered.

Trustee Ramsey made a motion to approve the revision to the Audit Plan. It was seconded by Trustee Grisham and unanimously approved.

VII. Audits and Investigations Performed

Ms. Lewis noted that her office has issued three reports between June and August 31, 2017. They are:

- (1.) Men's Tennis Expenditures – Discussed at a previous Audit Committee meeting
- (2.) Bursar's Office – No issues
- (3.) Baseball Expenditures – This audit was conducted in conjunction with the departure of the head coach. It was discovered that the coach was compensating a volunteer coach and student worker for laundry services through the travel claims process. They were performing the work, but should have been paid through payroll where appropriate. Also, volunteers should not receive compensation in any way.

Additionally, they had a student worker being paid based on the maximum contract amount instead of hours worked. Ms. Lewis said there will be a follow-up to ensure recommendations are being implemented.

Trustee Golden said he appreciated the heat map that was provided (included in meeting materials) showing the severity of each audit based on color coding.

VIII. Recommendation Log

Ms. Lewis said the log is an effort to show a visual of the work being done, how recommendations are tracked and follow-up audits. Blue indicates a follow-up was completed in the past quarter and satisfactory progress has been made. Green means it is in progress. Yellow means it is slightly overdue. Red (of which there were none) means significantly overdue.

Trustee Golden said the log draws the committee's attention to items it needs to focus on. He noted that the group does not even want to see yellow again on the log.

IX. Annual Report on Audit Function

Ms. Lewis noted that her office is required by law to provide a report annually on its accomplishments. In reviewing the pie charts provided in the meeting materials, Ms. Lewis pointed out that she had anticipated spending 5 percent of effort on investigations but ended up actual spending 48 percent of effort on them. Additionally, she had anticipated spending 59 percent of effort on risk-based audits but ended up only able to do 20 percent. Ms. Lewis also provided a list of audits performed last year or in progress as of June 30, 2017.

Trustee Golden noted that the report shows that, in spite of a plan, the office ends up doing what it needs to do. He said he hopes there will not be another tennis situation, but added that if one did occur, it would be important to find a way to expand the Internal Audit Office's services and not necessarily disrupt the office's risk-based audits. Ms. Lewis said that, due to the increased amount of investigations, many of the risk-based audits had to be removed from the plan last year.

X. Internal Audit Salaries

Ms. Lewis explained that the Audit Committee approves the salaries of those working in the Internal Audit Office. She provided a listing of the salaries for the five audit professionals (which includes a new graduate assistant). Chair Golden said he understood there to be a cost-of-living adjustment built into the salary but noted that a market map should be utilized next time. Dr. Noland shared that the across-the-board increase previously approved by the Board of Trustees includes a 1 percent market equity adjustment.

Trustee Grisham made a motion to approve the salaries of the Internal Audit staff as presented in the meeting materials. It was seconded by Trustee Ramsey and unanimously approved.

XI. Internal Audit Operating Expenses

Ms. Lewis provided the Internal Audit operating expenses, noting that it is a part of the Audit Committee's responsibilities to ensure the office has adequate resources. Ms. Lewis said a lot of the focus is related to continuing professional education. It is required that each of the three CPAs receive 40 hours of training annually. Policies also require continuing education. Trustee Golden said the operating expenditures are "incredibly reasonable, one might argue, low."

XII. Other Business

None.

XIII. Executive Session to Discuss Active Audits

Trustee Golden moved that the Audit Committee go into executive session to discuss active audits and adjourned the public portion of the meeting.

XIV. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 10, 2017

ITEM: Audits and Investigations Performed

COMMITTEE: Audit Committee

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

Ms. Lewis provides an overview of the audits and internal investigations completed during the time period September 1 – October 31, 2017.

Audits:

1. Athletic Ticket Office
2. President's Expenses

Investigations:

1. Women's Tennis Expenditures – Coach B (FWA 17-13)
2. Women's Tennis Expenditures – Coach C (FWA 17-13)

**East Tennessee State University
Athletic Ticket Office
For the Period from July 2015 – June 2016
Executive Summary**

Key Staff Person: Athletic Ticket Manager	Auditor: Internal Auditor
<p>Introduction</p> <p>An audit of East Tennessee State University’s Athletic Ticket Office (Ticket Office) was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The Ticket Office receives and remits deposits for sporting and fundraising events for the Athletics Department. They are responsible for proper management of ticket sales, distribution of tickets, and maintenance of applicable records.</p>	
<p>Objectives</p> <ol style="list-style-type: none"> 1. To evaluate the adequacy of the internal controls over ticket sales and related deposits. 2. To determine compliance with university policies and procedures. 3. To make recommendations for correcting deficiencies or improving operations. 	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Findings</p> <p><u>Finding 1:</u> Deposits were not always submitted to the Bursar’s Office in a timely fashion.</p> <p><u>Finding 2:</u> Events and services subject to sales tax were not always properly identified and taxes were not always paid.</p> <p>Controls and procedures will be put in place by the Ticket Office to correct the concerns. The audit objectives were met.</p>	

East Tennessee State University
Audit of President's Expenses
For the Fiscal Year July 1, 2016 – June 30, 2017

Objectives	To comply with Tennessee Code Annotated, Title 49, Chapters 7 and 14, by performing an internal financial audit of the Office of the President for the fiscal year July 1, 2016 to June 30, 2017; to determine compliance with state statutes and institutional policies regarding expenses; and to identify and report all expenses made by, at the direction of or for the benefit of the President regardless of the funding source.																																		
Scope	The audit included all accounts under the direct budgetary control of the President, whether funded by institutional funds, foundation funds or external sources and other accounts as necessary. The audit was conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> , issued by the Institute of Internal Auditors and included tests of the accounting records and such other auditing procedures considered necessary.																																		
Analysis	<p>The following is a summary by funding source of (1) certain expenses made by, at the direction of, or for the benefit of the President, and (2) salary and benefits and any other operating expenses for the President's office during the fiscal year ended June 30, 2017:</p> <table border="1" data-bbox="418 779 1495 1119"> <thead> <tr> <th></th> <th style="text-align: right;">Institutional</th> <th style="text-align: right;">Foundation</th> <th style="text-align: right;">Total</th> </tr> </thead> <tbody> <tr> <td>Salary and Benefits - President & Staff</td> <td style="text-align: right;">\$662,116.43</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$662,116.43</td> </tr> <tr> <td>Travel - President (Schedule A)</td> <td style="text-align: right;">24,540.28</td> <td style="text-align: right;">-</td> <td style="text-align: right;">24,540.28</td> </tr> <tr> <td>Travel - Other Personnel</td> <td style="text-align: right;">9,694.57</td> <td style="text-align: right;">16,956.42</td> <td style="text-align: right;">26,650.99</td> </tr> <tr> <td>Business Meals and Hospitality (Schedule B)</td> <td style="text-align: right;">13,510.35</td> <td style="text-align: right;">30,629.75</td> <td style="text-align: right;">44,140.10</td> </tr> <tr> <td>Other Expenses of the President (Schedule C)</td> <td style="text-align: right;">10,779.20</td> <td style="text-align: right;">38,038.60</td> <td style="text-align: right;">48,817.80</td> </tr> <tr> <td>Miscellaneous Operating Expenses</td> <td style="text-align: right;">34,134.62</td> <td style="text-align: right;">69,864.26</td> <td style="text-align: right;">103,998.88</td> </tr> <tr> <td>Total Expenses</td> <td style="text-align: right; border-top: 1px solid black;">\$754,775.45</td> <td style="text-align: right; border-top: 1px solid black;">\$155,489.03</td> <td style="text-align: right; border-top: 1px solid black;">\$910,264.48</td> </tr> </tbody> </table> <p>Additional Disclosures: Discretionary Allowance – The President was provided a discretionary spending allowance of \$5,000 for the period. Use of the allowance was not included in tests performed during the audit because the President elected for it to be paid as taxable income. Housing – The President was provided the use of a residence. Operating and maintenance costs for the residence, totaling \$28,181.36 for the period, were recorded in Facilities and not included in the above totals; the scope of the review related to these expenses was limited. Home improvement costs, however, are included above in Other Expenses of the President. Vehicle – The President was provided a vehicle allowance of \$750 per month and paid as taxable income.</p>				Institutional	Foundation	Total	Salary and Benefits - President & Staff	\$662,116.43	\$ -	\$662,116.43	Travel - President (Schedule A)	24,540.28	-	24,540.28	Travel - Other Personnel	9,694.57	16,956.42	26,650.99	Business Meals and Hospitality (Schedule B)	13,510.35	30,629.75	44,140.10	Other Expenses of the President (Schedule C)	10,779.20	38,038.60	48,817.80	Miscellaneous Operating Expenses	34,134.62	69,864.26	103,998.88	Total Expenses	\$754,775.45	\$155,489.03	\$910,264.48
	Institutional	Foundation	Total																																
Salary and Benefits - President & Staff	\$662,116.43	\$ -	\$662,116.43																																
Travel - President (Schedule A)	24,540.28	-	24,540.28																																
Travel - Other Personnel	9,694.57	16,956.42	26,650.99																																
Business Meals and Hospitality (Schedule B)	13,510.35	30,629.75	44,140.10																																
Other Expenses of the President (Schedule C)	10,779.20	38,038.60	48,817.80																																
Miscellaneous Operating Expenses	34,134.62	69,864.26	103,998.88																																
Total Expenses	\$754,775.45	\$155,489.03	\$910,264.48																																
Questioned Costs	None	Recoveries	N/A																																
Conclusion	The objectives of the audit of the expenses of the Office of the President for East Tennessee State University for the fiscal year July 1, 2016 through June 30, 2017 were met. The audit revealed no significant statutory or policy violations, material omissions from the expense reports or deficiencies in internal controls. The supplemental schedules included with this report fairly represent the expenses of the President's Office.																																		

Summary of Expenses

East Tennessee State University
Summary of President's Office Expenses
For the Period July 1, 2016 to June 30, 2017

	President's Budgetary Accounts		Other Accounts		Totals		
	Institutional	Foundation	Institutional	Foundation	Institutional	Foundation	Combined
Salary and Benefits - President & Staff	\$ 662,116.43	\$ -	\$ -	\$ -	\$ 662,116.43	\$ -	\$ 662,116.43
Travel - President (Schedule A)	24,540.28	-	-	-	24,540.28	-	24,540.28
Travel - Other Personnel	9,694.57	16,956.42	-	-	9,694.57	16,956.42	26,650.99
Business Meals and Hospitality (Schedule B)	13,510.35	30,629.75	-	-	13,510.35	30,629.75	44,140.10
Other Expenses of the President (Schedule C)	-	38.60	10,779.20	38,000.00	10,779.20	38,038.60	48,817.80
Miscellaneous Operating Expenses	34,134.62	69,864.26	-	-	34,134.62	69,864.26	103,998.88
Total	\$ 743,996.25	\$ 117,489.03	\$ 10,779.20	\$ 38,000.00	\$ 754,775.45	\$ 155,489.03	\$ 910,264.48

Additional Disclosures:

Salary and Benefits- Salary and Benefits for the President totaled \$389,827.96 and includes the Discretionary Allowance of \$5,000 and Vehicle Allowance of \$9,000.

Housing - The President is provided the use of a residence. Costs to maintain the home are paid by the university and totaled \$28,181.36 for the period. This amount is not reflected in the above totals.

Schedule A

East Tennessee State University
Schedule of Travel Expenses for the President
For the Period July 1, 2016 to June 30, 2017

Departure Date	Return Date	Location	Purpose	Transportation	Lodging	Meals & Incidentals	Registration Fee	Other	President's Budgetary Accounts		Total
									Institutional	Foundation	
6/29/16	6/29/16	Nashville, TN	Board Meeting	35.79					35.79	-	35.79
7/13/16	7/19/16	Nashville, TN	TBR Board Mtg/Alumni Events		272.92	62.25			335.17	-	335.17
9/8/16	9/8/16	Nashville, TN	Building Commission Meeting	686.01					686.01	-	686.01
9/3/16	9/4/16	Kennesaw, GA	ETSU Football game with Kennesaw		271.74	103.50			375.24	-	375.24
10/7/16	10/8/16	Nashville, TN	ELPA Seminar		109.68	76.50			186.18	-	186.18
10/11/16	10/21/16	China	Reception for alumni at NCUT	4,776.26	401.83	765.75		170.50	6,114.34	-	6,114.34
10/29/16	11/1/16	Miami, FL	AASCU	449.48	881.40	170.50	900.00	211.21	2,612.59	-	2,612.59
11/9/16	11/10/16	Greenville, SC	SoCon Fall Meeting		187.60	76.50		7.50	271.60	-	271.60
11/27/16	11/28/16	Nashville, TN	Governor's FOCUS and THEC		190.81	76.50		29.00	296.31	-	296.31
12/8/16	12/8/16	Nashville, TN	Building Commission meeting	1,332.93				23.00	1,355.93	-	1,355.93
12/18/16	12/19/16	Charlotte, NC	Board of Trustee Orientation		140.54	77.25			217.79	-	217.79
1/16/17	1/17/17	Nashville, TN	FOCUS Meeting		191.00	88.50		31.00	310.50	-	310.50
1/23/17	1/27/17	Nashville and Chattanooga, TN	Board of Trustee Orientation, Launch TN, Book to Birth		701.98	180.00		93.00	974.98	-	974.98
1/30/17	2/1/17	Nashville, TN	Board of Trustee Confirmation Hearings	215.82	376.10	69.50			661.42	-	661.42
2/6/17	2/7/17	Nashville, TN	Legislative Meetings		191.00	60.50			251.50	-	251.50
2/17/17	2/18/17	Chattanooga, TN	Men's Basketball/Alumni Event		254.60	132.00		14.00	400.60	-	400.60
2/20/17	2/21/17	Nashville, TN	TBR President's Meeting		143.74	62.50			206.24	-	206.24
3/10/17	3/13/17	Washington, DC	ACE Annual Conference	3,514.37	886.26	241.50	975.00		5,617.13	-	5,617.13
5/11/17	5/11/17	Nashville, TN	SBC and THEC meetings	735.70					735.70	-	735.70
5/30/17	6/1/17	Hilton Head, SC	SoCon Meeting			111.00			111.00	-	111.00
6/25/17	6/27/17	Washington, DC	ACE Board meeting	840.14	650.37	116.75		77.00	1,684.26	-	1,684.26
Future Travel FY 2018		Boston, MA	AASCU Summer Council				1,100.00		1,100.00	-	1,100.00
Total Travel Expenses for the President				\$ 12,586.50	\$ 5,851.57	\$ 2,471.00	\$ 2,975.00	\$ 656.21	\$ 24,540.28	\$ -	\$ 24,540.28

East Tennessee State University
Schedule of Business Meal & Hospitality Expenses
For the Period July 1, 2016 to June 30, 2017

Description of Event	Payee	Date of Event	Institutional Expense Amount	Foundation Expense Amount	Other Institutional Accounts	Other Foundation Accounts	Vendor Amount	Total Cost	Cost per Event	Number of Attendees	\$/Person
Football pre-game reception	Celebrate Rentals	9/26/15	\$ -	\$ 1,106.00	-	-	-	\$ 1,106.00	\$ 1,106.00	63	\$ 17.56
Top Scholars Event	Celebrate Rentals	10/20/15	723.50	-	-	-	-	723.50	723.50	200	\$ 3.62
Football pre-game reception	Celebrate Rentals	10/31/15	-	1,059.00	-	-	-	1,059.00	1,059.00	87	\$ 12.17
FOCUS Bill signing ceremony	Grace Strawn	6/13/16	90.00	-	-	-	-	90.00	90.00	150	\$ 0.60
2016 Summer Seminar	Adebonojo Leslie	7/8/16	-	19.21	-	-	-	19.21	19.21	17	\$ 1.13
2016 Summer Seminar	Adebonojo Leslie	7/22/16	-	22.97	-	-	-	22.97	22.97	11	\$ 2.09
Council of Graduate Schools consultation	Sodexo	7/25/16	339.83	-	-	-	-	339.83			
Council of Graduate Schools consultation	Sodexo	7/25/16	319.84	-	-	-	-	319.84			
Council of Graduate Schools consultation	Council of Graduate Schools	7/25/16	-	91.76	-	-	-	91.76			
Council of Graduate Schools consultation	Carnegie Hotel	7/25/16	-	4.24	-	-	-	4.24	755.67	17	\$ 44.45
Community and Government Relations Meeting	Sodexo Operations LLC	8/3/16	407.20	-	-	-	-	407.20	407.20	15	\$ 27.15
Legislative issues dinner	Baird Bridget	8/10/16	-	31.09	-	-	-	31.09	31.09	3	\$ 10.36
JC Chamber of Commerce breakfast	Centre of Millennium	8/11/16	6,067.73	-	-	-	-	6,067.73	6,067.73	270	\$ 22.47
ETSU Sevier County Site Opening Lunch	Dr. Brian Noland	8/12/16	98.80	-	-	-	-	98.80	98.80	7	\$ 14.11
Dinner with Washington County School Director	Dr. Brian Noland	8/15/16	40.71	-	-	-	-	40.71	40.71	2	\$ 20.36
Pizza for students in Financial Aid line	Fox's Pizza Den	8/18/16	191.50	-	-	-	-	191.50	191.50	200	\$ 0.96
New Tenure Track Faculty dinner	Tennessee Florist Supply Inc	8/14/16	-	119.95	-	-	-	119.95			
New Tenure Track Faculty dinner	One Stop Wine and Spirits	8/14/16	-	118.38	-	-	-	118.38			
New Tenure Track Faculty dinner	Sodexo Operations LLC	8/14/16	-	881.51	-	-	-	881.51	1,119.84	50	\$ 22.40
Faculty Senate dinner	One Stop Wine and Spirits	9/6/16	-	115.88	-	-	-	115.88	115.88	28	\$ 4.14
Johnson City Umoja Festival	Student Affairs	9/8/16	500.00	-	-	-	-	500.00	500.00	1000	\$ 0.50
State Building Commission Planning	Dr. Brian Noland	9/8/16	91.49	-	-	-	-	91.49	91.49	3	\$ 30.50
Arts Advisory Committee meeting	Sodexo Operations LLC	9/14/16	184.27	-	-	-	-	184.27	184.27	19	\$ 9.70
Battle at Bristol	ETSU JC Bookstore	9/17/16	-	338.18	-	-	-	338.18			
Battle at Bristol	Celebrate Rentals	9/17/16	-	56.00	-	-	-	56.00			
Battle at Bristol	Clements, Jennifer Elizabeth	9/17/16	-	32.65	-	-	-	32.65			
Battle at Bristol	Etsu Jc Bookstore 1	9/17/16	-	309.12	-	-	-	309.12			
Battle at Bristol	Levy Restaurants	9/17/16	-	2,001.36	-	-	-	2,001.36	2,737.31	48	\$ 57.03
SGA Dinner	Walmart Supercenter 3829	9/27/16	-	4.88	-	-	-	4.88	4.88	41	\$ 0.12
Merger Discussions dinner	Dr. Brian Noland	9/28/16	26.87	-	-	-	-	26.87	26.87	2	\$ 13.44
ETSU vs. Chatt Football game	Sodexo Operations LLC	10/1/16	-	365.30	-	-	-	365.30	365.30	161	\$ 2.27
ETSU vs. Furman Football game	Sodexo Operations LLC	10/15/16	-	273.90	-	-	-	273.90	273.90	161	\$ 1.70
Reception for alumni at NCUT	International Wire Fee - North China University	10/16/16	-	8.25	-	-	-	8.25			
Reception for alumni at NCUT	North China University	10/16/16	-	202.86	-	-	-	202.86	211.11	24	\$ 8.80
ETSU vs. Weslian Football game	Sodexo Operations LLC	10/20/16	-	63.91	-	-	-	63.91	63.91	38	\$ 1.68
Sherrod Library Graduate Level Workshops	Anderson Joanna	10/22/16	-	40.48	-	-	-	40.48	40.48	12	\$ 3.37
RSCC/ETSU Partnerships	Dr. Brian Noland	11/2/16	62.28	-	-	-	-	62.28	62.28	4	\$ 15.57
Homecoming parade	Jennifer Clements	11/7/16	-	64.78	-	-	-	64.78	64.78	1500	\$ 0.04
Board of Trustees reception	Tennessee Florist Supply Inc	11/11/16	-	128.95	-	-	-	128.95	128.95	26	\$ 4.96
ETSU vs. Cumberland Football game	Sodexo Operations LLC	11/12/16	-	279.30	-	-	-	279.30	279.30	153	\$ 1.83
Holiday Lights	1000Bulbs.com/Wintergreen Corporation	11/15/16	-	2,879.58	-	-	-	2,879.58			
Holiday Lights	BMC Invoice #17178505	11/15/16	-	15.71	-	-	-	15.71			
Holiday Lights	Celebrate Rentals	11/15/16	-	65.00	-	-	-	65.00			
Holiday Lights	Sunbelt Rentals Inc	11/15/16	-	720.42	-	-	-	720.42	3,680.71	300	\$ 12.27

East Tennessee State University
Schedule of Business Meal & Hospitality Expenses
For the Period July 1, 2016 to June 30, 2017

Description of Event	Payee	Date of Event	Institutional Expense Amount	Foundation Expense Amount	Other Institutional Accounts	Other Foundation Accounts	Vendor Amount	Total Cost	Cost per Event	Number of Attendees	\$/Person
Budget Redesign Technical Subcommittee Meeting	Sodexo Operations LLC	11/15/16	86.92	-	-	-	-	86.92	86.92	8	\$ 10.87
University/Foundation Business Meeting	Dr. Brian Noland	11/17/16	84.11	-	-	-	-	84.11	84.11	3	\$ 28.04
ETSU vs. Samford Football game	Sodexo Operations LLC	11/19/16	-	273.90	-	-	-	273.90	273.90	150	\$ 1.83
Legislative Luncheon	Tennessee Florist Supply Inc	11/21/16	60.00	-	-	-	-	60.00	60.00	23	\$ 2.61
ETSU Emergency Services Appreciation Day	Food City 631	11/29/16	-	378.85	-	-	-	378.85	378.85	288	\$ 1.32
Board of Trustees Luncheon	Tennessee Florist Supply Inc	12/2/16	49.50	-	-	-	-	49.50			
Board of Trustees Luncheon	Chocolate Elegance LLC	12/2/16	75.00	-	-	-	-	75.00	124.50	23	\$ 5.41
Graduate Librarian Dead Week	Doucette Wendy	12/5/16	-	23.97	-	-	-	23.97	23.97	50	\$ 0.48
Eastman research project	Sodexo Operations LLC	12/8/16	67.44	-	-	-	-	67.44	67.44	12	\$ 5.62
Commencement Platform Party Luncheon	Sodexo Operations LLC	12/10/16	339.72	-	-	-	-	339.72	339.72	20	\$ 16.99
Board of Trustee Orientation	Noland, Brian E.	12/19/16	63.69	-	-	-	-	63.69	63.69	3	\$ 21.23
Contract negotiations dinner	Noland, Brian E.	12/20/16	-	134.36	-	-	-	134.36	134.36	3	\$ 44.79
Dinner with prospective donors	Noland, Brian E.	1/24/17	-	425.73	-	-	-	425.73	425.73	4	\$ 106.43
Legislative Issues Discussions dinner	Noland, Brian E.	1/30/17	455.32	-	-	-	-	455.32	455.32	6	\$ 75.89
Board of Trustees meeting	Doubletree Hotel Downtown Nashville	2/1/17	579.08	-	-	-	-	579.08	579.08	11	\$ 52.64
Legislative Luncheon	Lake Pointe Advertising	2/7/17	-	719.52	-	-	-	719.52			
Legislative Luncheon	Lake Pointe Advertising	2/7/17	-	55.00	-	-	-	55.00			
Legislative Luncheon	Lake Pointe Advertising	2/7/17	-	35.00	-	-	-	35.00			
Legislative Luncheon	Clements, Jennifer Elizabeth	2/7/17	-	37.98	-	-	-	37.98			
Legislative Luncheon	The Hermitage Hotel LLC	2/7/17	-	2,338.74	-	-	-	2,338.74	3,186.24	33	\$ 96.55
Contract Negotiations dinner	Noland, Brian E.	2/8/17	-	221.84	-	-	-	221.84	221.84	3	\$ 73.95
Foundation Board of Directors Welcome Event	One Stop Wines and Spirits	2/9/17	-	75.92	-	-	-	75.92	75.92	31	\$ 2.45
University/Community Issues discussion dinner	Noland, Brian E.	2/13/17	45.91	-	-	-	-	45.91	45.91	3	\$ 15.30
Fundraising and Alumni Events discussion dinner	Noland, Brian E.	2/16/17	-	75.62	-	-	-	75.62	75.62	3	\$ 25.21
TBR Transition discussion dinner	Noland, Brian E.	2/18/17	-	218.51	-	-	-	218.51	218.51	5	\$ 43.70
Budget and Policy Issues discussion dinner	Noland, Brian E.	2/20/17	-	268.43	-	-	-	268.43	268.43	3	\$ 89.48
Knoxville Area Counselor Dinner	One Stop Wines and Spirits	2/23/17	-	56.94	-	-	-	56.94			
Knoxville Area Counselor Dinner	Jennifer N Clements	2/23/17	62.00	-	-	-	-	62.00	118.94	42	\$ 2.83
Kingsport Chamber Chief Justice Bivins Breakfast	Chamber of Commerce	2/28/17	-	500.00	-	-	-	500.00	500.00	2	\$ 250.00
Opioid Abuse Forum	Tennessee Florist Supply Inc	3/20/17	42.15	-	-	-	-	42.15	42.15	16	\$ 2.63
2017 Civility Celebration	Speakers.com Inc	3/20/17	-	4,000.00	-	-	-	4,000.00			
2017 Civility Celebration	Speakers.com Inc	3/20/17	-	4,000.00	-	-	-	4,000.00	8,000.00	1800	\$ 4.44
ETSU Board Member Dinner	Tennessee Florist Supply Inc	3/23/17	42.15	-	-	-	-	42.15	42.15	16	\$ 2.63
Board of Trustees Welcome	Staples Advantage	3/24/17	483.07	-	-	-	-	483.07			
Board of Trustees Welcome	Clements, Jennifer Elizabeth	3/24/17	-	554.00	-	-	-	554.00			
Board of Trustees Welcome	Tamela C Carter	3/24/17	13.99	-	-	-	-	13.99			
Board of Trustees Welcome	ETSU JC Bookstore 1	3/24/17	-	172.80	-	-	-	172.80			
Board of Trustees Welcome	Paypal	3/24/17	-	153.60	-	-	-	153.60			
Board of Trustees Welcome	One Stop Wine and Spirits	3/24/17	-	23.98	-	-	-	23.98			
Board of Trustees Welcome	Michaels Stores	3/24/17	-	12.48	-	-	-	12.48			
Board of Trustees Welcome	Michaels Stores	3/24/17	-	36.72	-	-	-	36.72			
Board of Trustees Welcome	Tennessee Florist Supply Inc	3/24/17	42.15	-	-	-	-	42.15	1,492.79	31	\$ 48.15

East Tennessee State University
Schedule of Business Meal & Hospitality Expenses
For the Period July 1, 2016 to June 30, 2017

Description of Event	Payee	Date of Event	Institutional Expense Amount	Foundation Expense Amount	Other Institutional Accounts	Other Foundation Accounts	Vendor Amount	Total Cost	Cost per Event	Number of Attendees	\$/Person
HEROES Roundtable	Tennessee Florist Supply Inc	3/30/17	56.08	-	-	-	-	56.08	56.08	32	\$ 1.75
Tables of Content 2017	Sodexo Operations LLC	3/31/17	-	1,830.76	-	-	-	1,830.76	1,830.76	94	\$ 19.48
Social Work Luncheon	Sodexo Operations LLC	4/5/17	109.40	-	-	-	-	109.40	109.40	60	\$ 1.82
Egg Hunt at Shelbridge	MC Septic Services LLC	4/8/17	-	400.00	-	-	-	400.00			
Egg Hunt at Shelbridge	Celebrate Rentals	4/8/17	-	65.00	-	-	-	65.00			
Egg Hunt at Shelbridge	Johnson City Transit System	4/8/17	-	475.00	-	-	-	475.00	940.00	240	\$ 3.92
Student Veterans Roundtable	Tamela C Carter	4/10/17	4.99	-	-	-	-	4.99			
Student Veterans Roundtable	Tennessee Florist Supply Inc	4/10/17	24.50	-	-	-	-	24.50	29.49	9	\$ 3.28
Partners in Excellence	Moe's Original BBQ	4/20/17	250.00	-	-	-	-	250.00	250.00	20	\$ 12.50
Library Dead Week	Bond Carolyn	4/24/17	-	121.50	-	-	-	121.50	121.50	100	\$ 1.22
3rd Annual State of the City, County, Town Luncheon	Chamber of Commerce Johnson City	4/27/17	-	250.00	-	-	-	250.00	250.00	4	\$ 62.50
Academic Portfolio Committee Dinner	One Stop Wines and Spirits	4/27/17	-	52.76	-	-	-	52.76	52.76	13	\$ 4.06
Local High School Signing Day	Noland, Brian E.	5/2/17	-	73.46	-	-	-	73.46	73.46	8	\$ 9.18
Contract discussions	Noland, Brian E.	5/3/17	-	92.96	-	-	-	92.96	92.96	3	\$ 30.99
President's Monthly Reading Group	Fox's Pizza Den	5/9/17	91.75	-	-	-	-	91.75	91.75	30	\$ 3.06
ETSU Staff Picnic	Lake Pointe Advertising	5/12/17	-	115.00	-	-	-	115.00			
ETSU Staff Picnic	Lake Pointe Advertising	5/12/17	-	173.25	-	-	-	173.25			
ETSU Staff Picnic	Lake Pointe Advertising	5/12/17	-	15.00	-	-	-	15.00			
ETSU Staff Picnic	Lake Pointe Advertising	5/12/17	-	154.00	-	-	-	154.00			
ETSU Staff Picnic	Lake Pointe Advertising	5/12/17	-	250.25	-	-	-	250.25			
ETSU Staff Picnic	Lake Pointe Advertising	5/12/17	-	96.25	-	-	-	96.25			
ETSU Staff Picnic	Lake Pointe Advertising	5/12/17	-	41.75	-	-	-	41.75			
ETSU Staff Picnic	The Firehouse Restaurant	5/12/17	1,191.98	-	-	-	-	1,191.98	2,037.48	825	\$ 2.47
SACSOC substantive change visit	Clavier, Cheri Whitehead	5/14/17	-	18.00	-	-	-	18.00	18.00	2	\$ 9.00
SACSOC substantive change visit	Clavier, Cheri Whitehead	5/15/17	-	23.78	-	-	-	23.78	23.78	5	\$ 4.76
SACSOC substantive change visit	Clavier, Cheri Whitehead	5/16/17	-	49.80	-	-	-	49.80	49.80	5	\$ 9.96
Board of Trustees Lunch	Tennessee Florist Supply Inc	6/9/17	-	62.80	-	-	-	62.80			
Board of Trustees Lunch	Clements, Jennifer Elizabeth	6/9/17	-	3.95	-	-	-	3.95			
Board of Trustees Lunch	Clements, Jennifer Elizabeth	6/9/17	-	17.98	-	-	-	17.98			
Board of Trustees Lunch	One Stop Wine and Spirits	6/9/17	-	31.99	-	-	-	31.99	116.72	21	\$ 5.56
City/University partnership discussion	Noland, Brian E.	6/19/17	45.43	-	-	-	-	45.43	45.43	2	\$ 22.72
Total Business Meal and Hospitality Expenses			\$ 13,510.35	\$ 30,629.75	\$ -	\$ -	\$ -	\$ 44,140.10	\$ 44,140.10		

East Tennessee State University
Schedule of Other Expenses of the President
For the Period July 1, 2016 to June 30, 2017

Payee	Description	President's Budgetary Accounts		Other Accounts		Total Cost
		Institutional	Foundation	Institutional	Foundation	
			President's Fund for Excellence F95300	Plant Maintenance and Repairs E40310	Shelbridge Enhancements F95710	
Home Improvement Expenses:						
Hoilman Construction Co Inc	Shelbridge kitchen renovation	\$ -	\$ -	\$ -	\$ 7,000.00	\$ 7,000.00
Transfer expense from Facilities	Shelbridge kitchen renovation	-	-	-	692.71	692.71
Dockery Floorcovering	Shelbridge kitchen renovation	-	-	-	2,750.00	2,750.00
Preston Woodworking	Shelbridge kitchen renovation	-	-	-	9,950.00	9,950.00
State of Tennessee	Shelbridge kitchen renovation	-	-	-	4,820.66	4,820.66
Preston Woodworking	Shelbridge kitchen renovation	-	-	-	9,950.00	9,950.00
Preston Construction Co	Shelbridge kitchen renovation	-	-	1,445.07	-	1,445.07
Preston Construction Co	Shelbridge kitchen renovation	-	-	418.05	-	418.05
Preston Construction Co	Shelbridge kitchen renovation	-	-	2,925.00	-	2,925.00
Preston Construction Co	Shelbridge kitchen renovation	-	-	-	2,836.63	2,836.63
Acorn Electrical Specialist	Installation costs of hot tub (1)	-	-	5,991.08	-	5,991.08
Total Home Improvement Expenses for the President		-	-	10,779.20	38,000.00	48,779.20
Other Expenses:						
	Mailing of Dr. and Mrs. Noland's					
Postage 12-01-16 thru 12-31-16	Christmas cards	\$ -	\$ 38.60	\$ -	\$ -	\$ 38.60
Total Other Expenses for the President		-	38.60	-	-	38.60
		\$ -	\$ 38.60	\$ 10,779.20	\$ 38,000.00	\$ 48,817.80

(1) The actual cost of the hot tub was purchased from personal funds of the President.

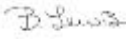


EAST TENNESSEE STATE UNIVERSITY

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, Director of Internal Audit 

SUBJECT: Completed Investigations – September 1 to October 31, 2017

DATE: November 10, 2017

Below is a summary of the investigations completed between September 1 and October 31, 2017.

Women's Tennis Expenditure Investigation – Coach B:

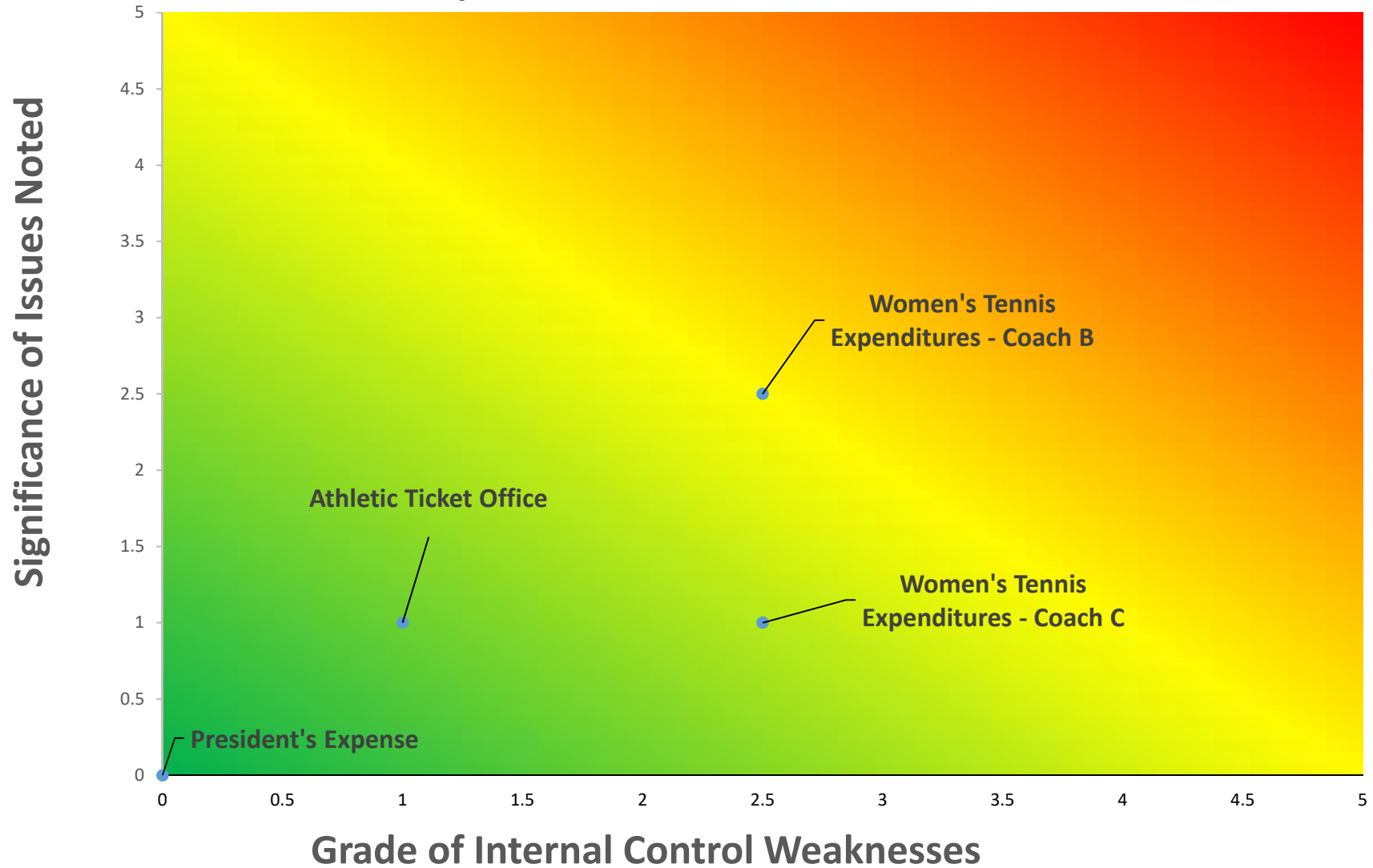
The investigation revealed a Women's Tennis Coach (Coach B) was reimbursed for expenses supported by fabricated and/or forged documentation. The majority of the questioned cost is related to racquet restringing. Although Coach B performed racquet stringing services for the Women's Tennis Team, he submitted fabricated documentation to support the expenses. This documentation indicated another school/company performed and received payment for stringing services rather than Coach B. Questioned costs related to these and other expenses totaled \$1,926.00. Intercollegiate Athletics, along with Procurement, have developed and improved policies, procedures, and internal controls to help mitigate the risk associated with team travel. This will include training and educating employees regarding appropriate financial procedures.

Women's Tennis Expenditure Investigation – Coach C:

The investigation revealed a former Women's Tennis Coach (Coach C) was compensated for services through the travel claim process. Total questioned costs related to these expenses totaled \$10,145.00. Intercollegiate Athletics, along with Procurement, have developed and improved policies, procedures, and internal controls to help mitigate the risk associated with team travel. This will include training and educating employees regarding appropriate financial procedures.

Heat Map of Completed Audits

from September 1 - October 31, 2017



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 10, 2017

ITEM: Recommendation Log

COMMITTEE: Audit Committee

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

The audit recommendation log contains information related to suggestions for specific completed audits allowing the Office of Internal Audit to track outcomes related to recommendations.

**East Tennessee State University
Internal Audit Recommendation Log as of October 31, 2017**

Area	Recommendation	Status
PCI Compliance Readiness Audit	PCI Questionnaire (SAQ-D) needs to be completed.	
Off Campus Domestic & International Programs	Controls over Off Campus Domestic & International Programs needs improvement.	
Behavioral Health and Wellness Clinic	Management should resolve the insurance payment issue so that the Clinic Director no longer receives payments into her personal bank account.	
	Management should consider hiring a full or part-time staff member to handle billing and payment collections.	
NCAA Athletics Compliance	Intercollegiate Athletics should adhere to regulations related to Financial Aid Eligibility of student-athletes.	
	Intercollegiate athletics should adhere to the policies related to sports camps and clinics.	
Office of Intercollegiate Athletics Timekeeping/Pay of Student Workers	Timesheets should reflect actual hours worked.	
	Students should be paid for all hours worked.	
	Student worker should not be allowed to volunteer time for their paid position.	
Inclement Weather Pay	In the future, all emergency crew personnel working inclement weather days should be compensated in accordance with policy.	
	Management should conduct periodic training sessions with timekeepers of emergency crew personnel.	
Tennis Expenditures See additional details in reports Issued: June 9, 2017 (Coach A) and October 27, 2017 (Coach B)	General/Overall concerns of travel claim reimbursements need improvement	
	Internal controls related to the following expenditure items need improvement: (1) team meals and snacks, (2) stringing services, (3) registration fees, (4) transportation expenses, and (5) other disbursements.	
	Internal controls related to donations and refunds received need improvement	
	Internal controls related to reporting of leave used by the coaches need	
Baseball Expenditures	Procedures related to team travel need improvement.	
	Student workers should be compensated for all hours worked.	
Athletic Ticket Office	Deposits were not always submitted to the Bursar's Office in a timely fashion.	
	Events and services subject to sales tax were not always properly identified and taxes were not always paid.	
Women's Tennis Expenditures (Coach C)	Expenditures which could be considered compensation should not be submitted on the travel claim.	

Legend:

- Actions completed since previous Audit Committee Meeting
- Actions are progressing in a timely fashion or not yet due
- Actions are slightly overdue
- Actions are significantly overdue



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 10, 2017

ITEM: Quality Assurance and Improvement Program

COMMITTEE: Audit Committee

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

State law requires the Office of Internal Audit to follow the *International Professional Practices Framework* (IPPF) promulgated by the Institute of Internal Auditors (IIA). The IPPF is the internationally recognized authoritative guidance for internal audit professional worldwide. The mandatory elements of the IPPF are:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- *International Standards for the Professional Practice of internal Auditing*
- Definition of Internal Auditing

The IPPF require Internal Audit to have an active quality assurance and improvement program, which includes periodic self-assessment and external assessments.

The IPPF requires external assessments be performed every five years by a qualified, independent assessor or assessment team from outside the organization. The objective of the assessment is to determine if the internal audit function is conforming with the IPPF's mandatory guidance. External assessments provide the board of trustees, executive management, and other stakeholders assurance that Internal Audit is operating as required by the IPPF and potentially highlight opportunities for improvement.

An external assessment is required at least once every five years. The previous external assessment was completed in August 2013; the next is due in 2018.

The IPPF defines two acceptable methods for an external assessment: a full external assessment or a self-assessment with independent validation.

Self-assessment with independent validation: The option allows for internal audit staff to perform an in-depth self-assessment of operations to determine if operations conform to the IPPF mandatory guidance. An external, independent assessor or team performs a site

visit to review the self-assessment to determine the conclusions reached are sound. During this site visit, the assessor or team may interview key staff; review audit working papers; and review related policies, charter, and other pertinent documents. At the conclusion, the independent assessor or team provides a written report to the Audit Committee reporting the results of their review. Often, the assessor or team lead is called to present their report directly to the Audit Committee.

Full external assessment: Unlike the method described above, the assessor or assessment team completes 100 percent of the work needed to determine if the internal audit function is in conformance with the IPPF mandatory guidance.

The self-assessment with external validation is the most common and cost effective means of completing the required external assessment. Members of the Internationally recognized organization, the Association of College and University Auditors (ACUA), often volunteer their time to participate as an external assessor, requiring only to be reimbursed for travel costs associated with the site visit, which normally lasts one week.

The full external assessment option is more expensive and may require the services to be competitively bid.

The IPPF requires the chief internal auditor has a discussion with the board about the form and frequency of external assessments, as well as the qualifications and independence of the external assessor or assessment team conducting the review.