

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**

Respectfully submitted,



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David Linville  
Secretary of the Board of Trustees

Approved by the Board of Trustees at its November 10, 2017 meeting.