

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

September 20, 2019
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met at 8:28 a.m. on Friday, September 20, in the Millennium Center on ETSU's main campus in Johnson City, Tennessee.

I. Call to Order

David Golden, Vice-Chairman of the ETSU Board of Trustees and Chairman of the Audit Committee, called the meeting to order at 8:28 a.m.

II. Roll Call

Board Secretary Adam Green led the roll call. Committee members present were:

Chairman Golden
Trustee Dorothy Grisham

Other Board of Trustee members present were:

Dr. Virginia Foley
Cristopher Santana.

III. Approval of Minutes of the Audit Committee April 26, 2019

The minutes for the April 26 Audit Committee meeting were reviewed. Trustee Grisham made a motion for approval, and Chairman Golden seconded the motion. The minutes were unanimously approved.

IV. Adoption of Compliance Charter

Chairman Golden introduced Ms. Ashley Leonard, compliance counsel for ETSU. Ms. Leonard explained that the newly formed Compliance Office that is part of the Office of University Counsel recently developed a charter in order to outline such things as its purpose, mission, authority, organizational oversight, professional standards, responsibilities, and how it coordinates with other functions on campus. The proposed Charter is similar to the one for the ETSU Department of Internal Audit. Chairman

Golden noted that the most current draft of the charter now lists ETSU Intercollegiate Athletics as a collaboration group on campus. The proposed charter has been reviewed by the Compliance Office, Internal Audit, and the Office of the President. Chairman Golden made a motion for approval, and Trustee Grisham seconded the motion. The Compliance Charter was adopted.

President Noland commented on how fortunate ETSU was in being able to recruit Ms. Leonard, and he also commended her for the staff that had been hired to work with her. He thanked the Audit Committee and staff for their guidance and support in creating this compliance unit.

V. Annual Audit Plan for FY 2020

The audit plan for fiscal year 2020 has been completed. It includes some carryover audits that were not completed by June 30, 2019 as well as some required audits, special requests, and investigations. Ms. Lewis explained that after those audits are determined, her office performs an analysis of risk-based audits that should be included in the plan. This already has been shared with Trustee Golden and President Noland due to the fact that FY 2020 began prior to the September committee meeting. Chairman Golden made a motion for approval, which included a ratification for the work already done. Trustee Grisham seconded the motion. The audit plan was unanimously approved.

VI. Audit Work Performed April through August 2019

From April to August 2019, the Department of Internal Audit completed five audits and two investigations. Three of those audits – an Executive Level Audit of Vice President for Academic Affairs, an audit of NACHA web transactions data security, and a timekeeping audit of the Families First program – had little or no findings.

An audit of third-party servers did note some concerns that are being addressed. Due to the nature of Information Technology, the law allows for the entity conducting the audit to issue a limited official-use report that is sent to the department; a general purpose report was included in the audit committee materials.

An audit of ETSU's Department of Art and Design was also performed. This audit stemmed from an investigation that occurred involving the department's Slocumb Galleries (*also on the Sept. 20 Audit Committee agenda to be discussed*). The audit of the department had three findings, with the most significant being that the visual resource center was charging for printing but the funds were not being deposited. These funds were used to pay for various expenses by the department. Ms. Lewis noted that some of these expenses would have been appropriate. However, other times expenses were paid for items that violated university policy.

Responding to a question from Trustee Grisham regarding the policy on deposits, Ms. Lewis explained that deposits of \$500 or more must be deposited the same day and within three days if the amount is less than \$500. In the case of the Department of Art and Design, the money never was deposited. The audit staff were able to account for some of the money; however, Chairman Golden noted there was no evidence of fraud.

The Slocumb Galleries investigation began when a check from the Medical Education Assistance Corporation made payable to ETSU for the purpose of an artwork project for the Department of Pediatrics did not get deposited into the university bank account. The check was deposited into a student organization account. The investigation found that the director withdrew money from the student organization account to pay the artists of the project as well as other expenses not related to this project. This resulted in a comprehensive review of Slocumb Galleries. While there was no evidence of fraud, there were clear internal control weaknesses. Trustee Grisham asked if employees would be receiving training on proper procedures. Ms. Lewis indicated that training is being provided to staff.

The second investigation involved the university's Little Bucs and Child Study Center operations. There were concerns over the financial stability of both, particularly the Child Study Center. The audit team also completed a review of compliance with Department of Human Services (DHS) rules and regulations. Multiple violations were identified, with the most significant being supervision of children, safety, background checks, and sign-in/sign-out sheets.

A copy of the completed Audit Heat Map was presented to the committee.

VII. Recommendation Log Status as of August 31, 2019

The Internal Audit team has completed several follow-up reviews of prior recommendations. In all of the reviews, corrective actions have been taken (color coded as blue), or current actions are progressing in a timely fashion or are not yet due (color coded as green).

VIII. Report of Audit Functions for FY 2019

The format of the annual report from Internal Audit has been changed to reflect a more user-friendly format. The report shows completed audits and audit hours by functional area, which showed the majority of staff time being spent on Financial Management and Institutional/Academic Support. Audits in progress are also noted. Some key performance indicators have been added to reflect a comparison of the last two fiscal years. Chairman Golden expressed his appreciation to Ms. Lewis and her staff for the great report and for achieving the highest opinion with their recent Quality Assessment Review (QAR).

IX. Internal Audit Employee Profile

According to Ms. Lewis, the Board of Trustees must annually approve the salaries of those individuals working in the Department of Internal Audit. A table of salaries, along with the professional certifications and years of service, was provided in the meeting materials. Trustee Grisham made a motion for approval, and Chairman Golden seconded the motion. The profiles were unanimously approved.

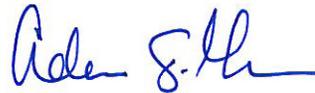
X. Internal Audit Operating Expenses

A copy of the operating budget for Internal Audit was presented to the committee. Chairman Golden asked Ms. Lewis to let the committee know if unforeseen circumstances were to arise and budget resources were not available for her and her team to do the work they need to do. Trustee Grisham followed up and told Ms. Lewis that the committee stands with her and wants her to have what she needs to do her job.

XI. Other Business

There were no other business items. The committee meeting concluded at 8:45 a.m. and the committee moved into Executive Session.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its November 15, 2019 meeting.