

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE
NOVEMBER 2026 MEETING

11:05 a.m. EST
Friday
November 6, 2026

East Tennessee Room
D.P. Culp Student Center
412 J.L. Seehorn Road
Johnson City, TN

COMMITTEE MEMBERS

Ron Ramsey, Committee Chair
Wade Farmer
Dorothy Grisham
Melissa Steagall-Jones

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AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Committee Minutes from September 11, 2026](#)
- IV. [Action Item: Revisions to FY27 Audit Plan](#) – *Lewis* (2 minutes)
- V. [Audits and Advisory Services Performed September through October 2026](#) – *Lewis* (5 minutes)
 - A. [President's Expenditure Audit](#)
 - B. [University Procard Audit](#)
 - C. [Memo on Advisory Services](#)
- VI. [Recommendation Log Status as of October 31, 2026](#) – *Lewis* (5 minutes)
- VII. [Review of Audit Committee Responsibilities](#) – *Lewis* (5 minutes)
- VIII. [FY26 Annual Report on Audit Function](#) – *Lewis* (5 minutes)
- IX. Other Business
- X. Executive Session to Discuss Active Audits, Enterprise Risk Management, and Review University Risks and Related Internal Controls
- XI. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 6, 2026

ITEM: Approval of the Minutes from September 11, 2026

COMMITTEE: Audit

RECOMMENDED ACTION: Approve

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

The minutes of the September 11, 2026, 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 11, 2026, 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 11, 2026
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, September 11, 2026, at 10:02 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Ron Ramsey called the meeting to order at 10:02 a.m.

II. Roll Call

Board Secretary Dr. Adam Green conducted the roll call. The following committee members were physically present:

Committee Chair Ron Ramsey
Trustee Dorothy Grisham
Trustee Melissa Steagall-Jones

Other Trustees present were Charles Allen, Janet Ayers, Thomas Bales, Dr. Steph Frye-Clark, Jon Lundberg, Dr. Bert Smith, Grant Summers, and Tony Treadway.

III. Approval of the Committee Minutes from May 21, 2026

The minutes from the May 21, 2026, meeting of the Audit Committee were approved as submitted with Trustee Dorothy Grisham making the motion and Trustee Melissa Steagall-Jones seconding the motion. The committee approved the motion by voice vote.

IV. Action Item: Audit Plan for FY27

Ms. Becky Lewis, Chief Audit Executive, reviewed the general contents of the audit plan. They include the annual required audit of the president's expenses; follow-up reviews; investigations; consultations; advisory services; special requests; and risk-based audits.

Trustee Dorothy Grisham made a motion that the plan be adopted, and Trustee Melissa Steagall-Jones seconded the motion. The committee approved the motion by voice vote.

V. Action Item: Internal Audit Employee Profiles

Ms. Lewis provided to the committee salary information, professional certifications, and years of service for all employees in the department. Each year, she said, the Board of Trustees is required to approve the salaries of those employees.

Trustee Grisham made a motion that the salaries of the Internal Audit staff be approved as presented in the meeting materials. Trustee Steagall-Jones seconded the motion. The committee approved the motion by voice vote.

VI. Audits and Investigations Performed May through August 2026

Ms. Lewis reported that since April her office has performed three audits, two investigations, and two advisory services.

An audit was conducted of the Institutional Animal Care and Use Program. Ms. Lewis said the report contained one finding, related to noncompliance with controlled substance management requirements within the research program. Multiple laboratories were reviewed, but deficiencies were concentrated within one lab. Ms. Lewis indicated that the audit noted many positive practices across the program, including strong safety and occupational health protocols, effective oversight of pain management and animal procedures, compliant euthanasia practices, and robust physical and data security controls.

An audit was conducted of the Office of Planning and Decision Support. There were no findings as a result of the audit.

An NCAA compliance audit resulted in two findings. Ms. Lewis said Internal Audit identified significant weaknesses in the documentation, oversight, and approval processes for official recruiting visits and related transportation expenses within the football program. And Internal Audit identified a control weakness in the administration of football student-host funds during prospective student-athlete official visits.

Ms. Lewis reported on the results of two investigations. An investigation related to ETSU-Con, an annual student-run campus event, was conducted due to concerns related to the handling of revenues and delayed deposits. It was reported that revenue received during the March 2025 event was not deposited until February 2026. The investigation revealed that internal controls were insufficient to ensure event-related revenues were complete and accurate. Ms. Lewis indicated that Student Activities and Organizations has carefully evaluated the findings and has developed a comprehensive corrective action plan that establishes clear accountability, enhanced reconciliation processes, improved financial oversight, and formal cash handling procedures when cash transactions are permitted. The other investigation occurred after the Office of Internal Audit was notified that the direct deposit of an employee was sent to a fraudster's bank account. There is no evidence that a university employee was involved in the scheme. Following the incident, the Office of Financial Services and the Office of Information Technology Services

began implementing control enhancements to strengthen current processes to help prevent future occurrences.

Ms. Lewis told the committee that her office was also involved in two advisory services, for ETSU GEAR UP and for the Office of Professional Development.

VII. Recommendation Log Status as of August 31, 2026

Ms. Lewis said her office is continuing to conduct follow-up reviews to ensure that prior recommendations have been addressed. She added that the ProCard audit is near completion, with no findings or observations.

VIII. Report on Internal Audit Operating Expenses

As an information item, Ms. Lewis reported that the Internal Audit operating budget stands at \$10,790 and the travel budget at \$4,750.

IX. Other Business

There was no other business to come before the committee.

X. Executive Session to Discuss Active Audits, Enterprise Risk Management, and Review University Risks and Related Internal Controls

The committee recessed at 10:20 a.m. to go into executive session.

XI. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 6, 2026

ITEM: Revisions to Audit Plan for FY27

COMMITTEE: Audit

RECOMMENDED ACTION: Approve

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

Ms. Lewis will provide a listing of additions and deletions to the fiscal year 2026-2027 audit plan since the last meeting.

Additions

University School Student Support Organizations Advisory Services

An advisory service engagement was requested by the Dean of Clemmer College and the Principal at University School. The objective of the engagement was to assist management in evaluating, organizing, and classifying financial information from the Parent Foundation and various athletic and activity accounts for purposes of Form 990 reporting and future financial reporting readiness.

FWA 27-02

Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

FWA 27-03

Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

FWA 27-04

Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 6, 2026

ITEM: Audits and Advisory Services Performed September through October 2026

COMMITTEE: Audit

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

Ms. Lewis will provide an overview of the audits completed during the period September 1, to October 31, 2026.

Audits

- President's Expenditure Audit – An audit of the President's expenses was conducted in compliance with Tennessee Code Annotated, Title 49, Chapters 7 and 14. TCA requires an annual financial audit of the Office of the President. The objectives were 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.
- University Procard Audit - A system audit of Procurement Cards (Procards) within Voyager was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The audit focused on both the approval processes and documentation maintained within Voyager as well as compliance with Procard policies and procedures. This audit also served as the follow up to recommendations contained in a previous report (Procard System Audit) issued on August 19, 2024.

Advisory Services

- University School's Student Support Organization (SS) Advisory Services – An advisory service engagement was requested by the Dean of Clemmer College and the Principal at University School. The objective of the engagement was to assist management in evaluating, organizing, and classifying financial information from the Parent Foundation and various athletic and activity accounts for purposes of Form 990 reporting and future financial reporting readiness.

East Tennessee State University
Audit of President's Expenses
For the Fiscal Year July 1, 2025 – June 30, 2026

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, 2025 to June 30, 2026; 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>Global Internal Audit Standards</i> , issued by the Institute of Internal Auditors and included tests of the accounting records and such other auditing procedures considered necessary.																																																					
Analysis	<p>Financial Services along with the President's Office prepares a detailed annual expense schedule of the President's Office. These schedules were reviewed for accuracy and completeness during the audit. The following is a summary by funding source of:</p> <p>(1) certain expenses made by, at the direction of, or for the benefit of the President, and</p> <p>(2) salary and benefits and any other operating expenses for the President's office during the fiscal year ended June 30, 2026:</p> <table> <tr> <th></th><th>Institutional</th><th>Foundation</th><th>External</th><th>Total</th></tr> <tr> <td>Salaries & Benefits – President & Staff</td><td>\$ 1,379,501.19</td><td>\$ -</td><td>\$ -</td><td>\$ 1,379,501.19</td></tr> <tr> <td>Travel – President</td><td>32,221.82</td><td>-</td><td>-</td><td>32,221.82</td></tr> <tr> <td>Travel – First Lady</td><td>3,863.40</td><td>-</td><td>-</td><td>3,863.40</td></tr> <tr> <td>Travel – Other</td><td>3,515.90</td><td>-</td><td>-</td><td>3,515.90</td></tr> <tr> <td>Business Meals & Hospitality – President</td><td>22,484.81</td><td>56,646.02</td><td>37,483.57</td><td>116,614.40</td></tr> <tr> <td>Business Meals & Hospitality – First Lady</td><td>420.82</td><td>1,532.70</td><td>-</td><td>1,953.52</td></tr> <tr> <td>Other Expenses of the President</td><td>254,270.49</td><td>-</td><td>-</td><td>254,270.49</td></tr> <tr> <td>Miscellaneous Operating Expenses</td><td><u>31,169.86</u></td><td><u>9,571.98</u></td><td><u>-</u></td><td><u>40,741.84</u></td></tr> <tr> <td>Total Expenses</td><td><u>\$ 1,727,448.29</u></td><td><u>\$ 67,750.70</u></td><td><u>\$ 37,483.57</u></td><td><u>\$ 1,832,682.56</u></td></tr> </table> <p><u>Additional Disclosures:</u></p> <p>President's Salary and Benefits – Salary and Benefits for the President totaled \$802,507.70 and included not only the base salary and benefits but also the Discretionary Allowance, Vehicle Allowance, Performance Stipend, Longevity Pay, Retention Bonus, and Housing Allowance.</p> <p>Discretionary Allowance – The President was provided with a discretionary allowance totaling \$24,000 for the audit period. The use of this allowance was not included in testwork because the President elected to receive it as taxable income.</p>					Institutional	Foundation	External	Total	Salaries & Benefits – President & Staff	\$ 1,379,501.19	\$ -	\$ -	\$ 1,379,501.19	Travel – President	32,221.82	-	-	32,221.82	Travel – First Lady	3,863.40	-	-	3,863.40	Travel – Other	3,515.90	-	-	3,515.90	Business Meals & Hospitality – President	22,484.81	56,646.02	37,483.57	116,614.40	Business Meals & Hospitality – First Lady	420.82	1,532.70	-	1,953.52	Other Expenses of the President	254,270.49	-	-	254,270.49	Miscellaneous Operating Expenses	<u>31,169.86</u>	<u>9,571.98</u>	<u>-</u>	<u>40,741.84</u>	Total Expenses	<u>\$ 1,727,448.29</u>	<u>\$ 67,750.70</u>	<u>\$ 37,483.57</u>	<u>\$ 1,832,682.56</u>
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	<p>Vehicle Allowance – The President was provided a vehicle allowance of \$14,000.04 during the audit period. This was paid as taxable income through payroll.</p> <p>Performance Stipend – The President received a performance stipend of \$72,000 during FY 2026.</p> <p>Longevity Pay – The President received longevity pay of \$2,200 during FY 2026.</p> <p>Retention Bonus – The President received a retention bonus of \$120,000 during FY 2026. The bonus is being held by the University pending the creation of a State-established 457(f) plan. It is not considered base pay under the employment agreement.</p> <p>Housing/Housing Allowance – The President was provided use of the Shelbridge guest house while renovations were being completed on the Shelbridge main house. Operating and maintenance cost for the residence totaling \$83,025.63 was recorded in Facilities and not included in the above totals. Therefore, the scope of the review related to these expenses was limited. Home improvement cost totaling \$254,270.49 are, however, included above in Other Expenses of the President. The President received a housing allowance of \$33,000 during the audit period. This was paid as taxable income through payroll.</p> <p>Shelbridge Renovations – The major renovations completed at Shelbridge were part of a deferred maintenance plan approved by the State Building Commission. The cost is related to mechanical, electrical, and plumbing systems; windows; architectural millwork; accessibility improvements; and correction of code issues. In addition, deferred maintenance expenses, not included in the maintenance plan, were incurred related to the guest house. These deferred maintenance costs for Shelbridge and the guest house are not included in the above totals.</p> <p>Travel – The President was provided airfare at no cost for three separate trips during FY 2026. Round-trip airfare was provided by Ballad Health from Johnson City to Indianapolis. In addition, Ballad Health provided round-trip airfare for travel from Johnson City to New York, from New York to Nashville, and from Nashville back to Johnson City. Finally, a round-trip flight from Johnson City to Nashville was provided by the General Manager of Bristol Motor Speedway.</p> <p>Information Technology Disclosure – The Office of Information Technology disclosed several expenses made by, at the direction of, or for the benefit of the President in Fiscal Year 2026 which were paid from an Information Technology index. The Cellgate TruCloud Connect subscription totaled \$479.88, and ITS Cables purchased from Graybar totaled \$262.92. In addition, a YouTube TV subscription (\$1,709.19), BrightRidge broadband internet service (\$1,490.27), and Brightspeed telephone service (\$673.95) were charged to an IT index during the audit period.</p> <p>Athletic Tickets – Expenditures totaling \$10,850 were incurred by Advancement for the President’s men's and women's basketball season tickets and additional event tickets during the audit period.</p> <p>External Support – This report discloses items provided, paid for, or reimbursed by external sources for the benefit of the President. During FY26, Sodexo allocated \$37,500 to support food and hospitality expenses for events designated by the President. At June 30, 2026, \$37,483.57 of this annual allocation had been utilized.</p> <p>Additional Items Excluded from Review – While expenditures for the Board of Trustees and Faculty Senate fall under the same organization as the Office of the President within the Voyager system, these were excluded from this report due to their nature. The only exception was for business meals and hospitality that included the President.</p>
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Questioned Costs	None	Recoveries	N/A
Conclusion	The objectives of the audit related to the President's expenses for the fiscal year July 1, 2025 through June 30, 2026 were met. The audit revealed no significant statutory or policy violations, material omissions from the expense reports, or deficiencies in internal controls.		

East Tennessee State University
University Procards
January 1, 2026 – May 31, 2026

Key Staff Person: Manager of Procurement Card Program	Internal Audit: Internal Auditor
Introduction A system audit of Procurement Cards (Procards) within Voyager was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The audit focused on both the approval processes and documentation maintained within Voyager as well as compliance with Procard policies and procedures. This audit also served as the follow up to recommendations contained in a previous report (Procard System Audit) issued on August 19, 2024.	
Objectives of the Audit <ul style="list-style-type: none"> • Assess whether procard purchases adhere to university policies and procedures. • Determine whether procard purchases are supported by adequate documentation. • Evaluate whether purchases are appropriate for valid business purposes. • Verify that procard charges are reviewed and reconciled to supporting documentation in a timely manner. 	
Scope of the Audit <ul style="list-style-type: none"> • The audit covered the process and controls related to procard purchases and the Voyager system, including transaction processing, approvals, and oversight activities across all departments utilizing procards during the audit. • The audit assessed compliance with university purchasing policies and the Procard Manual including evaluation of adherence to established guidelines across all procard transactions during the audit period. • The audit evaluated the effectiveness of controls over procard purchasing procedures, including the appropriateness of purchases, prevention of personal use, and alignment with business purpose requirements during the audit period. • The audit assessed the adequacy of controls over supporting documentation, including the availability and completeness of receipts and other required documentation for procard transactions during the audit period. • The audit evaluated the timeliness of procard transaction review and approval processes, including reconciliation of statements to supporting documentation by cardholders and supervisors during the audit period. 	
Current Audit Results A report of procard transactions occurring between January 1 and May 31, 2026, was used to assess procard holder and supervisory approvals, as well as the adequacy of supporting documentation maintained in the Voyager system. Transactions were also examined to determine whether Tennessee state sales tax was inappropriately paid on purchases for which the University is exempt. A sample of 1,085 transactions was selected for detailed testing. For the selected sample, procard purchases were examined for compliance with university purchasing policies, procedures, and applicable procard requirements.	

Based on the audit procedures performed, significant improvements in procard processes, approvals, supporting documentation, and compliance with university policies and procedures have been made since the previous audit.

Positive Practices

The Department of Procurement and Contract Services has implemented significant controls over procard processes. Specifically, the department conducts a monthly review of all new procard transactions. This monitoring activity has been effective in substantially reducing and correcting issues identified during the prior audit. Key improvements include:

- Improved procard approval processes.
- Enhanced supporting documentation within the Voyager system.
- Increased compliance with university purchasing policies and procedures.
- Effective monthly monitoring of all procard transactions by Procurement and Contract Services.
- Improved compliance with record retention requirements through the use of the Voyager system.
- Maintenance of supporting documentation within the Voyager system rather than a separate system.
- Timely communication between Procurement personnel and procard holders regarding noncompliance issues, inadequate documentation, missing approvals, and other transaction-related concerns.



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

SUBJECT: Advisory Services - September 1, 2026 to October 31, 2026

DATE: November 6, 2026

Below is a summary of the advisory services completed between September 1 to October 31, 2026.

University School Student Support Organizations Advisory Services:

The primary objective of this engagement was to organize and evaluate available financial information for Form 990 reporting purposes. Based on the information provided by management, financial activity from the Parent Foundation and Athletic student support organizations was compiled and categorized into reporting classifications that may be used to assist in preparation of the organization's Form 990.

The review provided University School and the SSO with information which could improve internal controls including documentation retention, record keeping consistency, financial transparency, and IRS 990 preparation.

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 6, 2026

ITEM: Recommendation Log Status as of October 31, 2026

COMMITTEE: Audit

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 October 31, 2026		
Area	Recommendation	Status
Procard System	Controls over procard purchases need improvement	Completed
Grade Changes	Controls over grade changes need improvement	Active
Continuing Education for Health Professionals	Procedural changes implemented based on advisory service recommendations needs reviewed	Active
College of Pharmacy	Procedural changes implemented based on advisory service recommendations needs reviewed	Active
Clery Act	Procedural changes implemented based on advisory service recommendations needs reviewed	Active
Employee Fee Waivers and Tuition Reimbursements	Employee Fee Waivers and Tuition Reimbursements need improvement	Active
Institutional Animal Care	Controlled substance management practices need improvement	Active
ETSU-Con	Internal controls over fund handling and reconciliation need improvement	Active
NCAA Compliance	Controls and documentation over official visits and transportation costs needs improvement	Active
	Procedures for football student hosts need improvement	Active
Payroll Check Fraud	Internal controls over direct deposit changes need improvement	Active

Legend:	
Actions completed since previous Audit Committee Meeting	Completed
Actions are progressing in a timely fashion or not yet due	Active
Actions are slightly overdue	Late
Actions are significantly overdue	Critical

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 6, 2026

ITEM: Review of Audit Committee Responsibilities

COMMITTEE: Audit

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

Staff will provide an overview of the responsibilities of the Audit Committee outlined in the meeting materials.

Roles and Responsibilities of Audit Committee

Annual Audit Plan and Year-end Status Report

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
TN 49-14-102 (b)	The internal auditor shall file a report on the audit work with the audit committee at least annually.	Annual Audit Plan - First Meeting of new FY
AC Charter III.C.6	Review the results of the year's work with the Chief Internal Auditor	Each AC Meeting as needed
AC Charter III.C.3 & ETSU's Internal Audit Policy V. C.	Review & approve the annual audit plan including management's request for unplanned audits. Review and approve audit plan revisions	Annual Report on Audit Activity - Fall

Quality Assurance and Improvement Program

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.C.7	Ensure audit function maintains a quality assurance & improvement program.	Update Committee As Needed

Audit Reports and Recommendations

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.C.4	Receive and review significant results of internal audits performed.	Each Meeting
AC Charter III.C.5	Ensure implementations of audit recommendations.	

Fraud, Waste, and Abuse

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.F. 1-2.	Ensure that the Board and the institution have an effective process in place to prevent, detect, and report fraud, waste and abuse. Establish a process for employees, taxpayers and other citizens to confidentially report suspected illegal, improper, wasteful, or fraudulent activity.	Annual Report on Audit Activity - Fall
TN 49-14-103 (a)	The internal auditor shall establish a process by which students, employees, taxpayers or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity. Each year the internal auditor shall include with the auditor's annual report a summary of all completed audit activities pursuant to this chapter.	

Roles and Responsibilities of Audit Committee

State and External Audits

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.A.2.	Review results of the Comptroller's examination of financial statements and another other matters related to the conduct of the audits	Spring and as needed
AC Charter III.B.2.	Review results of external auditors' examination and any other matters related to the conduct of the external audits	

Presidential Expenses Reporting and Audits

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
TN 49-7-3001 (c)	Each state university board shall require an annual internal financial audit of the office of the president of the institution. The audit shall be reviewed by the institution's governing board and the comptroller of the treasury.	Fall - Due annual by December 1st.
TN 49-14-106 (c)	Annual or other periodic audits of chief executives shall be performed by an internal auditor or auditors who are not employees of the institution of the chief executive being audited. Notwithstanding the foregoing, internal auditors or auditors who report to the board audit committee may perform annual or other periodic audits of the chancellor of the board of regents system or the University of Tennessee president.	Fall - Due annual by December 1st.
TN 49-14-104	The governing boards of all public institutions of higher education shall establish a policy requiring that annual reports detailing expenditures made by, at the direction of, or for the benefit of a system head or chief executive of an institution are to be filed with their respective boards. It is the legislative intent that the policy require the report of discretionary expenditures, which shall include, but not be limited to, unrestricted gifts, foundation funds, athletic funds, sponsorship fees, licenses and royalty funds, and other such funds that would not be included in the operating budget for the system head's or chief executive's office. System heads or chief executives shall not have the authority to grant themselves an exception to fiscal, spending, or travel policies established by their boards or by statute.	This can be reviewed with audit due Dec. 1.

Roles and Responsibilities of Audit Committee

Miscellaneous Responsibilities

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.C.2	Review and approve the charter of the Internal Audit Department	Spring
AC Charter III.D.1	Ensure Chief Audit Executive reports functionally to the Audit Committee of the Board and reports to the President for administrative purposes only.	Fall
AC Charter III.D.2	Ensure Internal Audit has adequate resources in terms of staff and budget to perform its responsibilities	Fall or as needed
AC Charter III.D.3	Review & approve appointment, compensation, reassignment or dismissal of Chief Internal Auditor	Fall or as needed
AC Charter III.D.4	Review & approve the compensation & termination of campus internal auditors.	Fall or as needed
AC Charter III.E.4	Review & evaluate risk assessments performed by management.	Fall and updates throughout year
AC Charter III. G. 1.	Review and assess the adequacy of the Audit Committee's charter annually, requesting Board approval for any proposed changes.	Spring or as needed
AC Charter III. G. 3.	Review the University's code of conduct and/or policies regarding employee conduct to ensure that they are easy to access, are widely distributed, are easy to understand & implement, include confidential mechanism for reporting code violations, are enforced and include a conflict of interest policy.	Spring
AC Charter III. G. 4.	Review the University's conflict of interest policy to ensure that the term "conflict of interest" is clearly defined, the policy is comprehensive, annual signoff is required, and potential conflicts are adequately resolved and documented.	Spring

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

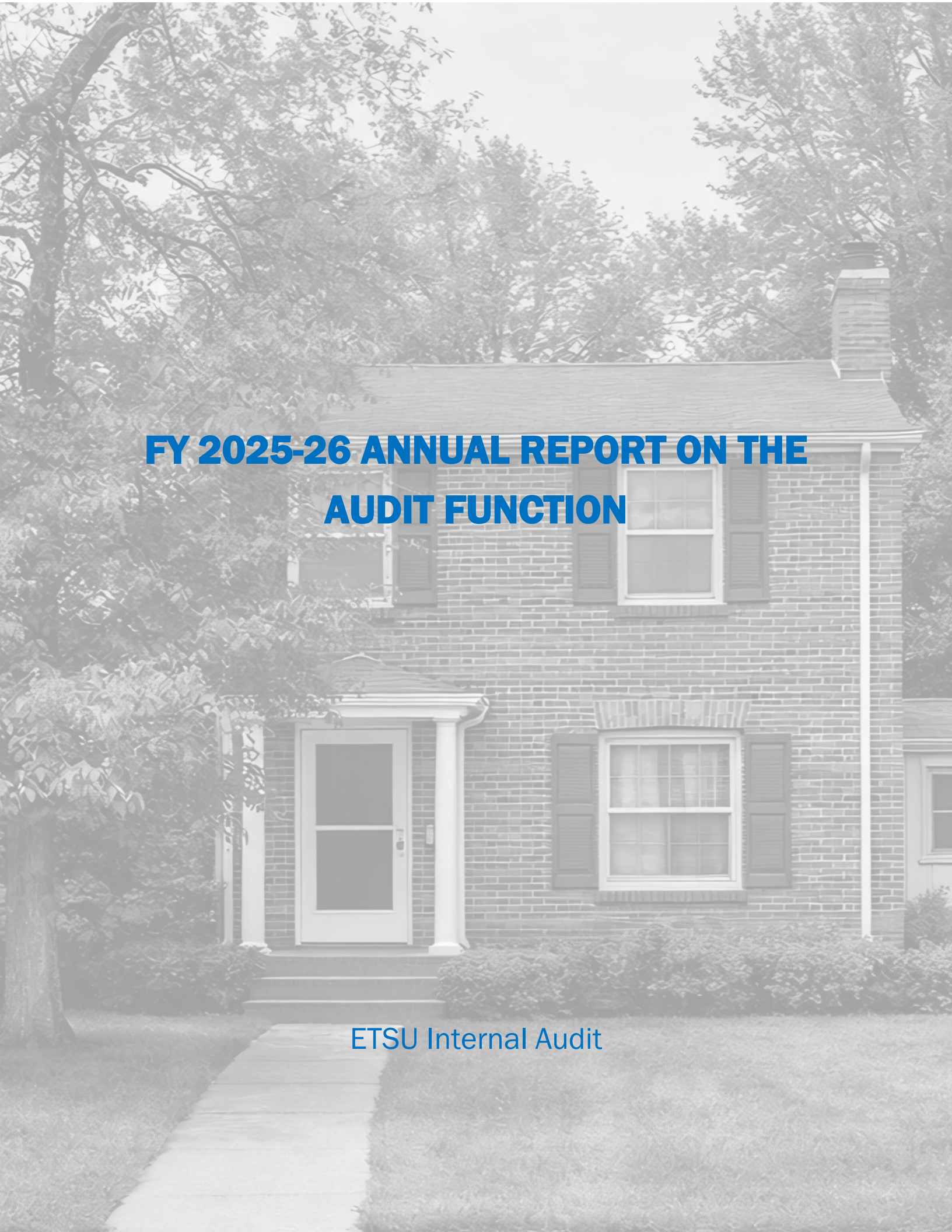
DATE: November 6, 2026

ITEM: FY26 Annual Report on Audit Function

COMMITTEE: Audit

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

The Annual Report for the Department of Internal Audit for the 2026 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 FY 2026 efforts of Internal Audit.



FY 2025-26 ANNUAL REPORT ON THE AUDIT FUNCTION

ETSU Internal Audit

Message from Chief Audit Executive

It is our pleasure to present the Annual Report for ETSU's Department of Internal Auditing. Fiscal Year 2025-26 was a productive year for us.

Our accomplishments include the following:

- Completed
 - o 11 Audits
 - o 7 Investigations
 - o 3 Advisory Services
 - o 5 Procard Consulting Engagements
- Followed up on 2 Prior Internal Audit Reports

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

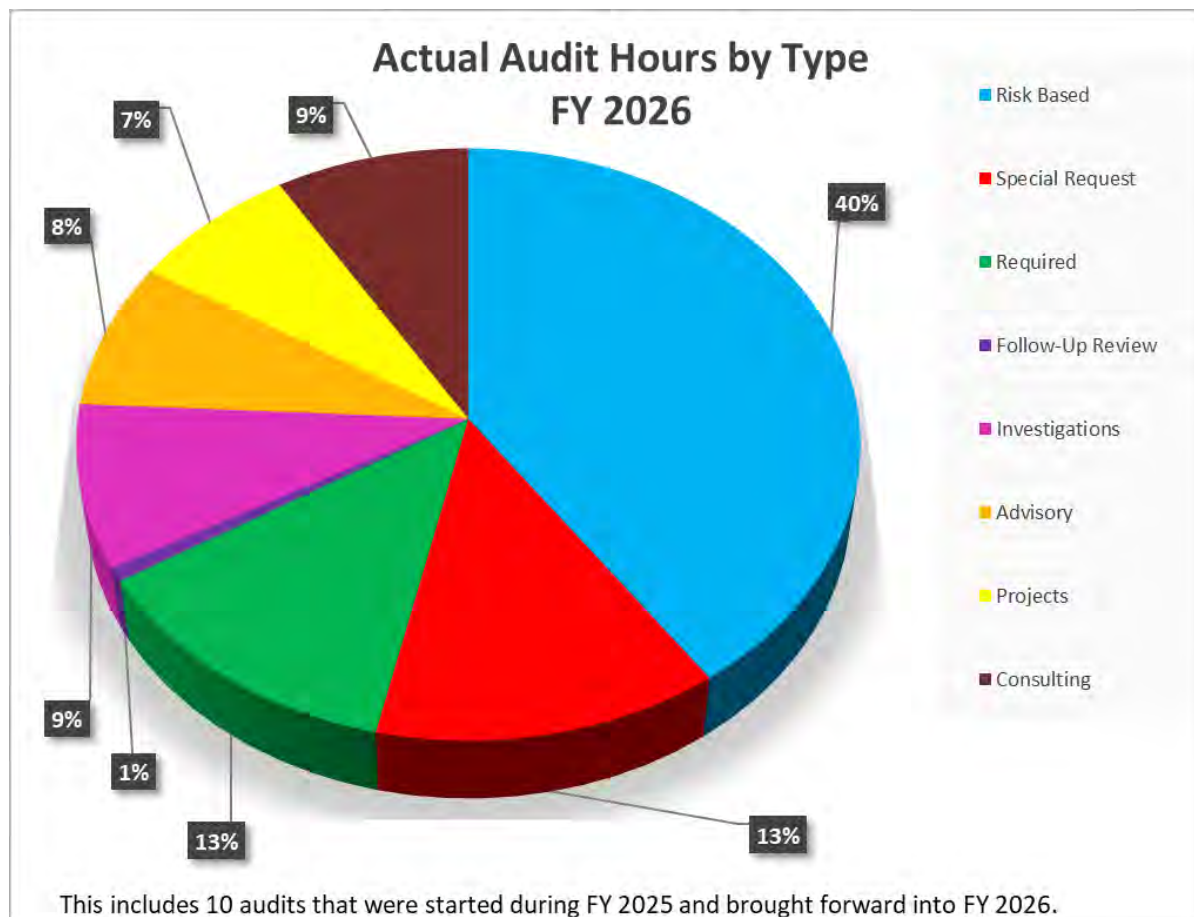
The Rest of the Team

Name	Credentials	Position
Martha Winegar	CPA, CFE	Associate Director
Bryan Brockwell	CFE	Internal Auditor
Jonathan Cox	-----	Internal Auditor

Table of Contents

Audit Activity Completed	3
Audit Hours by Area	3
Audit Activity in Progress	4
Satisfaction Surveys	4
KPI's	5
Mandatory Disclosures	5

East Tennessee State University Audit Activity Completed Fiscal Year Ended June 30, 2026		
Audits – Required	FM	Cash Counts/Inventories
	FM	President's Expense FY 2025
	FM	Risk Assessments
Advisory	SS	Clery Act
	IA	Continuing Education for Health Professionals
	IA	College of Pharmacy
Audits – Special Request	FM	Executive Level Audit FY 2026
	PP	Central Receiving and Facilities Management Inventory Controls
Audits – Risk Based	IA	Grade Changes
	AT	NCAAA Compliance
	IS	Fringe Benefits
	SS	Employee Fee Waiver and Tuition Reimbursements
	RS	Institutional Animal Care
	IT	IT Audit – Change Management
Follow-Up Reviews	FM	Follow-Up: Family Medicine Timekeeping
	IS	Follow-Up: Administration
Investigations	FM	Investigation 24-04
	IA	Investigation 24-07
	FM	Investigation 26-01
	IS	Investigation 26-02
	FM	Investigation 26-03
	IA	Investigation 26-04
	IS	Investigation 26-05
Consulting/Projects	IS	General Consultation
	IS	Procard Consultation
	IS	Board of Trustees (Prep for Meeting, Meetings, etc.)
	IS	IIA Gap Analysis with New Standards
	IS	Data Analytics Project
	IS	Voyager Implementation



East Tennessee State University Audit Activity Carry Forward into FY 2017 Fiscal Year Ended June 30, 2026		
Audits – Required	FM	President's Expense FY 2026
Advisory	IA	Professional Development
	IA	GEAR UP Grant
	IA	Continuing Education for Health Professionals
Audits – Special Request	IA	Study Abroad
	FM	Procards (including follow-up)
Audits – Risk Based	IS	Compensation in Voyager
	IS	Mental Health
Investigations	FM	Investigation 26-06
	PP	Investigation 26-07
	IS	Investigation 26-08
	AT	Investigation 26-09
	PP	Investigation 26-10

Customer Satisfaction Survey

In January and July, surveys were sent to employees who had recently had significant contact with Internal Audit. Each individual was asked to complete a 10-question survey. The results of the FY 2026 surveys are below.

Number of Surveys Sent Out	22
Number of Positive Surveys Returned	14
Number of Negative/Mixed Surveys Returned	1
Number of Surveys Not Returned	7

Comments:

- Given that this audit was on a data element that had never been audited before, advanced notification would have been nice.
- I requested the audit conducted during the time frame of July to Dec 2025, and it was very helpful to us. However, I have been part of audits during leadership transitions, and it would have been helpful to know that those audits are standard operating procedures (I know that now, and of course that makes perfect sense and serves to protect the incoming leadership), rather than receiving an email that essentially (I am grossly paraphrasing) says, “you are being audited”. There were no concerns or findings, but the audit context would have been less anxiety-provoking, particularly if one had not been part of an audit before. That’s my only suggestion. I appreciate the important work conducted by the Office of Internal Audit.
- Very quick/efficient, courteous, and good communication.
- I am very grateful for the expertise and approach of both Martha and Becky. They are so knowledgeable, patient and kind, and work diligently to understand the whole/complete picture of each situation brought to them. I have appreciated the advisement and direction they’ve provided, as well as the manner in which they’ve given it. They are true assets to ETSU.

- For question #9 (Internal Audit is a resource that I would use in the future) – I would use it in the future, but I hope I don't have to.
- I especially appreciate the effort that Martha spent in preparation for the audit of our program. The work that we do is quite different from that of most departments at the University, but it was obvious that she had invested time in understanding our responsibilities before our first meeting. She was very well prepared and was able to conduct a thorough and productive audit, and I believe that our program will be strengthened as a result.
- Nothing to suggest or complain about at this time.

Key Performance Indicators	FY 25/26	FY 24/25	FY 23/24	FY 22/23	FY 21/22
Number of Full Time Staff	3.89	4.00	3.83	3.48	3.83
Number of Audits Completed	11	12	8	12	9
Number of Advisory Services Completed	3	0	0	0	0
Number of Follow-Ups on Prior Internal Audit Findings	2	3	13	4	6
Number of State Audit Follow-Ups Issued	0	1	1	1	1
Number of Investigations Completed	7	7	5	10	11
Number of Procard Reviews	5	4	3	0	0
Number of Other Audit Activities Completed (i.e., Consulting, Projects, etc.)	3	3	3	3	3
Percentage of Effort Spent on Audit Activities	60%	62%	59%	51%	50%
Average Number of Years of Professional Experience	14.50	13.75	12.75	13.50	10.00

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 report 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 2025-2026 fiscal year.

Disclosures of Nonconformance: Occasionally circumstances require 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 2025-2026 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 situation 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 situations 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 2025-2026 fiscal year.

Results of the Quality Assurance and Improvement Program (QAIP): The Office of Internal Audit maintains a Quality Assurance and Improvement Program in accordance with the Global Internal Audit Standards. During the fiscal year 2025-2026, no matters were identified that would prevent the Office of Internal Audit from asserting conformance with the Standards.

Internal Audit Resources: There were no resource limitations during fiscal year 2025-2026 that significantly affected the Office of Internal Audit's ability to fulfil its responsibilities or execute the approved audit plan.

Significant Changes to the Internal Audit Function: There were no significant changes to the Office of Internal Audit's charter, authority, responsibilities, or operating model during fiscal year 2025-2026.