

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE
NOVEMBER 2024 MEETING

11:05 a.m. – 11:35 a.m. EST
Friday
November 15, 2024

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

COMMITTEE MEMBERS

Melissa Steagall-Jones, Committee Chair
Dorothy Grisham
Dr. Linda Latimer
Ron Ramsey
Tony Treadway

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AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Committee Minutes from September 13, 2024](#)
- IV. [Action Item: Revisions to FY25 Audit Plan – Lewis \(2 minutes\)](#)
- V. [Audits and Investigations Performed September through October 2024 – Lewis \(5 minutes\)](#)
 - A. [President’s Expenditure Audit](#)
 - B. [Memorandum on Investigations](#)
 - C. [Completed Audits Heat Map](#)
- VI. [Recommendation Log Status as of October 31, 2024 – Lewis \(5 minutes\)](#)
- VII. [Review of Audit Committee Responsibilities – Lewis \(5 minutes\)](#)
- VIII. Other Business
- IX. Executive Session to Discuss Active Audits, Enterprise Risk Management, and Review University Risks and Related Internal Controls
- X. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 15, 2024

ITEM: Approval of the Minutes of September 13, 2024

COMMITTEE: Audit

RECOMMENDED ACTION: Approve

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

The minutes of the September 13, 2024 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 13, 2024 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 13, 2024
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, September 13, 2024, at 11:14 a.m. in the East Tennessee Room of the D.P. Culp Student Center.

I. Call to Order

Committee Chair Melissa Steagall-Jones called the meeting to order at 11:14 a.m.

II. Roll Call

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

Committee Chair Melissa Steagall-Jones
Trustee Dorothy Grisham
Trustee Dr. Linda Latimer
Trustee Ron Ramsey
Trustee Tony Treadway

Other trustees in attendance were Charles Allen, Janet Ayers, Dr. Steph Frye-Clark, and Trent White.

III. Approval of the Committee Minutes from May 24, 2024

The minutes from the May 24, 2024, meeting of the Audit Committee were approved as submitted with Trustee Ron Ramsey making the motion and Trustee Tony Treadway seconding the motion. The motion passed unanimously.

IV. Action Item: Audit Plan for FY25

Ms. Becky Lewis, Director of Internal Audit, pointed out that the audit plan includes several different types of audits. First are the required audits, as mandated by the Division of State Audit or by state statute, and the annual audit of WETS-FM, which is required by the Corporation for Public Broadcasting. Follow-up reviews are also included in the plan, and each year, several special requests arise. The audit plan also includes investigations that were in

process at the beginning of the fiscal year and allots time for unscheduled investigations. The final category includes risk-based audits.

Trustee Ramsey made a motion that the audit plan be approved as presented. Trustee Grisham seconded the motion. It passed unanimously.

V. Audits and Investigations Performed May through August 2024

Ms. Lewis reported that since April, her office has completed three audits and one investigation.

An audit was conducted of the Center for Nursing Advancement, at the request of management. Operational and travel expenditures under the department's control were reviewed. Ms. Lewis reported that it appears the expenditures complied with applicable policies and procedures, and the audit contained no findings or observations.

An audit was conducted of the ProCard system within the U.S. Bank Online System, as a follow-up to a prior audit. It focused on the new system for documenting and approving purchases. One observation and two findings resulted from the audit. Ms. Lewis indicated that the first finding was primarily related to the compliance with university policies regarding approvals and documentation. There were 6,407 ProCard transactions during the three-month audit period. Of these, 908 were not approved by the cardholder in the online system, and 1,508 were not approved by the supervisor in the online system. In addition, 574 ProCard purchases totaling approximately \$150,000 did not have supporting documentation scanned into the online system. Of that total, 550 were not approved by either the cardholder or the supervisor. In the second finding, a total of 275 transactions were selected for detailed testwork. Some of the issues discovered included incomplete, inaccurate, or un-itemized receipts, receipts for items that could be considered personal or unallowable, and travel authorizations that were missing or approved late for airfare and registration payments. Ms. Lewis added that Accounts Payable is working diligently to correct these deficiencies.

During this period, there was a follow-up to the Financial and Compliance Audit Report issued February 26, 2024, for FY23. ETSU's financial statement audit for the year ending June 30, 2023, contained one finding. As required, the Department of Internal Audit performed a follow-up review of actions taken in response to the finding. No concerns were identified.

Ms. Lewis reported that her office conducted one investigation on unauthorized bank accounts in ETSU's name. Two were identified. One was a dormant account in the Department of History. That account has since been closed, with the funds deposited into the department's ETSU Foundation account. The second account was an active account in the Department of Literature and Language, funded by departmental employees' personal money and used for such things as student worker or executive aide gifts, wedding presents, and flowers for funerals. The chair of the department has been instructed to close the account.

VI. Recommendation Log Status as of August 31, 2024

Ms. Lewis presented a table indicating the status of prior audit recommendations. Actions are progressing in a timely fashion for five of the six items, with additional corrective action pending related to ProCard issues.

VII. Report on Audit Functions for FY24

Ms. Lewis called the committee's attention to the Department of Internal Audit 2023-24 Annual Report, highlighting specifically a breakdown of how the office allocates its time. She reported that her office completed eight audits during the year and five investigations, as well as a total of 15 follow-ups. The office sent out 23 customer service surveys. Sixteen were returned, all with positive feedback.

VIII. Action Item: Internal Audit Employee Profiles

Ms. Lewis told the committee that her office currently includes four full-time staff members. Salaries of those staff members, which were included in Board of Trustees' packets, require board approval.

Trustee Ramsey made a motion that these profiles and salaries be approved as presented. Trustee Grisham seconded the motion. It passed unanimously.

IX. Internal Audit Operating Expenses

As an information item, Ms. Lewis presented the travel and operating budgets for the Department of Internal Audit for FY25.

X. Other Business

There was no other business to come before the committee.

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

The committee adjourned at 11:31 a.m. to go into executive session.

XII. Adjournment

EAST TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: November 15, 2024
ITEM: Revisions to FY25 Audit Plan
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 2024-2025 audit plan since the last meeting.

Additions

FWA 25-03 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

FWA 25-04 – Internal Audit received a possible fraud, waste, or abuse concern. This will be investigated by audit and/or assigned to the appropriate authority.

MOTION: I move that the Audit Committee recommend adoption of the following resolution by the Board of Trustees:

RESOLVED: The revisions to the Audit Plan for 2024-25 are approved as presented in the meeting materials

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 15, 2024

ITEM: Audits and Investigations Performed September through October 2024

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, 2024 to October 31, 2024.

Audits

- President's Expenses – An audit of the President's expense 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.

Investigations

- COM Organization of Student Representatives – Outside Bank Account (FWA 25-02) An investigation of Quillen College of Medicine's Organization of Student Representatives at East Tennessee State University conducted by Internal Audit personnel. The review was related to an outside bank account maintained by the Organization of Student Representatives in ETSU's name.

East Tennessee State University
Audit of President's Expenses
For the Fiscal Year July 1, 2023 – June 30, 2024

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, 2022 to June 30, 2023; 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>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, 2024:</p> <table border="1" data-bbox="418 1016 1490 1310"> <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 & Benefits – President & Staff</td> <td style="text-align: right;">\$1,150,372.36</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 1,150,372.36</td> </tr> <tr> <td>Travel – President</td> <td style="text-align: right;">34,169.59</td> <td style="text-align: right;">-</td> <td style="text-align: right;">34,169.59</td> </tr> <tr> <td>Travel – First Lady</td> <td style="text-align: right;">8,943.97</td> <td style="text-align: right;">-</td> <td style="text-align: right;">8,943.97</td> </tr> <tr> <td>Travel – Other</td> <td style="text-align: right;">1,861.56</td> <td style="text-align: right;">491.79</td> <td style="text-align: right;">2,353.35</td> </tr> <tr> <td>Business Meals, Hospitality, Other</td> <td style="text-align: right;">17,023.16</td> <td style="text-align: right;">64,901.44</td> <td style="text-align: right;">81,924.60</td> </tr> <tr> <td>Other Expenses of the President</td> <td style="text-align: right;">18,653.08</td> <td style="text-align: right;">-</td> <td style="text-align: right;">18,653.08</td> </tr> <tr> <td>Miscellaneous Operating Expenses</td> <td style="text-align: right;">218,565.98</td> <td style="text-align: right;">169,163.84</td> <td style="text-align: right;">387,729.82</td> </tr> <tr> <td>Total Expenses</td> <td style="text-align: right;"><u>\$ 1,449,589.70</u></td> <td style="text-align: right;"><u>\$ 234,557.07</u></td> <td style="text-align: right;"><u>\$ 1,684,146.77</u></td> </tr> </tbody> </table> <p><u><i>Additional Disclosures:</i></u></p> <p>President's Salary and Benefits – Salary and Benefits for the President totaled \$533,440.72 and included not only the base salary and benefits but also the Discretionary Allowance, Vehicle Allowance, Longevity Pay, and Housing Allowance. An Incentive Bonus, however, was not paid during the fiscal year due to a change in the President's employment contract. Incentive bonuses are now paid at the end of the calendar year.</p> <p>Discretionary Allowance – The President was provided with a discretionary allowance of \$12,000 for the audit period. The use of this allowance was not included in testwork since the President elected for it to be paid as taxable income.</p> <p>Vehicle Allowance – The President was provided a vehicle allowance of \$13,000 during the audit period. This was paid as taxable income through payroll.</p> <p>Longevity Pay – The President received longevity pay of \$2,000 during FY 2024.</p>		Institutional	Foundation	Total	Salary & Benefits – President & Staff	\$1,150,372.36	\$ -	\$ 1,150,372.36	Travel – President	34,169.59	-	34,169.59	Travel – First Lady	8,943.97	-	8,943.97	Travel – Other	1,861.56	491.79	2,353.35	Business Meals, Hospitality, Other	17,023.16	64,901.44	81,924.60	Other Expenses of the President	18,653.08	-	18,653.08	Miscellaneous Operating Expenses	218,565.98	169,163.84	387,729.82	Total Expenses	<u>\$ 1,449,589.70</u>	<u>\$ 234,557.07</u>	<u>\$ 1,684,146.77</u>
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	<p>Housing/Housing Allowance – The President was provided the use of a residence (Shelbridge) during the first half of the fiscal year. Operating and maintenance costs for the residence totaling \$76,881 were recorded in Facilities and not included in the above totals. Therefore, the scope of this review related to these expenses was limited. Home improvement costs, however, are included above in Other Expenses of the President. Beginning in January 2024, the President was provided with a housing allowance totaling \$2,000 a month due to a deferred maintenance project related to the President's residence.</p> <p>Shelbridge Renovations – Major renovations are being completed at Shelbridge as 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 two separate trips during FY 2024. Airfare was provided by NMSG, LLC for a trip from Johnson City to Nashville, TN. The NCAA Board also covered Dr. Noland’s round-trip airfare for a flight from Johnson City to Phoenix, Arizona.</p> <p>Plane Lease – During FY 2024, the Foundation entered into a \$100,000 contract with NMSG, Inc. for plane and pilot expenses. Use of this plane was available to the President's Office, Advancement, and Athletics. The President and First Lady utilized this contract for one trip during the audit period. The costs associated with the plane lease are Included in the totals for institutional travel and miscellaneous operating expenses of the Foundation.</p> <p>Miscellaneous Operating Expenses– The majority of the expenditures in miscellaneous operating expenses included an investment in a state-wide marketing effort entitled Four the Future as well as costs associated with the plane lease.</p>		
Questioned Costs	None	Recoveries	N/A
Conclusion	The objectives of the audit related to the President’s expenses for the fiscal year July 1, 2023 through June 30, 2024 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

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 *B Lewis*

SUBJECT: Completed Investigations – September 1 to October 31, 2024

DATE: November 15, 2024

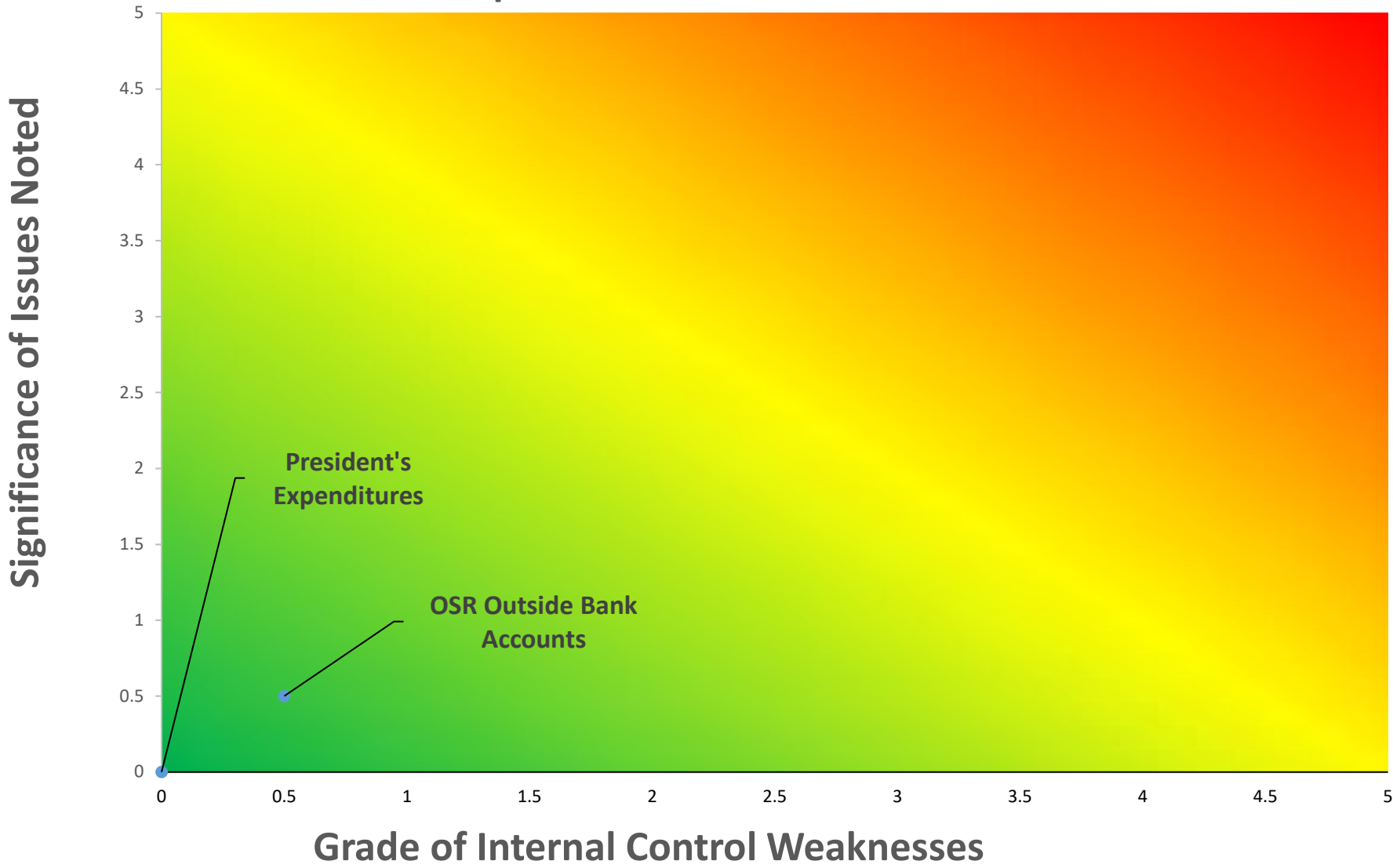
Below is a summary of the investigations completed between September 1 to October 31, 2024.

CoM Organization of Student Representatives - Outside Bank Account (FWA 25-02):

The investigation revealed that, while the OSR is maintaining an outside bank account with “ETSU” in the title, the account was established with their own EIN (Employer Identification Number). It appears that revenue and expenses were related to the student organization based on testwork performed. Financial Services will continue to educate campus on the use of agency accounts and to discourage using “ETSU” in the name on any outside bank accounts, as to not give the appearance that the bank account belongs to the university.

Heat Map of Completed Audits

from September to October 2024



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 15, 2024

ITEM: Recommendation Log Status as of October 31, 2024

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, 2024**

Area	Recommendation	Status
Procard System	Controls over procard purchases need improvement	Yellow
RDC Grants	Controls over RDC Grant compliance need improvement	Green
Family Medicine Timekeeping	Policies and procedures related to compensatory time need improvement	Green
Guest and Group Housing	Billing and collection of guest housing needs improvement	Green
Chemistry Procard	Departmental controls over procard purchases needs improvement	Green
Unauthorized Outside Bank Accounts	Controls over depository accounts need improvement	Green

Legend:	
Actions completed since previous Audit Committee Meeting	Blue
Actions are progressing in a timely fashion or not yet due	Green
Actions are slightly overdue	Yellow
Actions are significantly overdue	Red

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 15, 2024

ITEM: Review of Audit Committee Responsibilities

COMMITTEE: Audit

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

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

Roles and Responsibilities of Audit Committee

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
Annual Audit Plan and Year-end Status Report		
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		
AC Charter III.C.7	Ensure audit function maintains a quality assurance & improvement program.	Update Committee As Needed
Audit Reports and Recommendations		
AC Charter III.C.4	Receive and review significant results of internal audits performed.	Each Meeting
ETSU's Internal Audit Policy VII. F.	The Chief Internal Auditor will provide a copy of each report to the Audit Committee.	
AC Charter III.C.5	Ensure implementations of audit recommendations.	
Fraud, Waste, and Abuse		
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

Policy/Law

Requirement

Meeting

State and External Audits

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

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.	
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.	Winter - 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.

Miscellaneous Responsibilities

AC Charter III.C.2	Review and approve the charter of the Internal Audit Department	Spring
AC Charter III.D.1	Ensure Chief Internal Auditor 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

Roles and Responsibilities of Audit Committee

<u>Policy/Law</u>	<u>Requirement</u>	<u>Meeting</u>
AC Charter III.E.5	Review & evaluate risk assessments performed by management.	Winter and updates throughout
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