

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

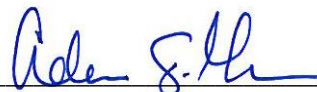
There was no other business to come before the committee.

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

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees