

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

November 13, 2020
Johnson City, Tennessee

The ETSU Board of Trustees Audit Committee met at 8 a.m. on Friday, November 13, 2020, during a virtual meeting held on Zoom that was broadcast for the public's participation.

I. Call to Order

Committee Chairperson Melissa Steagall-Jones called the meeting to order at 8:02 a.m.

II. Roll Call

Board of Trustees Secretary Adam Green explained that before roll call could be taken, he needed to present a series of questions to the committee members, and that due to the trustees participating remotely, all votes taken must be done so by roll call. Committee members Grisham, Ramsey, Niswonger, and Steagall-Jones indicated they could hear clearly and that there was no one present in the room where each was located.

Committee members present were: Melissa Steagall-Jones, Scott Niswonger, Dorothy Grisham, and Ron Ramsey. Other ETSU Board of Trustees members present for the committee meeting were Virginia Foley, Linda Latimer and Austin Ramsey.

In accordance with Tennessee Code § 8-44-108 Section (b) (2), Green stated that this was a regularly scheduled quarterly meeting of the Audit Committee, that the committee business is critical to the operations of the university, and in light of the COVID-19 virus outbreak and the statewide recommendations as well as those from the Centers for Disease Control and Prevention, social distancing measures and a limit on group gatherings are being observed. Green requested a roll call vote to determine the necessity of holding the meeting. Trustee Niswonger made a motion which was seconded by Trustee Grisham. Motion passed.

III. Minutes of the Audit Committee Meeting from October 21, 2020

The minutes from the October 21, 2020, meeting were reviewed. Trustee Grisham moved for them to be approved and Trustee Niswonger seconded the motion. A roll call vote was taken, and the motion passed unanimously.

IV. Approval of Charter of the ETSU Internal Audit Department

Ms. Rebecca Lewis noted that the Audit Committee Charter is typically reviewed by the Audit Committee each spring. However, due to the presence of a new committee chair, she brought the charter to the committee for approval. She noted that there have not been

any changes from the last version. If approved, this charter would need to be signed by both Trustee Steagall-Jones and Chairman Niswonger. Afterwards, it will be sent to the State of Tennessee's Division of State Audit for final approval.

Trustee Niswonger made a motion for approval; Trustee Grisham seconded the motion. A roll call vote was taken, and the motion passed unanimously.

V. Review of Audit Committee Responsibilities

Ms. Lewis provided a summary sheet in the material of the roles and responsibilities of the audit committee. This summary consolidates the responsibilities outlined in the audit committee charter, state statute, and internal audit policies. These included responsibilities related to the audit work of her office as well as the annual audit plan and status reports. The summary also notes the committee's responsibilities related to fraud, waste, and abuse and the department's Quality Assurance and Improvement Programs commonly referred to as the peer review process.

Also included is information regarding the committee's role related to the President's Expense Audit, State and External Audits, as well as other miscellaneous duties.

VI. Approval of Charter of the ETSU Internal Audit Department

Similar to the Audit Committee Charter, the Internal Audit Department's Charter is typically reviewed annually by the Audit Committee each spring.

Due to the change of committee chair, this charter was also presented for approval. Ms. Lewis noted that there have not been any changes from the last version. If approved, this charter would need to be signed by President Noland, Trustee Steagall-Jones and herself.

Trustee Niswonger made a motion for approval; Trustee Grisham seconded the motion. Motion passed unanimously from a roll call vote.

VII. Audits and Investigations Performed

Ms. Lewis reported that since April 2020, Internal Audit has completed a total of three audits and four investigations. Information on each of those reviews was included in the audit committee materials.

Audits

A. Dependent/Spouse Tuition Discount Program

Ms. Lewis explained that these discounts are a part of the state's employee benefit package. The main objective of the audit was to determine if controls are in place to ensure that individuals receiving the discount were eligible. The audit revealed that controls related to relationship verification and eligibility need improvement. Human Resources has begun implementing changes in their processes and Internal Audit will conduct a follow-up audit in the near future to ensure proper controls are in place.

B. Men's Basketball Expenditures

Current university policies require an audit of expenditures at the end of a head coach's employment. The audit revealed compliance with all significant university policies and procedures.

C. President's Expenditure Audit

Internal Audit completed an annual review of the President's Expenditures as required by State Statute. The audit revealed no material omissions from the expense reports, statutory or policy violations, or deficiencies in internal controls.

D. Memorandum of Investigations

The first investigation involved a professor in the Department of Psychology. The investigation involved a research study funded by an internal RDC (Research Development Committee) grant. When reviewing the expenses paid with the RDC grant, it was discovered that some of the funds were spent on other research projects not approved by the RDC. In addition, Institutional Review Board (IRB) policies were not always followed by the faculty member. All research involving human subjects must obtain prior approval of the IRB and principal investigators must adhere to the IRB's established regulations. Internal Audit will conduct a follow-up review to ensure controls have been put in place to help ensure compliance with RDC and IRB requirements in the future.

Internal Audit also completed three case resolution reports involving a missing deposit and two missing petty cash funds. The missing deposit was later discovered during the investigation. However, the two missing petty cash funds were not discovered. The loss for these funds totaled \$175.

E. Completed Audit Heat Map

The Internal Audit Heat Map was included in the materials.

VIII. Recommendation Log Status as of October 31, 2020

After an audit report is issued, Internal Audit conducts "mini audits" to ensure prior recommendations and management action plans have been implemented. The recommendation log is used to track the status of these recommendations and action plans. If a follow-up audit reveals that corrective actions were not taken, a formal follow-up audit report will be issued. If actions have been taken, these are noted, as are any information on items that are significantly or slightly overdue or are progressing in a timely fashion.

IX. Report of the Audit Function for FY 2020

In addition to providing the audit committee with audit reports, Internal Audit also prepares an annual report that summarizes the accomplishments of the department during the past fiscal year.

This report includes a list of completed and in-progress audits, an analysis of audit hours by functional area, and key performance indicators. The department also has mandatory disclosures on customer service satisfaction surveys. Ms. Lewis requested feedback from

Trustee Steagall-Jones regarding any additional performance measures she would like to see in the future.

X. Approval of Internal Audit Employee Profiles

The department's employee profiles were included in the meeting materials. These profiles include each employee's name, position, certification, current salary and years of experience. As required by the Audit Committee Charter, salaries must be approved annually for all audit personnel.

Trustee Steagall-Jones expressed appreciation to Ms. Lewis and her staff for all they have done.

Trustee Grisham made a motion for approval of the salaries, and Trustee Ramsey seconded the motion. After a roll call vote, the motion passed unanimously.

XI. Internal Audit Operating Expense Budget FY 2021

The department's operating budget for FY 2021 was presented as an informational item. This is done to ensure that the department has a sufficient budget to perform audit duties.

XII. Approval of Revisions to the Audit Plan

One addition to the annual Audit Plan was omitted from the plan that was approved at the last meeting. Trustee Niswonger made a motion to approve the revision; Trustee Grisham seconded the motion. The motion passed unanimously with a roll call vote.

XIII. Other Business

No other business items were presented.

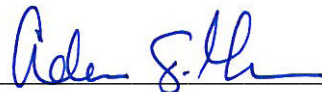
XIV. Executive Session to Discuss Active Audits and Enterprise Risk Management

Trustee Ramsey made a motion to go into executive session; Trustee Grisham seconded the motion. A roll call vote was taken, and the motion passed unanimously. Trustee Steagall-Jones noted that no action will be taken in executive session and that the Audit Committee will not reconvene following the executive session.

XV. Adjournment

The committee adjourned at 8:23 a.m.

Respectfully submitted,



Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its February 19, 2021 meeting.