

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

June 9, 2017

8:30 a.m.

Johnson City, Tennessee

The East Tennessee State University Board of Trustees Audit Committee held a meeting at 8:30 a.m. on Friday, June 9, 2017, in Meeting Room 3 of the D.P. Culp University Center on ETSU's main campus in Johnson City, Tennessee.

I. Call to Order

Trustee David Golden, chair of the Audit Committee, called the meeting to order.

II. Roll Call

Secretary Dr. David Linville called the roll. Committee members in attendance were:

David Golden, chair
Ron Ramsey
Dorothy Grishim

Secretary Linville told Chair Golden he had a quorum.

Others in attendance included: ETSU President Brian Noland; Board of Trustees Chair Scott Niswonger; Ed Kelly, ETSU attorney; Rebecca Lewis, director of Internal Audit; Martha Stirling, assistant director of Internal Audit; Secretary of the Board David Linville; Amanda Marsh, University Relations; Nathan Baker, Johnson City Press; and Kristen Swing, University Relations (taking minutes).

III. Approval of the Minutes of May 8, 2017

Trustee Ron Ramsey made a motion to approve the minutes of the May, 8, 2017, Audit Committee meeting. It was seconded by Trustee Grisham and unanimously approved.

IV. Audit Plan for 2017-18

Ms. Rebecca Lewis presented the proposed Audit Plan for the 2017-2018 fiscal year. Ms. Lewis explained that she and her team determine what to audit each year based on a risk assessment that includes risk factors such as previous audit results, internal control systems, policy or personnel changes, sensitivity, size and external audit coverage. She noted that requests from the Audit Committee and ETSU

administration are also considered when scheduling audits. Page 7 of the meeting materials provided a list of audits planned for next year. Ms. Lewis explained that they will spend the most time on the eight planned risk-based audits, which are the Bursar's Office; Athletic Ticket Office; Title IV/Clery Act; Agency Accounts; NCAA Compliance FY 2017; Additional Earnings; ITS General Controls; and Intercollegiate Athletics Travel and Entertainment.

Chair Golden asked about the risk assessment model used to make the determinations. Ms. Lewis said it is a weighted average based on five things, including when the area was last audited, known internal controls (past weaknesses would weigh heavier), management risk assessments, and whether it is a sensitive area. She pointed out that there are also required audits that have to be done and investigations that come up during the year, which means the plan presented to the Audit Committee will most likely change based on what emerges. Trustee Ramsey asked if this is how it was handled under the Tennessee Board of Regents and Ms. Lewis affirmed that it was the same process. Trustee Ramsey also asked how many people are in Ms. Lewis' department, to which she replied that there are four people in her department.

Trustee Grisham made a motion that the Audit Committee recommend the adoption of the Audit plan for 2017-2018 as presented in the meeting materials. It was seconded by Trustee Ramsey and garnered unanimous approval.

V. Recommendation Log

Ms. Lewis explained that, as part of the audit process, her team makes recommendations for measures to implement in relation to the findings. As those recommendations are made, Lewis and her team ask management for an expected date of completion and then do a follow-up audit. Page 11 of the meeting materials provided the current recommendation log, with most recommendations carried forward from audits conducted while the institution was under the TBR. The log is color coded to indicate status of the recommendation, with green representing actions that are progressing, yellow representing items that are slightly overdue and red (of which there were none on the log) representing items that are significantly overdue. Blue, also not on the log, symbolizes those items that have been completed.

Trustee Grisham asked specifically about the second recommendation under the "Behavioral Health and Wellness Clinic" area, which states, "Management should consider hiring a full- or part-time staff member to handle billing and payment collections." Ms. Lewis explained that the audit revealed one person was doing everything and it was suggested as a management consideration. However, she noted that it is a recommendation and she is not able to force them to complete that action. Chair Golden pointed out that the Audit Committee *is* able to force them when and if deemed appropriate. Ms. Lewis said, in this specific case, she had followed up about a month ago and expressed her concerns again. The issue relates to a clinic in Lucille Clement Hall.

Chair Golden said he appreciated and liked the color coding method used on the log. He said since management knows the Audit Committee is getting that type of coding, things will be more likely to get done. He also said he felt it was appropriate that, if the Audit Committee ever received a log with an item in red (meaning significantly overdue), the managerial person responsible for the item be invited to answer for that at the committee meeting. The committee members agreed this was an excellent idea.

VI. Recently Completed Audits

Ms. Lewis presented information on three audits completed between March 1, 2017, and May 31, 2017:

1. **Rural Health Leave** – This audit was based on timekeeping issues. Internal Audit received an allegation regarding the possible abuse of leave. Ms. Lewis said the audit did find discrepancies between timesheets and the Time Reporting System in the department. She said management has put controls in place to properly monitor timekeeping.
2. **Office of Intercollegiate Athletics Timekeeping/Pay of Student Workers** – This audit began after an allegation regarding timekeeping and pay of student workers in the equipment room. Ms. Lewis said the audit confirmed that these employees were being paid for the maximum contracted hours rather than the actual hours worked. Beginning in Fall 2107, the issue should be corrected.
3. **Inclement Weather Pay** – This audit was the result of an allegation regarding the possible underpayment of emergency crew personnel. The audit confirmed that emergency crew employees were underpaid for hours worked in excess of 7.5 hours per day during the closure period. Ms. Lewis said it was a systems glitch that resulted in 57 employees who were underpaid a total of \$7,424.75 between January 2012 and December 2016. Management corrected the issue and compensated the individuals affected, including individuals no longer working at ETSU, on the May 31, 2017, payroll.

In sharing the information, Ms. Lewis presented the committee members with a heat map that visually indicates how significant the findings were and the control maturity. Chair Golden said he appreciated the heat map because it provides context and helps the committee understand just how big of a deal each of these audits is in the bigger picture. Chair Golden also commended the university for tracking down affected employees from the inclement weather pay audit who have since left the institution. He noted that a lot of other entities would not have done so and said it speaks well of ETSU.

VII. Other Business

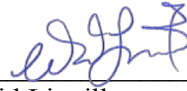
There was no other business.

VIII. Executive Session to Discuss Active Audits

Seeing no further business, Chair Golden adjourned the public part of the meeting and the Audit Committee entered into executive session to discuss active audits.

Adjournment

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'David Linville', positioned above a horizontal line.

David Linville
Secretary of the Board of Trustees

Approved by the Board of Trustees at its September 8, 2017 meeting.