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2-23-2018

### 2018 February 23 – Board of Trustees Audit Committee Meeting

East Tennessee State University

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EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES  
AUDIT COMMITTEE  
FEBRUARY 2018 MEETING

9:00-10:00am EST  
Friday  
February 23, 2018

Surgery Conference Room  
Carl Jones Hall Room 238, VA Building 1  
Mountain Home VA Medical Center Campus  
Mountain Home, TN

AGENDA

- I. Call to Order
- II. Roll Call
- III. [Approval of the Minutes of the Audit Committee November 10, 2017](#)
- IV. [Revisions to the FY 2017-18 Audit Plan \(5 minutes\)](#)
- V. [Audits and Investigations Performed \(15 minutes\)](#)
  - A. Audit of WETS-FM Radio FY 2017
  - B. Memorandum on Investigations
  - C. Investigation of Child Study Center (FWA 18-01)
  - D. Investigation of Parking Services (FWA 18-02)
  - E. Heat Map of Completed Audits
- VI. [Recommendation Log \(5 minutes\)](#)
- VII. Other Business
- VIII. Executive Session to Discuss Active Audits (20 minutes)
- IX. Adjournment

EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

ACTION ITEM

DATE: February 23, 2018

ITEM: Approval of the Minutes of November 10, 2017

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

The minutes of the November 10, 2017 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 November 10, 2017 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

November 10, 2017  
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Audit Committee met at 8:30 a.m. on Friday, November 10, 2017 in the Third Floor Meeting Room in the D.P. Culp University Center on ETSU's main campus in Johnson City, Tennessee.

I. **Call to Order**

Mr. David Golden, chair of the Audit Committee and Vice Chair of the Board of Trustees, called the meeting to order at 8:30 a.m.

II. **Roll Call**

Board of Trustees Secretary Dr. David Linville led the roll call. Trustees in attendance were:

Dorothy Grisham  
Ron Ramsey  
David Golden

Guests in the Third Floor Meeting Room were Dr. David Linville, ETSU Board of Trustees Secretary; Becky Lewis, chief internal auditor; Martha Stirling, internal auditor; Amanda Marsh, communications coordinator; Dr. Karen King, chief information officer; Scott Carter, intercollegiate athletics director; Dr. Brian Noland, ETSU President; Dr. Lauren Collier from the Tennessee Higher Education Commission; Jennifer Clements, marketing and special events director; and Joe Smith, executive assistant to the president for University Relations (taking minutes).

III. **Approval of Minutes of the Audit Committee from September 8, 2017**

The minutes of the September 8, 2017 meeting of the Audit Committee were presented. Trustee Grisham made the motion to approve the minutes, and Trustee Ramsey seconded the motion.

IV. **Audits and Investigations Performed**

Rebecca Lewis, Director of Internal Audit at ETSU, reported on two audits and two investigation reports that were completed during the timeframe of Sept. 1 – Oct. 31, 2017.

**Athletic Ticket Office:** Relatively minor issues were identified in the Athletic Ticket Office regarding the timeliness of deposits and failure to report and pay sales tax on

tickets, vendors, and parking for home games. An executive summary was included in the audit information packet. The total of unpaid sales tax was \$1,003 during the audit period. Controls are to be put into place to help prevent future errors from occurring.

**President's Expense Audit:** A state statute requires that all public institutions produce an annual report detailing the expenditures made by, at the direction of, or for the benefit of the President and that an audit will be performed annually. The audit revealed no statutory or policy violations, material omissions from the expense report, or deficiencies in internal controls. A summary of expenses as well as supplemental schedules for the travel, business meals and hospitality, and other expenses were included in the audit information packet.

**Women's Tennis Expenditures:** An investigation of the women's tennis program resulted in two separate reports being issued. The investigation was conducted based on questionable items discovered during a previous investigation involving "Coach A," who was reimbursed for expenses supported by fabricated, forged, or altered documentation.

The reports being presented to the Audit Committee were completed since the prior Sept. 8 meeting and involve a current tennis coach – "Coach B" – and a previous tennis coach, hereunto referred to as "Coach C." The majority of the questionable documents involve tennis racquet restringing expenses submitted by Coach B and Coach C on team travel claims. The major difference between Coach A and Coach B/Coach C is that Coach A was getting reimbursed for stringing services that were not paid for or performed by him. Coach B and Coach C were performing the stringing services. Coach C was being paid for stringing submitted by him and indicating that he had performed the work. This raises concerns regarding Coach C, given that he was an employee and employees should not be compensated through the travel claim process. From 2010-16, the reimbursed amount was \$10,145.

For Coach B, the situation differed in that Coach B performed the racquet stringing services and submitted fabricated receipts to support the expenses. These receipts indicated that another company or institution performed the services. Coach B has received a reprimand and is paying back the questioned costs, which total \$1,926. With the exception of one charge in 2010, all of the questioned costs were from the 2016-17 year.

Committee members asked if there was any knowledge as to why the Coach B exhibited this behavior, and Ms. Lewis stated that we do not know why. Another committee member asked if Coach B had purchased the ledgers from another company or if they had been created. Ms. Lewis said it appeared the invoices for the stringing services were fake. Four invoices appeared to be created with the other school's logo, date paid, and amount paid. There were two invoices from the same

company (ProCircuit Stringing). A blank multi-part receipt identical to the two submitted was discovered in Coach A's Office.

**Audit Heat Map:** Ms. Lewis presented the completed audits heat map.

Chairman Golden commended Ms. Lewis and her staff for the exceptional work they had done.

- V. **Recommendation Log:** In referring to the recommendation log, Ms. Lewis reported that there are no audits in the red area, which reflects audits that are significantly overdue. Only one item is in the yellow area. This project involves the PCI Questionnaire that needs to be completed. Internal Audit has been working with Information Technology Services to get this resolved as quickly as possible. Dr. Karen King, who is the chief information officer for ETSU, said efforts are underway to get this done.
- VI. **Quality Assurance and Improvement Program:** Ms. Lewis reported that state law requires the Office of Internal Audit to follow the "International Professional Practices Framework" established by the Institute of Internal Auditors (IIA). This framework requires external assessments be performed every five years by a qualified, independent assessor or assessment team outside of the institution. ETSU's most recent assessment was completed in 2013 through TBR, which means that the next review will be due in 2018. According to Ms. Lewis, there are two processes for which the external assessment could be achieved. One is through a self-assessment with independent validation, and the second option is a full external assessment.

Ms. Lewis noted that in either case, a self-assessment will be necessary. The self-assessment with independent validation typically involves volunteers from internal audit offices across the country and that these individuals usually will perform the assessment for travel expense reimbursement only. The full external assessment performs 100 percent of the work needed to determine if the entity is in compliance with IIA Standards. This approach likely would be more costly and time consuming. It was Ms. Lewis' recommendation that the self-assessment with independent validation would be the best approach to ensure items that were in place with the Tennessee Board of Regents have been properly addressed by the institution and by ETSU's Office of Internal Audit.

Chairman Golden noted that he preferred the self-assessment approach with the independent validation would be the better option. It was agreed that Ms. Lewis should move forward with this approach. The 2013 report was issued in August of that year. Ms. Lewis hopes to have the self-assessment done by March of 2018.

## **VII. Other Business**

Chair Golden asked if there were any other business matters to discuss. Given there were no further business matters raised, Chair Golden adjourned the open portion of the meeting and stated that after a brief recess the committee would go into Executive Session.

EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

ACTION ITEM

DATE: February 23, 2018

ITEM: Revisions to the FY 2017-18 Audit Plan

COMMITTEE: Audit Committee

RECOMMENDED ACTION: Approve

PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

The audit plan is developed through a process known as risk assessment. Risk factors include previous audit results, internal control systems, policy or personnel changes, size, sensitivity, and external audit coverage. Special requests by Board of Trustees and university management are also considered when scheduling audits. The audit plan, developed at the beginning of each fiscal year and subject to revision, lists areas to be audited and expected completion dates. The plan is submitted to the Treasury Division of State Audit.

The current audit plan was approved by the Audit Committee and Board of Trustees on June 9, 2017. The Director of Internal Audit provides an overview of the requested revisions to this plan.

**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 2017-18 is approved as presented in the meeting materials.**





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# EAST TENNESSEE STATE UNIVERSITY

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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, Director of Internal Audit *B. Lewis*

**SUBJECT:** Revisions to the FY 2017-18 Audit Plan

**DATE:** February 23, 2018

The following revisions to the original 2017-18 audit plan are requested:

### **Additions**

FWA 18-01 – Investigation due to concerns received by Internal Audit.

FWA 18-02 – Investigation due to concerns received by Internal Audit.

FWA 18-03 – Investigation due to concerns received by Internal Audit

FWA 18-04 – Investigation due to concerns received by Internal Audit

President's Expenses FY 2018 – Required audit for next fiscal year that was added to the current year audit plan since Internal Audit is reviewing the expenses each quarter.

ACUA Track Coordinator FY 2018 Project - Martha Stirling selected as a track coordinator for the 2018 Annual Conference.

Football Expenditures – Special Request due to the upcoming retirement of the head coach.

### **Deletions**

Unscheduled Investigations – removed due to the investigations added above.

EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 23, 2018

ITEM: Audits and Investigations Performed

COMMITTEE: Audit Committee

PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

Ms. Lewis provides an overview of the audits and internal investigations completed during the time period November 1, 2017 – January 31, 2018.

Audits:

1. WETS-FM Radio FY 2017

Investigations:

1. Child Study Center (FWA 18-01)
2. Parking Services (FWA 18-02)

Supporting documents for audits and investigations are included in the meeting materials.

**East Tennessee State University  
WETS-FM Radio  
For the Period July 1, 2016 to June 30, 2017  
Executive Summary**

<b>Department:</b> WETS-FM Radio Station	<b>Auditor:</b> Internal Auditor Staff
<p><b>Background</b> A financial statement audit for WETS-FM radio was performed to determine the fair presentation of the financial statements for FY 2017 as required by the Corporation for Public Broadcast (CPB).</p>	
<p><b>Objectives</b></p> <ol style="list-style-type: none"> <li>1. To determine the accuracy of the existing system of internal control.</li> <li>2. To determine the fairness of financial presentation.</li> <li>3. To determine accuracy and completeness of financial records, and compliance to University policies and procedures.</li> <li>4. To determine if the Station is in compliance with CPB regulations and to certify the CPB Annual Financial Report.</li> <li>5. To produce audited reports for CPB reporting purposes.</li> </ol>	
<b>Total Questioned Costs or Losses:</b> None	<b>Total Recoveries:</b> Not Applicable
<p><b>Findings</b> None</p>	
<p><b>Audit Conclusion</b> The audit report for WETS-FM radio was issued with an unmodified opinion. The financial statements appeared to fairly present, in all material respects, the financial position of the radio station as of June 30, 2017. The audit objectives were met.</p>	



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# EAST TENNESSEE STATE UNIVERSITY

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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, Director of Internal Audit *B Lewis*

**SUBJECT:** Completed Investigations – November 1, 2017 to January 31, 2018

**DATE:** February 23, 2018

Below is a summary of the investigations completed between November 1, 2017 to January 31, 2018.

### ***Child Study Center (FWA 18-01):***

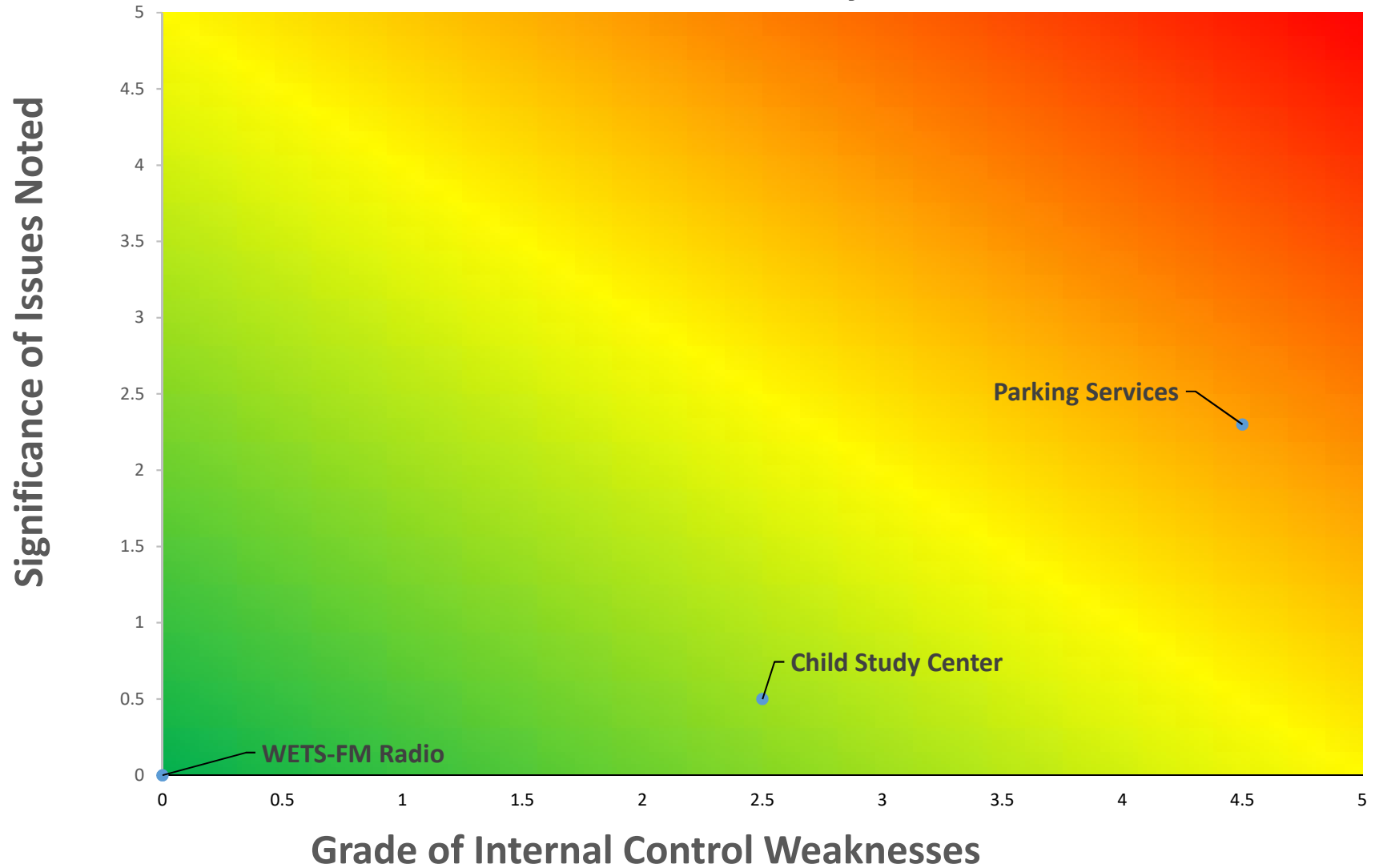
The investigation revealed cash received for the CSC Pride picnic was not deposited intact, expenses were paid directly from the cash receipts, and records related to picnic revenue and expenditures was not maintained. In the future, the CSC will follow university policies and procedures related to picnic revenue and related expenses.

### ***Parking Services (FWA 18-02):***

The investigation revealed that an Information Research Technician 2 (Technician) in Parking Services sometimes removed charges for parking fines and permits from the TickeTrak system when the individual paid in cash. The Technician would then keep the cash for her personal use. Based on the investigation performed, questioned costs totaled \$1,325.00. The Technician admitted in a signed statement to theft of between \$440 and \$460 and has agreed to make payment arrangements with the university for this amount. Since multiple individuals who accept payments in Parking Services work from the same cash drawer and use the same user id in TickeTrak, it is possible that the Technician wasn't the only one involved in the theft. A review of subsequent transactions, however, revealed that theft has not occurred since the Technician's resignation. Management is taking appropriate steps to strengthen the internal control in order to help prevent future incidences from occurring.

# Heat Map of Completed Audits

from November 1, 2017 - January 31, 2018



EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: February 23, 2018

ITEM: Recommendation Log

COMMITTEE: Audit Committee

PRESENTED BY: Rebecca A. Lewis, CPA  
Director of Internal Audit

The audit recommendation log contains information related to suggestions for specific completed audits allowing the Office of Internal Audit to track outcomes related to recommendations.

East Tennessee State University		
Internal Audit Recommendation Log as of January 31, 2018		
Area	Recommendation	Status
PCI Compliance Readiness Audit	PCI Questionnaire (SAQ-D) needs to be completed.	
Off Campus Domestic & International Programs	Controls over Off Campus Domestic & International Programs needs improvement.	Green
NCAA Athletics Compliance	Intercollegiate Athletics should adhere to regulations related to Financial Aid Eligibility of student-athletes.	Green
	Intercollegiate athletics should adhere to the policies related to sports camps and clinics.	Green
Office of Intercollegiate Athletics Timekeeping/Pay of Student Workers	Timesheets should reflect actual hours worked.	Blue
	Students should be paid for all hours worked.	Blue
	Student worker should not be allowed to volunteer time for their paid position.	Blue
Inclement Weather Pay	In the future, all emergency crew personnel working inclement weather days should be compensated in accordance with policy.	Green
	Management should conduct periodic training sessions with timekeepers of emergency crew personnel.	Green
Tennis Expenditures See Additional details in report Issued: June 9, 2017 (Coach A) and October 27, 2017 (Coach B)	General/Overall concerns of travel claim reimbursements need improvement	Green
	Internal controls related to the following expenditure items needs improvement: (1) team meals and snacks, (2) stringing services, (3) registration fees, (4) transportation expenses, and (5) other disbursements.	Green
	Internal controls related to donations and refunds received need improvement	Green
	Internal controls related to reporting of leave used by the coaches need improvement	Green
Baseball Expenditures	Procedures related to team travel need improvement.	Green
	Student workers should be compensated for all hours worked.	Green
Athletic Ticket Office	Deposits should be submitted to the Bursar's Office in a timely fashion.	Green
	Events and services subject to sales tax should be properly identified and applicable taxes should be paid.	Green
Women's Tennis Expenditures (Coach C)	Expenditures which could be considered compensation should not be submitted on the travel claim.	Green
Child Study Center	The collection of revenue and payment of expenditures related to the pride picnic should follow university policies and procedures as well as any applicable state laws.	Green
Parking Services	Internal Controls related to collection of parking fines and permit revenue needs improvement.	Green

<b>Legend:</b>	
Actions completed since previous Audit Committee Meeting	Blue
Actions are progressing in a timely fashion or not yet due	Green
Actions are progressing in a timely fashion after AC Presentation	
Actions are slightly overdue	Yellow
Actions are significantly overdue	Red

EAST TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES  
AUDIT COMMITTEE

MINUTES

February 23, 2018  
Johnson City, Tennessee

The East Tennessee State University Board of Trustees Audit Committee met at 9 a.m. on Friday, February 23, 2018 in the Department of Surgery Conference Room in Carl Jones Hall on the Quillen VA Medical Center campus.

I. **Call to Order**

Mr. David Golden, chair of the Audit Committee and vice chair of the Board of Trustees, called the meeting to order at 9:11 a.m.

II. **Roll Call**

Board of Trustees Secretary Dr. David Linville led the roll call. Trustees in attendance were:

Dorothy Grisham  
Ron Ramsey  
David Golden

Guests at the meeting were Dr. David Linville; Becky Lewis, chief internal auditor; Martha Stirling, internal auditor; Logan Greer, internal auditor; Dr. Brian Noland, ETSU president; Kristen Swing, director of communications; Dr. Lauren Collier, Tennessee Higher Education Commission; and Joe Smith, executive assistant to the president for University Relations (taking minutes).

III. **Approval of Minutes of the Audit Committee from November 10, 2017**

The minutes of the November 10, 2017 meeting of the Audit Committee were presented. Trustee Golden made a recommendation for approval, and Trustee Ramsey seconded the motion. Motion passed.

IV. **Revisions to the FY 2017-18 Audit Plan**

Rebecca Lewis requested the addition of four investigations to the Audit Plan for 2017-18. Two of the audits have been completed and will be discussed later during the meeting. An audit of presidential expenses was added to the current year audit plan since Internal Audit is reviewing the expenses each quarter. In addition, Martha Stirling from the Internal Audit staff has been selected as a track coordinator for the 2018 ACUA Annual Conference. An audit of football expenditures has been added



following the announcement that the head coach is retiring. In the future, any time a head coach retires or leaves the program, an audit of expenditures will take place.

Trustee Ramsey made a motion for approval of the revised plan and Trustee Golden seconded the motion. Motion passed.

V. **Audits and Investigations Performed**

Ms. Lewis provided an overview of the audits and internal investigations completed during the time period of November 1, 2017 – January 31, 2018.

**WETS-FM Radio FY 2017:** A financial statement audit for WETS-FM radio was performed to determine the fair presentation of the financial statements for FY 2017 as required by the Corporation for Public Broadcast (CPB). There were no findings or questioned costs or issues. The audit report for WETS-FM radio was issued with an unmodified opinion. The financial statements appeared to fairly present, in all material respects, the financial position of the radio station as of June 30, 2017, and the audit objectives were met.

A memorandum of investigation was issued on the following audits:

**Child Study Center:** The investigation revealed cash received by the Child Study Center for its Pride Picnic was not deposited intact, expenses were paid directly from the cash receipts, and records related to the picnic revenue and expenditures were not maintained. In the future, the center will follow university policies and procedures related to picnic revenue and related expenses.

**Parking Services:** An investigation revealed that an employee (Technician) in Parking Services sometimes removed charges for parking fines and permits from the TickeTrak system when the individuals paid in cash. The Technician would then keep the cash for personal use. Based on the investigation performed, questioned costs totaled \$1,325. The Technician admitted in a signed statement to theft of between \$440 and \$460 and has agreed to make payment arrangements to the university for this amount. Since multiple individuals who accept payments in Parking Services work from the same cash drawer and use the same user ID in TickeTrak, it is possible that the Technician was not the only one involved in the theft. A review of subsequent transactions, however, revealed that theft has not occurred since the Technician's resignation. Management is taking appropriate steps to strengthen the internal control in order to help prevent future incidences from occurring. Ms. Lewis noted that ETSU Public Safety had been contacted regarding this investigation.

A heat map summarizing completed audits from November 1, 2017 – January 31, 2018 was reviewed.

VI. **Recommendation Log**

Ms. Lewis presented the recommendation log that shows the status of audit recommendations from previous audits. All actions taken by management seem to be progressing in a timely fashion or are not yet due. Updates about the PCI questionnaire discussed at the previous Audit Committee meeting have been received and are progressing toward an August completion date. One follow-up matter has been completed since the last meeting and appropriate actions have taken place. Two ongoing investigations will be discussed in executive session.

VII. **Other Business**

Trustee Golden asked if there were any other business items to discuss. Given that none were announced, the public portion of the committee meeting adjourned and committee members moved into executive session.

Respectfully submitted,



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David Linville  
Secretary of the Board of Trustees

Approved by the Board of Trustees at its April 27, 2018 meeting.