

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

11:05 a.m. – 11:35 a.m. EDT
Friday
September 13, 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 May 24, 2024](#)
- IV. [Action Item: Audit Plan for FY25 – Lewis \(2 minutes\)](#)
- V. [Audits and Investigations Performed May through August 2024 – Lewis \(10 minutes\)](#)
 - A. [Center for Nursing Advancement](#)
 - B. [Procard System Audit](#)
 - C. [Follow-Up to State Audit Findings](#)
 - D. [Memorandum on Investigations](#)
 - E. [Completed Audits Heat Map](#)
- VI. [Recommendation Log Status as of August 31, 2024 – Lewis \(2 minutes\)](#)
- VII. [Report on Audit Functions for FY24 – Lewis \(2 minutes\)](#)
- VIII. [Action Item: Internal Audit Employee Profiles – Lewis \(2 minutes\)](#)
- IX. [Internal Audit Operating Expenses – Lewis \(2 minutes\)](#)
- X. Other Business

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

XII. Adjournment

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: September 13, 2024

ITEM: Approval of the Minutes of May 24, 2024

COMMITTEE: Audit

RECOMMENDED ACTION: Approve

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

The minutes of the May 24, 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 May 24, 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

May 24, 2024
Johnson City, Tennessee

The East Tennessee State University Board of Trustees' Audit Committee met on Friday, May 24, 2024, at 11:31 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 11:31 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 Ron Ramsey
Trustee Tony Treadway

Other Trustees in attendance were Charles Allen, Steve DeCarlo, Dr. Steph Frye-Clark, and Aamir Shaikh.

III. Approval of the Committee Minutes from February 16, 2024

The minutes from the February 16, 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. Annual Review of Charters

Ms. Becky Lewis, Director of Internal Audit, reported to the committee that her office has reviewed the following three charters and has recommended no changes in them:

Audit Committee Charter
Internal Audit Charter
Compliance Charter

In addition, Ms. Lewis said, the Office of Legal Counsel and the Office of Compliance did not recommend any changes.

The committee also did not recommend any changes.

V. Annual Review of Policies

Ms. Lewis reported that her office has reviewed the Internal Audit Policy and the Preventing and Reporting Fraud, Waste, and Abuse Policy and found that no amendments or changes were needed. The other two policies on the agenda are under the auspices of the Office of Human Resources, and no changes were identified. Those are the Conflict of Interest Policy and the Employee Code of Conduct Policy. The Audit Committee concurred on all four policies and did not recommend any changes.

VI. Action Item: Revisions to the FY2023-24 Audit Plan

Ms. Lewis requested that the committee approve the addition of three potential fraud, waste, or abuse concerns to the plan. She also requested permission to delete the Northeast Tennessee Community Health Centers audit. It was initially a special request from the College of Nursing, but the Office of Internal Audit has been asked to postpone the audit until after the implementation of the Voyager system.

Trustee Grisham made a motion that these revisions to the Audit Plan be accepted. Trustee Ramsey seconded the motion. It passed unanimously.

VII. Audits and Investigations Performed February through April 2024

Ms. Lewis summarized the results of three different audits performed during this period. The first was the annual WETS-FM audit, a requirement of the Corporation for Public Broadcasting. The Office of Internal Audit concluded that the financial statements fairly present the financial position of the radio station as of June 30, 2023, and the office issued an unqualified opinion.

The next audit was an executive-level audit of the Chief Information Officer, conducted in accordance with the annual Audit Plan. The administrator to be audited each year is randomly selected. There were no findings as a result of this audit.

The third audit completed dealt with athletics revenue, also in accordance with the annual Audit Plan. It is the first audit the office conducted under its revised procedures. There were no findings.

VIII. Recommendation Log Status as of April 30, 2024

Included in the committee's packet of information is a report on the status of prior audit recommendations. Ms. Lewis indicated that all of the audits on the list have either been completed or are progressing in a timely fashion.

IX. Review of Audited Financial Statements from the Comptroller of the Treasury

Ms. Christy Graham, Chief Financial Officer, reported that once again ETSU has received an unqualified opinion on its financial statements and the financial statements are fairly presented. ETSU has remediated all previous findings, and there were no repeat findings. Ms. Graham said the report indicates that ETSU's financial position is strong.

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 11:47 a.m. to go into executive session.

XII. Adjournment

EAST TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: September 13, 2024

ITEM: Audit Plan for FY25

COMMITTEE: Audit

RECOMMENDED ACTION: Approve

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

The annual audit plan is developed through a risk assessment process. 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 is developed at the beginning of each fiscal year and is subject to revision throughout the year. The approved plan is also submitted to the Comptroller of the Treasury, Division of State Audit.

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

RESOLVED: The Audit Plan for 2024-25 is approved as presented in the meeting materials.

**East Tennessee State University
Internal Audit Plan as of 08/18/2024
Fiscal Year Ended June 30, 2025**

Rank	Type	Area	Audit
Required by State Audit	R	FM	Cash Counts/Inventories
Brought Forward Required by State Statute	R	FM	President's Expense FY 2024
Required by Many	R	FM	Risk Assessments
Required by CPB	R	FM	WETS-FM
Required by State Statute	R	FM	President's Expense FY 2025
Required by State Audit	R	FM	Follow-Up: State Audit
Follow-Up	F	RS	Follow-Up: RDC Grants
Follow-Up	F	FM	Follow-Up: Family Medicine Timekeeping
Follow-Up	F	SS	Follow-Up: Guest and Group Housing
Follow-Up	F	FM	Follow Up: Chemistry Procards
Brought Forward Invest	I	FM	Investigation 23-08
Brought Forward Invest	I	IS	Investigation 24-02, 24-03, and 24-05
Brought Forward Invest	I	FM	Investigation 24-04
Brought Forward Invest	I	FM	Investigation 24-06
Brought Forward Invest	I	IA	Investigation 24-07
Investigation	I	IS	Investigation 25-01
Investigation	I	FM	Unscheduled Investigations
Consulting	C	IS	General Consultation
Project	P	IS	Board of Trustees (Prep for Meetings, Meetings, etc.)
Brought Forward Special Request	S	FM	Center for Nursing Advancement
Special Request	S	IS	Professional Development
Special Request	S	IA	College of Nursing - Dean
Special Request	S	IA	College of Health Sciences - Dean
Brought Forward Risk Based	A	AX	Auxiliary Enterprises
Brought Forward Risk Based	A	FM	Procard System Procedures Audit (includes the Follow Up)
Risk Based	A	SS	Clery Act
Risk Based	A	IA	Grade Changes
Risk Based	A	AT	NCAA Compliance
Risk Based	A	AT	Complimentary Tickets
Risk Based	A	IS	Fringe Benefits
Risk Based	A	IT	ITS General Controls
Risk Based	A	IS	Compensation

Estimate-Hours Available For Audits = 4,708

Audit Types:

- R - Required
- A - Risk-Based (Assessed)
- S - Special Request
- I - Investigation
- P - Project (Ongoing or Recurring)
- M - Management's Risk Assessment
- C - Consultation
- F - Follow-up Review

Functional Areas:

- AD - Advancement
- AT - Athletics
- AX - Auxiliary
- FM - Financial Management
- IA - Instruction & Academic Support
- IS - Institutional Support
- IT - Information Technology
- PP - Physical Plant
- RS - Research
- SS - Student Services

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 13, 2024

ITEM: Audits and Investigations Performed May through August 2024

COMMITTEE: Audit

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

Ms. Lewis will provide an overview of the audits and internal investigations completed during the period May 1, 2024 to August 31, 2024.

Audits

- Center for Nursing Advancement – An audit of East Tennessee State University’s Center for Nursing Advancement (Center) was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. The audit was conducted at the request of administration. The expenditures reviewed were those under the direct control of the Center.
- Procard System Audit – A system audit of Procurement Cards (Procards) within the US Bank Online System was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. This audit focused on the new system for documenting and approving purchases made using procards and also serves as a follow up on a prior audit of the system.
- Follow-up to the State Audit – The Department of Internal Audit has performed a follow-up of the state audit findings and recommendations contained in their audit report for the year ended June 30, 2023. The follow-up was conducted under the authority delegated in East Tennessee State University’s Internal Audit Policy and is a requirement of the Tennessee Comptroller of the Treasury.

Investigations

- Unauthorized Outside Bank Accounts (FWA 24-06) – An investigative review into two outside bank accounts at East Tennessee State University (ETSU) was conducted by the Department of

Internal Audit. Annually, Financial Services contacts local depositories (banks, credit unions, etc.) inquiring about the existence of any unauthorized accounts which were setup under ETSU's name or Employer Identification Number (EIN). In March 2024, a local bank responded to Financial Services' inquiry indicating that two older accounts were discovered. While the existence of unauthorized depository accounts is performed annually, it is unclear why these accounts weren't previously identified. One checking account was established by the History Department and the other was for Language and Literature. Financial Services notified Internal Audit and requested a review of these accounts.

**East Tennessee State University
Center for Nursing Advancement
February 1, 2023 – February 29, 2024
Executive Summary**

Key Staff Person: Interim Executive Director and Assistant Dean for Finance	Auditor: Internal Audit Staff Member
<p>Introduction An audit of East Tennessee State University’s Center for Nursing Advancement was conducted by Internal Audit personnel. The expenditures reviewed were those under the department’s control.</p>	
<p>Objectives</p> <ol style="list-style-type: none"> 1. To evaluate the adequacy of the internal controls. 2. To determine compliance with university policies/procedures and applicable federal regulations. 3. To make recommendations for correcting deficiencies or improving operations. 	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
<p>Conclusions Operational and travel expenditures paid from the accounts under the department’s control were reviewed and tested for compliance with university policies and procedures. We reviewed one institutional account and one grant account. The items tested included all of travel, miscellaneous expenditures, and procard transactions. A total of 67 transactions were tested which amounted to \$160,590.65 in expenditures.</p> <p>There were no findings as a result of this audit. Based on the testing performed it appears that the expenditures tested with applicable policies and procedures. The objectives of the audit were met.</p>	

East Tennessee State University
Procards – System Audit
October 21, 2023 – January 20, 2024

Key Staff Person: Manager of Accounts Payable

Internal Audit: Internal Auditor

Introduction

An audit of *Procards* within the US Bank Online System was conducted by Internal Audit personnel in accordance with the Annual Audit Plan. Procard transactions moved to the new online system in January 2020. This audit focused on the new system for documenting and approving purchases made using procards and also serves as a follow up on a prior audit of the system.

Objectives

1. To evaluate the adequacy of the internal controls within the US Bank Online System as well university procedures.
2. To evaluate the potential use of reports generated through the online system
3. To determine compliance with university policies and procedures and applicable federal regulations.
4. To make recommendations for correcting deficiencies or improving operations.

Current Audit Results

Observation: Even though it appears the bank's online system allows for compliance with the University's record retention policies, supporting documentation may not be available or could be difficult to locate. Cardholders have the ability to upload supporting documentation into the system for one year after the date of purchase. However, if the cardholder fails to upload the documentation and does not maintain the physical receipt (which is not required), the State's record retention requirements would be violated. In addition, if university personnel need to review a document that is older than twelve months, they must submit a request to the bank. When requesting this information, university personnel cannot request a specific item. Instead, they must request items based on date range, approval status, and cardholder.

Finding 1: Reports obtained from the online procard system indicated compliance with policies need improvement. Of 6,407 transactions, the following discrepancies were discovered from the four queried reports:

- 299 procard transactions appeared to contain payments for Tennessee sales tax.
- 908 procard transactions were not approved by the cardholder in the online system.
- 1,508 procard transactions were not approved by the supervisor in the online system.
- 574 procard purchases totaling \$149,148.42 did not have supporting documentation scanned into the online system. In addition, of the 574 purchases lacking documentation, 550 were not approved by either the cardholder or the supervisor.

Since the prior audit, the total unapproved and unsupported transactions increased even though the population tested decreased. Both the current and prior audit reviewed a three-month period.

Finding 2: Testwork performed by Internal Audit indicated compliance with policies need improvement. Of the 1,767 transactions identified in Finding 1 through the use of queried reports from the system, 275 transactions were selected for detailed testwork. In addition to concerns over sales tax payments, transaction approval, and lack of supporting documentation, other potential issues were noted. These included such things as 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.

East Tennessee State University
Follow-Up to the Financial and Compliance Audit Report
Issued February 26, 2024 for Fiscal Year 2023
By the Tennessee Comptroller of the Treasury
Executive Summary

Key Staff Areas: Business & Finance	Auditor: Associate Director of Internal Audit
Introduction: East Tennessee State University’s financial statement audit for the year ended June 30, 2023 contained one finding. As required, Internal Audit performed a follow-up review of actions taken in response to the finding.	
Objectives: The objective of the follow-up is to determine if management has implemented corrective actions for the finding noted in the Division of State Audit’s annual audit report for the fiscal year ended June 30, 2023.	
Total Questioned Costs/Losses: None	Total Recoveries: N/A
Findings and Current Status	
<u>Original Finding:</u> <i>Management needs to improve financial statement preparation and review procedures to prevent errors in its financial statements.</i>	
As noted in the prior audit, ETSU’s procedures for preparing and reviewing its financial statements and the accompanying notes to the financial statements were not adequate to ensure the accuracy, proper classification, and disclosure of information.	
This weakness resulted in the following material reporting errors in the university’s 2023 financial statements:	
<ul style="list-style-type: none"> • On the statement of net position, cash and cash equivalents were overstated by \$5,878,972. <ul style="list-style-type: none"> ○ Management did not recognize reductions in Local Government Investment Pool (LGIP) cash restricted for capital projects totaling \$4,856,069 in the general ledger. The locally funded expenditure amounts were mistakenly reported as being funded by state capital appropriations. Therefore, cash and capital appropriations were overstated by \$4,856,069. ○ We also noted another cash overstatement when reviewing the bank reconciliation totaling \$766,862. Management did not report the cash deducted from the bank balance as a reduction in the ledger balance. ○ A third overstatement totaling \$256,041 resulted from an error in preparing a journal entry. The journal entry was incorrectly prepared as a part of the bank reconciliation process. • Capital appropriations were also overstated and accounts payable were understated by \$843,964 as other locally funded expenditures not yet withdrawn from restricted LGIP cash were incorrectly reported as being funded by capital appropriations. • Noncurrent long-term liabilities were overstated by \$62,044 and current long-term liabilities were understated by \$62,044 due to management reporting the current portion of a note payable liability as noncurrent. 	

- The noncurrent compensated absences liability was overstated by \$475,214, and the current compensated absences liability was understated by \$475,214. Management incorrectly used prior year percentages to calculate current and noncurrent compensated absences.
- Contributions to the State and Higher Education Employee Retirement Plan subsequent to the June 30, 2022, measurement date totaling \$1,122,758 were reported as fringe benefits instead of deferred outflows related to pensions. This error resulted in an understatement of deferred outflows related to pensions and an overstatement of benefits expense.
- Capital assets were overstated, and utilities, supplies, and other expenses were understated by \$1,066,111 as expenses were incorrectly capitalized in the general ledger.
- Management did not identify five subscription-based information technology arrangements (SBITAs) when implementing GASB Statement 96, Subscription-Based Information Technology Arrangements. As a result, capital assets and SBITA liabilities were understated by \$940,319 and \$928,583, respectively. The statements and associated notes were not corrected, as the university's Chief Financial Officer deemed the amounts immaterial. Because the adjustment was below materiality, our opinion is not modified with respect to this matter.
- In Note 9 to the financial statements, Accounts Payable, vendor payables were overstated by \$1,694,255, unapplied student payments were understated by \$309,719, and other payables were understated by \$1,384,536.
- In Note 10 to the financial statements, Long-term Liabilities, management did not properly report the debt service requirements for its Tennessee State School Bond Authority debt. The requirements for the first four years were reported and then the requirements for the five-year periods thereafter. GASB Codification 1500, paragraph 129, requires disclosure of the “principal and interest requirements to maturity, presented separately, for each of the five subsequent fiscal years and in five-year increments thereafter.”
- In Note 18 to the financial statements, Commitments and Contingencies, outstanding commitments under construction contracts were reported at \$43,629,898 instead of the correct amount of \$13,382,716. The amount to be funded by future capital appropriations was reported as \$13,978,351 instead of the correct amount of \$48,936.
- In Note 19 to the financial statements, Chairs of Excellence, management overstated the balance on deposit with the State Treasurer by \$70,297. Management incorrectly included transactions occurring after the June 30, 2023, fiscal year-end.
- In Note 20 to the financial statements, Natural Classification with Functional Classifications, we noted that management included \$4,631,296 of nonoperating interest expense in other operating expenses (utilities, supplies, and other expenses). The note should address only operating expenses.

Current Status:

According to management, all staff have been trained on daily and year-end procedures. All have been involved in training for the new ERP system, which allowed employees to develop more efficient and effective processes. A review of training records showed that all employees within the department, who are responsible for accounting transactions, received training relevant to their job duties.

A review of bank reconciliations for May and June 2024 were completed. No errors were discovered on the June bank reconciliations. However, an error was found on the May reconciliation for the Operating Account. This error would not cause a misstatement in the financials since the ending balances did not change.

LGIP accounts are now being reconciled on a monthly basis to ensure all adjustments have been processed and the balances between the bank and Banner agree.

Standard operating procedures, which are currently being developed, were reviewed by Internal Audit. Financial Services intended to have these finished with the transition to the new ERP system; however, implementation was delayed. The date the new system will be operational is currently unknown.

Individuals identified as preparing the financial statements appears to have received adequate training to assist them in preparing accurate financial statements. During the prior fiscal year (2023), financial statements did not undergo a thorough review process. In order to complete these statements in a timely manner, two employees prepared the statements. This year, one will prepare the statements while the other completes a thorough review. In addition, a checklist was created along with an updated year-end calendar to ensure all necessary steps are completed. Finally, reports were developed to aid in gathering data necessary to prepare the statements. Since the financial statements for FY 2024 have not been finalized, we were unable to review for accuracy.

The audit objectives were met.



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 – May 1 to August 31, 2024

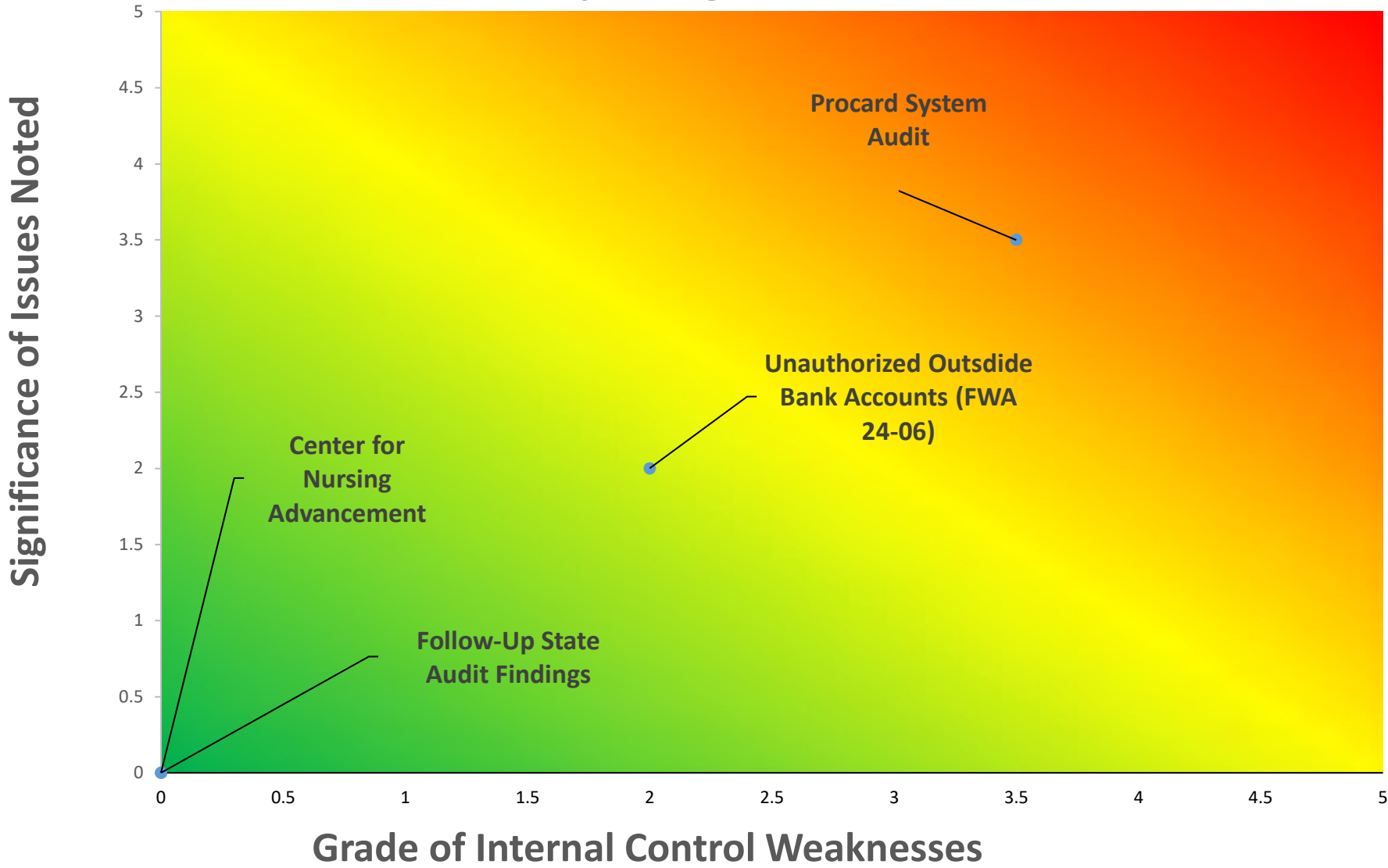
DATE: September 13, 2024

Below is a summary of the investigations completed between May 1 and August 31, 2024.

Unauthorized Outside Bank Accounts (FWA 24-06) – The investigation revealed the depository account for the History Department was dormant with retired university professors having signature authority. This account was believed to be used for the history honor society. One of the individuals with signature authority closed the account and the funds were deposited into the Foundation. The second account was established by the Department of Language and Literature. This was an active account which appears to be funded with personal resources of department personnel and used to purchase such things as student worker and secretary gifts, wedding presents for staff, etc. A meeting will be held to instruct the Chair of Language and Literature to close or modify the account, removing both the university's name and EIN.

Heat Map of Completed Audits

from May to August 2024



EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 13, 2024

ITEM: Recommendation Log Status as of August 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 August 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: September 13, 2024

ITEM: Report on Audit Functions for FY24

COMMITTEE: Audit

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

The Annual Report for the Department of Internal Audit for the 2024 fiscal year is included in the meeting materials. This report fulfills the annual reporting requirements (T.C.A. § 4-14-102) and provides information to the Board of Trustees concerning the FY 2024 audit efforts of Internal Audit.



Department of Internal Audit
East Tennessee State University

2023-24 Annual Report

Message from the Chief Audit Executive

It is our pleasure to present the Annual Report for ETSU's Department of Internal Auditing. Fiscal Year 2023-24 was a productive year for us.

Our accomplishments include the following:

- ◆ Completed 8 Audits and 5 Investigations
- ◆ Followed up on 13 Prior Internal Audit Reports
- ◆ Issued a Follow Up Report related to 1 State Audit Review
- ◆ Completed a Quality Assessment Review (QAR) for 1 Peer Institution
- ◆ Completed a QAR Self Assessment for ETSU
- ◆ Completed 3 Procard Consulting Engagements

Internal Audit reports functionally to the ETSU Board of Trustees and administratively to the President. The BOT Audit Committee continues to provide tremendous support, enabling our department to serve as an effective, independent resource.

Becky Lewis, CPA



The Rest of the Team

Martha Winegar, CPA
Associate Director

Bryan Brockwell
Internal Auditor

Caleb Phillips
Internal Auditor

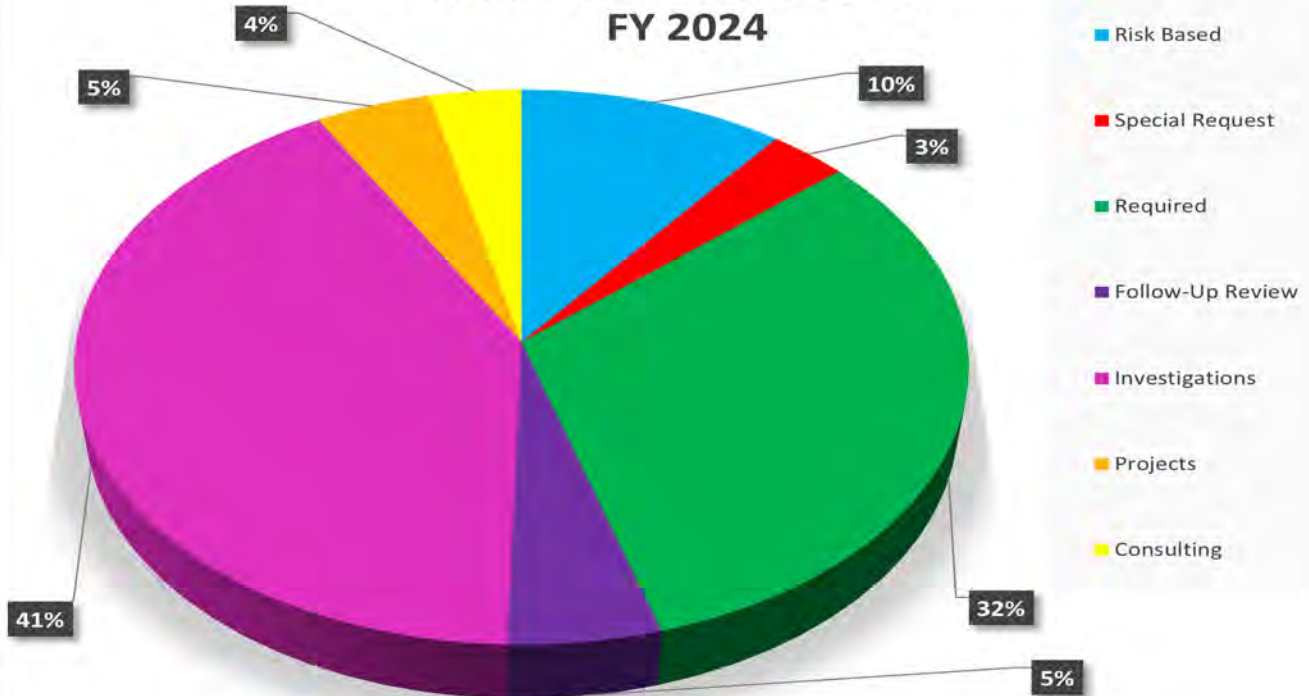
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**East Tennessee State University
Audit Activity Completed
Fiscal Year Ended June 30, 2024**

Audits - Required	FM	Cash Counts/Inventories	
	FM	President's Expense FY 2023	
	FM	Risk Assessments	
	FM	WETS-FM	
Audits - Special Requests	FM	Executive Level Audit FY 2024	
Audits - Risk Based	IA	Minors on Campus	
	SS	Guest and Group Housing	
Follow-Ups Reviews	AT	Athletics Revenue	
	FM	Follow-Up: State Audit	
	IT	Follow-Up Off Campus Domestic/International Pgms	
	IS	Follow-Up Dependent/Spouse Tuition Discount	
	IA	Follow-Up Human Patient Simulation Laboratory	
	AT	Follow-Up: Men's Basketball Expenditures	
	IA	Follow-Up: Health Services (missing petty cash)	
	IA	Follow-Up: College of Nursing	
	IA	Follow-Up: Center of Excellence in STEM Education	
	IA	Follow-Up: Access ETSU	
	AT	Follow-Up: Athletic Ticket Office	
	FM	Follow-Up: College of Nursing Health Clinics	
	SS	Follow-Up: Guest and Group Housing	
Investigations	AT	Follow-Up: Men's Basketball Expenditures No. 2	
	RS	Follow-Up: Internal Medicine	
	RS	Investigaiton 22-05	
	FM	Investigation 23-07	
	FM	Investigation 23-10	
	FM	Investigation 23-11	
	FM	Investigation 24-01	
	Consulting/Projects	IS	General Consultation
		FM	Procard Consulting
		IS	Board of Trustees (Prep for Meetings, Meetings, etc.)
IS		QAR - TBR	
IS		QAR - ETSU	

**Actual Audit Hours by Type
FY 2024**



This includes 23 audits that were started during FY 2023 and brought forward into FY 2024.

**East Tennessee State University
Audit Activity in Progress
As of June 30, 2024**

Audits - Required	FM	President's Expense FY 2024
	FM	
Audits - Special Re-		Center for Nursing Advancement
Audits - Risk Based	AX	Auxiliary Enterprises
	FM	Procard System Procedures Audit (includes the FU)
Investigations	FM	Investigation 23-08
	IS	Investigation 24-02
	FM	Investigation 24-04
	FM	Investigation 24-06
	IA	Investigation 24-07

Customer Satisfaction Survey

Starting in July 2018, Internal Audit implemented an anonymous customer satisfaction survey. In January and July, surveys were sent to employees who recently had significant contact with Internal Audit. Each individual was asked to complete a 10 question survey. The results of the FY 2024 surveys are below:

Number of Surveys Sent Out	23
Number of Positive Surveys Returned	16
Number of Negative/Mixed Surveys Returned	0
Number of Surveys not Returned	7

Comments:

- Our Internal Audit Office does a great job
- Appreciated the team; they were clear, quick, and kind
- Internal Audit team was professional, transparent, evidence-based, and attentive. They are true professionals!
- I appreciated IA's approach of "we want to help you", not one of "gotcha". They were quick to respond and provided good feedback.
- I appreciate the services to provide insight into processes that may need improvement.
- I am very pleased with the audit process as Internal Audit has been very helpful in working with our office to identify and suggest improvements in a productive and positive manner.
- The Office of Internal Audit is always professional and exhibit expertise in audit processes and procedures.
- Everyone in the Office of Internal Audit is great at what they do. Some people hear the word "audit" and think of negative things, but I think of positive things and positive people.

Key Performance Indicators	FY 23/24	FY 22/23	FY 21/22	FY 20/21	FY 19/20
Number of Full Time Staff	3.83	3.48	3.83	3	3.75
Number of Audits Completed	8	12	9	5	9
Number of Follow-Ups on Prior Internal Audit Find-	13	4	6	8	6
Number of State Audit Follow-Up Issued	1	1	1	1	0
Number of Investigations Completed	5	10	11	7	7
Number of Procard Reviews	3	0	0	0	19
Number of Other Audit Activities Completed (i.e. consulting, projects, etc.)	3	3	3	3	3
Percentage of Effort Spent on Audit Activities	59%	51%	50%	55%	58%
Average Number of Years of Professional Experience	12.75	13.5	10	12	18

Mandatory Disclosures:

The Office of Internal Audit’s activities are governed by standards promulgated by the Institute of Internal Auditors. These standards require the reporting of specific items to an organization’s Board and Senior Management. The following is a list of required disclosures not previously addressed in this document.

Organizational Independence: As required by standard, the Office of internal Audit must confirm to the Board, at least annually, the organizational independence of internal audit activity. ETSU’s Office of Internal Audit reports administratively to the President’s Office and functionally to the Board of Trustees’ Audit Committee. Reporting to the audit committee helps promote the independence necessary for Internal Audit to adequately perform its job functions.

Impairments to Independence or Objectivity: If independence or objectivity is impaired in fact or appearance, the details of the impairments must be disclosed. There were no impairments to independence or objectivity for any engagements performed during the 2023-2024 fiscal year.

Disclosures of Nonconformance: Occasionally circumstances require the completion of projects and/or engagements in a manner that is not consistent with applicable standards. When this occurs, the Office of Internal Audit must disclose the nonconformance and the impact to Senior Management and the Board. During the 2023-2024 fiscal year, there were no instances in which projects were performed in a manner that did not comply with applicable standards.

Resolution of Management’s Acceptance of Risk: Each audit engagement can potentially produce items that may pose risk to university operations. Some items will require management’s attention while others may be situations in which management decides to accept the risk associated with continuing the current practice. This is normal in limited circumstances and is often due to cost/benefit constraints. The Office of Internal Audit is required to disclose, to Senior Management and the Board, any situation in which it is believed university personnel has accepted a level of residual risk that may not adequately reduce/mitigate the risk of loss. There were no such instances discovered during the 2023-2024 fiscal year.

ACTION ITEM

DATE: September 13, 2024

ITEM: Internal Audit Employee Profiles

COMMITTEE: Audit

RECOMMENDED ACTION: Approve

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

The Board of Trustees must annually approve the salaries of those individuals working in the Department of Internal Audit. A table of salaries is provided in the meeting materials. This also provides information regarding the professional certifications and years of service.

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

RESOLVED: The salaries of the Internal Audit staff are approved as presented in the meeting materials.

ETSU Internal Audit Employee Profile - FY 2025

Name	Position	Professional Certification	Current Annual Salary	Years of Professional Experience	Years of Experience at ETSU
Becky Lewis	Chief Audit Executive	CPA	\$ 116,983	30	26
Martha Winegar	Associate Director	CPA	\$ 76,489	19	12
Bryan Brockwell	Internal Auditor	-	\$ 53,677	5	5
Caleb Phillips	Internal Auditor	-	\$ 51,855	1	0.5

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 13, 2024

ITEM: Internal Audit Operating Expenses

COMMITTEE: Audit

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

The Board of Trustees through its Audit Committee must ensure the Department of Internal Audit has sufficient resources to complete its work. Included in the meeting materials is a copy of the operating budget for the office.

Internal Audit Travel and Operating Budget for FY 2025

	Total Budget	Average Per Auditor
Current Travel Budget	\$ 4,750.00	\$ 1,187.50
Current Operating Budget	\$ 10,790.00	\$ 2,697.50

Travel Budget covers:

- Audit Work
- Continuing Professional Development for 4 Staff Members

Operating Budget covers:

- Telephone instrument and long distance charges
- Professional membership fees
- Operating Supplies
- Conference registration fee for continuing education
- Copier Charges