

**Tennessee State University Board of Trustees
Audit Committee Meeting
June 15, 2023
Tennessee State University – Hankal Hall**

MINUTES

Committee Members Present: Chair Deborah Cole, Trustee Obie McKenzie, and Trustee Van Pinnock

Other Board Members Present: Trustees Pam Martin, Andre Johnson, Bill Johnson, Steve Corbeil, Obie McKenzie, Deborah Cole, Van Pinnock and Shaun Wimberly

University Staff Present: President Glenda Glover; Laurence Pendleton, General Counsel and Board Secretary; Doug Allen, Vice President of Finance and Budget; Dr. Arlene Nicholas-Phillips, Liaison to the Board of Trustees; Curtis Johnson, Vice President for Administration; Ginette Garza Brown, Associate General Counsel; former TSU Director of Internal Audit, Adrian Davis; current Director of Internal Audits, Renée Forbes-Williams

I. CALL TO ORDER

Trustee Cole called the meeting to order at 10:41 a.m. CDT on June 15, 2023. Trustee Cole moved to make certain findings on the record regarding the necessity for conducting the meeting electronically without a physical quorum present due to unavoidable travel issues by committee members. The Committee found that there were various important matters that required immediate action by the Committee, including approval of the fiscal year 2023-2024 audit plan and to hear reports on internal and external audit items, outstanding audit issues and the Audit office's internal quality assessment. Trustee Pinnock seconded, and the motion carried unanimously by roll call vote.

II. ROLL CALL/DECLARATION OF A QUORUM

Trustee Cole asked the Secretary to the Board to call the roll. Board Secretary Pendleton called the roll. Present: Trustees Deborah Cole, McKenzie and Pinnock. A quorum was established.

III. APPROVAL OF THE MARCH 16, 2023, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to recommend to the full Board the approval of the minutes from the March 16, 2023, Audit committee meeting, as contained in the June 15, 2023, Board materials. Trustee McKenzie seconded the motion, which carried unanimously by roll call vote.

IV. ANNUAL REPORT ON THE AUDIT OFFICE'S AUDIT ACTIVITIES

Trustee Cole introduced the next item on the agenda, the Annual Report on the Audit Office's Audit Activities. She then asked President Glover or her designee to provide pertinent

information related to this agenda item. The material is included in the June 15, 2023, Board meeting packet. This was an informational and discussion item, so no vote was required.

President Glover asked former Director of Internal Audit, Adrian Davis, to report on this agenda item. Reports are included in the Board materials. There were three findings that required follow-up. One concerned bank reconciliations. There was a repeat finding for the period ending June 30, 2021, with respect to bank reconciliations not being timely and complete. At the November 17, 2022, Board of Trustees meeting, the Board did revise the bank reconciliation policy.

The University reviewed bank reconciliations prepared between July 2022 and April 2023 and found that reconciliations were completed within 30 days of the prior month's end, with some minor differences ranging from -\$1,800 to \$200. The reports were timely prepared. The Foundation's reconciliations were also reviewed, and reconciliations had been subsequently adjusted. The Board identified the specific policy for the bank reconciliation process, which provides for a 30-day reconciliation period except for a 45-day period at the end of the fiscal year.

VP Doug Allen commented on these findings. He noted that this was a prior year issue, which was explained to the auditor. There were corrections of the July 2022 bank reconciliation. The reconciliation process, in order to bring items current, allows for corrections to be made in the current period for an item in a prior year, he indicated.

The second state audit finding related to a breakdown in controls that resulted in errors in financial statements. The auditor noted that management should perform adequate reviews on the statements and the notes to mitigate the risk of errors. Management should also ensure staff preparing and/or reviewing the financial statements have adequate knowledge of governmental accounting and reporting requirements to properly perform their responsibilities. Ms. Davis reported that a review of FY 2023 bank reconciliations showed timely preparations and appropriate reviews prior to submission of bank reconciliations. There were adjustments to the Foundation's bank reconciliations throughout the year.

The third finding related to accounts receivable collection, namely that management should ensure that staff perform collection efforts timely in accordance with policy and that the tracking system documents when staff send billing and collection letters. Management should provide oversight and review of the collection process to ensure that staff complete each step properly.

Ms. Davis reported that the Bursar's Office has been re-organized and structured in a way that allows for the efficient and effective operation of the office and ensures adherence to its collection policies and procedures. The office is structured now to include three managers, reporting to the Bursar, who will oversee distinct areas of responsibility. There will be a Collections Manager (selected applicant scheduled to begin on June 1, 2023); an Accounting Manager; and a Customer Service Manager (position to be listed in July 2023). Another key position that has been filled is the Assistant Bursar. Additional management attention is needed to correct the third finding item.

V. REPORT ON INTERNAL AND EXTERNAL AUDIT ITEMS

Ms. Davis discussed a finding by the Comptroller of the Treasury, Division of State Audit, with respect to the discharge of student debt within federal guidance or internal university policy and documentation with respect to scholarships. TSU management does not concur with the finding of the State auditor.

A discussion ensued concerning the University's response to this item, including that the University remained in contact with a USDOE program specialist, who indicated that the University was in "good standing." The USDOE Management and Program Specialist reviewed the exact same information provided to state auditors and the DOE representative indicated that: "Regarding the \$15 million as questioned costs, I have reviewed documentation requested and provided. Your account is in good standing with paying off student balances in the manner documented." The representative's comments are documented in an email.

VP Allen indicated that the program specialist TSU spoke with oversees the HBCU portion of the HEERF funds. There was some disagreement over interpretation; however, the program specialist determined that what TSU provided to the State auditor was correct and appropriate with respect to University HEERF funds. This information was provided in an email from the program specialist. The USDOE will send out a final report, and it will show that the University was in compliance. This should be released in the next month or two. The USDOE program specialist did send this information to the State auditor; however, the State did not accept the opinion of the USDOE and continued to keep its conclusion in the report. The State auditor sought a policy from the University that was not required by the USDOE.

There was further discussion regarding the need to inform others of the USDOE's determination that the University was in good standing with respect to the HEERF funds, including advising the State Legislature. Chair Cole asked Dr. Glover to prepare a separate document highlighting this information for the State Legislature.

VP Allen said that an independent CPA has already reviewed this particular issue and program. A report was issued, and Mr. Allen said he can provide it to the Board.

President Glover requested Board support for bringing in a "Big 4" CPA firm to audit the University, on behalf of the University. She would like to be proactive and bring in another opinion. President Glover sent a letter to the State auditor and requested bringing in another CPA, at the University's expense.

There was further discussion about the need to engage State legislators and make sure that they are aware of the facts and to correct any disinformation.

Chair Cole made a motion to hire an outside, "Big 4" or national firm to conduct an independent audit of the same time period that the State is auditing, June 30, 2022. The motion was seconded by Trustee McKenzie and was passed unanimously by roll call vote.

VI. DISCUSSION OF THE AUDIT OFFICE'S INTERNAL QUALITY ASSESSMENT

Trustee Cole introduced the next item on the agenda, the discussion of the Audit Office's Internal Quality Assessment. She then asked President Glover or her designee to report on this item. Ms. Davis provided pertinent information related to this agenda item. The material is included in the June 15, 2023, Board meeting packet. This was an informational and discussion item, so no vote was required.

Ms. Davis stated that the TSU Department of Internal Audit conducted an internal and external quality assessment. There is an internal assessment each year. The external assessment must be done by an external party every five years. The last one was completed in 2018. Another one should be done by the end of 2023. The new director will need to secure an external party to do this.

VII. REVIEW OF OUTSTANDING AUDIT ISSUES

Trustee Cole announced the next item on the agenda, the review of outstanding audit issues and asked President Glover to provide pertinent information related to this agenda item. The material is included in the June 15, 2023, Board meeting packet. This was an informational and discussion item, so no vote was required.

The outstanding items are detailed on pages 71-72 in the Board materials. A follow-up report will need to be submitted to the State by September 28, 2023, which is six months after the March 28, 2023, audit. A follow-up of the Federal work-study timesheets must begin in June 2023. The planning has begun for this item.

Kelli Sharpe was charged with preparing a communications plan.

VIII. APPROVAL OF THE FISCAL YEAR 2023-2024 AUDIT PLAN

Trustee Cole announced that the next item on the agenda was the approval of the Fiscal Year 2023-2024 Audit Plan and asked President Glover or her designee to provide pertinent information related to this agenda item. Ms. Davis to present on this item. The material is included in the June 15, 2023, Board meeting packet.

Director Davis shared that the annual audit plan for the Department of Internal Audit was prepared using a risk-based approach as required by the International Standards for the Professional Practice of Internal Auditing, as issued by the IIA. The audit plan covers the annual audit period ending June 30, 2023. All relevant risk factors were considered when determining the items to be included in the audit plan. The plan is outlined on page 75 of the Board materials.

Chair Cole moved to recommend to the full Board the approval of the Fiscal Year 2023-2024 Audit Plan, as contained in the Board materials for the June 15, 2023, Board meeting. The motion was seconded by Trustee Pinnock and was carried unanimously by roll call vote.

**IX. EXECUTIVE SESSION FOR DISCUSSION OF ITEMS DEEMED
CONFIDENTIAL UNDER STATE LAW**

Trustee Cole moved for the Audit committee to go into Executive Session to discuss items deemed confidential under State law. Trustee McKenzie seconded the motion, which carried unanimously by roll call vote. The committee then transitioned into the Executive Session, and the meeting adjourned.

X. ADJOURNMENT

There was no further discussion. The meeting was adjourned at 12:19 p.m. CDT.