

**Tennessee State University
Board of Trustees**



**TENNESSEE STATE UNIVERSITY BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING AGENDA**

10:00 a.m. CST
Thursday, November 21, 2019

Tennessee State University – Main Campus
McWherter Administration Building,
President’s Conference Room
3500 John A. Merritt Blvd. Nashville, TN 37209

ORDER OF BUSINESS

- I. Call to Order
- II. Roll Call/Declaration of a Quorum
- III. Approval of the September 26, 2019, Audit Committee Meeting Minutes
- IV. Review of Completed Internal Audit Reports
- V. Executive Session -Discussion of Items Deemed Confidential Under State Law

**Tennessee State University
Board of Trustees**



**Approval of the
September 26, 2019,
Audit Committee
Meeting Minutes**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: November 21, 2019

ITEM: Audit Committee Report - Approval of the September 26, 2019, Audit Committee Meeting Minutes

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The document reflecting the minutes from the September 26, 2019, Audit Committee meeting is included in the November 21, 2019, Board materials.

MOTION: To approve the minutes from the Board of Trustees' September 26, 2019, Audit Committee meeting, as contained in the Board materials for the Board's November 21, 2019, meeting.

**Meeting of the Tennessee State University Board of Trustees
Audit Committee Meeting
September 26, 2019
Tennessee State University – Main Campus –
McWherter Administration Building, President’s Conference Room
3500 John A. Merritt Blvd., Nashville, Tennessee 37209**

MINUTES

Committee Members Present: Dr. Deborah Cole, Obie McKenzie, and Dr. Edith Peterson Mitchell.

Other Board Members Present: Dr. Joseph Walker, III, Pam Martin, Dr. Ali Sekmen, Braxton Simpson, Mr. Bill Freeman and Mr. Stephen Corbeil.

University Staff Present: President Glenda Glover; Mr. Laurence Pendleton, General Counsel and Board Secretary; Dr. Curtis Johnson, Chief of Staff and Associate Vice President of Administration; Ms. Adrian Davis, Director of Internal Audit; Horace Chase, Vice President for Business and Finance, and Dr. John Cade, Vice President for Enrollment Management.

Guests: Ms. Lauren Collier, Tennessee Higher Education Commission, Director of Institution and Board Affairs

I. CALL TO ORDER

Trustee Cole called the meeting to order at 10:50 a.m. on September 26, 2019.

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. Trustees Cole, McKenzie, and Mitchell were present. Secretary Pendleton announced the presence of a quorum.

III. APPROVAL OF THE JUNE 13, 2019, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to approve the minutes from the June 13, 2019, Audit committee meeting, as contained in the September 26, 2019, board materials. Trustee Mitchell seconded the motion, which carried unanimously.

IV. REVIEW OF AUDIT COMPLETED INTERNAL AUDITS

Trustee Cole asked President Glover and Director of Internal Audit, Ms. Adrian Davis, to provide pertinent information related to this agenda item. Ms. Davis proceeded to discuss the results of the review of the NCAA student assistance fund. She explained to the Board that results of the completed Audit indicated that the Athletics Department had total expenditures of \$144K; \$50K was used for Summer scholarships; \$30K used for hosting their banquet and \$45K used for medical expenses. She commented that in regards to the duplicate payments made, one reimbursement was already received, while the other was still pending.

Director Davis concluded that all SAF expenditures were in compliance with NCAA guidelines and were accurately reported.

Director Davis then reviewed the Book Bundle summary with the Committee as reflected in the Board materials for the September 26, 2019, meeting, on pages 35 through 36.

Trustee Cole commented on this review and asked that Director Davis bring a follow up to the next meeting on the differences that were found in Director Davis's review.

Director Davis then discussed a follow up on the Bank reconciliation review. Trustee Cole expressed her concern regarding any three year repeat findings, as they do not necessarily demonstrate responsiveness.

After a short discussion, Chair Cole thanked President Glover and her team for the report.

**V. 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 Mitchell seconded the motion, which was carried unanimously. The committee then transitioned into the executive session.

VI. ADJOURNMENT

There was no further discussion. Trustee Cole moved to adjourn the meeting. Trustee Mitchell seconded the motion, which carried unanimously and the meeting was adjourned.

**Tennessee State University
Board of Trustees**



**Review of Completed
Internal Audit Reports**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: November 21, 2019

ITEM: Audit Committee Report – Review of Completed Internal
Audit Reports

RECOMMENDED ACTION: None

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The reports are included in the November 21, 2019, Board materials.

DEPARTMENT OF INTERNAL AUDIT

Book Bundle Review - UPDATE
For Fiscal Years Ended
June 30, 2018 and
June 30, 2017



November 1, 2019

Dr. Glenda Baskin Glover, President
Tennessee State University
3500 John A. Merritt Boulevard
Nashville, Tennessee 37209

Dear Dr. Glover:

We recently issued a report dated September 5, 2019 that included a reconciliation of the charges billed to the university by *Follett Higher Education Group, Inc.* (Follett) to the amounts billed by the university to its students related to eligible students' participation in Follett's *included* program. This reconciliation was performed in response to the Division of State Audit noting that the university billed eligible students approximately 20% less than the amount the university paid to Follett for the book bundling service during the fiscal year 2017. In our report dated September 5, 2020, it was noted that a major reason for the difference was Follett billing for courses that were not included on the course listing used by the university for billing purposes.

We made additional inquiries to determine why Follett and the university were not billing for the same number of courses. The results of our inquiry are attached.

We appreciate the courtesy and cooperation of institution personnel during the review.

Sincerely,

Adrian R. Davis

Adrian R. Davis, CPA, CGFM
Director of Internal Audit
Tennessee State University

CC: Dr. Deborah A. Cole, Tennessee State University Audit Committee Chair
Dr. Alisa L. Mosley, Interim Vice President for Academic Affairs

	Fiscal Year Ended June 30, 2018	Fiscal Year Ended June 30, 2017
Amounts billed to students for course material	\$ 2,239,305.00	\$ 1,622,320.00
Amounts paid to Follett for course material	<u>1,962,501.35</u>	<u>2,019,970.60</u>
Difference	<u>\$ 276,803.65</u>	<u>\$ (397,650.60)</u>

In our previous report dated September 5, 2019, we identified five reasons for the difference in the amounts paid to Follett and the amount collected from students. Those five reasons included:

- 1) Follett's fees varied per course and ranged from \$15.10 to \$118.31, while the university billed students a flat rate per course (\$80 for fiscal year 2018 and \$70 for fiscal year 2017),
- 2) waivers for certain courses by the university and/or Follett,
- 3) errors made by the automatic process which adds/removes includedED courses from student tuition and fees bill prior to the final drop date,
- 4) Follett invoiced the university for courses not included on the approved course listing provided to the Office of Technology Services (OTS), and
- 5) management purging/withdrawing students after the final drop date

Fiscal Year Ended June 30, 2017

- ❖ \$307,706.43, or 77%, of the difference for this fiscal year (\$174,678.69 – fall 2016; \$133,027.74 – spring 2017) is due to Follett billing for courses that were not included on the approved course listing provided to our IT Department for billing purposes.

We spoke with the former Vice President for Administration (former Vice President) who was at the helm of the implementation of the includedED program at the university and the university's representative for the includedED program during the fiscal year 2017. According to the former Vice President, all university classes were eligible to have their books included in the program, however, the book and the price of the book had to be approved by her to prevent exceeding the university's average textbook cost goal of \$75.00. To aid in staying within the target price range, the former Vice President would have to negotiate a book's purchase price prior to its inclusion in the program.

The former Vice President stated that approximately \$42,000 of the variance amount is attributed to the university waiving the cost of lab books for students to relieve the burden of students having to pay double the billing rate for courses that required lab books. According to the former Vice President, the remainder of the variance may be due to: (1) professors for the related courses requesting its inclusion in the includedED program via direct communication with Follett personnel and/or (2) the name of the course was not consistent with titles commonly used at the university and the miscommunication led to the courses not being included.

The former Vice President stated that when the respective invoices for the fall 2016 and spring 2017 semesters were received, she reconciled the amounts included therein to the amounts recorded by the university. Once the reconciliation was complete, those courses that were not

previously agreed-upon were identified. The former Vice President spoke with Follett's representative regarding the variance. The representative informed the former Vice President that professors for the identified courses reached out to him and requested inclusion of their respective courses in the includedED program. The Follett representative included the courses in the program but failed to inform the former Vice President, who would then contact the university's Office of Technology Services to ensure that enrolled students were billed for access to course material. Ultimately, the former Vice President decided that the university was required to pay the invoiced amount because the value of the services was received since students were provided, and used the course materials. We noted that invoices for both semesters were dated after approximately 75% of the semester had concluded. The former Vice President stated that there were no actions taken to subsequently bill students for the material, as the overall objective of the book bundle program was to provide students with access to course materials, not to obtain university profit. It was also noted that any deficits for the semester could be recovered in the following year when the university's billing rate for the includedED program would increase to \$80.00 per course. The university's billing to students exceeded Follett's billing to the university by approximately \$277,000 in the fiscal year 2018. The former Vice President also indicated that while the goal of the program was not to profit from the university's students, if excess revenue were received related to the program, university management planned to convert the funds into book scholarships for university students.

- ❖ For the remaining \$89, 944.17 difference in billing for the fiscal year 2017,
 - Approximately \$40,000 of this total is due to Follett erroneously billing the university for courses dropped by students prior to the final drop date for the semester.
 - Approximately \$18,000 of the difference relates to students who were purged/withdrawn after the last drop date, resulting in charges by Follett but not the university. All tuition and fees charges are reversed from a student's account once the student is purged/withdrawn.
 - Fee waivers by the university (approximately \$36,000) and Follett (approximately \$10,000) lead to \$26,000 of this difference.
 - Explanations 1 and 3 above also contributed to the remaining variance amount.

Fiscal Year Ended June 30, 2018

- ❖ \$273,777.22, or 96%, of the difference for this fiscal year was due to the billing rate differences noted in reason 1 above.
- ❖ The four other factors also contributed to the difference in this fiscal year, but the effect of the differences offset one another for minimal impact on the difference.

Conclusion: There were several lab courses included in the courses billed by Follett but not the university during the fiscal year 2017. The university offered fee waivers to students taking courses that also included a lab course to relieve students from paying twice the book bundle fee. These fee waivers accounted for approximately \$42,000 of the \$397,650.60 difference in billing for the fiscal year 2017. In addition, several university faculty contacted Follett personnel to have their respective courses included in the book bundle program. The university's representative, however, was not notified. This process was in contrast to the established procedures for including

courses in the program. The university representative needed to review and approve all courses included in the program to ensure that the university's average cost goal was not exceeded. In addition, the university's representative would have provided the course information to the university's Office of Technology Services (OTS) so that enrolled students could be billed for access to course material. Ultimately, it was decided that the goal of the program was met as students were given access to their course materials on day one of class. The university decided that payment was owed for student's access and use of those course materials. The decision was made to not bill students for these materials as the semester was near completion when the discrepancy was identified and fee waivers had previously been offered to students in lab courses, as noted above. In addition, it was predicted that any deficits could be recovered in the following fiscal year.

Recommendation: We identified several charges by Follett that appear to be unallowable per the contractual agreement between Follett and the university. It appears the university was erroneously charged for students' access to course material for courses appropriately dropped during the university's drop/add period. Follett's invoice should have included billing for those students who remained enrolled in a course after the university's final drop date. If there is still an opportunity to be refunded, or obtain a credit in upcoming billing(s) for these charges, management should seek to do so.

DEPARTMENT OF INTERNAL AUDIT

Audit of
President's Expense Schedules
for the fiscal year ended June 30, 2019



**TENNESSEE
STATE UNIVERSITY**
Department of Internal Audit
3500 John A. Merritt Boulevard
Nashville, Tennessee 37209

October 28, 2019

Dr. Deborah A. Cole, Audit Committee Chair
Tennessee State University
3500 John A. Merritt Boulevard
Nashville, Tennessee 37209

Dear Chairwoman Cole:

Enclosed is the internal audit report of the expenses of the Office of the President for Tennessee State University for the fiscal year July 1, 2018 to June 30, 2019, as required by Tennessee Code Annotated, Title 49, Chapter 7, and Tennessee State University Policy 4:03:03:60. The objectives of the audit were to determine compliance with state statutes and institutional policies regarding expenses and to identify and report all expenses for the fiscal year that were made by, at the direction of or for the benefit of the president regardless of the funding source.

The audit revealed no significant statutory or policy violations, material omissions from the expense reports or deficiencies in internal controls.

We appreciate the courtesy and cooperation of institution personnel during the review.

Sincerely,

Adrian R. Davis

Adrian R. Davis, CPA, CGFM
Director of Internal Audit
Tennessee State University

CC: Dr. Glenda Baskin Glover, President
Mr. Horace Chase, Vice President for Business and Finance

Tennessee State University
Audit of President's Expenses
For the Fiscal Year July 1, 2018 – June 30, 2019

President	Dr. Glenda Baskin Glover	Internal Auditor	Adrian R. Davis, CPA, CGFM , Director of Internal Audit																																																																								
Objectives	To comply with Tennessee Code Annotated, Title 49, Chapter 7 and Tennessee State University Policy 4:03:03:60, by performing an internal financial audit of the Office of the President for the fiscal year July 1, 2018 to June 30, 2019; to determine compliance with state statutes and institutional policies regarding expenses; and to identify and report all expenses made by, at the direction of or for the benefit of the president regardless of the funding source.																																																																										
Scope	The audit included all accounts under the direct budgetary control of the president, whether funded by institutional funds, foundation funds or external sources and other accounts as necessary. The audit was conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> , issued by the Institute of Internal Auditors and included tests of the accounting records and such other auditing procedures considered necessary.																																																																										
Analysis	<p>The following is a summary by funding source of (1) certain expenses made by, at the direction of, or for the benefit of the president, and (2) salary and benefits and any other operating expenses for the president's office during the fiscal year ended June 30, 2019:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">President:</th> <th style="text-align: right;"><i>Institutional</i></th> <th style="text-align: right;"><i>Foundation</i></th> <th style="text-align: right;"><i>External</i></th> <th style="text-align: right;">Total</th> </tr> </thead> <tbody> <tr> <td>Salary and Benefits</td> <td style="text-align: right;">\$ 378,914</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 378,914</td> </tr> <tr> <td>Discretionary Allowance</td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Other Allowances</td> <td style="text-align: right;">400</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">400</td> </tr> <tr> <td>Salary, Benefits & Other Payments</td> <td style="text-align: right;"><u>384,314</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>384,314</u></td> </tr> <tr> <td> Schedule A - Travel</td> <td style="text-align: right;"> 40</td> <td style="text-align: right;"> -</td> <td style="text-align: right;"> -</td> <td style="text-align: right;"> 40</td> </tr> <tr> <td>Schedule B - Business Meals & Hospitality</td> <td style="text-align: right;">25,274</td> <td style="text-align: right;">12,729</td> <td style="text-align: right;">54,270</td> <td style="text-align: right;">92,273</td> </tr> <tr> <td>Schedule C - Other Expenses</td> <td style="text-align: right;">14,445</td> <td style="text-align: right;">12,966</td> <td style="text-align: right;">-</td> <td style="text-align: right;">27,411</td> </tr> <tr> <td>Total Expenses for the President</td> <td style="text-align: right;"><u>424,073</u></td> <td style="text-align: right;"><u>25,695</u></td> <td style="text-align: right;"><u>54,270</u></td> <td style="text-align: right;"><u>504,038</u></td> </tr> <tr> <td> President's Office:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Salary and Benefits</td> <td style="text-align: right;">271,839</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">271,839</td> </tr> <tr> <td>Other Expenses (supplies, telecommunication, etc.)</td> <td style="text-align: right;">19,410</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">19,410</td> </tr> <tr> <td></td> <td style="text-align: right;"><u>291,249</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>-</u></td> <td style="text-align: right;"><u>291,249</u></td> </tr> <tr> <td> Total Expenses</td> <td style="text-align: right;"> <u>\$ 715,322</u></td> <td style="text-align: right;"> <u>\$ 25,695</u></td> <td style="text-align: right;"> <u>\$ 54,270</u></td> <td style="text-align: right;"> <u>\$ 795,287</u></td> </tr> </tbody> </table> <p>Additional Disclosures:</p> <p>Discretionary Allowance – The President was provided a discretionary spending allowance. Use of the allowance was not included in tests performed during the audit because the President elected for it to be paid as taxable income.</p> <p>Other Allowances – The university paid the Professional Privilege Tax on behalf of the President. The \$400 is included as taxable income to the President and is included in the Other Payments amount above.</p>					President:	<i>Institutional</i>	<i>Foundation</i>	<i>External</i>	Total	Salary and Benefits	\$ 378,914	\$ -	\$ -	\$ 378,914	Discretionary Allowance	5,000	-	-	5,000	Other Allowances	400	-	-	400	Salary, Benefits & Other Payments	<u>384,314</u>	<u>-</u>	<u>-</u>	<u>384,314</u>	 Schedule A - Travel	 40	 -	 -	 40	Schedule B - Business Meals & Hospitality	25,274	12,729	54,270	92,273	Schedule C - Other Expenses	14,445	12,966	-	27,411	Total Expenses for the President	<u>424,073</u>	<u>25,695</u>	<u>54,270</u>	<u>504,038</u>	 President's Office:					Salary and Benefits	271,839	-	-	271,839	Other Expenses (supplies, telecommunication, etc.)	19,410	-	-	19,410		<u>291,249</u>	<u>-</u>	<u>-</u>	<u>291,249</u>	 Total Expenses	 <u>\$ 715,322</u>	 <u>\$ 25,695</u>	 <u>\$ 54,270</u>	 <u>\$ 795,287</u>
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	<p>Athletic Tickets – The President was provided tickets to university athletic events. The face value of the tickets totaled \$32,325 and parking passes totaled \$2,000 for the period.</p> <p>Housing – The President is provided the use of a residence. Costs to maintain the home are paid by the university and totaled \$12,814 for the period.</p> <p>External Sources – This report includes the cost of items provided, paid, or reimbursed by external sources for the benefit of the President.</p>		
Observations	No issues were noted.		
Questioned Costs	None	Recoveries	N/A
Conclusion	The objectives of the audit of the expenses of the Office of the President for Tennessee State University for the fiscal year July 1, 2018 through June 30, 2019 were achieved. The audit revealed no significant statutory or policy violations, material omissions from the expense reports or deficiencies in internal controls. The supplemental schedules included with this report fairly represent the expenses of the president’s office.		
Restriction on Use of Report	<i>This report is intended solely for the internal use of the Tennessee State University Board of Trustees and Tennessee State University. It is not intended to be and should not be used for any other purpose. The distribution of the report to external parties must be approved by the TSU Audit Committee and Tennessee State University Office of Internal Audit, and handled in accordance with institutional policies; however, this report is a matter of public record.</i>		

Tennessee State University
Schedule A- Travel Expenses for the President
For the Period July 1, 2018 to June 30, 2019

Description	<i>President's Budgetary Accounts</i>			Total
	Institutional	Foundation	External Sources	
Registration fee for Leadership Nashville event	\$ 40	-	-	\$ 40
Total Travel Expenses for the President	\$ 40	-	-	\$ 40

Tennessee State University
Schedule B- Business Meals & Hospitality for the President
For the Period July 1, 2018 to June 30, 2019

Description	<i>President's Budgetary Accounts</i>			Total
	Institutional	Foundation	External Sources	
Aramark (President's Hospitality Account 2018-2019)	\$ -	\$ -	\$ 54,270	\$ 54,270
Reimbursement for refreshment purchase	-	137	-	137
Catering for suites at Nissan Stadium - Titans football games	-	11,092	-	11,092
Table for 10 at TSU Scholarship Gala	-	1,500	-	1,500
Catering for suites at Nissan Stadium - TSU football games	25,274	-	-	25,274
Total Business & Meals & Hospitality Expenses	\$ 25,274	\$ 12,729	\$ 54,270	\$ 92,273

Tennessee State University
Schedule C - Other Expenses for the President
For the Period July 1, 2018 to June 30, 2019

Description	<i>President's Budgetary Accounts</i>			Total
	Institutional	Foundation	External Sources	
Quarterly Billing for home security system	\$ 1,444 *	-	-	\$ 1,444
Holiday lights (decorations and installation) at President's home	9,746 *	-	-	9,746
Washing machine for President's home	391 *	-	-	391
Notary fee and supplies for President's Executive Assistant	107	-	-	107
Conference registration fee for President's Executive Assistant	125	-	-	125
Extended Service contract for Signature Machine	499	-	-	499
College Board membership fee	400	-	-	400
Pull page AD for 2018 White Rose Ball	500	-	-	500
Miscellaneous supplies for the President's home	1,233 *	-	-	1,233
Joy's Flowers (Funeral sprays, floral arrangements, and snacks)	-	895	-	895
President Discretionary Fund (Student scholarships)	-	9,803	-	9,803
Travel expenses for the Director of Special Projects	-	1,349	-	1,349
Reimbursement for supplies	-	128	-	128
Manual Check Fee related to payment to Levy Restaurants	-	100	-	100
Travel expenses for companion to commencement speaker	-	691	-	691
Total Other Expenses for the President	\$ 14,445	\$ 12,966	\$ -	\$ 27,411

* Expense for the President's home

DEPARTMENT OF INTERNAL AUDIT

Equipment Inventory Confirmation

Fiscal Year Ended June 30, 2019



November 1, 2019
Dr. Glenda Glover, President
Tennessee State University
3500 John A. Merritt Boulevard
Nashville, TN 37209-1561

Dear Dr. Glover:

Enclosed is the internal audit report related to our physical inspection of a sample of equipment items included on the fiscal year 2019 equipment listing. The equipment listing is updated as part of the university's annual year-end inventory process.

The overall objectives of this review were to ensure that capital assets were present, and that management was accurately verifying and updating the status of items included on the equipment listing. The results of our review found that most custodians were not ensuring that the items assigned to them are accurately described on the equipment listing at year-end. The fiscal year 2019 equipment deadline for related custodians to verify and/or update the information for capital items assigned to them was June 19, 2019. At August 16, 2019, 42 of the 53 departments with capital equipment items (79%) had not submitted their completed inventory to Facilities Management.

See the results of our review in the attached report.

We appreciate the courtesy and cooperation of institutional personnel during the review.

Sincerely,

Adrian P. Davis

Adrian Davis, CPA, CGFM, Director
Department of Internal Audit

CC: Dr. Deborah A. Cole, Audit Committee Chair
Mr. Horace Chase, Vice President for Business and Finance

AUDIT RESULTS

Tennessee State University maintains assets such as land, buildings, software, library holdings, and equipment. In accordance with the Tennessee Code Annotated, 9-18-102, university management is responsible for establishing and maintaining internal controls to provide reasonable assurance that assets are safeguarded against waste, loss, unauthorized use or misappropriation. University policy is to capitalize equipment items with a cost of \$5,000 or more. The items are then depreciated over their useful life. For equipment valued at \$5,000 or greater, personnel in Central Receiving will attach a property tag to the item. In addition, Central Receiving personnel enters the tag and serial numbers for the capital item(s) into the purchasing system.

On July 17, 2019, we were provided with the fiscal year 2019 equipment listing. The listing included items with original costs totaling \$31,405,793.97. We isolated items with purchase dates after July 1, 2014 for inclusion in our testing population. This isolated listing included 446 capital asset items totaling \$8,102,907.79. These 446 capital items were assigned to 53 university departments. At August 16, 2019, 42 of these 53 departments (79%) had not submitted their completed inventories to Facilities Management.

We randomly selected 50 items for physical inspection from the year-end equipment listing of items purchased after July 1, 2014. These 50 items were held in 14 different departments and had original costs totaling \$976,464.93.

For the 50 items selected for physical inspection, we found that:

- ✓ All capital equipment items in the sample were located.

- ❖ For 22 of 50 equipment items selected for physical inspection, the related custodians did not ensure that the location of the item was updated on the equipment listing.

- ❖ For 8 of the 50 equipment items selected for physical inspection, the related custodian did not ensure that the equipment listing correctly showed the item's serial number.
 - Four of the eight items were pianos purchased in 2016. The total number of pianos purchased totaled 25. Five of the pianos were included in our sample. We obtained a listing of the serial and tag number combinations for the 25 pianos from the Director of Procurement Services. The listing was completed by personnel in Central Receiving while receipting the items when they were originally received. The serial and tag number combinations on the listing agree to the combinations observed by Auditors during physical inspection. The combinations did not agree with those included in the equipment list obtained from the Administrative Coordinator for the selected items.

 - For the remaining four items, we found where there was an incorrect number/typo included in the serial number included on the equipment listing.

Conclusion

The results of our testing show that many custodians of capital equipment are not reviewing and/or updating the university's equipment listing at year-end as required. For items included in our sample with the incorrect location documented, we advised the related custodian to provide

updated location information to the Administrative Coordinator, Facilities Management, who is in charge of facilitating the equipment process. In addition, the Administrative Coordinator was notified of the errors in our sample related to serial numbers and advised to update the equipment listing for the identified items according to how the items are tagged.

Recommendations

Senior management at the university should ensure that all capital item custodians understand the importance of, and timely complete, the inventory process at year-end. Not ensuring the accuracy of equipment information represents a weakness in the internal control process as it affects the university's accountability for its resources.

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES

ACTION ITEM

DATE: November 21, 2019

ITEM: Audit Committee Report – Executive Session. Discussion of
Items Deemed Confidential under State Law

RECOMMENDED ACTION: None

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

MOTION: To approve going into Executive Session to discuss items deemed confidential under State law.