

**Tennessee State University
Board of Trustees**



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

10:00 a.m. CST
Thursday, June 13, 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 February 21, 2019, Audit Committee Meeting Minutes
- IV. Annual Report on the Audit Office’s Audit Activities
- V. Discussion of the Audit Office’s Internal Quality Assessment
- VI. Approval of the Fiscal Year 2019-2020 Audit Plan
- VII. Executive Session Discussion of Items Deemed Confidential Under State Law

**Tennessee State University
Board of Trustees**



**Approval of the
February 21, 2019,
Audit Committee
Meeting Minutes**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: June 13, 2019

ITEM: Audit Committee Report - Approval of the February 21, 2019, Audit Committee Meeting Minutes

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The document reflecting the minutes from the February 21, 2019, Audit Committee meeting is included in the June 13, 2019, Board materials.

MOTION: To approve the minutes from the Board of Trustees' February 21, 2019, Audit Committee meeting as contained in the Board materials for the Board's June 13, 2019, meeting.

**Tennessee State University Board of Trustees
Audit Committee Meeting.
February 21, 2019
Tennessee State University. 3500 John A. Merritt Blvd. Nashville, Tennessee
McWherter Administration Building
President's Conference Room**

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, 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 10:45 a.m. on February 21, 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 (remote), and Mitchell were present. Secretary Pendleton announced the presence of a quorum.

III. APPROVAL OF THE NOVEMBER 15, 2018, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to approve the minutes from the November 15, 2018, Audit committee meeting as contained in the February 21, 2019, board materials. Trustee Mitchell seconded the motion, which carried unanimously.

IV. APPROVAL OF THE OFFICE OF INTERNAL AUDIT'S REVISED CHARTER

Trustee Cole asked President Glover to present a report on the Office of Internal Audits revised charter. President Glover designated Adrian Davis to present the report.

Director Davis informed the committee that the internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal

Auditors, states “The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.”

Director Davis stated that an internal assessment was performed on the Office and independently validated by KraftCPAs. KraftCPAs recommended additional language be added to the Office’s Audit Charter to better reflect the mandatory nature of and specific elements of the Institute of Internal Auditors’ International Professional Practices Framework. She noted that the ‘Audit Standards and Ethics’ section of the charter has been updated to include this information. The revised charter has been signed by the President and the Director of Internal Audit.

Trustee Cole thanked President Glover and her team for the report. Trustee Cole moved to recommend to the full board, the approval of the Office of Internal Audit’s Revised Charter as contained in the materials for the February 21, 2019, board materials. Trustee Mitchell seconded the motion, which carried unanimously.

V. REVIEW OF COMPLETED INTERNAL AUDIT REPORTS

Trustee Cole asked President Glover to present on the completed internal audit. President Glover asked Adrian Davis to present the report as her designee.

Director Davis reported that Tennessee State University is governed by its board of trustees, which consists of 10 members (the Board) as determined by state law. In accordance with the "State of Tennessee Audit Committee Act of 2005," the Director of Internal Audit reports directly to the Audit Committee of the Board and oversees the internal audit operations.

Director Davis noted that internal audits assist Tennessee State University's management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements, and providing other information designed to promote effective controls.

Director Davis reminded the committee that internal audit staff were asked to report on the status of management’s implementation of corrective actions implemented in response to the Division of State Audit’s finding related to return of Title IV funds. Thirty-two student withdrawals for fall 2019 required the return of Title IV funds. All 32 return of Title IV funds calculations performed during the fall 2018 semester were accurate. Thirty-one of the 32 (97%) transactions analyzed showed return within 30 days. The Department of Education has a 45- day requirement. One of 32 (3%) returns was 57 days late. It appears that management has taken steps to address the fiscal year 2017 finding noted by the Division of State Audit.

Director Davis provided a follow-up to the state audit report for the fiscal year ending June 30, 2017. There were five findings of note:

1. Finding: As noted in the prior two audits, management needs to improve procedures for preparing and reviewing financial statements.
2. Finding: TSU and TSU Foundation’s accounting records show \$246,000 more cash on hand than shown on the bank statements; this variance is unexplained
3. Finding: The university did not have adequate policies and procedures for the collection of accounts receivable
4. Finding: Return of Title IV funds were not in compliance with federal regulations.

5. Finding: As noted in the prior three audits, Tennessee State University did not provide adequate internal controls in one area.

Trustee Cole asked for confirmation that an audit was completed for November 2018.

Director Davis responded that the November 2018 audit had not been completed as of the date of the meeting.

Trustee Cole asked Director Davis to provide a chart showing audit results in subsequent meetings. The chart should include the findings, the responder, the response, the procedures to be implemented, and status of whether the finding has been cleared or not.

Trustee Cole asked whether the \$246,000 discrepancy could have resulted from the timing of the reconciliation.

Director Davis responded that the timeline for reconciliation is within 60 days.

Trustee Cole asked for verification that the two issues are related and Director Davis agreed.

Trustee Cole thanked President Glover and her staff for the report.

President Glover commented on an audit conducted by THEC regarding the institution's purging processes. THEC found that the university did not appropriately purge students with balances. The finding included students with excessive balances. President Glover continued and stated that the institution tried to retain students by using some of its financial reserves and by instituting a deferred payment plan. These efforts were unsuccessful. The institution worked with THEC to develop a revised purge policy.

President Glover informed the committee that the administration failed to adhere to the institution's policies, but that no state law was violated.

Trustee Cole stated that she observed the purge process for the fall 2019 semester and that she worked to allocate funds to students who could be retained. She confirmed for the committee that all of the students who were retained were retained within policy.

President Glover stated that the results of the institution following the policy are that the current enrollment is lower than normal, but that the student body is more fiscally stable.

Director Davis reported that the audit of research and sponsored programs demonstrated that of over \$1.5M in grants evaluated, two issues totally less than \$3,000 combined, showed error. Unallowable benefit expenses of \$1,285.20 were charged to the grant for the POTUS program and unallowable indirect costs totaling \$1,241.25 were charged to the Career Commitment and Retention in STEM grant. Director Davis further reported that the instructions were unclear and the report was untimely submitted.

Trustee Cole asked for bank reconciliation policy and clarification on how funds from the foundation are allocated to the university.

VI. REPORT ON UNIVERSITY'S RISK ASSESSMENT PROCESS

Trustee Cole asked President Glover to provide a report on the university's risk assessment process. President Cole asked Director Davis to continue.

Director Davis reported that the Financial Integrity Act of 2010 requires each agency of state government and institution of higher education to establish and maintain internal controls that provide reasonable assurance that:

- (1) Obligations and costs are in compliance with applicable law;
- (2) Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and
- (3) Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets. To document compliance, Tennessee State University performs annually assessments of risk. The purpose of the annual risk assessment is to provide reasonable assurance of the following:
 - (1) Accountability for meeting program objectives;
 - (2) Promoting operational efficiency and effectiveness;
 - (3) Improving reliability of financial statements;
 - (4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and
 - (5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

Trustee Cole thanked President Glover and Director Davis for the report.

VII. EXECUTIVE SESSION – DISCUSSION OF ITEMS DEEMED CONFIDENTIAL UNDER STATE LAW

Trustee Cole moved to retire into executive session to discuss items deemed confidential under state law. Trustee Mitchell seconded the motion, which carried unanimously. The committee transitioned into executive session at 11:11 a.m.

VIII. ADJOURNMENT

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

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

INFORMATION ITEM

DATE: June 13, 2019

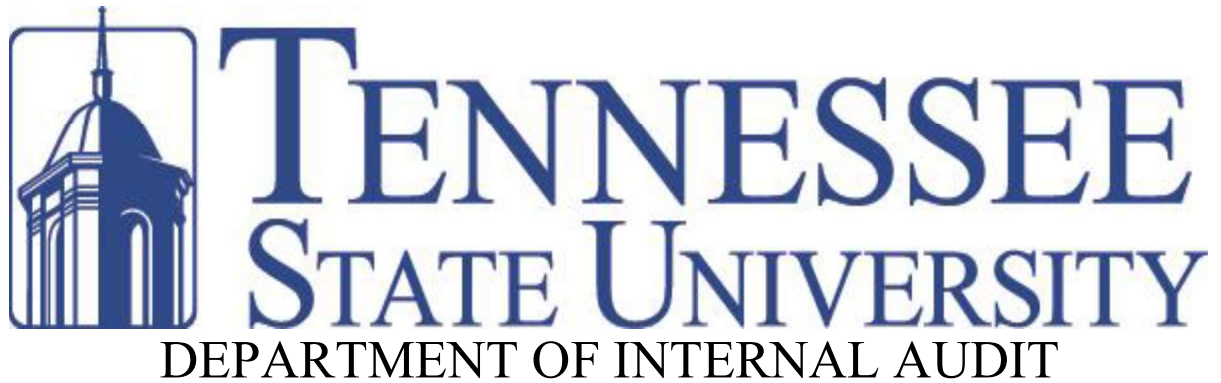
ITEM: Audit Committee Report – Annual Report on the Audit Office’s Audit Activities

RECOMMENDED ACTION: None

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The Tennessee State University Board of Trustees Audit Committee Charter requires the Audit Committee to review the Audit Office’s annual activities with the Director of Internal Audit.

The Director of Internal Audit will discuss the Office of Internal Audit’s Year End Report for fiscal year 2018-19.



Year-End Report on
Audit Activity for the
Year Ended June 30, 2019

Adrian R. Davis, CPA, CGFM
Director of Internal Audit

Ray Trobaugh, CFE, CGFM
Assistant Director of Internal Audit

Tennessee State University
 Department of Internal Audit
Report on Annual Audit Activity
 Fiscal Year Ending June 30, 2019

Rank	Type	Area	Audit	Audit Status	Report Date
Required	R	AT	NCAA Student Assistance Fund FY 2018	Complete	08/22/2018
Project	P	IS	Quality Assessment Review- External	Complete	08/31/2018
Risk-Based	A	RS	Research and Sponsored Programs	Complete	01/30/2019
Required	R	FM	President's Expenses FY 2018	Complete	10/25/2018
Follow-up Review	F	FM	State Audit Follow-up for FY 2017	Complete	04/12/2019
Risk Assessment	M	FM	Review Management's Risk Assessments	Complete	-
Required	R	IS	Collection and Review of Conflict of Interest Forms	Complete	-
Project	P	IS	Quality Assessment Review-Internal	Complete	05/01/19
Investigation	I	IS	Unscheduled Audits/Projects/Investigations	In Progress	-
Special Request	S	SS	University Scholarships	Complete	05/06/19
Risk-Based	A	AX	Equipment Inventory	In Progress	-

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

Audits Completed

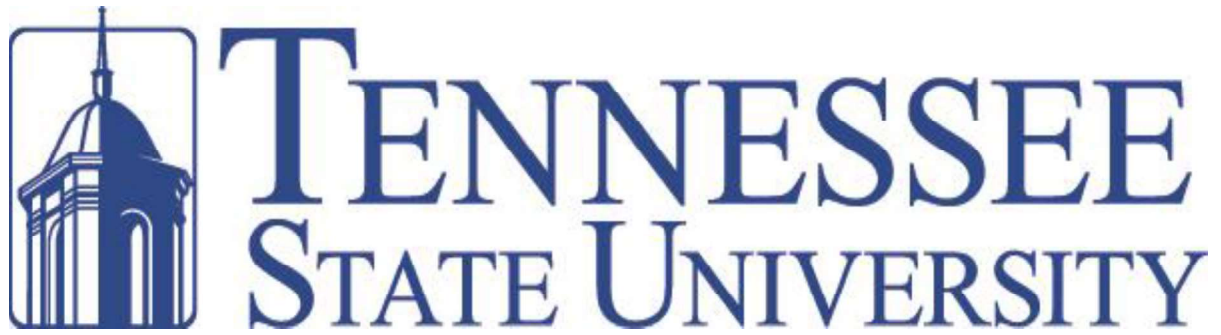
Report Date	Report Title	Observations	Corrective Action Status
8/22/2018	Review of the National Collegiate Athletic Association Student Assistance Fund	<ol style="list-style-type: none"> 1. Two allowable expense amounts, totaling \$101.99, were paid twice during the fiscal year. 2. Payment of \$300.00 to a student-athlete for providing music services at the annual Athletics Banquet was applied to his student account causing the funds to be classified in the accounting system as scholarship funds. The \$300.00 was reported erroneously to the NCAA as part of scholarship funds provided during the year. 	<ol style="list-style-type: none"> 1. \$65.00 of the \$101.99 was repaid. Follow-up with the vendor was made for the remaining \$36.99. In January 2019, we performed interim testing for the period July 1, 2018 through January 23, 2019 and found no duplicate payments. 2. Proper reporting of SAF expenses will be tested after year-end when management makes its annual report to the NCAA.
8/31/2018	Self-Assessment with Independent Validation	Standard 1312, <i>External Assessments</i> , issued by the Institute of Internal Auditors, states that "External assessments must be completed at least every five years by a qualified, independent assessor or assessment team from outside the organization." The external assessment may be accomplished through a full external assessment, or a self-assessment with independent external validation. The Tennessee State University Department of Internal Audit performed a self-assessment. KraftCPAs performed an independent validation of our self-assessment. The report issued as a result of the self-assessment and validation included four opportunities for continuous improvement.	At April 8, 2019, all opportunities for continuous improvement were implemented by the Office of Internal Audit.
10/25/2018	Audit of President's Expense Schedules for the fiscal year ended June 30, 2018	As required by state law, we performed an audit of the expenses of the President of Tennessee State University. No observations or findings were noted.	N/A- No issues noted
1/30/2019 05/03/2019	Audit of Research and Sponsored Programs	<p><i>Preparing Our Tomorrow Uniquely in STEM (POTUS)</i></p> <ol style="list-style-type: none"> 1. Unallowable benefit expenses of \$1,285.20 were charged to the grant <i>Career Commitment and Retention in STEM: The Intersection of Professional Identity and Career Management Skills in Minority and Women STEM Students</i> 1. Unallowable indirect costs totaling \$1,241.25 were charged to the grant 2. The required annual project report was not submitted timely during the budget period 3. Time and effort certifications were not prepared for time charged to the grant during the budget period <p><i>Promoting Best Management Practices In the Nursery Production Systems For the Mid-South United States By Providing Planning and Technical Assistance</i></p> <ol style="list-style-type: none"> 1. Management could not provide documentation to support timely submission of the required annual project report 2. Time and effort certifications were not prepared for time charged to the grant during the budget period 	Incomplete/ongoing The TSU Office of Internal Audit will perform follow-up procedures during the first quarter of fiscal year 2020.

Audits Completed (continued)

4/12/2019	Follow-up to the Division of State Audit, Financial and Compliance Audit of Tennessee State University For the Fiscal Year Ended June 30, 2017	<p>The Comptroller of the Treasury, Division of State Audit, performed a financial and compliance audit of the financial statements and related notes to the financial statements of Tennessee State University for the fiscal year ended June 30, 2017. The report included five audit findings.</p> <p>1) As noted in the prior two audits, management needs to improve procedures for preparing and reviewing financial statements</p> <p>2) TSU and TSU Foundation's accounting records show \$246,000 more cash on hand than shown on the bank statements; this variance is unexplained</p> <p>3) The university did not have adequate policies and procedures for the collection of accounts receivable</p> <p>4) Return of Title IV funds were not in compliance with federal regulations</p> <p>5) As noted in the prior three audits, Tennessee State University did not provide adequate internal controls in one area</p>	<p>1. Incomplete/ongoing</p> <p>2. Incomplete/ongoing</p> <p>3. Management has drafted a revised <i>Collection of Accounts Receivable</i> policy to be presented to the Board of Trustees for approval at its June 2019 board meeting</p> <p>4. Management has corrected this issue</p> <p>5. Ongoing</p>
5/1/2019	Internal Quality Assessment Review	<p>Standard 1311, <i>Internal Assessments</i>, issued by the Institute of Internal Auditors, states that "the chief audit executive (CAE) is responsible for ensuring that the internal audit conducts an internal assessment that includes both ongoing monitoring and periodic self-assessments. Standard 1320, <i>Reporting on the Quality Assurance and Improvement Program</i>, requires the results of ongoing monitoring be communicated to the board/audit committee at least annually. The CAE completed the internal quality assessment review. No instances of noncompliance with the standards or code of ethics were noted.</p>	N/A- No issues noted
5/6/2019	Audit of Institutional Scholarships	<p>One of the nation's most prominent Historically Black College and University's (HBCUs) was recently involved in a scandal related to the misappropriation of institutional scholarship funds. The fraud ensued over the course of several years and was carried out by the institution's employees. A lack of sufficient and appropriate internal controls lead to the fraud going undetected. This scandal prompted the President of Tennessee State University (TSU), Dr. Glenda Baskin Glover, to charge management with ensuring a similar scandal did not occur at TSU. We reviewed institutional scholarships awarded during fall 2018 and spring 2019 to ensure management was appropriately selecting, awarding, and disbursing funds to institutional scholarship award recipients. Our audit resulted in no findings.</p>	N/A- No issues noted

Outstanding Recommendations for Prior Year(s) Completed Audits

Report Date	Report Title	Observations	Corrective Action Status
5/18/2018	Review of the Federal Work-Study (FWS) program	<ol style="list-style-type: none"> 1. For 8 of the 26 students included in our sample, we found instances where the student worked more than 20 hours per week. 2. For 17 of the 26 students included in our sample, we noted several instances where students and related supervisors certified the student as performing work-study assignments during a scheduled class time. 3. For 6 of the 26 students included in our sample, we found where the student worked more than 6 continuous hours without taking the required minimum 30-minute unpaid rest/meal break. 	<p>Ongoing</p> <p>We performed follow-up procedures in May 2019 for the fall 2018 and spring 2019 semesters. We noted instances where students worked during scheduled class hours and worked more than 20 hours when the university was not on break.</p> <p>Management appears to have appropriately addressed the issue of students not taking required 30-minute breaks, when applicable.</p>



DEPARTMENT OF INTERNAL AUDIT

Audit of Institutional Scholarships



May 6, 2019

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

Dear Dr. Glover:

Enclosed is the internal audit report related to our audit of Institutional Scholarships.

The overall objective of the audit was to determine if university management was appropriately selecting, awarding, and disbursing funds to institutional scholarship award recipients. Our audit did not result in any audit findings.

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

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. John Cade, Vice President for Enrollment and Student Success

**Tennessee State University
Department of Internal Audit
Audit of Institutional Scholarships
Executive Summary**

Key Area	Office of Financial Aid	Internal Auditor	Adrian R. Davis, CPA, CGFM
Background and Introduction	<p>One of the nation’s most prominent Historically Black College and University’s (HBCUs) was recently involved in a scandal related to the misappropriation of institutional scholarship funds. The fraud ensued over the course of several years and was carried out by the institution’s employees. A lack of sufficient and appropriate internal controls lead to the fraud going undetected. This scandal prompted the President of Tennessee State University (TSU), Dr. Glenda Baskin Glover, to charge management with ensuring a similar scandal did not occur at TSU.</p> <p>Scholarships are used to assist students in funding their education. Scholarships are based on a combination of the student's academic performance, community service, residency and other criteria.</p>		
Objectives	<ol style="list-style-type: none"> 1. Determine if the process of awarding institutional scholarships is efficient and effective 2. Determine if management’s awarding of institutional scholarships is objective 3. Determine if the awarding of institutional scholarships adheres to university policies and procedures 4. Determine if the students awarded institutional scholarships met the eligibility requirements and received the proper award amounts 5. Determine that actual award amounts disbursed did not exceed the budgeted totals 		
Scope	Fall 2018 and Spring 2019 institutional award recipients		
Questioned Costs	N/A	Recoveries	N/A
Audit Finding Ranking	<p>Audit findings are rated as high, medium or low depending on auditor judgment. Some of the factors considered in judging the seriousness of a finding include: (1) level of financial impact, (2) extent of violation of laws, regulations and restrictions, (3) lack of a university policy or noncompliance with a matter in an important matter, (4) lack of internal controls or ineffective controls and procedures, and (5) fraud, theft, conflicts of interest or serious waste of university resources.</p>		
Findings	None		
Conclusion	<p>The objectives of the audit were met. It was determined that the process of awarding scholarships was effective and efficient. We found no bias in management’s awarding of scholarships to recipients. The awarding of institutional scholarships adheres to university policies and procedures. Institutional award recipients were found to have met the eligibility requirements to receive amounts awarded. Amounts awarded did not exceed initial budget thresholds.</p>		
Restriction on Use of Report	<p><i>This report is intended solely for the internal use of Tennessee State University and the Tennessee State University Audit Committee, a standing committee of the Tennessee State University Board of Trustees. 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></p>		

Institutional Scholarships

We obtained a listing of institutional scholarship recipients awarded during the fall 2018 and spring 2019 semesters. We performed a review of the following institutional scholarships:

Institutional Scholarships	Number of Recipients	Total Amount Paid
Building Bridges (In-State)	98	\$1,161,508.12
Building Bridges (Out-of-State)	18	\$ 374,503.00
Academic Higher Achiever	61	\$ 741,463.00
Access and Diversity Scholarship	37	\$ 161,256.50
Academic Work Scholarship	29	\$ 228,979.20
Tennessee State University Scholarship	30	\$ 210,629.50
TOTAL	<u>273</u>	<u>\$2,878,339.32</u>

1. Objective 1- Determine if the process of awarding institutional scholarships is efficient and effective

The awarding of institutional scholarships is the responsibility of the Office of Financial Aid, in particular, the Assistant Director of Financial Aid. Applicants use the university’s scholarship portal to apply for institutional scholarships. Awards are made on a first-come, first-served basis for those students who meet the award criteria. After being selected to receive an institutional scholarship award, students are sent an Acceptance Letter. By signing the award agreement, the student agrees to adhere to pre-established guidelines to continue receiving award amounts. The deadline for applying for institutional scholarships is several months prior to the beginning of the fall semester. This helps to ensure awarding is efficient. The process was also determined to be effective as approximately 93% of the revised budget total for scholarships was awarded to students.

2. Objective 2 – Determine if management’s awarding of institutional scholarships is objective

We reviewed the scholarship awarding process to determine if appropriate controls were in place to prevent bias in the awarding of scholarships to students. Controls were determined to be appropriate.

3. Objective 3 - Determine if the awarding of institutional scholarships adheres to university policies and procedures

University policy 3:04:01:00, *Student Scholarships, Grants, Loans & Financial Aid Programs*, addresses institutional scholarships. There were no instances of noncompliance noted.

4. Objective 4 - Determine if the students awarded institutional scholarships met the eligibility requirements and received the proper award amounts

We selected for testing a random sample of 50 students who received an institutional scholarship during the fall 2018 and/or spring 2019 semester. We reviewed the students' accounts to determine if they met the eligibility requirements for the institutional awards received and received the proper award amounts. No findings were noted.

5. Objective 5 - Determine that actual awards amounts disbursed did not exceed the budgeted totals

Scholarship offers did not exceed the original budgeted amount for institutional scholarships. During the fall 2018 semester, the university made university-wide budget cuts. Final award amounts disbursed exceeded the revised budget totals in some instances. At the time of the university-wide budget cuts, fall 2018 scholarship awards were already provided to eligible students. Due to the previous commitment to provide awards to approved applicants, the university upheld its obligation to the students for the spring 2019 semester as well. Actual expenses did not exceed the budget for awards funded with restricted funding.

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: June 13, 2019

ITEM: Audit Committee Report – Discussion of the Audit Office’s Quality Assessment

RECOMMENDED ACTION: None

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The Institute of Internal Auditors (IIA) requires that the Office of Internal Audit perform both internal and external quality assessments. Standard 1311, *Internal Assessments*, issued by the IIA, states that “the chief audit executive is responsible for ensuring that the internal audit activity conducts an internal assessment that includes both ongoing monitoring and periodic self-assessments.” Standard 1320, *Reporting on the Quality Assurance and Improvement Program*, requires the results of ongoing monitoring be reported to the audit committee at least annually.

The Director will discuss the results of the Office of Internal Audit’s internal quality assessment.

DEPARTMENT OF INTERNAL AUDIT

Internal Quality Assessment Review
May 2019



May 1, 2019

Dr. Glenda Baskin Glover, President
Tennessee State University
3500 John A. Merritt Boulevard
Nashville, Tennessee 37209-1561

Dear President Glover:

Enclosed are the results of the self-assessment quality review for the Department of Internal Audit.

In accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*, issued by the Institute of Internal Auditors (IIA), we implemented a Quality Assurance and Improvement Program for the Department of Internal Audit. As required by the Standards, this program must include periodic external reviews and internal self-assessments, as well as ongoing internal monitoring covering all aspects of the internal audit activity.

The *Standards* require an external quality assurance review be performed every five years. Our latest external review was completed in August of 2018. Our Quality Assurance and Improvement Program requires internal reviews to be performed between external reviews. Ongoing monitoring procedures of internal audit activities are performed daily as part of the policies and practices of our office.

The results of our internal assessment indicate that our office generally conforms to the *Standards* and the Code of Ethics.

A summary of our assessment is attached.

Sincerely,

Adrian R. Davis

Adrian R. Davis, CPA, CGFM
Director of Internal Audit

CC: Dr. Deborah A. Cole, Audit Committee Chair

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EXECUTIVE SUMMARY

The Tennessee State University Department of Internal Audit conducted a quality self-assessment of the internal audit activity during fiscal year 2019. The principal objective of the quality self-assessment was to determine the internal audit activity's conformity to The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, the *Definition of Internal Auditing* and the *Code of Ethics*.

As part of the quality assessment, the Department of Internal Audit prepared a self-study of conformance to the IIA requirements. The Office of Internal Audit also reviewed the risk analysis and audit planning processes, audit tools and methodologies, engagement and staff management processes and working papers and reports.

For a detailed list of conformance to individual standards, please see *Attachment A* to this report.

Requirement for Quality Assessments

The Department of Internal Audit is required by The *IIA Standards*, to have a quality assurance and improvement program, which includes periodic internal and external quality assessments and ongoing internal monitoring for conformance with the *Standards*. Adherence to the *Standards* is essential for the professional practice of internal auditing. Within The *IIA Standards* are Attribute and Performance Standards. The IIA states that "Standards are the criteria by which the operations of an internal audit department are evaluated and measured. They are intended to represent the practice of internal auditing as it should be."

Procedures Performed

As part of the quality assessment, the Office of Internal Audit prepared a self-study of conformance to the IIA requirements. The Office of Internal Audit also reviewed the risk analysis and audit planning processes, audit tools and methodologies, engagement and staff management processes and a sample of working papers and reports.

Opinion as to Conformity with the Standards

The overall opinion is that Tennessee State University's internal audit activity generally conforms to The IIA's *Standards*, *Definition of Internal Auditing* and *Code of Ethics*. Efforts to conform to the spirit and intent of the *IIA Standards* are evident. The internal audit activity is well-structured and progressive and audit management is endeavoring to provide useful audit tools and implement appropriate practices.

RATING DEFINITIONS

GC – “Generally Conforms” means that the assessor has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

DNC – “Does Not Conform” means that the assessor has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

ATTACHMENT A – EVALUATION SUMMARY

	GC	PC	DNC
Overall Evaluation	X		

Attribute Standards (1000 through 1300)		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		

1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X		
1322	Disclosure of Nonconformance	X		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		

2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Code of Ethics		GC	PC	DNC
	Code of Ethics	X		

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: June 13, 2019

ITEM: Audit Committee Report – Approval of Fiscal Year 2019-2020 Audit Plan

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

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*, issued by the Institute of Internal Auditors. The audit plan covers the annual audit period ending June 30, 2020. Risk factors (e.g. internal controls, results of prior internal and external audits, results of management’s risk assessment, etc.) were considered when determining the items to be included in the audit plan.

The purpose of this agenda item is to consider for approval the Annual Audit Plan for fiscal year 2019-2020.

See Attachment.

MOTION: To approve the Fiscal Year 2019-2020 Audit Plan, as contained in the Board materials for the Board’s June 13, 2019, meeting.

Tennessee State University
 Department of Internal Audit
 Annual Audit Plan
 2019-2020

**Tennessee State University
 Internal Audit Plan
 Fiscal Year Ending June 30, 2020**

Rank	Type	Area	Audit	Budget (Hours)	Estimated Start Date	Estimated Completion Date
Required	R	AT	NCAA Student Assistance Fund FY 2018	125	July 2019	August 2019
Risk-Based	A	AX	Book Bundle Revenue	150	July 2019	September 2019
Required	R	FM	President's Expenses FY 2019	125	August 2019	October 2019
Follow-up Review	F	FM	State Audit Follow-up for FY 2018	175	August 2019	December 2019
Risk-Based	A	IT	Banner Access Review	325	September 2019	November 2019
Risk Assessment	M	FM	Review Management's Risk Assessments	50	October 2019	November 2019
Risk-Based	A	IA	University Admissions	325	October 2019	January 2020
Risk-Based	A	FM	University Procurement Card	75	November 2019	December 2019
Investigation	I	IS	Unscheduled Audits/Projects/Investigations	275	TBD	
Consultation	C	IS	Unscheduled Consultation	50	TBD	
Required	R	IS	Review of Conflict of Interest Forms	50	January 2020	March 2020
Risk-Based	A	AT	NCAA Football Attendance Certification	150	January 2020	March 2020
Risk-Based	A	IT	Payment Card Industry Compliance	325	February 2020	May 2020
Follow-up Review	F	FM	State Audit Follow-up for FY 2019	200	April 2020	May 2020
Consultation	C	IS	Receivable Allowance Calculation Review	75	May 2020	June 2020
Required	R	FM	Cash Counts	10	June 2020	June 2020
			Total	2485		

Estimate-Hours Available For Audits = 2485 hours

Audit Types:	Functional Areas:
R - Required	AD - Advancement
A - Risk-Based (Assessed)	AT - Athletics
S - Special Request	AX - Auxiliary
I - Investigation	FM - Financial Management
M - Management's Risk Assessment	IA - Instruction & Academic Support
C - Consultation	IS - Institutional Support
F - Follow-up Review	IT - Information Technology
	PP - Physical Plant
	RS - Research
	SS - Student Services

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: June 13, 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