

**Tennessee State University
Board of Trustees**



**AUDIT
COMMITTEE
REPORT**

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

8:00 a.m. CST
Thursday, September 20, 2018

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 June 21, 2018, Audit Committee Meeting Minutes
- IV. Review of Completed Internal Audits
- V. Discussion of the External Audit Process
- VI. Executive Session – Discussion of the Items Deemed Confidential under State Law

**Tennessee State University
Board of Trustees**



**Approval of the
June 21, 2018,
Audit Committee
Meeting Minutes**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: September 20, 2018

ITEM: Approval of the June 21, 2018, Audit Committee Meeting Minutes

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The document reflecting the minutes from the June 21, 2018, Audit Committee meeting is included in the September 20, 2018, Board materials.

MOTION: To approve the minutes from the Board of Trustees' June 21, 2018, Audit Committee meeting, as contained in the Board materials for the Board's September 20, 2018, meeting.

**Tennessee State University Board of Trustees
Audit Committee Meeting. June 21, 2018
Tennessee State University. 3500 John A. Merritt Blvd. Nashville, Tennessee
McWherter Administration Building
President's Conference Room**

MINUTES

Committee Members Present: Dr. Deborah Cole, Dr. Edith Peterson Mitchell, and Obie McKenzie (via conference call).

Other Board Members Present: Dr. Richard Lewis

University Staff Present: President Glenda Glover; Mr. Laurence Pendleton, University Counsel and Board Secretary; Ms. Cynthia Brooks, Vice President for Business and Finance; Dr. Curtis Johnson, Chief of Staff and Associate Vice President of Administration; and Ms. Adrian Davis, Director of Internal Audit.

Guests: Mr. Stephen Corbeil, and 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 8:05 a.m. and welcomed all attendees.

A round of introductions was made because this meeting was the first instance of attendance for several of the attendees.

II. ROLL CALL/DECLARATION OF A QUORUM

Board Secretary Pendleton called the roll at the committee chair's request. All members of the Audit Committee were present. Secretary Pendleton announced the presence of a quorum.

III. APPROVAL OF March 15, 2018, COMMITTEE MEETING MINUTES

Trustee Cole proceeded to the approval of the March 15, 2018, Audit Committee Meeting Minutes, as included in the June 21, 2018, board materials. Trustee Cole moved to approve the minutes. Trustee Mitchell seconded the motion, which carried unanimously.

IV. ANNUAL REPORT ON THE AUDIT OFFICE'S ACTIVITIES

Dr. Glover asked Adrian Davis, Director of Internal Audit to provide the report for this item as

her designee.

Adrian Davis reported that audit research and sponsorship programs remains to be audited. The Office of Internal Audit audited the federal work/study program and found that not all students were taking the mandated breaks, some student worked in excess of the twenty hour weekly limit, and some students were working while they were scheduled to attend classes. No fraudulent reporting of student work time was found. All records were found to be accurate.

Director Davis also noted that the office evaluated the participation of thirteen work/study athlete students and thirteen non-athlete students. Seventeen of the twenty-six students were found to have worked during their scheduled class time. Training for managers of students who participate in the work/study program will be mandated.

Director Davis stated that the triggers for investigations and audits were discussed. Complaints trigger investigations while audits are performed as scheduled.

This was an information item, thus no vote was taken.

V. DISCUSSION OF THE OFFICE'S QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Dr. Glover asked Adrian Davis, Director of Internal Audit to provide the report for this item as her designee.

Director Davis reported that the program consists of two components: and Internal Audit, which is conducted by the TSU Office of Internal Audit, and an External Audit, which is conducted by an independent consultant.

Director Davis noted that the Internal Audit Office performed the last internal audit in August of 2013. Internal audits are required every five years. There are possible outcome determinations for internal audits:

1. Generally Conforming. The policies and procedures are being followed as prescribed.
2. Partially Conforming. The policies and procedures are followed substantially, but improvements would be possible and required to meet the Generally Conforming guidelines.
3. Non-Conforming. The policies and procedures are not being followed, and no attempt to follow them was found.

Director Davis informed the committee that the Office of Internal Audit conducted a search for a certified public accounting firm to conduct the external audit. Proposals were taken from several firms. KraftCPAs, PLLC of Columbia, TN was selected to conduct the 2018 external audit. Kraft is scheduled to submit its report to the Audit office in August. The Audit office will report the findings of the external audit to the Board of Trustees Audit Committee in September 2018.

This was a discussion item, thus no vote was taken.

VI. APPROVAL OF THE FISCAL YEAR 2018-19 AUDIT PLAN

Dr. Glover asked Director Davis to provide the report for this item as her designee.

Director Davis discussed the Annual Audit Plan for Fiscal Year 2018-19, as provided on pages 35 and 36 of the Board of Trustees materials for the June 21, 2018, meeting was discussed. The President's designee provided details on the items and their corresponding functional areas to be audited, the hours allocated to audit each item, the schedule for conducting the audits, and the type of audits to be conducted.

Director Davis noted that every audit requested by the external auditor was completed.

Chair Cole suggested that the type of audit for University Scholarships be changed from Risk-Based (A) to Special Request to more accurately show the justification for the audit and that the University has been proactive in closely monitoring its scholarship funds.

Chair Cole then moved to recommend the approval of the Audit Plan as contained in the Board materials for the June 21, 2018, Board meeting with the modification to the type of audit for University Scholarships to be listed as Special Request to the full Board. Trustee Mitchell seconded the motion. There was no further discussion and Secretary Pendleton called the roll. The motion carried unanimously.

VII. DISCUSSION OF THE INSTITUTIONAL RISK ASSESSMENT

Dr. Glover asked Adrian Davis, Director of Internal Audit to provide the report for this item as her designee.

The committee discussed the Institutional Risk Assessment that was used to develop the audit plan referenced supra. This was a discussion item, thus no vote was taken.

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 at 8:35 a.m.

TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
INFORMATION ITEM

DATE: September 20, 2018
ITEM: Review of Completed Internal Audits
RECOMMENDED ACTION: None
PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The Tennessee State University Department of Internal Audit has completed audit work on two audits. The Internal Audit Director will discuss the results of the audits. Materials related to the two audits are enclosed.



DEPARTMENT OF INTERNAL AUDIT

**Review of the
National Collegiate Athletic Association
Student Assistance Fund
For the Fiscal Year Ended June 30, 2018**



Department of Internal Audit

3500 John A. Merritt Blvd.
Nashville, TN 37209-1561

August 22, 2018

Ms. Beth DeBauche
Commissioner
Ohio Valley Conference
215 Centerview Drive, Suite 115
Brentwood, TN 37027

Dear Ms. DeBauche:

Enclosed is the Tennessee State University Department of Internal Audit's report on our review of the National Collegiate Athletic Association (NCAA) Student Assistance Fund for the fiscal year ended June 30, 2018.

The review indicated that the university had procedures in place to ensure student-athletes were eligible to receive SAF funds. It was determined that the expenditure of funds were in compliance with NCAA guidelines. Our observations are documented in the attached executive summary.

If you or members of your staff should require additional information, please feel free to contact me at 615-963-7656 or adavis74@tnstate.edu.

Sincerely,

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

CC: Dr. Glenda Glover, President
Dr. Deborah A. Cole, Audit Committee Chair
Ms. Teresa Lawrence-Phillips, Director of Athletics

Enclosure

Tennessee State University
 Audit of NCAA Student Assistance Fund
 For the Year Ended June 30, 2018
 Executive Summary

Key Department	Tennessee State University Department of Athletics	Internal Auditor	Adrian R. Davis, CPA, CGFM, Director
Background	<p>The National Collegiate Athletic Association (NCAA) funds the Student Assistance Fund (SAF) each year by providing funds to the conference offices. The Ohio Valley Conference (OVC) then distributes funds to each university annually. The SAF was created due to expanded uses of the former Special Assistance Fund to mirror the permissible uses of the former Student-Athlete Opportunity Fund. These former funds are now combined into one fund known as the Student Assistance Fund.</p> <p>SAF funds are to be used “to assist student-athletes in meeting financial needs that arise in conjunction with participation in intercollegiate athletics, enrollment in an academic curriculum, or that recognize academic achievement.” All student athletes are eligible to receive SAF benefits. The student-athletes are not required to be grant-in-aid recipients or have demonstrated financial need. Student-athletes are also eligible if they have exhausted their eligibility or may no longer participate for medical reasons. Prospective student-athletes are not eligible to receive SAF benefits, unless they are receiving summer financial aid prior to full-time enrollment under NCAA Bylaw 15.2.8.</p>		
Objectives	<ol style="list-style-type: none"> 1. To determine if SAF expenditures for fiscal year 2018 were in compliance with NCAA guidelines 2. To determine if account balances and expenditures were accurately reported to the Ohio Valley Conference 		
Scope	<p>Our review was conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> issued by the Institute of Internal Auditors, inasmuch as these standards relate to the audit objectives, and accordingly, included such tests of the accounting records and such other auditing procedures as considered necessary.</p> <p>The review included, but was not limited to the following:</p> <ul style="list-style-type: none"> – A review of the National Collegiate Athletic Association’s SAF guidelines – Interviews with appropriate university staff in the Athletics Department – An examination of the documentation supporting all expenditures made with SAF funds during the year – A review of the SAF report of expenditures submitted to the Ohio Valley Conference and the NCAA by personnel in the Athletics Department. 		
Prior Audit Results	<p>There were no findings reported as a result of our review of the Student Assistance Fund for the fiscal year ended June 30, 2017.</p>		

<p>Current Audit Results</p>	<p>The results of our review indicated that the Athletics Office had a process in place to ensure that student-athletes were eligible to receive SAF funds. It was determined that expenditures were in compliance with NCAA guidelines. We did make two minor observations during our review. We did not note any material weaknesses.</p> <ul style="list-style-type: none"> A. Two allowable expense amounts, totaling \$101.99, were paid twice during the fiscal year. <ul style="list-style-type: none"> 1. A student-athlete purchased educational material totaling \$65.00 on January 30, 2018. The student-athlete was reimbursed using SAF funds. The student-athlete erroneously received reimbursement twice for the purchase. She received a check dated February 15, 2018 and another check dated February 20, 2018. 2. A \$36.99 medical bill for a student-athlete who received medical services on July 31, 2017, was paid twice according to the supporting documentation in the university's purchasing system. The medical bill was included as support for two separate payments of 36.99. The initial payment of the medical bill was made with a check dated November 16, 2017. The second payment was made using a check dated May 4, 2018. Management in Athletics indicated that there likely was another invoice that was received before the second payment was made. There was no separate invoice used to support the transaction. The invoice included was a replica of the invoice from the previous transaction. B. In addition, \$300.00 paid 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 funds were not provided for the student's educational expenses. Due to the funds being applied to the student's account, the \$300.00 was misclassified as scholarship funds in the accounting system and reported erroneously to the NCAA as part of scholarship funds provided during the year.
<p>Conclusion</p>	<p>The results of our review indicate that the Athletics Department had controls in place to ensure that students who received funds were eligible for the funds and that expenditures of the funds were in compliance with NCAA guidelines. Expenditures were accurately reported for the fiscal year ended June 30, 2018, except for the immaterial instances noted above.</p> <p>Recommendation: Athletics Managements needs to institute procedures that will prevent duplicate payment for allowable expense amounts. Also, appropriate reviews should be performed to ensure all amounts are properly categorized when reporting to the NCAA.</p> <p>Management's Response: We will work with Accounts Payable in the future to ensure that no student-athlete is paid twice. If the mistake were to be made in the future, we would have the student-athlete to reimburse the SAF funds.</p>



**TENNESSEE
STATE UNIVERSITY**

DEPARTMENT OF INTERNAL AUDIT

***Travel Expense Audit
for the period
January 1, 2017 – December 31, 2017***



Department of Internal Audit
3500 John A. Merritt Blvd.
Nashville, TN 37209-1561

August 21, 2018

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

Dear Dr. Glover:

Enclosed is the internal audit report for our audit of university travel expenses paid during calendar year 2017. The audit was performed in accordance with *the International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

The objective of the audit was to determine if the university complied with state and institutional policies, procedures, rules, guidance, etc. regarding travel expenses.

Our findings are included. Our audit revealed no significant statutory or policy violations, material omissions, or deficiencies in internal controls.

We appreciate the courtesy and cooperation of university personnel during our review.

Sincerely,

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

CC: Dr. Deborah A. Cole, Audit Committee Chair
Ms. Cynthia Brooks, Vice President for Business and Finance

Tennessee State University
Audit of Travel Expenses
For the Period January 1, 2017 – December 31, 2017

Key Area	Business and Finance	Internal Auditor	Ray Trobaugh, MBA, CGFM																								
Objectives	<ul style="list-style-type: none"> • To determine compliance with state and institutional travel rules, regulations, policies, procedures, etc.; • To verify expenses and agree amounts to the accounting records; • To determine that internal controls are sufficient; and • Make recommendations to improve any deficiencies and/or improve operations. 																										
Scope	The scope of the audit was university travel expenses paid during calendar year 2017 (January 1, 2017 through December 31, 2017).																										
Summary	<p>We extracted travel transactions paid during the period January 1 to December 31, 2017, totaling \$3,671,343.93 from the university's accounting system.</p> <p>Recorded travel expenses during the period included:</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">Individual In-State Travel</td> <td style="text-align: right;">\$448,869.25</td> </tr> <tr> <td>Individual Out-of-State or Country</td> <td style="text-align: right;">1,555,181.31</td> </tr> <tr> <td>Individual Out-of-Country</td> <td style="text-align: right;">14,578.72</td> </tr> <tr> <td>Teams and Groups In-State</td> <td style="text-align: right;">475,285.78</td> </tr> <tr> <td>Teams Groups Out-of-State or Country</td> <td style="text-align: right;">914,555.01</td> </tr> <tr> <td>Travel Group Out-of-Country</td> <td style="text-align: right;">40,324.08</td> </tr> <tr> <td>Visitors in State</td> <td style="text-align: right;">19,237.83</td> </tr> <tr> <td>Visitors Out-of-State or Country</td> <td style="text-align: right;">16,499.21</td> </tr> <tr> <td>Travel Visitor Out-of-Country</td> <td style="text-align: right;">4,664.06</td> </tr> <tr> <td>Athletic Recruitment Travel</td> <td style="text-align: right;">172,952.67</td> </tr> <tr> <td>Other Travel</td> <td style="text-align: right;"><u>9,196.01</u></td> </tr> <tr> <td>Grand Total</td> <td style="text-align: right;"><u>\$ 3,671,343.93</u></td> </tr> </table> <p>We reviewed 67 travel transactions. For 11 of the 67 transactions tested, we noted 12 instances of noncompliance with travel policies or generally accepted accounting principles (gaap).</p>			Individual In-State Travel	\$448,869.25	Individual Out-of-State or Country	1,555,181.31	Individual Out-of-Country	14,578.72	Teams and Groups In-State	475,285.78	Teams Groups Out-of-State or Country	914,555.01	Travel Group Out-of-Country	40,324.08	Visitors in State	19,237.83	Visitors Out-of-State or Country	16,499.21	Travel Visitor Out-of-Country	4,664.06	Athletic Recruitment Travel	172,952.67	Other Travel	<u>9,196.01</u>	Grand Total	<u>\$ 3,671,343.93</u>
Individual In-State Travel	\$448,869.25																										
Individual Out-of-State or Country	1,555,181.31																										
Individual Out-of-Country	14,578.72																										
Teams and Groups In-State	475,285.78																										
Teams Groups Out-of-State or Country	914,555.01																										
Travel Group Out-of-Country	40,324.08																										
Visitors in State	19,237.83																										
Visitors Out-of-State or Country	16,499.21																										
Travel Visitor Out-of-Country	4,664.06																										
Athletic Recruitment Travel	172,952.67																										
Other Travel	<u>9,196.01</u>																										
Grand Total	<u>\$ 3,671,343.93</u>																										
Questioned Costs	None	Recoveries	N/A																								
Observations /Findings	<ul style="list-style-type: none"> ▪ For four of the 67 transactions tested (5.97%), the travelers did not return unused travel advance funds within the required timeframe. [finding ranking- Medium] 																										

	<ul style="list-style-type: none"> ▪ For five of the 67 transactions tested (7.46%), the travelers did not submit their request for travel reimbursement in a timely manner. [finding ranking- Low] ▪ For one of the 67 transactions tested (1.49 %), the traveler completed his travel prior to obtaining documented approval. [finding ranking- Low] ▪ For two of the 67 transactions tested (4.48%), the travel expenses were not charged to the correct account number in the university’s accounting records. [finding ranking- Low]
Audit Finding Ranking	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.
Conclusion	<p>Our objectives for the audit of travel expenses for calendar year 2017 were achieved. We were able to verify the existence of supporting documentation for expenses and transactions included in the university’s accounting system. We reviewed 67 travel transactions, and found 11 instances of noncompliance with travel policies and one instance of noncompliance with generally accepted accounting principles. The audit did not reveal any significant statutory or policy violations, or significant deficiencies in internal controls. Internal controls appear to be adequate and in place.</p> <p>Recommendation: The Vice President for Business and Finance should ensure that university employees are aware of, and adhering to, university travel policies at all times. In addition, procedures should be implemented that provide for a proper review of the recording of transactions to ensure that all transactions are properly accounted for in the accounting system.</p>
Restriction on Use of Report	<i>This report is intended solely for the internal use of the Tennessee State University Board of Trustees’ Audit Committee 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 Audit Committee, the university’s Office of Internal Audit, and handled in accordance with institutional policies; however, this report is a matter of public record.</i>

Analysis:

The university's travel expense population for calendar year 2017 totaled \$3,671,343. We selected for testing all travel documents exceeding \$36,000, which included seven test items. We then chose a random sample of 60 additional items from the remaining population. Our sample included 67 test items totaling \$542,453.97.

1. The university's travel policy 5.9.6(f), *Cash Advances*, states, "Unused cash advances MUST be returned to the cashier within 72 hours..."

For four of 67 travel transactions tested (5.97%), the travelers did not return unused cash advance funds, ranging from \$50 to \$3,537, to the university cashiers within 72 hours of their return date.

- For one of the four transactions, the university was hosting a perspective student athlete and his parent. The visitors concluded their visit to the university on November 5, 2016, but the employee responsible for advanced funds did not return the \$776.54 in unused advance funds until December 21, 2016 (\$676.54) and January 12, 2017 (\$100). The employee cited an extended illness as the reason for the delay.
- For one of the four transactions, an athletic coach received a cash advance to provide meals for players. Travel for the group concluded on October 15, 2017; however, the \$413.37 in unused funds was not returned to the university cashiers until November 1, 2017. The coach did not cite a reason for the untimely return of funds.
- For one of the four transactions, a former athletic coach received a cash advance to provide meals for student athletes during the Christmas 2016 holiday break. The anticipated end date for the holiday break was January 11, 2017, according to the travel requisition submitted by the former coach. The \$50 in unused cash advance funds was not returned to the cashier until January 26, 2017. The student athletes signed a receipt form documenting their receipt of the funds. Approximately half of the signatures were dated December 30, 2016, and the remainder were dated January 26, 2017, the day the former athletic coach submitted the related travel claim. As the coach is no longer employed with the university, we were not able to determine if he provided the funding to those athletes at January 26, 2017, or if that simply was the date he requested the students to sign the receipt form in order to complete his supporting documentation for the travel claim.
- For one of the four transactions, funds were provided to provide meals for the band during a trip that concluded on September 17, 2017. The traveler did not return \$3,536.67 in unused advanced funds until October 13, 2017. The traveler did not cite a reason for the untimely return of funds.

2. University Travel Policy 5.9.15(2) and *TBR Policy* 4:03:03:00 VII. states, "Claims for reimbursement of travel expenses should be submitted no later than thirty (30) days after completion of the travel."

For three of 67 transactions tested (4.48%), the employees did not submit their claims for reimbursement in a timely manner.

- For one of the three travelers, the employee concluded travel on July 14, 2016. The travel claim related to this travel was submitted on February 8, 2017, and approved by the employee's supervisor on February 15, 2017. On March 13, 2017, the Accounts Payable Manager inquired about the lateness of the claim. The traveler indicated the Administrative Assistant position experienced turnover twice from summer 2016 to fall 2016, and he was not aware of any requests for him to file his travel claim. The traveler was owed \$506.83.
- For one of the three travelers, the employee has blanket travel authorization because a considerable amount of his time is spent traveling. For one travel period ending March 28, 2017, the traveler did not submit his claim for reimbursement until May 18, 2017. The travel claim related to this travel was required to be submitted on, or before, April 27, 2017. There was a signed letter from the employee's supervisor stating that the employee was in attendance at numerous conferences and camps, which prevented him from submitting his claim more timely. The traveler was owed \$197.40.
- For one of the three travelers, the employee's travel ended on August 10, 2017. The employee and his supervisor signed and dated the related travel claim on September 12, 2017. The travel claim was due on September 10, 2017. An explanation of the traveler's late filing was not included. The traveler was owed \$90.71.

For two of the 67 transactions (2.99%), the travelers did not date their travel claims, so we were not able to determine if the claim was submitted timely or not. The date the claims were approved by the employees' supervisors was outside of the required 30-day timeframe.

- For one of the two travelers, the employee concluded travel on March 30, 2017. The travel claim related to this travel was required to be submitted on, or before, April 29, 2017. The employee did not date her travel claim. The employee's supervisor dated her approval of the travel claim on May 5, 2017. We could not verify if the employee submitted the travel claim within 30 days. The traveler was owed \$231.71.

- For the traveler noted above as having not returned \$776.54 to the university within 72 hours of the conclusion of travel, the traveler also did not date her submission of the related travel claim. The travel period ended on November 5, 2016. The employee's supervisor dated her approval of the travel claim on January 13, 2017. We could not verify if the employee submitted the travel claim within 30 days.
3. TBR Policy 4:03:03:00(C)(2) states, "All employees must obtain prior written authorization for out-of-state travel, which must be approved by the employee's approving authority."
- For one of the 67 transactions tested (1.49%), an employee traveled from December 15, 2016 through December 17, 2016 and incurred \$204.62 in travel expenses prior to obtaining documented approval to travel. The employee, an Athletics Recruiter, prepared his Travel Requisition on December 13, 2016. The Athletics Coordinator approved his requisition on December 20, 2016.
4. The university adheres to generally accepted accounting principles (gaap). GAAP standards indicate that the recording of financial transactions should be timely and accurate. For two of the 67 transactions tested, management did not ensure that the travel was recorded accurately as the two transactions were charged to the incorrect account code.
- For one of the two transactions, team travel to Florida totaling \$44,238 was incorrectly recorded as group in-state travel (73300) and should have been charged as group out-of-state-travel (73400).
 - For one of the two transactions, an employee's travel to California totaling \$1,690.14 was incorrectly recorded as individual in-state travel (73100) and should have been charged as individual out-of-state-travel (73200).

Conclusion:

Our objectives for the audit of travel expenses for calendar year 2017 were achieved. We were able to verify the existence of supporting documentation for expenses and transactions included in the university's accounting system. We reviewed 67 travel transactions, and found 11 instances of noncompliance with travel policies and one instance of noncompliance with generally accepted accounting principles. The audit did not reveal any significant statutory or policy violations, or significant deficiencies in internal controls. Internal controls appear to be adequate and in place.

Recommendation:

The Vice President for Business and Finance should ensure that university employees are aware of, and adhering to, university travel policies at all times. In addition, procedures should be implemented that provide for a proper review of the recording of transactions to ensure that all transactions are properly accounted for in the accounting system.

Management's Comment:

We concur. The Vice President for Business and Finance will ensure the following:

- The Associate Vice President for Financial Services will coordinate with the Account Clerk III in Accounts Payable by September 30, 2018, to: (1) send reminders to travelers with outstanding claims prior to the thirty-day submission deadline; and (2) send alerts to travelers who have received advances that unused funds must be returned within 72 hours.
- The Director of Procurement Services will modify the Travel Request Form in SciQuest to provide a link to the university's travel policies by September 30, 2018. The Director will also begin ensuring by this date that the Travel Coordinator: (1) references the university's travel policies when notifying travelers that their requisitions are complete; (2) has written justification on file when approval for travel is obtained after-the-fact; and (3) verifies the travel account codes are correct.
- The Director of Procurement Services and the Associate Vice President for Financial Services will coordinate providing travel information to all employees a minimum of annually, via in-person training and/or University Communications, by June 30 of each fiscal year.

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: September 20, 2018

ITEM: Discussion of the External Audit Process

Tennessee Code Annotated Section 8-4-109(a)(2) states, “The comptroller of the treasury is hereby authorized to audit any books and records of any governmental entity created under and by virtue of the statutes of the state which handles public funds when such audit is deemed necessary or appropriate by the comptroller of the treasury.” The Director of Internal Audit will provide information on the timing of the Division of State Audit’s financial and compliance audits.

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: September 20, 2018

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