

**Tennessee State University
Board of Trustees**



**AUDIT
COMMITTEE
REPORT**

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

10:00 a.m. CDT
Thursday, June 16, 2022

Tennessee State University – Main Campus
Via Zoom link:
<http://www.tnstate.edu/board/livestream.aspx>

ORDER OF BUSINESS

- I. Call to Order
- II. Roll Call/Declaration of a Quorum
- III. Approval of the March 17, 2022, 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. Review of Outstanding Audit Issues
- VII. Approval of the Fiscal Year 2022-2023 Audit Plan
- VIII. Executive Session – Discussion of Items Deemed Confidential Under State Law

**Tennessee State University
Board of Trustees**



**Approval of the
March 17, 2022,
Audit Committee
Meeting Minutes**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: June 16, 2022

ITEM: Audit Committee Report - Approval of the March 17, 2022, Audit Committee Meeting Minutes

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The document reflecting the minutes from the March 17, 2022, Audit Committee meeting is included in the June 16, 2022, Board materials.

MOTION: To approve the minutes from the Board of Trustees' March 17, 2022, Audit Committee meeting, as contained in the Board materials for the Board's June 16, 2022, meeting.

Meeting of the Tennessee State University Board of Trustees
Audit Committee Meeting
March 17, 2022
Tennessee State University – Electronic

MINUTES

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

Other Board Members Present: Pam Martin, Andre Johnson, Richard Lewis, Bill Johnson, and Tiara Thomas.

University Staff Present: President Glenda Glover; Laurence Pendleton, General Counsel and Board Secretary; Dr. Michael Harris, Interim Provost & Vice President for Academic Affairs; Douglas Allen, Vice President of Finance and Budget; Dr. Curtis Johnson, Chief of Staff; Dean Frank Stevenson, Associate Vice President of Student Affairs; Dr. Quincy Quick, Associate Vice President of Research & Sponsored Programs; Terrence Izzard, Associate Vice President of Enrollment Management; Adrian Davis, Auditor and Dr. Arlene Nicholas-Phillips, Liaison to the Board of Trustees.

I. CALL TO ORDER

Trustee Cole called the meeting to order at 10:25 a.m. CDT on March 17, 2022. Trustee Cole moved to make certain findings on the record regarding the necessity for conducting the meeting electronically without a physical quorum present due to the coronavirus pandemic. The Committee found that there were various important matters that required immediate action by the Committee. Participation by electronic means was necessitated by the COVID-19 pandemic and accompanying guidance from the Center for Disease Control (“CDC”) and the State of Tennessee to enforce social distancing guidelines, including limiting face-to-face contact whenever possible. Electronic participation for the Committee meeting was necessary for the safety of Board members, staff, and guests. Trustee McKenzie seconded and the motion carried.

II. ROLL CALL/DECLARATION OF A QUORUM

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

III. APPROVAL OF THE NOVEMBER 18, 2021, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to recommend to the full Board the approval of the minutes from the November 18, 2021, Audit committee meeting, as contained in the March 17, 2022, Board materials. Trustee Pinnock seconded the motion, which carried.

IV. REVIEW OF COMPLETED INTERNAL AUDITS

Trustee Cole introduced the next item on the agenda, the review of completed internal audits. She then asked President Glover and Director of Internal Audit, Ms. Adrian Davis, to provide pertinent

information related to this agenda item. The material is included in the March 17, 2022, Board meeting packet. This was an informational and discussion item, so no vote was required.

President Glover called on Ms. Davis to report on this agenda item. Ms. Davis stated that the Comptroller of the Treasury, Division of State Audit issued a follow-up report for FY Ending June 30, 2020. The objective of this review was to determine whether adequate corrective action had been taken to address the findings, implement the recommendations and mitigate any risks that could occur.

In the audit report related to the financial and compliance audit of the financial statements and related notes to the financial statements of TSU for FY Ending June 30, 2020, Director Davis explained that there were seven audit findings, one was deemed to be confidential so it was not discussed in public. Of the remaining six findings: one was an overall finding relating to the corrective actions taken by the university; three related to repeat findings regarding the foundation's accounting records and the University's bank reconciliation to bank statements; and two were pertaining to financial aid. Details of the review are outlined in the Board materials on pages #29 to #35.

Chair Cole called on VP Allen to explain the findings that were still not corrected and give clarity on the issue of the reconciliations. VP Allen explained that some of the reconciliations had been performed by an outside CPA firm and his new team members are now handling the other reconciliations. He stressed to the Committee the fact that over the past five years reconciliations had not been completed in a timely manner and now, with the work of his team within the past 10 months, they were current and being completed monthly.

Chair Cole, Trustee Pinnock and VP Allen continued a discussion regarding the reconciliations. Chair Cole again commended VP Allen for the strides made regarding bringing the reconciliation issue current. She did remind the Committee that there will be more repeat findings on this issue in the next audit report, due to unresolved past findings. With the current improvements, she anticipates that with the FY22 report, all be cleared.

Trustee Pinnock again asked VP Allen about the measures put in place to improve the outcome of the department. VP Allen shared that increased staffing, added communication, and improved training will prove to be adequate measures for improving the overall performance of the Business and Finance area as well as other areas at the University. Director Davis confirmed that she had seen an improvement though she could not confirm the timeliness.

In the audit report related to the procedures for accounts receivables, Director Davis pointed out that a new bursar had been hired to ensure the efficient operations of the Bursar's office and the collection of accounts receivable. After a short discussion, Chair Cole stressed that she wanted to be sure that the University was adhering to the policy approved by the Board regarding students' accounts and outstanding balances. VP Allen assured her that this was the case. Trustee Johnson then inquired about the amount that was written off for the FY2019 balances. VP Allen shared that \$12 million was the amount written off for FY2019, even though attempts are still being made to collect.

Director Davis then went on and explained that the additional two findings were regarding Title IV funds and financial aid records. Details of these are outlined in the Board materials on pages #34 to #35. She stated that the first finding related to the return of Title IV funds in a timely manner and that with 26 of 33 students audited, the calculation was correct and returned timely. VP Allen spoke to the 7 exceptions. The other finding pertained to the Office of Financial Aid not adequately

reconciling its Direct Loan records to the Direct Loan Servicing System's records. The current status showed that though monthly reconciliations were performed, they were not always timely resolved. Chair Cole asked that Director Davis get with VP Allen and bring back some additional information on this item.

Next, Director Davis addressed the audit of TSU Foundation Gifts. She stated that the objective here was to determine if gifts were being timely deposited, timely recorded and spent in accordance with donor intent. Based on the findings, Director Davis concluded that the TSU Foundation management did not always ensure that donated funds were timely deposited; gifts were not always recorded timely and gifts were not always spent in accordance with donor intent. Details of the findings are outlined on pages #39 to #44 in the Board materials. VP Allen shared some clarity on these findings.

Chair Cole again asked that VP Allen and Director Davis get together and provide additional information on these findings, since they were both seemingly "on different pages" regarding the requirements.

Director Davis recapped the review of Federal Work Study Timesheets. She stated that 47% (14 of 30) of the timesheets reviewed found that students performed work duties during scheduled class hours; 30% (15 of 50) revealed that students worked more than 20 hours per week; and 10% (5 of 50) showed that the supervisor did not accurately calculate the hours worked. She did state that an automated process had now been implemented so as to eliminate any human error going forward. VP Allen commented on these findings that are outlined on pages #47 to #50 in the Board materials.

In her follow-up review on Admissions, Director Davis pointed out that her team reviewed 33 students enrolled in the spring 2021 semester and found that the required immunization documentation was not obtained for 4 of 33 (12%) students. This represented 2 graduate students and 2 undergraduate students. The current review of fall 2021 revealed that 231 of 1,997 (11.6%) students did not present the required immunization documentation. This represented 11 graduate students and 220 undergraduate students. Details of this finding are outlined on pages #53 to #55 in the Board materials.

V. REVIEW OF OUTSTANDING AUDIT ISSUES

Trustee Cole announced the next item on the agenda, the Review of Outstanding Audit Issues and asked President Glover to provide pertinent information related to this agenda item. The material is included in the March 17, 2022, Board meeting packet. This was an informational and discussion item, so no vote was required.

President Glover again asked Director Davis to discuss this item as included in the Board Meeting packet. She pointed out that her office prepares a review of all outstanding audit issues which resulted from internal audits. She shared that included in her report were also the follow-up dates. A detail outline of these outstanding issues can be found on pages #58 to #60 in the Board materials. Director Davis stated that the purpose preparing this review was to meet the requirement of the Audit Committee. Chair Cole asked that everyone take time to read through the findings and note the follow-up dates as listed on Director Davis' report.

VI. REVIEW OF RISK ASSESSMENT PROCESS

Trustee Cole announced that the next item on the agenda was the Review of the University's Risk Assessment Process and asked President Glover to provide pertinent information related to this agenda item. President Glover called on Director Davis to present on this item. The material is included in the March 17, 2022, Board meeting packet. This was an informational discussion item, so no vote was required.

Director Davis shared that in order to document compliance, TSU must annually perform a management assessment of risk, incorporating several controls such as obligations and cost compliance review; ensuring that funds, property and other assets are safeguarded against waste and misappropriation; and ensuring that revenues and expenditures are properly recorded. The objectives of the risk assessment are to provide accountability, promote operational efficiency, improve reliability of financial statements and strengthen compliance with laws and regulations.

Director Davis confirmed that the University's risk assessment was performed, completed and presented in a timely fashion to the Comptroller of the Treasury and the Commission of Finance and Administration. Trustee Cole thanked Director Davis for her report on this agenda item.

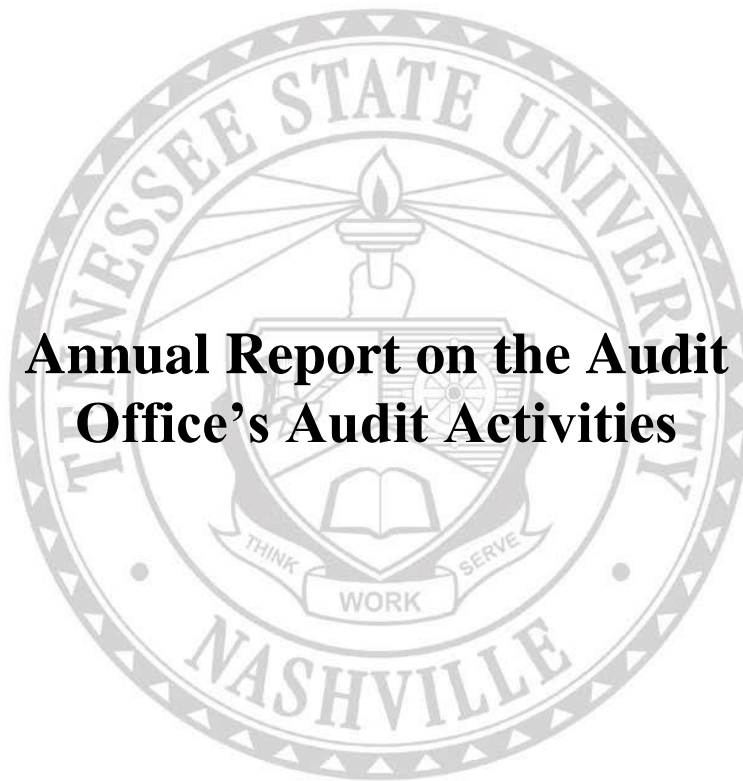
VII. EXECUTIVE SESSION FOR DISCUSSION OF ITEMS DEEMED CONFIDENTIAL UNDER STATE LAW

Trustee Cole stated that seeing there were no items for discussion, there was not need to enter into an Executive Session.

VIII. ADJOURNMENT

There was no further discussion. Trustee Cole moved to adjourn the meeting and the motion was seconded by Trustee McKenzie. The motion carried unanimously by roll call vote. The meeting was adjourned at 11.30 a.m. CDT.

**Tennessee State University
Board of Trustees**



**Annual Report on the Audit
Office's Audit Activities**

TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
INFORMATION ITEM

DATE: June 16, 2022

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

Background Information:

The Tennessee State University Audit Committee Charter and The Institute of Internal Auditors standards both require the Director of Internal Audit to discuss the Office of Internal Audit’s annual activities.

The Director of Internal Audit will discuss the Office of Internal Audit’s Year End Report for fiscal year 2022.



TENNESSEE
STATE UNIVERSITY

DEPARTMENT OF INTERNAL AUDIT

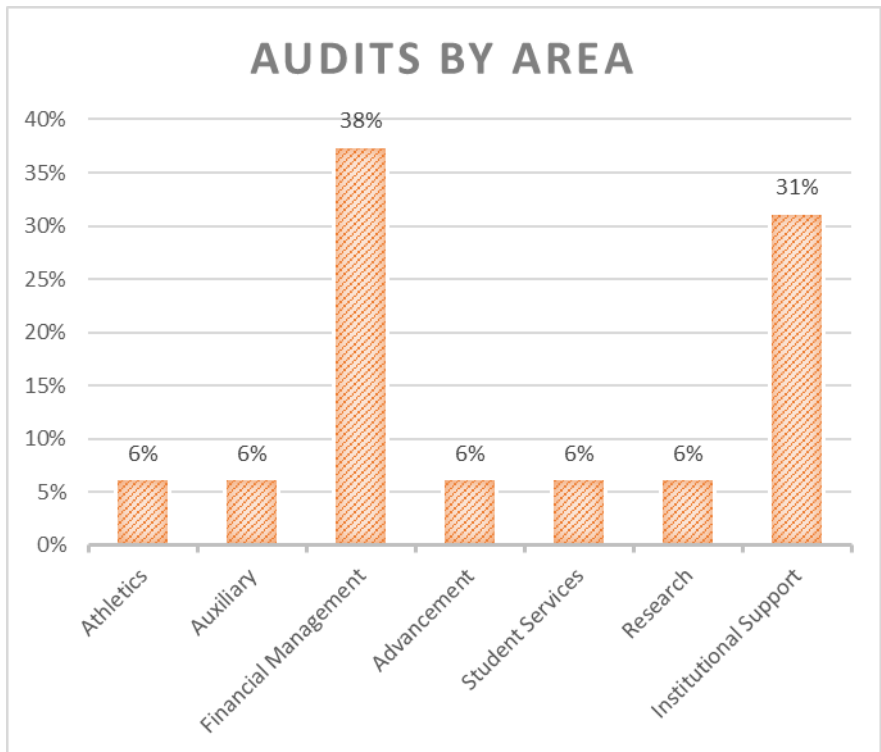
2022 Year-End Report of
Audit Activity

Tennessee State University
 Department of Internal Audit
Report on Annual Audit Activity
 Fiscal Year Ending June 30, 2022

Rank	Area	Audit/Reviews/Projects	Audit Status	Report Date
Required	AT	NCAA Student Assistance Fund FY 2021	Complete	August 11, 2021
Required	FM	State of Tennessee Single Audit FY 2020- Follow-Up	Complete	August 24, 2021
Required	FM	President's Expenses FY 2021	Complete	October 28, 2021
Required	FM	State of Tennessee Single Audit FY 2020- Updated	Complete	October 29, 2021
Required	FM	State Audit Follow-up for FY 2019	Complete	November 1, 2021
Risk Assessment	IS	Review Management's Risk Assessments	Complete	November 10, 2021
Follow-Up Review	SS	Admissions - Immunizations Compliance	Complete	February 12, 2022
Follow-Up Review	FM	Federal Work-Study	Complete	February 16, 2022
Follow-Up Review	AD	Foundation Gifts	Complete	February 21, 2022
Required	FM	State Audit Follow-up for FY 2020	Complete	February 24, 2022
Required	IS	Review of Conflict of Interest Forms	Complete	March 11, 2022
Required	IS	Office of Internal Audit Manual Review and Update	Complete	March 23, 2022
Follow-Up Review	IS	Department of Human Resources	Complete	May 12, 2022
Required	IS	Quality Assessment Review- Internal	Complete	May 23, 2022
Risk-Based	FM	Grants Management	Complete	May 26, 2022
Follow-Up Review	AX	Student Housing	Complete	May 16, 2022
Required	FM	Cash Counts	Not Yet Started	perform on: 6/30/2022
Risk-Based	FM	CARES Act Funding Review	In Progress	estimated: 6/30/2022
Risk-Based	FM	Procurement Card Transactions Review	In Progress	estimated: 7/15/2022
Required	IT	Banner Access Reviews	In Progress	estimated: 08/15/2022

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 Results

Audit: Review of the NCAA Student Assistance Fund for FYE June 30, 2021

No issues were noted during our review of expenses

Audit: State of Tennessee Single Audit FY 2020 - Findings Follow-Up

Results: 1. We requested the monthly Direct Loan reconciliations prepared for each month from July 2020 through June 2021. Management in the Office of Financial Aid stated that the required monthly reconciliations were prepared. However, we were only provided with reconciliations prepared for 4 of the 12 months requested.

2. Management in the Office of Financial Aid implemented recommended corrective actions to ensure that return of Title IV fund calculations are accurate. However, we identified inaccuracies in several calculations prepared during the fiscal year ended June 30, 2021, and unearned Title IV funds were not always returned within the required timeframes.

Audit: State of Tennessee Single Audit FY 2020 - Findings Follow-Up - UPDATED

Results: 1. Monthly reconciliations prepared for the period August 2020 through September 2021 were obtained. The reconciliations were accurate and complete. However, identified differences were not always timely resolved each month.

2. We obtained the listing of student withdrawals for the fall 2021 semester. There were 23 return of Title IV calculations that were required. Nine of the calculations had been prepared using the incorrect semester start and end date. Once it was brought to their attention, management ensured that the calculations were re-performed. All calculations were ultimately prepared accurately and within the 45-day required timeframe.

Audit: President's Expenses FY 2021

No issues were noted during our review of expenses

Audit: Tennessee State University Financial and Compliance audit FY 2019 - Findings Follow-Up

Results: 1. TSU management did not ensure staff performed key fiscal and financial reporting functions, which led to a pervasive breakdown of controls that resulted in errors in the financial statements and delays in required audits

Current Status: Corrected

2. As noted in the prior four audits, management needs to improve procedures for preparing and reviewing financial statements

Current Status: Corrected

3. As noted in the prior two audits, the university and foundation's accounting records did not reconcile to the bank statements

Current Status: Not Corrected; Significant improvement made

4. As noted in the prior two audits, the university did not perform adequate procedures for accounts receivable

Current Status: Not Corrected; improvements made

5. Tennessee State University did not provide adequate internal controls in four areas, including one area reported for the sixth consecutive audit {Details are confidential per state law}

Current Status: Not Corrected; improvements made

Audit: Tennessee State University Financial and Compliance audit FY 2020 - Findings Follow-Up

Results: 1. TSU management allowed a breakdown of controls that has resulted in errors in the financial statements, inadequate daily operations, and deficiencies in oversight of federal programs

Current Status: Management has implemented corrective actions to address the findings resulting from the fiscal year 2020 audit, except where indicated below

2. As noted in the prior five audits, management needs to improve procedures for preparing and reviewing financial statements

Current Status: Management has implemented corrective actions to address the finding. The university hired new staff members with extensive accounting experience to prepare and review the financial statements and notes to the financial statements for the fiscal year ended June 30, 2021. Financial statements were submitted timely to facilitate the audit process.

3. As noted in the prior three audits, the university and university foundation's accounting records did not reconcile to the bank statements

Current Status: Management has implemented corrective actions to address the finding. However, current bank reconciliations include unsupported reconciling items.

4. As noted in the prior three audits, the university did not perform adequate procedures for accounts receivable

Current Status: Management has begun implementing corrective actions to address the finding. However, additional effort is required to ensure due diligence is performed for all receivable balances.

5. Tennessee State University did not return Title IV funds in compliance with federal regulations

Current Status: Management has implemented corrective actions to address the finding. However, we identified errors in 3 of 33 return of Title IV calculations selected for review.

6. The Financial Aid Office did not adequately reconcile its Direct Loan records to the Direct Loan Servicing System's records, as required by federal regulations, and did not resolve discrepancies timely

Current Status: Management has implemented corrective actions to address the finding. The Financial Aid Office provided us with monthly Direct Loan reconciliations prepared from October 2021 to January 2022. However, we found that identified discrepancies are not always timely resolved each month.

7. Tennessee State University did not provide adequate internal controls in three areas, including one area reported for the seventh consecutive audit {Details are confidential per state law}

Current Status: Management has implemented corrective actions to correct two of the three areas. Controls continue to be strengthened in the third area.

Audit: Follow-Up Review of Admissions - (Immunizations Compliance) Fall 2021 Semester

Result: 1. The university did not always obtain required immunization history records for applicable newly admitted students registered for full-time enrollment during the fall 2021 semester

Audit: Audit of TSU Department of Human Resources - Follow-Up

Results: 1. For 5 of 30 employees selected for testing, the related U.S.Citizenship and Immigration Services (USCIS) Form I-9 was not completed in the required timeframe.
2. Details of noncompliance in the area of Pre-Employment Screening was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated.
3. University management provided us with a copy of the signed Employee Confidentiality Agreement for all employees included in our sample.

Audit: Follow-Up Review of Federal Work-Study Timesheets- Fall 2020

Results: 1. For 14 of 30 (47%) timesheets selected for detailed review, we found where the students performed FWS duties during scheduled class hours for at least one day during the month(s) under review.
2. For 15 of the 50 (30%) timesheets reviewed, the students worked more than 20 hours a week for at least one week while classes were in session.
3. For 3 of the 20 (15%) timesheets reviewed where the student worked in excess of 6 hours for at least one day in the month, we found where the student did not take the required minimum 30-minute unpaid rest/meal break.
4. For 5 of the 50 (10%) monthly timesheets reviewed, the related supervisor did not ensure that the hours worked was accurately calculated. A net underpayment of \$262.00 was identified in our student sample. In addition, an overaward of \$340 was also identified.

Audit: Student Housing Review- Fall 2020 and Spring 2021

Result: 1. Details of noncompliance was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated.

Audit: Foundation Gifts - July 1, 2021 through February 28, 2022

- Results:**
1. For 3 of 18 (17%) daily deposits tested, daily gifts were not deposited within one business day. The funds were deposited from one to four business days late.
 2. For 9 of 22 (41%) bank statement credit transactions selected for testing, the transaction was not recorded within 10 days of receipt of the donated funds.
 3. For 3 of 56% (5%) scholarship recipients selected for testing, the awarded students did not meet the documented awarding criteria as determined by the donor. For 1 of 20 (5%) non-scholarship disbursements, \$24,000 in consulting fees were erroneously paid from a fund where proceeds were solicited to provide scholarships to university students.

Audit: Grants Management

- Results:**
1. (a) Project/Progress reports were submitted timely for 18 of the 19 grants included in our sample. For 1 of 19 grants, the related project/progress report was submitted 114 days late.
(b) For 2 of 16 financial reports included in our sample, the financial reported was timely submitted. 11 of the 16 financial reports were submitted timely. Two of 16 financial reports were not provided. Therefore, we were unable to determine if the report was submitted or timely submitted.
 2. Expenses included in our sample were determined to be allowable, allocable, reasonable, and in accordance with award terms
 3. Management did not always ensure that time and effort was timely certified or that there was evidence to support timely certification



**TENNESSEE
STATE UNIVERSITY**
DEPARTMENT OF INTERNAL AUDIT

Grants Management

January 1, 2020 to September 30, 2021



**TENNESSEE
STATE UNIVERSITY**
Department of Internal Audit
3500 John A. Merritt Boulevard
Nashville, TN 37209-1561

May 26, 2022

Dr. Glenda 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 the university grant's management. Our scope included active grants during the period January 1, 2020 to September 30, 2021. The primary objective of the audit was to determine if the university has the appropriate procedures in place to ensure the proper management of sponsored programs and activities involving external funding sources. 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 results of our audit are documented in the attached report.

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
Mr. Douglas Allen, Vice President for Business and Finance

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**Tennessee State University
Department of Internal Audit
Grants Management
Executive Summary**

Key Area	Grants Accounting Office; Faculty and Staff participating in sponsored projects	Internal Auditor	Adrian R. Davis, <i>CPA, CGFM</i> Director of Internal Audit
Introduction	Tennessee State University (TSU) receives awards for research, instruction, academic support, public service, training, and other specified purposes from extramural funding sources. A sponsored project is defined as an activity that is sponsored or funded, by an external organization, such as a federal, state, or private organization or agency. The administration of sponsored projects involves personnel from the Office of Grants Accounting, the Office of Research and Sponsored Programs, and the various college faculty and staff who are involved in the programs.		
Objectives	<ol style="list-style-type: none"> 1. To determine if financial and performance reports are timely submitted to sponsoring agencies 2. To determine that costs charged to sponsored projects are allowable, allocable, reasonable, and in accordance with award terms 3. To determine that effort reporting systems ensure accurate and properly documented evidence of work performed 		
Scope	Active grants during the period January 1, 2020 through September 30, 2021		
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.		
Findings	<p>Objective 1 – Management did not ensure that financial and performance reports were always timely submitted during the period under review [financial reports - high] [performance reports - low]</p> <p>Objective 2 - No findings in this area</p> <p>Objective 3 – Management did not ensure that the effort reporting system accurately supported the work performed [medium]</p>		
Conclusion	The objectives of the audit were met. It was determined that the university has policies and procedures in place to ensure the proper management of sponsored programs and activities involving external funding sources. However, addressing the issues documented in the findings documented above would further improve the grants management process.		

Introduction

Tennessee State University (TSU) receives awards for research, instruction, academic support, public service, training, and other specified purposes from extramural funding sources. A sponsored project is defined as an activity that is sponsored or funded, by an external organization, such as a federal, state, or private organization or agency. Many of the university's awards are in the area of research. Tennessee State University is designated by the Carnegie Classification of Institutions of Higher Education as a *R2: Doctoral Institution – High Research Activity*.

We reviewed the controls over the administration and management of grants and contracts at Tennessee State University. The administration of sponsored projects involves personnel from the Office of Grants Accounting, the Office of Research and Sponsored Programs (RSP), and the various college faculty and staff who are involved in the programs. RSP assists faculty in soliciting awards and provides overall guidance on sponsored projects to university faculty and staff. The Office of Grants Accounting is responsible for vendor invoicing and financial reporting compliance. The Project Director (PD) /Principal Investigator (PI) is responsible for administering and overseeing the activities performed for a particular project. The PD/PI is also responsible for ensuring project/progress reporting compliance.

The United States government requires recipients of federal grants, such as Tennessee State University, to adhere to specific terms and conditions. The overarching requirement is referred to as *Uniform Guidance*. Uniform Guidance is a government-wide framework for grants management and provides an authoritative set of rules and requirements for federal awards.

We obtained a population of all university grants as of September 30, 2021. We isolated active grants having project end dates after January 1, 2020. Total awards for active grants during this time, excluding student financial aid, totaled over \$200 million dollars. This list includes awards from 98 agencies. Award amounts for the grants in our sample totaled over \$13 million dollars.

While the University operates in a decentralized manner, the University is viewed as an integrated whole. Errors and noncompliance of one department or researcher can have ramifications for the entire university, including:

- Fines and penalties
- Additional oversight/monitoring by the government
- Potential reduction in funding
- Professional integrity compromised
- Suspension, debarment, exclusion of individuals or the University as a whole

AUDIT RESULTS

Objective 1: To determine if financial and performance reports are timely submitted to sponsoring agencies

Our sample included 25 grants with project/progress and/or financial reports which were due during the period January 1, 2020 through September 30, 2021.

A. Project/Progress Reports were due for 19 of the grants included in our sample. The Principal Investigator (PI) is responsible for ensuring the timely submission of related project/progress reports.

- ❖ Project/Progress reports were submitted timely for 18 of the 19 (95%) grants included in our sample
- ❖ For 1 of these 19 grants (5%), the related project/progress report was not timely submitted. The progress report was submitted 114 days late. The report was due in June 2021 but was not submitted until October 2021.
 - Subsequent quarterly reports submitted for the project were provided to our office. It was determined that reporting for the project is current as of February 2022.

B. Financial Reports were due for 16 of the grants included in our sample during the period under review. The Office of Grants Accounting is responsible for ensuring the timely submission of financial reports.

- ❖ Financial reports were submitted timely for 3 of the 16 (19%) grants included in our sample
- ❖ For 11 of these 16 grants (69%), the related financial report was not submitted timely. These reports were submitted 6 to 283 days late (an average of 87 days late). The eleven reports were due to four agencies.
 - Nine of the reports were due from May 2021 through September 2021. Two of the reports were due in 2020 (January 2020 and December 2020)
- ❖ For 2 of these 16 grants (12%), management did not provide us with the required financial reports that were due during our audit period. Therefore, we are unable to determine if the report was submitted or timely submitted.

Objective 2: To determine if costs charged to sponsored agreements are allowable, allocable, reasonable, and in accordance with award terms

We selected for review 25 grants with total expenses of \$6,969,311.83 during the period January 1, 2020 through September 30, 2021. The breakdown of these expenses is documented below.

CATEGORY	EXPENSES
Salaries and Benefits	\$ 3,790,643.58
Operating Expenses	1,957,772.51
Travel	30,331.05
Scholarships and Stipends	798,465.55
Total Direct Charges	\$ 6,577,212.69
Indirect Expense	392,099.14
TOTAL Expenses	\$ 6,969,311.83

- A. We reviewed a sample of operating expenses charged to 25 awards totaling \$1,570,618.77. We tested these expenditures for proper supporting documentation, proper signature approvals, proper recording, proper allocation and allowance of costs per the grant award.
- ✓ No issues were noted. All costs appeared to be allowable, allocable and reasonable.
- B. We reviewed a sample of travel expenses charged to 20 awards totaling \$23,185.38. We tested these expenditures for proper supporting documentation, proper signature approvals, proper recording, proper allocation, compliance with university travel policies and procedures, and allowance of costs per the grant award.
- ✓ No issues were noted. All costs appeared to be allowable, allocable and reasonable.
- C. We reviewed the scholarship awards totaling \$798,465.55 made to 54 university students. We tested these expenditures for proper supporting documentation, proper recording, proper allocation, and allowance of costs per the grant award.
- ✓ No issues were noted. All costs appeared to be allowable, allocable and reasonable.
- D. We reviewed the indirect expense charges to the awards included in our sample. Our review was performed to determine if the approved rate was used for allowable categories of expenses.
- ✓ No issues were noted.

Objective 3: To determine that time and effort reporting systems ensure accurate and properly documented evidence of work performed

Personnel expenditures charged to three of the twelve awards totaled \$3,102,624.33, or 85% of total salaries and benefits included in our sampled grants. We randomly selected 13 individuals who charged time to one of these three federal awards for testing. Salary and benefit payments during the period under review to these thirteen individuals totaled \$583,359.57. Our testing was performed to determine if effort reports were timely and accurately completed.

The Uniform Guidance requires records of salaries and wages charged to awards to be supported by a system of internal control that provides reasonable assurance the charges are accurate, allowable, and properly allocated. To comply with this requirement, the university's Grants Accounting Office has a time and effort reporting policy that requires effort reports be completed three times per year (January 1st to May 31st, June 1st to August 31st, and September 1st to December 31st) for all faculty and staff (professional and non-professional, graduate students) whose salary is charged in whole or in part, to federally sponsored projects.

In June 2020, the College of Agriculture had a separate policy that also required effort certifications be completed three times per year (January 1st, May 1st, and September 1st). This policy was superseded by a revised policy in February 2021. The revised policy allowed annual certifications (October 1st to September 30th) by "non-faculty paid monthly, employees paid bi-weekly, and county Extension employees."

A. Management did not always ensure that time and effort was timely certified or that there was evidence to support timely certification

- ❖ Four of the 13 (31%) time and effort certifications were not timely prepared and reviewed.
 - For one employee, a quarterly time and effort certification was completed 73 days late. The certification was due on January 1, 2022 but was prepared and reviewed on March 15, 2022.
 - Three certifications that covered an annual period were completed 116, 124, and 131 days after the annual period being certified.
- ❖ Six of the 13 certifications (46%), did not include a date for the preparer or reviewer's signature, which prevented our determination of the timeliness of the preparation and review of the effort certifications

B. Management did not ensure that time and effort certifications were supported by the underlying payroll charges to the projects

- ❖ For 10 of 13 (77%) effort certifications, the effort certification did not agree with the underlying payroll charges to the projects
 - For one of these 10 certifications, the effort certifications only included charges to one grant. For six months, approximately 24% of the monthly payment to the employee from a second sponsored project, was excluded from the certification.
 - For two of these 10 certifications, there were six quarterly certifications completed during the period under review. We found that the documented effort allocations in four of the six quarterly certifications did not agree with the payroll allocations.
 - For one of these 10 certifications, the certification documented 60% of the employee's time to be charged to the state match. However, we found that 60% of the employee's time was allocated to the federal award throughout the period under audit.
 - The effort certification was for an annual period. The extended timeframe for effort certification precludes timely reconciliation of certified effort to the underlying payroll charges.
 - For 6 of these 10 certifications, the certification documented 100% of the employee time to be charged to the state match. However, for each individual, we found that the employee's payroll charges were also allocated to the federal award throughout the period under audit.
 - The six effort certifications were for an annual period. The extended timeframe for effort certification precludes timely reconciliation of certified effort to payroll charges.

During our review of time and effort certifications for the College of Agriculture, we identified redistributions of payroll allocations that occurred from 130 to 600 days after a respective month. As the grants being adjusted include a state match, to ensure transparency and accuracy, it is imperative that charges are accurate and timely to ensure compliance with matching requirements.

AUDIT RECOMMENDATIONS AND MANAGEMENT'S RESPONSES

1) Audit Recommendation- Objective 1

The timely submission of financial reports decreases the university's exposure to noncompliance with federal regulations. To ensure compliance with federal reporting requirements, management in the Grants Accounting Office should implement procedures to ensure that staff are aware of, and adhere to, reporting requirements as established by the grantor agency.

Management's Response -

Management agrees timely reporting is of paramount importance to ensure continued funding for the University and its vital programs. To ensure timely reporting, management has taken the following immediate action:

1. Replacement of the Director of Grants Accounting
2. Recent hiring of an Assistant Director of Grants Accounting
3. System access to all federal reporting systems for these two positions as well as the Executive Director Foundation and Fiscal Operations to monitor reporting deadlines
4. Active engagement with a number of federal agencies and additional training of personnel by these agencies to ensure timely and accurate reporting for missing reports
5. Increased interaction with University departments and PIs to ensure timely communication of reporting deadlines and items necessary for reporting

2) Audit Recommendation - Objective 2

Not applicable- no issues noted

3) Audit Recommendation Objective 3

Complete, timely and accurate effort reporting decreases the university's exposure to noncompliance with federal regulations. To ensure compliance with federal regulations, management should:

1. *Ensure that employees are aware of the university's policy requiring timely and accurate effort reporting*

2. *Ensure that employees adhere to university and department policies and procedures related to effort certifications*
3. *Consider revising the College of Agriculture's Documentation of Effort policy to include the original requirement that all individuals complete effort certifications three times a year (This is also in agreement with the Grants Accounting Office policy for all other university departments)*
4. *Ensure that effort certifications are dated by the preparer and reviewer to support their timely completion*
5. *Ensure that effort certifications includes identifying information for the award to be charged*
6. *Review completed effort certifications and underlying payroll charges and make necessary adjustments*
7. *Ensure that all necessary adjustments to underlying payroll charges occur immediately after the certification period ends*

Management's Response -

College of Agriculture:

This report identifies some of the same concerns we have in the College of Agriculture regarding the timeliness and accuracy of our grant reporting. Unfortunately, it's beyond our ability to control several, if not all of the fiscal processes at the university.

The lateness in processing the personnel actions (PARFs) and availability of accurate budget balances have been impacting our ability to generate time and effort reports accurately and timely and has been resulting in considerable redistributions and reconciliations. The Department also lacks appropriate software in processing the restrictive retirement benefits of the federal government requiring tedious manual work by college staff in adjusting these items; traditionally this work was handled by the GAO.

The period chosen for this review by auditors happens to be the worst period in our history due to employee turnover and retirements in different key offices of the university dealing with grants and budgets. This is also the intense COVID period which adversely affected the efficiency and effectiveness of many offices at the campus.

In the recent period, we have had several meetings with the current Vice President for Business and Finance, who assured us that there will be a revamping of the grants management processes, and required software will be added to fix these concerns. At the College level, we hired a Faculty/Staff Resource Manager to manage the Time and Effort reporting in collaboration with the Associate Deans.



Follow-Up Review
Tennessee State University
Department of Human Resources
July 1, 2021, through February 28, 2022



May 12, 2022

Dr. Glenda 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 follow-up review of the Tennessee State University Department of Human Resources. This follow-up review was performed to determine if the department has adequately addressed the issues cited in our previous report related to adherence to state, federal, and institutional human resource policies and procedures. 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 results of our audit are included in the attached report.

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
Mr. Douglas Allen, Vice President for Business and Finance

**Tennessee State University
Department of Internal Audit
TSU Department of Human Resources – Follow-Up
Executive Summary**

Key Area	TSU Department of Human Resources	Internal Auditor	Adrian R. Davis, <i>CPA, CGFM</i> Director of Internal Audit
Introduction	The <i>Tennessee State University Department of Human Resources</i> (HR) provides continuing support and service for all university personnel. HR supports the university’s endeavors to create a successful work environment. HR is responsible for supporting the recruitment of faculty and staff, assisting the State department with administering benefits to employees, and assisting the administration in determining and setting salary and pay rates. HR also helps to ensure that the university maintains compliance with university, state, and federal employment policies, regulations, and acts.		
Objective	The objective of our audit was to determine if the university was in compliance with applicable policies, procedures, rules, regulations, etc. for select human resource processes as they relate to hiring, pre-employment screening, and employee evaluations.		
Scope	July 1, 2021 through February 28, 2022		
Audit Finding Ranking	Audit findings are rated as high, medium, or low depending on auditor judgment. Some of the factors included 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 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.		
Prior Audit Results	<p>1) For 1 of 44 employees selected for testing Management did not provide the required U.S. Citizenship and Immigration Services (USCIS) Form I-9, <i>Employment Eligibility Verification</i>. In addition, forms were not completed in the required timeframe for 15 of 44 employees selected for testing. [<i>High</i>]</p> <p>2) Management did not ensure that employee performance evaluations for approximately 50% of non-faculty personnel were submitted to the Tennessee State University Department of Human Resources for inclusion in employees’ personnel file folders during the fiscal year ended June 30, 2020. [<i>High</i>]</p> <p>3) Details of noncompliance in the area of Pre-Employment Screening was determined to be confidential pursuant to Section 10-7-504(i), <i>Tennessee Code Annotated</i>. [<i>Medium</i>]</p> <p>4) University management did not provide us with a copy of the signed <i>Employee Confidentiality Agreement</i> for 1 of 44 (2.1%) employees tested. [<i>Low</i>]</p>		
Current Audit Results	1) For 5 of 30 employees selected for testing, the related U.S. Citizenship and Immigration Services (USCIS) Form I-9, <i>Employment Eligibility Verification</i> , was not completed in the required timeframe. [Medium]		

	<p>2) Performance evaluations for non-faculty personnel are due on June 30, 2022. They were not due during the period under review. There is a new electronic process that supervisors must use to complete performance evaluations. The Department of Human Resources held several training sessions in April and May 2022 to assist supervisors with the use of the new system. - In progress</p> <p>3) Details of noncompliance in the area of Pre-Employment Screening were determined to be confidential pursuant to Section 10-7-504(i), <i>Tennessee Code Annotated</i>. [Medium]</p> <p>4) University management provided us with a copy of the signed <i>Employee Confidentiality Agreement</i> for the 30 employees included in our sample. -Corrected</p>
Conclusion	The objective of our audit was met. It was determined that the university was in compliance with applicable policies, procedures, rules, regulations, etc. for selected human resource processes, except as noted above.
Restriction on Use of Report	<i>This report is intended solely for the internal use of Tennessee State University (TSU) 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>

Audit Results

We obtained from management a listing of employees hired during the period July 1, 2021 through February 28, 2022. We selected a sample of 30 employees hired during this period for testing.

1. U.S. Citizenship and Immigration Services Form I-9

U.S. Citizenship and Immigration Services (USCIS) Form I-9, *Employment Eligibility Verification*, is used to verify the identity and employment authorization of individuals hired for employment in the United States. Federal regulations requires employers to retain a UUSCIS Form I-9 for each person hired for three years after the date of hire, or one year after the date employment ends, whichever is later. In addition, federal guidelines for completing the form are that the employee must complete and sign section 1 of the form no later than his/her first day of employment, and the university's authorized representative should complete and sign section 2 of the form within three business days of the employee's first day of employment. Failure to adhere to federal regulations pertaining to obtaining, retaining, and completing the form could result in fines or penalties for the university.

- ❖ For 5 of the 30 employees (17%) included in our sample, university management did not ensure that the employee and/or the university representative completed the applicable sections of the USCIS Form I-9 within the required timeframe.
 - For 4 of these 5 employees, the employee completed and signed section 1 of the USCIS Form I-9 from 1 to 46 days late (an average of 24 days).
 - For these 5 employees, the university representative completed and signed section 2 of the USCIS Form I-9 from 1 to 37 days late (an average of 16 days).

Audit Recommendation:

To ensure compliance with federal regulations and eliminate the potential for fines and penalties due to noncompliance, management should ensure that both the employee and university representative timely complete applicable portions of the USCIS Form I-9.

Management's Response:

Every effort is made to comply with all federal, state, and university policies and procedures. University compliance with the federal regulations surrounding Form I-9 compliance is a joint effort between university hiring supervisors and HR personnel. Employees sign their employment contracts and other paperwork and return these documents to HR. Sometimes an employee will omit necessary supporting documentation. The Form I-9 is not signed until all required supporting documents are collected. Hiring supervisors are not always timely in notifying HR management of a new/potential hire which impacts the Department's ability to timely on-board an employee. The Department of Human Resources will implement measures to further educate hiring supervisors on

the importance of not allowing an employee to begin work until all required documentation has been submitted to our office.

2. Pre-Employment Screening

We observed a condition in violation of federal regulations and/or university policies. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated*.

Audit Recommendation:

Management should implement procedures necessary to ensure compliance with federal regulations and/or university policies in this area.

Management's Response:

We continue to implement procedures to prevent future instances of non-compliance in this area.

3. Employee Confidentiality Agreement for Access to Classified Records

University employees have access to sensitive information, including social security numbers, student education records, personnel records, etc. when carrying out their daily responsibilities. Newly hired employees complete an *Employee Confidentiality Agreement for Access to Classified Records* form, whereby the employee agrees to act responsibly and avoid disclosure of confidential data maintained by the university, during and after employment at the university. The employee also acknowledges that there are consequences for noncompliance, including dismissal from employment, as well as criminal penalties and liability.

- ✓ University management provided us with a copy of the Employee Confidentiality Agreement signed by each employee included in our sample.

4. Employee Performance Evaluations

Tennessee State University Department of Human Resources Policy 6.29, *Performance Evaluation*, states, "During the initial year of employment, employees will be evaluated at least twice: once within the 6-month probationary period and at the conclusion of their first year. Thereafter, evaluations will be conducted annually or more frequently as deemed appropriate by supervisory personnel". Performance evaluations for non-faculty personnel at the university are to be submitted to the Tennessee State University Department of Human Resources to be included in respective employees' personnel file folders. Performance evaluations for faculty members are handled by the Division of Academic Affairs. Non-faculty supervisory personnel are to submit completed annual employee performance evaluations by June 30th of each year.

Performance evaluations are due on June 30, 2022. They were not due during the period under review. According to HR management, as of May 20, 2022, very few performance evaluations have been completed. There is a new electronic process that supervisors must use to complete performance evaluations. The Department of Human Resources held several training sessions in April and May 2022 to assist supervisors in the use of the new system.

NOTE: We will continue to perform follow-up procedures to determine the level of compliance with the university's policies and procedures related to employee evaluations.

**Tennessee State University
Board of Trustees**



**Discussion of the Audit
Office's Internal Quality
Assessment**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: June 16, 2022

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 results of the Office of Internal Audit’s annual internal quality assessment will be discussed.



Internal Quality Assessment Review
May 2022



May 23, 2022

Dr. Glenda 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, Tennessee State University 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 2022. 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**



**Review of
Outstanding Audit Issues**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: June 16, 2022

ITEM: Review of Outstanding Audit Issues

RECOMMENDED ACTION: None

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

Tennessee State University is subject to audits by its internal audit department and external entities. The audits, reviews, etc. can result in findings that require corrective actions on the part of university management. The Tennessee State University Audit Committee is diligent in its commitment and responsibility to ensure university compliance. The Audit Committee requests quarterly updates on management's progress towards correcting issues cited in audit reports. The status of management's progress towards correcting outstanding issues will be discussed.

Tennessee State University
 Department of Internal Audit
Audit Issues Outstanding as of May 26, 2022

INTERNAL AUDITS

Report Date	Audit Issues	Status
2/12/2022	Follow-Up Review of Admissions (Immunizations Compliance)- Fall 2021	<i>Additional Follow-up in fall 2022</i>
<p>The university did not always obtain required immunization history records for newly admitted students registered for full-time enrollment during the fall 2021 semester.</p>		
2/16/2022	Follow-Up Review of Federal Work-Study Timesheets- Fall 2021	<i>Additional Follow-up in fall 2022</i>
<ol style="list-style-type: none"> 1. For 14 of 30 (47%) timesheets selected for detailed review, we found where the students performed FWS duties during scheduled class hours for at least one day during the months under review 2. For 15 of the 50 (30%) timesheets reviewed, the students worked more than 20 hours a week for at least one week while classes were in session. 3. For 3 of the 20 (15%) timesheets reviewed where the student worked in excess of 6 hours for at least one day in the month, we found where the student did not take the required minimum 30-minute unpaid rest/meal break. 4. A net underpayment of \$262.00 was paid to 5 of the students included in our sample. In addition, an overaward of \$340 was also identified. 		
2/21/2022	Foundation Gifts	<i>Additional Follow-up in fall 2022</i>
<ol style="list-style-type: none"> 1. For 3 of 18 daily deposits tested, daily gifts were not deposited within one business day. The funds were deposited from one to four business days late. 2. For 9 of 22 (41%) bank statement credit transactions selected for testing, the transaction was not recorded within 10 days of the receipt of the donated funds. 3. For 3 of 56 (5%) scholarship recipients selected for testing, the awarded students did not meet the documented awarding criteria as determined by the donor. For 1 of 20 (5%) non-scholarship disbursements, \$24,000 in consulting fees were erroneously paid from a fund where funds were solicited to provide scholarships to university students. 		
5/12/2022	Audit of TSU Department of Human Resources	<i>Additional follow-up in spring 2023</i>
<ol style="list-style-type: none"> 1. For 5 of the 30 employees (17%) included in our sample, university management did not ensure that the employee and/or university representative completed the applicable sections of the USCIS Form I-9 within the required timeframe. 2. Management did not ensure that employee performance evaluations for approximately 50% of non-faculty personnel were submitted to the Tennessee State University Department of Human Resources for inclusion in employees' personnel file folders during the fiscal year ended June 30, 2020. (*Follow- up in Progress spring 2022 for this issue) 3. Details of noncompliance in the area of Pre-Employment Screening was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated. 		
5/16/2022	Student Housing Revenue Review	<i>Additional follow-up in spring 2023</i>
<p>Details of noncompliance in the area of Pre-Employment Screening was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated.</p>		

EXTERNAL AUDITS

Report Date	Audit Issues
3/7/2022	Division of State Audit, Financial & Compliance Audit, Endowment For Educational Excellence at the Tennessee State University Foundation for the Fiscal Year Ended June 30, 2019
	Finding: As noted in the prior three audits, management needs to improve procedures for preparing and reviewing financial statements
3/10/2022	Division of State Audit, Financial & Compliance Audit, Endowment For Educational Excellence at the Tennessee State University Foundation for the Fiscal Year Ended June 30, 2020
	Finding: As noted in the prior four audits, management needs to improve procedures for preparing and reviewing financial statements
	EEE Status : On May 5, 2022, we obtained the corrective action plan submitted to the TN Comptroller's Office to address this repeat finding. Corrective actions include both the preparation and review of the Trust's financial statements and the related notes by newly-hired, qualified personnel. The Trust's financial statements and related notes for the year ended June 30, 2021 were not complete as of May 25, 2022. The statements are typically prepared near the end of the audit of the university and foundation's financial statements. That audit is currently in progress and Foundation management has confirmed that preparation of the Trust's FY 2021 statements has begun. The University's Controller and Vice President for Business and Finance will review the statements after they are prepared, prior to submission to external auditors.
9/29/2021	Division of State Audit, Financial & Compliance Audit, Tennessee State University for the Fiscal Year Ended June 30, 2020
	Finding: 1. TSU management allowed a breakdown of controls that has resulted in errors in the financial statements, inadequate daily operations, and deficiencies in oversight of federal programs
	Status: Management has implemented corrective actions to address the findings resulting from the fiscal year 2020 audit.
	*See the Status for each finding below.
	Finding: 2. As noted in the prior five audits, management needs to improve procedures for preparing and reviewing financial statements
	Status: The university hired new staff members with extensive accounting experience to prepare and review the financial statements and notes to the financial statements for the fiscal year ended June 30, 2021. These financial statements were submitted timely to facilitate the audit process.

Finding: 3. As noted in the prior three audits, the university and the university foundation's accounting records did not reconcile to the bank statements

Status: University - The University is current in the preparation of its bank reconciliations as of May 25, 2022. Unreconciled amounts included in the monthly reconciliations total less than 5% of the respective month's ending cash balance.

Status: Foundation - The TSU Foundation is current in the preparation of its bank reconciliations as of May 10, 2022. Each monthly reconciliation from September 2021 through April 2022 includes a \$377,518.31 amount described as "Prior Year Owed to University". The university's monthly reconciliations during this same period includes prior-year foundation-related transactions that total \$463,878.53.

Finding: 4. As noted in the prior three audits, university personnel did not perform adequate collection procedures for accounts receivable

Status: The university's Bursar began employment on March 1, 2022. The Bursar is in the final stages of selecting a system to implement at the university to address the issues resulting in the inconsistent accounts receivable collection practices. The new system will interface with Banner, the university's student information system, and allow for effective and efficient billing and payment processing. The system will also send the required collection letters and retain copies of the communications. The Bursar anticipates a July/August 2022 implementation of Phase 1 of the integrated system.

Finding: 5. Tennessee State University did not return Title IV funds in compliance with federal regulations

Status: We obtained the listing of 41 Title IV aid recipients that withdrew during the spring 2022 semester. Thirty-one of these students withdrew prior to the 60% point in the enrollment period, which required a return of title IV calculation be performed. We found the returns to be accurate and timely.

Finding: 6. The Financial Aid Office did not adequately reconcile its Direct Loan records to the Direct Loan Servicing System's records, as required by federal regulations, and did not reconcile discrepancies timely

Status: The Financial Aid Office provided us with monthly Direct Loan reconciliations prepared through April 2022 of the current fiscal year. It appears that management is preparing the reconciliations and timely reconciling discrepancies.

Finding: 7. Tennessee State University did not provide adequate internal controls in three areas, including one area reported for the seventh consecutive audit

Status: Management has implemented corrective actions to correct two of the three areas. Controls continue to be strengthened for the third area.

Tennessee State University

Board of Trustees



**Approval of the
Fiscal Year 2022-2023
Audit Plan**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: June 16, 2022

ITEM: Audit Committee Report – Approval of Fiscal Year 2022-2023 Audit Plan

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

Background Information:

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, 2023. 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 2022-2023.

Item Details: See attachment.

MOTION: To approve the Fiscal Year 2022-2023 Audit Plan, as contained in the Board materials for the Board’s June 16, 2022, meeting.

Tennessee State University
Department of Internal Audit
Annual Audit Plan 2022-2023

**Tennessee State University
Department of Internal Audit
Internal Audit Plan
Fiscal Year Ending June 30, 2023**

Rank	Type	Area	Audit	Budget (Hours)	Estimated Start	Estimated Completion
Risk-Based	A	IT	Systems Access Review (carry-forward)	225	May 2022	August 2022
Required	R	AT	NCAA Student Assistance Fund FY 2022	125	July 2022	August 2022
Required	R	FM	State Audit (EEE Audit FY 2019) Follow-up	25	June 2022	July 2022
Required	R	FM	State Audit (EEE Audit FY 2020) Follow-up	25	June 2022	July 2022
Required	R	FM	State Audit Follow-up for FY 2022	150	July 2022	September 2022
Consultation	C	FM	Book Bundle Revenue Review	175	August 2022	October 2022
Risk-Based	A	IT	General IT Controls Review	200	September 2022	November 2022
Required	R	FM	President's Expenses FY 2022	125	September 2022	November 2022
Risk Assessment	M	IS	Review Management's Risk Assessments	75	October 2022	November 2022
Risk-Based	A	FM	Accounts Payable/ Disbursements	225	September 2022	December 2022
Risk-Based	A	FM	CARES Act Funding Review	100	July 2022	June 2023
Follow-Up Review	F	IS	Follow-Up Reviews of Internal Audit Findings	550	July 2022	June 2023
Follow-Up Review	F	SS	(A) Admissions - Immunizations Compliance			
Follow-Up Review	F	FM	(B) Federal Work-Study			
Follow-Up Review	F	IS	(C) Department of Human Resources			
Follow-Up Review	F	AD	(D) Foundation Gifts			
Follow-Up Review	F	SS	(E) Student Housing			
Follow-Up Review	F	RS	(F) Grants Management			
Risk-Based	A	FM	Capital Asset Review	225	October 2022	January 2023
Investigation	I	IS	Unscheduled Audits/Projects/Investigations	150	TBD	TBD
Consultation	C	IS	Unscheduled Consultations	100	TBD	TBD
Risk-Based	A	IS	Title IX Compliance Review	225	January 2023	April 2023
Required	R	IS	Review of Conflict of Interest Forms	100	January 2023	March 2023
Risk-Based	A	FM	Travel Card Transactions and Program Review	225	February 2023	April 2023
Required	R	IS	Quality Assessment Review- Internal	50	April 2023	May 2023
Required	R	FM	Cash Counts	10	June 2023	June 2023
			Total	3085		

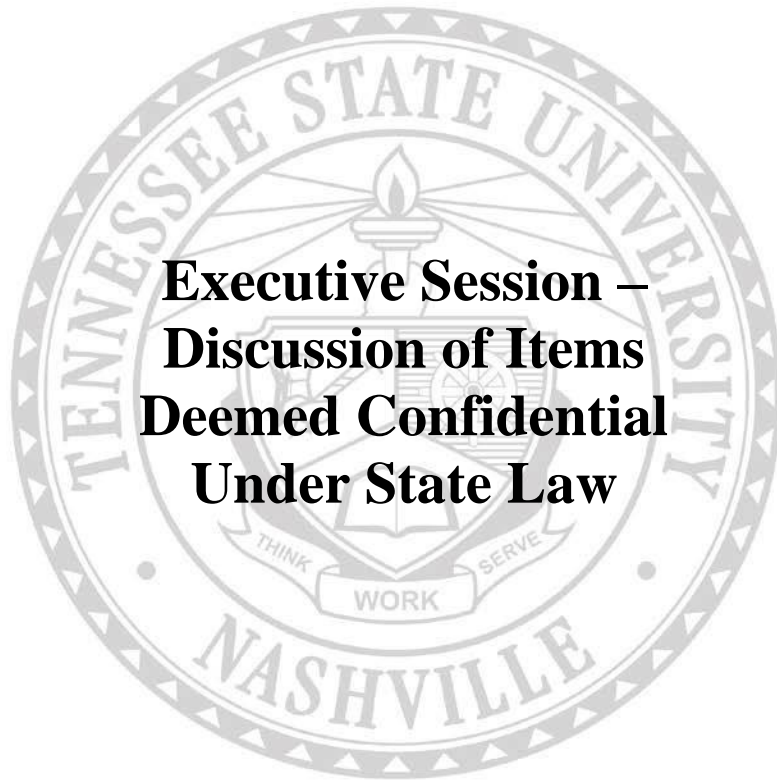
Audit Types:

- R - Required
- A - Risk-Based (Assessed)
- S - Special Request
- I - Investigation
- 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

Tennessee State University
Board of Trustees



**Executive Session –
Discussion of Items
Deemed Confidential
Under State Law**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: June 16, 2022

ITEM: Executive Session – Discussion of Items Deemed
Confidential Under State Law

RECOMMENDED ACTION: None

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

Audit Committee Chair, Trustee Cole, will lead the Audit Committee into Executive Session to discuss items deemed confidential under State law.