

**Tennessee State University
Board of Trustees**



**Audit Committee
Report**

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

Tennessee State University
Thursday, November 18, 2021
10:00 a.m. CST

Board Committee Meetings Via Zoom
Live Stream: www.tnstate.edu/board/livestream.aspx

ORDER OF BUSINESS

- I. Call to Order
- II. Roll Call/Declaration of a Quorum
- III. Approval of the September 16, 2021, Audit Committee Meeting Minutes
- IV. Review of Completed Internal and External Audits
- V. Review of Outstanding Audit Issues
- VI. Executive Session Discussion of Items Deemed Confidential Under State Law
- VII. Adjournment

**Tennessee State University
Board of Trustees**



**Approval of the
September 16, 2021,
Audit Committee
Meeting Minutes**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: November 18, 2021

ITEM: Audit Committee Report - Approval of the September 16, 2021, Audit Committee Meeting Minutes

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The document reflecting the minutes from the September 16, 2021, Audit Committee meeting is included in the November 18, 2021, Board materials.

MOTION: To approve the minutes from the Board of Trustees' September 16, 2021, Audit Committee meeting, as contained in the Board materials for the Board's November 18, 2021, meeting.

Meeting of the Tennessee State University Board of Trustees
Audit Committee Meeting
September 16, 2021
Tennessee State University – Electronic

MINUTES

Committee Members Present: Trustees Deborah Cole and Van Pinnock.

Other Board Members Present: Joseph W. Walker, III, Pam Martin, Andre Johnson, Steve Corbeil, 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, Assoc. Vice President of Student Affairs; Dr. Frances Williams, Assoc. Vice President of Research & Sponsored Programs; and Terrence Izzard, Assoc. 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 9:43 a.m. CDT on September 16, 2021. 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 Pinnock seconded and the motion carried.

II. ROLL CALL/DECLARATION OF A QUORUM

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

III. APPROVAL OF THE JUNE 17, 2021, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to recommend to the full Board the approval of the minutes from the June 17, 2021, Audit Committee meeting, as contained in the September 16, 2021, Board materials. Trustee Pinnock seconded the motion, which carried.

Trustee Cole took time to thank Secretary Pendleton and Dr. Nicholas-Phillips for the preparation and timely delivery of the Board materials.

IV. REVIEW OF COMPLETED INTERNAL AND EXTERNAL AUDITS

Trustee Cole introduced the next item on the agenda, the review of completed internal and external 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 September 16, 2021, 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 then stated that she had two internal audits and one external audit to discuss.

Director Davis reviewed the audit of expenditures generated by the Student Assistance Fund for the year ended June 30, 2021, as performed at the request of the Ohio Valley conference (OVC). Details of the review are outlined in the Board materials on pages #35 and #36. Upon completion of the audit, it was found that the Athletics Department had the appropriate controls in place to ensure that student-athletes were eligible to receive SAF benefits and that expenditures were in compliance with NCAA guidelines.

The Comptroller of the Treasury, Division of State Audit, issued a report related to its TSU 2020 Single Audit showing two findings. This follow-up review was to ascertain the current status of these findings. Director Davis stated that the first finding pertained to the Office of Financial Aid not adequately reconciling its Direct Loan records to the Direct Loan Servicing System's records. Details of this can be found in the Board materials on pages #40 and #41. The current status showed that the findings were not sufficiently corrected. Chair Cole commented that this needed to be corrected and all information should be presented to Director Davis in a timely manner. She also asked that another follow-up be conducted on this finding. The details of the finding condition and recommendations are outlined on pages #42 to #46 in the Board materials.

Trustee Cole expressed that she wanted these findings corrected and did not expect these to be presented again to the Board. She asked Director Davis to follow-up again with these areas and report at the next meeting. She specifically made that address to VP Doug Allen and to President Glover. Her dismay was that there was ample time to correct these findings and yet they persist.

President Glover assured her that corrections will be made and added that this area of responsibility was added to VP Allen as of September 1st. She was certain that VP Allen would be able to get all the corrections done and would work with Director Davis.

Director Davis shared that the Comptroller of the Treasury, Division of State Audit, had performed a financial and compliance audit of the financial statements and related notes on the financial statements of TSU and the TSU Foundation. The Division of Audit issued an unmodified audit opinion but with five audit findings. This resulted in the University's unaudited net position being decreased by \$423,537.25 and the Foundation's unaudited net position being increased by \$1,179,764.67. The five findings, recommendations and management's response are all outlined in the Board materials on pages #48 to #52.

Director Davis went on to share that the Division of State Audit was charging TSU with correcting these repeat findings and that management had taken necessary steps to do so. Several vacant positions were now filled with knowledgeable and competent personnel who would be responsible for the timely reconciliations of the statements, preparations of the financial statements and reporting. These positions were filled both at TSU and the Foundation.

Regarding the preparation of the current financial statements, the University did engage a reputable Accounting firm to assist with this matter.

A lengthy discussion followed with President Glover reiterating the steps that were taken to correct these deficiencies, which included hiring VP Doug Allen and several other key positions in the Business & Finance Division. She assured the Board that the findings from 2019 will not reoccur in the 2020 financial statements and in fact there will be “a marked change” in the way things will be reported.

VP Allen added that he recently brought on a Director for Student Collections, since this was a key area of concern. He also shared that the bank reconciliations were now current and will be reflected in the package being prepared for SACSCOC submission.

Trustee Cole thanked Director Davis and President Glover for the report. She stressed that she was aware of the extent of work that was done regarding the bank reconciliations and looks forward to moving ahead in this new direction.

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 September 16, 2021, 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 both internal and external audits. She shared that included in her report were the follow-up dates. A detail outline of these outstanding issues can be found on pages #55 to #57 in the Board materials. Director Davis stated that the purpose preparing this review was to meet the requirement of the Audit Committee. Trustee Pinnock added that this report was very helpful in keeping the Committee properly informed.

Trustee Cole thanked Director Davis for her report on this agenda item.

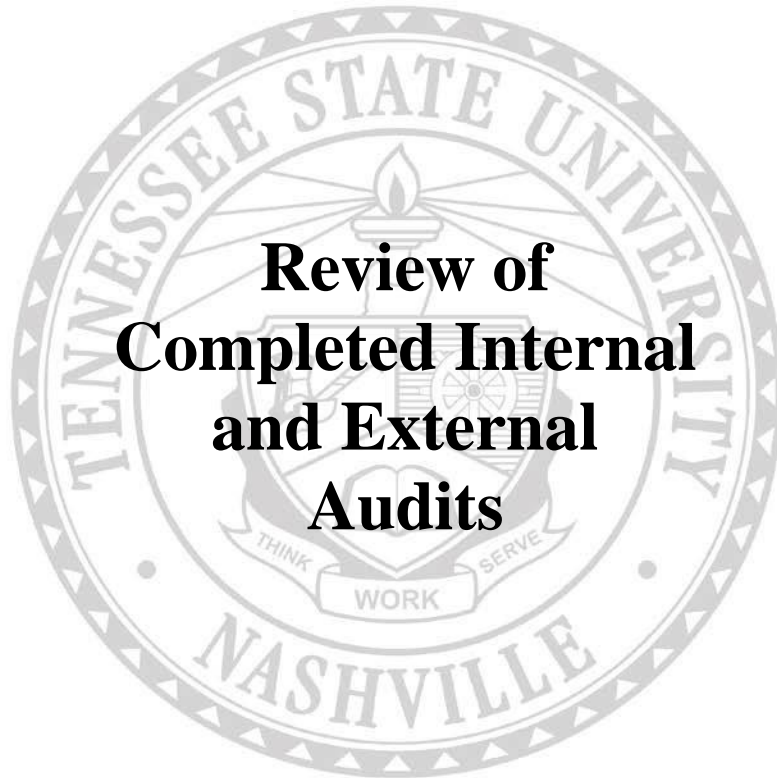
VI. EXECUTIVE SESSION FOR DISCUSSION OF ITEMS DEEMED CONFIDENTIAL UNDER STATE LAW

Trustee Cole moved for the Audit Committee to go into Executive Session to discuss items deemed confidential under State law. Trustee Pinnock seconded the motion, which was carried unanimously. The Committee then transitioned into the executive session.

VII. ADJOURNMENT

There was no further discussion. Trustee Cole moved to adjourn the meeting and the motion was seconded by Trustee Pinnock. The motion carried unanimously by roll call vote. The meeting was adjourned at 11:15 a.m. CDT.

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

INFORMATION ITEM

DATE: November 18, 2021

ITEM: Audit Committee Report – Review of Completed Internal and External Audits

RECOMMENDED ACTION: None

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

Director of Internal Audit, Ms. Adrian Davis, President Glover and/or her designee will discuss the results of recent audits completed by the Tennessee State University Department of Internal Audit, including the audit of the financial statements for Tennessee State University and the Tennessee State University Foundation. The details of the audit findings will be discussed.



DEPARTMENT OF INTERNAL AUDIT

**Follow-up Report to the
Financial and Compliance Audit of
Tennessee State University
For the Fiscal Year Ended June 30, 2019**



November 1, 2021
Dr. Glenda Glover, President
Tennessee State University
3500 John A. Merritt Boulevard
Nashville, TN 37209-1561

Dear Dr. Glover:

Transmitted herewith is the Department of Internal Audit's report on our follow-up of the status of management's implementation of the audit recommendations for the findings included in the Division of State Audit's finance and compliance report for the fiscal year ended June 30, 2019. The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors.

The results of our review are included in the attached report.

We wish to express our appreciation for the cooperation of university staff contacted during our review.

Sincerely,

Adrian R. Davis

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

CC: Dr. Deborah A. Cole, Tennessee State University Audit Committee Chair
Mr. Douglas Allen, Vice President for Business and Finance, Tennessee State University

Tennessee State University
Follow-up to the State Audit Report
For the Fiscal Year Ended June 30, 2019
Executive Summary

<p>Key Areas: Office of Business and Finance; Tennessee State University Foundation</p>	<p>Auditor: Adrian R. Davis, <i>CPA, CGFM</i> Director of Internal Audit Tennessee State University</p>
<p>Introduction: On August 13, 2021, the Comptroller of the Treasury, Division of State Audit, issued the audit report related to its financial and compliance audit of the financial statements and related notes to the financial statements of Tennessee State University for the fiscal year ended June 30, 2019. The report included five audit findings.</p>	
<p>Objective: The objective of this review was to determine whether adequate corrective actions have been taken to address the audit findings, implement the audit recommendations, and mitigate the risks that either errors or fraud could occur and not be detected in a timely manner.</p>	
<p>Findings:</p> <p>Finding 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</p> <p>Current Status: Corrected</p> <p>Finding 2: As noted in the prior four audits, management needs to improve procedures for preparing and reviewing financial statements</p> <p>Current Status: Corrected</p> <p>Finding 3: As noted in the prior two audits, the university and foundation’s accounting records did not reconcile to the bank statements</p> <p>Current Status: Not Corrected; significant improvement made</p> <p>Finding 4: As noted in the prior two audits, the university did not perform adequate procedures for accounts receivable</p> <p>Current Status: Not Corrected; improvement made</p> <p>Finding 5: Tennessee State University did not provide adequate internal controls in four areas, including one area reported for the sixth consecutive audit {<i>Details are confidential per state law</i>}</p> <p>Current Status: Not Corrected; improvement made</p>	

FINDINGS AND CURRENT STATUS

1. **FINDING:** 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.

- Management did not prepare timely financial statements.
- Management was unresponsive to the auditors' requests for audit data, which impacted the auditors' ability to perform the audit.
- For the sixth consecutive audit, TSU management had not implemented adequate internal controls in one area. In addition, management did not implement adequate internal controls in three additional areas for the current audit (see finding 5).
- For the fifth consecutive audit, TSU management did not have adequate procedures for preparing and reviewing the financial statements (see finding 2).
- For the third consecutive audit, the university and the foundation's accounting records did not reconcile to the bank statements (see finding 3).
- For the third consecutive audit, TSU management did not have adequate policies and procedures to collect accounts receivable (see finding 4).

CURRENT STATUS:

- Management submitted timely financial statements to the Tennessee Board of Regents on October 5, 2021. After addressing questions and comments from the Tennessee Board of Regents based on their review, revised financial statements and notes were submitted on October 15, 2021.
- The Division of State Audit will begin its audit of Tennessee State University in mid-November 2021. In connection with this audit, management of the university was provided with an extensive listing of items commonly requested during the audit process. The 7-page document lists the information needed for the audit of the financial statements, the audit of federal funds expended (Single Audit), and the agreed-upon procedures to be performed related to NCAA revenues and expenses. To ensure timely information is provided to auditors, management distributed the listing to all individuals responsible for providing necessary information included on the listing. Management plans to create a shared folder where the requested audit information will be uploaded and available for auditors. Management set a November 1, 2021 deadline for all individuals to provide requested information related to their respective areas.
- ****See the Current Status for the remaining items/findings below.**

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

The university's financial statements were prepared by the former Associate Vice President for Accounting and Payroll. The Director of Fiscal Affairs for Institutional Advancement provided information included for the foundation. The financial statements for both the university and the foundation were the ultimate responsibility of the Vice President of Business and Finance. The

Director of Fiscal Affairs made several errors when preparing the foundation's financial statements and notes to the financial statements for the fiscal year ended June 30, 2019.

Management stated that the errors occurred because the Director of Fiscal Affairs did not take adequate care in preparing and reviewing the foundation's financial statements and notes. As noted in the prior four audits, it appears that rushing to meet financial reporting deadlines resulted in a lack of attention necessary to ensure compliance with accounting principles. In addition, the Director of Fiscal Affairs struggled with the information system and its recording of certain transactions, as well as the complexity of the foundation's investments.

CURRENT 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. The university's financial statements were prepared by the Controller (hired November 2020). The foundation's financial statements were prepared by the Executive Director for Foundation Fiscal Operations (hired July 2021). The Vice President for Business and Finance reviewed the financial statements and notes to the financial statements for the university and foundation prior to their submission to the Tennessee Board of Regents.

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

As noted in the prior three audits, Tennessee State University has written policies and procedures for completing bank reconciliations; however, they were not adequate. While current best practices recommend that management prepare and review bank reconciliations within 30 calendar days after month's end, TSU's policy states that reconciliations should be prepared and completed within 60 days after month's end. Even though TSU's policy allowed additional time, employees did not follow the policy. TSU Business Office personnel did not complete any monthly bank reconciliations for the fiscal year ended June 30, 2020.

In fall 2020, TSU management contracted with a CPA firm to reconcile fiscal year 2020 bank statements. On January 12, 2021, TSU received one combined bank reconciliation for the university operating account, university payroll account, and foundation operating account for the entire fiscal year ended June 30, 2020. This reconciliation included unreconciled foundation deposits in the general ledger totaling \$1,064,738.60 and unreconciled foundation disbursements totaling \$220,275.23. The reconciliation also included unresolved reconciling items of \$368,182.24 for the university. In addition, this reconciliation took into account the prior-audit adjustments that had not been made by management. Management examined the reconciliations to determine the cause of the adjusting amounts that existed at fiscal year-end. As of February 17, 2021, roughly 7 months after June 30, 2020, management was able to reconcile \$820,924.49 of the unreconciled foundation deposits of \$1,064,738.60. Management's examination also uncovered additional unresolved reconciling items for the foundation of \$138,360.96.

CURRENT STATUS:

The Division of State Audit stated that the university had not prepared any bank reconciliations during the fiscal year ended June 30, 2020. Management implemented procedures during fiscal year 2021 that included the preparation of monthly bank reconciliations. The university hired

experienced personnel in fiscal year 2021 to perform the university and foundation accounting functions. The newly-hired personnel prepared monthly reconciliations for the university and foundation operating accounts. An external CPA firm prepared one combined reconciliation (university operating account, university payroll account, foundation operation account) for the period July 2020 through February 2021. University and foundation personnel prepared individual monthly bank reconciliations beginning January 2021 for the foundation's operating account and March 2021 for the university's operating account.

The combined bank reconciliation prepared for the months July 2020 through February 2021 included several material reconciling items from the prior year and an unresolved plug amount. We did not receive a subsequent bank reconciliation that addressed the reconciling or unidentified items included in the combined reconciliation.

We obtained individual bank reconciliations for the foundation operating account for January 2021 through August 2021 and the university operating account for March 2021 through June 2021. The purpose of a bank reconciliation is to compare cash balances and activity according to the bank to the institution's accounting records and reconcile or follow up on any differences.

- The individual reconciliations compared/reconciled monthly activity per the bank and the accounting system.
 - There was no monthly reconciliation of the cash balance per the bank to the cash balance according to the institution's accounting records during this timeframe.
 - Beginning July 2021, the Foundation's operating account reconciliation documented the beginning and ending balances for the bank and the general ledger, respectively. There was no reconciliation of the ending bank balance to the ending book balance.
 - Bank reconciliations for the period July 2020 through February 2021 were not prepared within the best practices timeframe of 30 days after the month's end.
 - We were unable to determine if the bank reconciliations prepared after this period were timely. There was no signature or date for the preparer and reviewer of the subsequent monthly bank reconciliations.
4. **FINDING:** As noted in the prior two audits, the university did not perform adequate procedures for accounts receivable.

Our review of Tennessee State University's accounts receivable collection procedures revealed that the university did not consistently perform timely collection procedures and collection agency assignments. As accounts receivable cannot be written off until the university has exhausted all collection efforts, accounts receivable reported in the notes may not accurately reflect the amount that the university expects to collect.

At June 30, 2020, the university had 6,873 separate accounts receivable totaling \$26,818,896.40.

From that group, we selected the largest receivable, representing \$8.1 million, and 27 random accounts, representing \$84,600.93, subject to collection procedures. We did not note any problems with the largest receivable account, but for 20 of the 27 random student accounts

(74.1%), we could either find no evidence of collection efforts or the collection attempts and collection agency assignments were not timely based on the university's procedures during the period under audit. Also, 5 of 20 accounts totaling \$8,623 were returned from the second collection agency as 83 uncollectable and should have been submitted for write-off.

CURRENT STATUS:

We requested the 2021 year-end student accounts receivable listing. The listing included 9,855 separate accounts receivable totaling \$33,199,003.37 as of June 30, 2021. At October 20, 2021, the university had 9,557 separate accounts receivable totaling \$30,549,939.50.

We selected a sample of 25 accounts receivable balances from the listing of accounts receivable as of June 30, 2021. For students included in the sample, the last semester attended ranged from spring 2007 to spring 2021. Discussions with university management and review of the student accounts for these 25 student accounts receivable found that:

- 2 of these 25 balances were not valid as the student never attended the university. The receivables totaled \$225.
- For 18 of these 23 receivable accounts, which included students whose last semester attended was before the fall 2019 semester, management did not provide copies of the collection letters sent to the students.
 - Management did identify where 8 of the accounts were sent to one or more collection agencies. We could not determine if the placement was timely because we were not provided with placement dates.
- For 5 of these 23 receivable accounts, which included students whose last semester attended was from fall 2019 to spring 2021, management provided a copy of the collection letters sent during the applicable semester.
 - The collection attempts were made in accordance with university policy.
 - Management did not indicate if any of these accounts were sent to a collection agency after unsuccessful initial attempts to collect.

Our discussions with management and review of supporting documentation for the 25 student accounts revealed that the university is able to support due diligence performed for receivable balances incurred after the revised receivable policy went into effect on July 1, 2019. Over 70% of the university's student accounts receivable balance is related to student charges incurred prior to July 1, 2019. To further support management's assertion of compliance since July 1, 2019, we obtained the receivables aging schedule as of June 30, 2021. From this schedule, we selected a sample of 20 student receivables for review.

Management at Tennessee State University used federal funds received to address the impact of the COVID-19 pandemic to assist students in paying outstanding student balances incurred during COVID-related semesters (Spring 2020 through present) if the student re-enrolled at the university for the fall 2021 semester. Contrary to the university's policy which prohibits registration for a student with an outstanding prior semester balance, this decision allowed students with outstanding balances to re-enroll at the university. This also impacted our ability to determine compliance with the current receivables policy for the 20 selected account balances because collection procedures are not performed for currently enrolled students. While we were

unable to use the newly selected sample to support compliance with the receivables policy, our review of the 20 student accounts did reveal that management needs to review its student receivables account for invalid student receivables. Several account balances in the newly selected sample were charges that were not properly reversed for a student who registered but did not attend the university.

5. **FINDING:** Tennessee State University did not provide adequate internal controls in four areas, including one area reported for the sixth consecutive audit.

CURRENT STATUS: Management has corrected several issues cited by auditors and is strengthening controls in other areas.



**TENNESSEE
STATE UNIVERSITY**
DEPARTMENT OF INTERNAL AUDIT

**Details of External Audit Report -
Financial and Compliance Audit for the
Year Ended June 30, 2020**

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

Introduction:

The Comptroller of the Treasury, Division of State Audit, performed a financial and compliance audit of the financial statements and related notes to the financial statements of Tennessee State University and the Tennessee State University Foundation. The audit was for the fiscal year ended June 30, 2020. The Division of State Audit issued an unmodified audit opinion (i.e., the financial statements for the university and foundation were fairly presented in accordance with generally accepted accounting principles in the United States). However, the report included seven audit findings. As a result of the audit, the university's unaudited net position remained unchanged and the foundation's unaudited net position decreased by \$113,075.38.

Finding Recommendations and Management's Responses:

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.**

Recommendation

TSU management must take prompt corrective action to safeguard the university's legacy and future. As the steward of TSU's assets, including both physical assets and the university's reputation, TSU management must address identified deficiencies and correct pervasive issues. Management must develop adequate mechanisms to regularly assess and respond to known deficiencies. Upon failure to address and correct these deficiencies, management should hold itself and staff accountable. Management should ensure staff who are preparing and/or reviewing the financial statements have the adequate knowledge of accounting and reporting requirements to properly perform their responsibilities.

Management's Response

We concur. As this finding is essentially a summary of the following findings, we refer you to our comments for findings 2-7. Additionally, the newly formed Executive Leadership Team of the Division of Business and Finance has established regular communication with members of the Tennessee Comptroller's office and is committed to meeting the financial and audit deadlines. Please see our responses to findings 2 through 7.

Reports developed in conjunction with our Office of Technology are currently being used to identify students who have withdrawn or stopped attending. These reports are reviewed weekly after census date each term, and the Return to Title IV calculation is performed for each student. These reports also help to identify and confirm if an enrolled student ever attended classes. (If it is determined the student never attended classes, this is not considered a Return of Title IV situation. For students in this category, all federal aid is cancelled.)

Beginning spring 2021, we will continue communicating monthly with the Tennessee State University Records Office and the Tennessee State University Financial Aid Office. Prior to the start of each term, the Assistant Vice President of Financial Aid confirms with the Registrar that any break of five

or more days has been recorded in the Banner system by Records Office personnel and any changes in start and end dates for the terms have been made prior to the start of classes.

Effective July 1, 2021, procedures regarding drawdown of federal funds will be modified. Instead of drawing down 100% of funds available at the time, the university will leave a cushion of approximately 10% not drawn down. This will help ensure that the university maintains compliance with returning Title IV funds to the Department of Education (ED) in a timely manner. The need to initiate refunds to ED should be greatly diminished as there will always be a cushion of funds that have not been drawn down.

Effective April 1, 2021, within the first 10 days of each month, the Assistant Director of Loans will reconcile the university's Direct Loan records to the Direct Loan Servicing System's records for the prior month. The reconciliation will be prepared using instructions in the Federal Student Aid Handbook. The Assistant Director of Loans will ensure that the reconciliations are documented and complete. Any identified variances will be investigated and resolved at the time of reconciliation. The Assistant Vice President of Financial Aid will review the completed monthly reconciliations and verify the accuracy and completeness of the reconciliations.

The Director of Financial Aid (or designee) and a member of the Business Office will review each reconciliation each month and at award year-end to ensure accuracy and completeness. This reconciliation and review will be documented and maintained for audit purposes. The Financial Aid Office and the Business Office will develop policies and procedures for the reconciliation process.

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

Recommendation

As noted in the prior five audits, the new Vice President of Business and Finance should ensure improved communication and cooperation between all staff with accounting responsibilities and should ensure staff timely complete the information necessary to compile and review the financial statements and notes. The Vice President of Business and Finance should ensure all staff are properly trained and should institute procedures that ensure the accuracy, proper classification, and disclosure of information presented in the financial statements and the accompanying notes. These procedures should address the preparation of the financial statements and the notes, as well as the subsequent review process. Management should perform adequate reviews on the statements and the notes to mitigate the risk of errors. Management should ensure staff preparing and/or reviewing the financial statements have adequate knowledge of governmental accounting and reporting requirements to properly perform their responsibilities.

Management's Comment

We concur. Errors were made by inadequate personnel staff and that has been revamped with new staffing members with accounting experience and expertise. To ensure the specific errors documented in the audit finding do not recur, we are implementing necessary changes in processes and internal controls.

Additional personnel with the proper background in accounting and finance have been hired to specifically perform the accounting duties of the Foundation and to ensure the accuracy, proper classification, and disclosure of information presented in the financial statements and accompanying notes.

TSU management has undertaken several corrective measures to address Finding #1 and the related recommendations:

- Staffing Changes. To address the deficiencies and issues contained in the audit report, the Division of Business and Finance (Division) overtook significant staffing changes, including effectuating staff departures and the hiring of new personnel to ensure TSU has corrected understaffing issues, and have a professional and experienced team to implement and follow the policies, procedures, and actions required to address the deficiencies reflected in Finding #1.
- Key Senior Personnel Hired. The personnel changes and hires include the hiring of a new Vice President for Business and Finance, who is a CPA with extensive experience in managing financial services-related staff in a state university system; the hiring of an experienced Controller with significant experience in the Tennessee Board of Regents system in managing accounting functions (including bank reconciliations) and preparing financial statements; and the hiring of a new Director of Grants Accounting with several years of management and grants accounting experience.
- Additional Personnel Hired/Personnel Changes. We have also hired a Director of Foundation Accounting and a Director of General Accounting and Financial Reporting. TSU also converted three Business and Finance positions to accountants and will be adding a fourth accountant by the end of fiscal year 21. Each accountant has been assigned specific duties that must be completed on a monthly basis.
- Organizational Structure Changes. The Division's organizational structure has been modified to create a Controller position. The Director of Foundation Accounting position now reports directly to the Controller.
- Retained CPA Firm. TSU retained the services of a reputable CPA firm to assist with preparation and submission of outstanding financial statements and bank reconciliations.
- Training. TSU personnel have solicited and received input on training information to upgrade the practices for Business and Finance financial related personnel. Business and Finance staff members completed trainings in several different areas, including the use of Banner and the running of various processes and reports. In addition, two staff members completed two days of government accounting and auditing training that was recommended by peer institutions. Additional trainings have occurred and are ongoing on accounting processes. In addition, TSU continues to use the services of a reputable CPA firm to assist with questions as processes are evaluated and updated.

The accounting for transactions is now being maintained monthly by the Director of Foundation Accounting to ensure that year-end adjustments are minimal. The Director of Foundation Accounting prepares the foundation financial statements and notes timely so that the Executive Director of the Foundation and Fiscal Operations now reviews them to ensure completion and accuracy.

Additional personnel have also been hired to specifically perform the accounting duties of the university and to ensure the accuracy, proper classification, and disclosure of information presented

in the financial statements and accompanying notes. The accounting for transactions is being maintained monthly by the General Accounting staff; which has been staffed with experienced personnel. It is supervised by the Director of General Accounting to ensure that year-end adjustments are minimal. The General Accounting team prepares the university financial statements and notes timelier now so that the Director of General Accounting can review them to ensure completion and accuracy.

In addition, the Controller and the Vice President for Business and Finance reviews the final year-end financial statements and notes of the university and foundation to ensure completion and accuracy.

Management will continue to ensure staff preparing and/or reviewing the financial statements have the adequate knowledge of governmental accounting and reporting requirements to properly perform their responsibilities.

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

Recommendation

Each month, Business Office personnel should prepare and review separate bank account reconciliations for each bank statement, soon after receiving the bank statements but no later than 30 days after the end of the month. Bank reconciliation policies should be updated to require TSU Business Office personnel to perform reconciliations within 30 days. Once those policies are modified as needed, management should ensure TSU staff follow them consistently and are properly trained to complete the reconciliations. Management should investigate the unresolved differences between cash per the bank and cash per the accounting records and determine whether fraud or error caused the differences. After making necessary adjustments to the accounting records, management should forward the results of this examination to the Comptroller of the Treasury.

Management's Comment

We concur. Each month, business office personnel prepares and reviews separate bank reconciliations for each bank account. Currently bank reconciliations are performed within 10-60 days. We are refining the policy to complete reconciliations within 30 days soon after receiving the bank statements but no later than 30 days after the end of the month. Management are investigating the unresolved differences between cash per bank and cash per the accounting records to determine the bases for the differences. Management is then making necessary adjustments to the accounting records. Additional care has been taken to ensure that all banking transactions are recorded in the general ledger.

New staff members have been trained on how to properly and timely perform bank reconciliations. TSU staff members have undergone additional training to prepare and complete bank reconciliations in a timely manner. Staff from other areas of the university and/or temporary external personnel will be secured to assist with bringing the university's bank reconciliations to current and complete status if necessary.

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

Recommendation

Management should ensure that policies are clear about what is expected of staff and that policies do not contain language that is in contrast to current practice. Management should also ensure that staff perform collection efforts timely and that the tracking system maintains documentation of when staff sent billing and collection letters. Management should provide oversight and review of the collection process to ensure that staff complete each step properly. When the university has exhausted its collection efforts, management should submit the receivables for write-off. After the write-off of accounts receivable is approved, management should remove them from the accounting records, thus reducing the amount of gross receivables reported in the notes to the financial statements.

Management's Comment

We concur. The Associate Vice President for Financial Services worked with the Bursar's Office to write up-to-date policies and procedures for collection of accounts receivable. This updated policy was approved at the November 19, 2020, Tennessee State University Board of Trustees Meeting. The updated policy includes: 1) a schedule defining delinquent periods; 2) the timing of collection letters; 3) when an account should be considered in default; 4) a statement concerning when the account should be sent to a collection agency after the final collection letter has been sent and the debtor has not responded; and 5) a statement regarding the retention of collection records.

Members of the newly formed Executive Leadership Team of the Division of Business and Finance will work with Bursar's Office Staff to ensure that collection efforts are timely and to develop an efficient tracking system that maintains documentation of when collection letters are mailed. In addition, a dedicated position has been created as of August 2021 to focus primarily on collection of accounts receivable. This position will ensure that staff perform collection efforts timely, and that the tracking system maintains documentation of when collection letters are mailed. This position will meet with the Business and Finance Executive Staff monthly to ensure progress is made.

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

Recommendation

The Registrar's Office and the Financial Aid Office should follow federal regulations. Although the Registrar's Office is responsible for entering the number of days, including breaks, in the period of enrollment into the Banner information system, the Financial Aid Office should verify that the Registrar's Office entered the information correctly. Management should ensure that the Financial Aid Office reperforms all return of Title IV funds calculations and makes necessary corrections to student and federal fund accounts for the 2019–2020 academic year. Management should ensure that the Registrar's Office communicates any status changes to the Financial Aid Office.

Management's Comment

Management concurs with the finding. To ensure that the university is in compliance with federal regulations regarding Title IV funds, the following actions will be taken:

- Necessary adjustments will be made to student accounts identified during the performance of the audit for differences not considered immaterial by auditors. Tennessee State University Office of Financial Aid staff will make the corrections by March 15, 2021.

- Reports developed in conjunction with our Office of Technology are currently being used to identify students who have withdrawn or stopped attending. These reports are reviewed weekly after census date each term, and the Return to Title IV calculation is performed for each student. These reports also help to identify and confirm if an enrolled student ever attended classes. (If it is determined the student never attended classes, this is not considered a Return of Title IV situation. For students in this category, all federal aid is cancelled.)
- Beginning spring 2021, we will continue to remove aid for students identified as having never attended. Notification will be made to the Records Office and the Bursars Offices. The Records Office is responsible for the removal of any classes for which the student was enrolled but never attended. Further, Records Office will update Clearinghouse regarding student's enrollment status. The Bursar's Office staff will determine whether the student owes any funds back to the university. If there is a balance owed, the Records Office will not remove enrolled classes until the student returns any outstanding funds.
- Beginning spring 2021, we will continue communicating monthly with the Tennessee State University Records Office and the Tennessee State University Financial Aid Office. Prior to the start of each term, the Assistant Vice President of Financial Aid confirms with the Registrar that any break of five or more days has been recorded in the Banner system by Records Office personnel and any changes in start and end dates for the terms have been made prior to the start of classes.
- Effective July 1, 2021, procedures regarding drawdown of federal funds will be modified. Instead of drawing down 100% of funds available at the time, the University will leave a cushion of approximately 10% not drawn down. This will help ensure that the University maintains compliance with returning Title IV funds to the Department of Education (ED) in a timely manner. The need to initiate refunds to ED should be greatly diminished as there will always be a cushion of funds that have not been drawn down.

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.

Recommendation

The Director of Financial Aid should ensure that the required monthly reconciliations are prepared based on instructions in the *Federal Student Aid Handbook* and yearly training documents. If any items on the School Account Statement do not agree to the institution's financial records, Financial Aid staff should investigate and resolve these differences in a timely manner. In addition, the Director of Financial Aid should ensure that reconciliations are documented. The Director of Financial Aid and a member of the Business Office should review the reconciliation each month and at award year-end to ensure accuracy and completeness. The Financial Aid Office and the Business Office should develop policies and procedures for the reconciliation process.

Management's Comment

Management concurs with the finding. Effective April 1, 2021, within the first 10 days of each month, the Assistant Director of Loans will reconcile the university's Direct Loan records to the Direct Loan Servicing System's records for the prior month. The reconciliation will be prepared using instructions in the *Federal Student Aid Handbook*. The Assistant Director of Loans will ensure that the reconciliations are documented and complete. Any identified variances will be investigated and

resolved at the time of reconciliation. The Assistant Vice President of Financial Aid will review the completed monthly reconciliations and verify the accuracy and completeness of the reconciliations.

The Director of Financial Aid (or designee) and a member of the Business Office will review each reconciliation each month and at award year-end to ensure accuracy and completeness. This reconciliation and review will be documented and maintained for audit purposes. The Financial Aid Office and the Business Office will develop policies and procedures for the reconciliation process.

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

Recommendation

The President should ensure that management across the university's various departments thoroughly evaluate the details of this finding and collaborate to correct these conditions by promptly developing and effectively implementing internal controls in these areas. Management should implement effective controls to address the risks noted in this finding, update the risk assessment as necessary, and take action if deficiencies occur. As part of this process, management should assign staff to continually monitor risks and assess mitigating controls.

Management's Comment

We concur. We have either corrected the issues or are in the process of correcting the issues brought to our attention.



Follow-up Review
Tennessee State University 2020 Single Audit

UPDATED



October 29, 2021

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

Dear Dr. Glover:

We recently issued a follow-up report on management's actions taken in response to the audit findings included in the Division of State Audit's *Tennessee State University 2020 Single Audit Report* for the year ended June 30, 2020. The results of our review determined that management had not taken the appropriate steps to ensure that the findings were corrected. The TSU Audit Committee requested that we provide an update on management's actions taken to correct the findings included in the Single Audit report. This review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by The Institute of Internal Auditors.

The results of our subsequent follow-up review are in the attached report.

We appreciate the cooperation and assistance of university personnel during our 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

**Tennessee State University Department of Internal Audit
Follow-up Review
TSU Single Audit Report FY 2020
Executive Summary**

Key Areas: Office of Financial Aid; Office of the Registrar	Auditor: Adrian R. Davis, <i>CPA, CGFM</i> , Director of Internal Audit
<p>Introduction: The Comptroller of the Treasury, Division of State Audit, issued a report related to its <i>Tennessee State University 2020 Single Audit</i>. The report included two audit findings. On August 24, 2021, we reported on the corrective actions taken by management to address the findings included in the report. It was determined that management had not adequately addressed the findings. This report presents the current status of management’s actions taken to address the issues cited in the two findings.</p>	
<p>Objective: The objective of this review was to determine whether adequate corrective actions have been taken to address the audit findings.</p>	
<p>Scope: The audit included a review of the current status of actions taken by Tennessee State University management to correct deficiencies reported by the Division of State Audit for the fiscal year ended June 30, 2020.</p>	
<p>State Audit Findings:</p> <p>Finding 1: 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.</p> <p>Finding 2: Tennessee State University did not return Title IV funds in compliance with federal regulations.</p>	
<p>Conclusions:</p> <p>Finding 1 - Management in the Office of Financial Aid has not implemented all recommended corrective actions to ensure that the finding is corrected. Management did ensure that monthly reconciliations are documented. Management did not ensure that the reconciliations are accurate and complete and that differences are timely resolved.</p> <p>Finding 2- Management in the Office of Financial Aid has not implemented all recommended corrective actions to ensure that return of Title IV fund calculations are accurate. Management ultimately corrected erroneous return calculations prepared for the fall 2021 semester and ensured that returns were made within the required 45-day timeframe.</p>	

FINDINGS AND CURRENT STATUS

1. **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.**

State Audit Recommendation

The Director of Financial Aid should ensure that the required monthly reconciliations are prepared based on instructions in the *Federal Student Aid Handbook* and yearly training documents. If any items on the School Account Statement do not agree to the institution's financial records, Financial Aid staff should investigate and resolve these differences in a timely manner. In addition, the Director of Financial Aid should ensure that reconciliations are documented. The Director of Financial Aid and a member of the Business Office should review the reconciliation each month and at award year-end to ensure accuracy and completeness. The Financial Aid Office and the Business Office should develop policies and procedures for the reconciliation process.

Results from August 24, 2021 Follow-Up Report

We requested the monthly Direct Loan reconciliations prepared during the fiscal year ended June 30, 2021 from management. We were provided with four of the 12 required monthly reconciliations prepared during the fiscal year. The reconciliations were not accompanied with enough supporting documentation to allow us to determine if they were complete.

CURRENT STATUS

We obtained monthly Direct Loan reconciliations for August 2020 through September 2021, excluding August 2021. The September 2021 reconciliation supported there being no August 2021 Direct Loan disbursements.

Our review of the monthly reconciliations provided found:

- The reconciliations were not accurate and complete
 - Five of the reconciliations were not accompanied by both original reports from the Department of Education and the Banner system to support the completeness of the reconciliations.
 - The January 2021 reconciliation included the September 2020 reconciliation listings.
 - The November 2020 reconciliation supported there being Direct Loan disbursements in October 2020. The December 2020 reconciliation supported there being Direct Loan disbursements in November 2020 and December 2020.
- Identified differences were not always timely resolved each month.
 - The September 2020 and October 2020 reconciliations were the same. Non-reconciling disbursement totals would not repeat in the following month if corrections were made in the preceding month.
 - The July 2021 reconciliation included differences for disbursements made as early as August 2020.

The *2021-2022 Federal Student Aid Handbook*, Volume 4, page 4-138, states “A school has completed its monthly reconciliation when all differences between the Direct Loan SAS and the school’s internal records (Direct Loan system, financial aid office, and business office system) have been resolved or documented and the school’s ending cash balance is zero. Schools should clearly outline their method of documentation in both business office and financial aid office procedures.” Page 4-139, states, “Each month you should identify, resolve, and document all discrepancies...”

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

State Audit Recommendation

The Registrar’s Office and the Financial Aid Office should follow federal regulations. Although the Registrar’s Office is responsible for entering the number of days, including breaks, in the period of enrollment into the Banner information system, the Financial Aid Office should verify that the Registrar’s Office entered the information correctly. Management should ensure that the Financial Aid Office reperforms all return of Title IV funds calculations and makes necessary corrections to student and federal fund accounts for the 2019-2020 academic year. Management should ensure that the Registrar’s Office communicates any status changes to the Financial Aid Office.

Results from August 24, 2021 Follow-Up Report

We obtained a population of 208 Title IV financial aid recipients who officially or unofficially withdrew from all classes at the university during the fiscal year ended June 30, 2021. We selected for testing a sample of 40 students from this population of Title IV aid recipients. We reperformed the return of Title IV funds calculations for these 40 students who withdrew during the fall 2020 and spring 2021 semesters.

For the 40 Title IV financial aid recipients included in our sample, we found that:

- The amount of Title IV funds returned for 6 of these 40 (15%) Title IV financial aid recipients was not accurate. The university calculated a total return of \$9,614 for these 6 students. The corrected total for the 6 students is \$12,077, which is a difference of \$2,463.
- The calculated return amount for 20 of the 40 (50%) Title IV financial aid recipients selected for testing was not returned within the required timeframe. Management returned Title IV funds from 48 to 321 days after the students withdrew, which is from 3 to 276 days late.
 - Unearned funds for 16 of these 20 recipients were returned from 48 to 70 days after the student withdrew, which is from 3 to 25 days late.
 - Unearned funds for 4 of these 20 recipients were from 171 to 321 days after the student withdrew.
 - These 4 Title IV aid recipients are those mentioned above for whom management needed to correct the return calculation.

CURRENT STATUS

On October 5, 2021, we obtained the listing of students that withdrew during the fall 2021 semester. There were 32 Title IV aid recipients included in the listing. It was determined that a return of Title IV calculation was required to be performed for 23 of these 32 students. Our review of the return calculations for these 23 students found that:

- ❖ Management in the Office of Financial Aid did not ensure that the semester start and end dates were accurate prior to performing the return of Title IV calculations for 9 of these 23 students. In response to the COVID-19 pandemic, university management determined that the fall 2021 semester would conclude on November 24, 2021. The fall 2021 semester was originally scheduled to end on December 3, 2021. Management did not ensure that the dates were updated in the university's student information system before preparing the return of Title IV calculations on September 22, 2021.
 - Once it was brought to their attention, management corrected the 9 return calculations. The remaining 14 reconciliations were also performed after the semester start and end dates were corrected.
 - Management in the Office of Financial Aid did ensure that the Title IV funds for the 23 withdrawn students were returned within the required 45-day timeframe.



Audit of
President's Expense Schedules
for the fiscal year ended June 30, 2021



October 28, 2021

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

Dear Chairwoman Cole:

Enclosed is the internal audit report of the expenses of the Office of the President for Tennessee State University for the fiscal year ended June 30, 2021. This audit is required by Tennessee Code Annotated, Title 49, Chapter 7. The objectives of the audit were to determine compliance with state statutes and institutional policies regarding expenses and to identify and report all expenses for the fiscal year that were made by, at the direction of or for the benefit of the president regardless of the funding source.

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

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

Sincerely,

Adrian R. Davis

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

CC: Dr. Glenda Baskin Glover, President, Tennessee State University
Mr. Douglas Allen, Vice President for Business and Finance, Tennessee State University

Tennessee State University
Audit of President's Expenses
For the Fiscal Year July 1, 2020 – June 30, 2021

President	Dr. Glenda Baskin Glover	Internal Auditor	Adrian R. Davis, <i>CPA, CGFM</i> , Director of Internal Audit																																																																			
Objectives	To comply with Tennessee Code Annotated, Title 49, Chapter 7, by performing an internal financial audit of the Office of the President for the fiscal year July 1, 2020 to June 30, 2021; to determine compliance with state statutes and institutional policies regarding expenses; and to identify and report all expenses made by, at the direction of or for the benefit of the President regardless of the funding source.																																																																					
Scope	The audit included all accounts under the direct budgetary control of the President, whether funded by institutional funds, foundation funds or external sources and other accounts as necessary. The audit was conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> , issued by the Institute of Internal Auditors and included tests of the accounting records and such other auditing procedures considered necessary.																																																																					
Analysis	<p>The following is a summary by funding source of (1) certain expenses made by, at the direction of, or for the benefit of the President, and (2) salary and benefits and any other operating expenses for the President's office during the fiscal year ended June 30, 2021:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;"></th> <th style="text-align: right; border-bottom: 1px solid black;"><i>Institutional</i></th> <th style="text-align: right; border-bottom: 1px solid black;"><i>Foundation</i></th> <th style="text-align: right; border-bottom: 1px solid black;"><i>External</i></th> <th style="text-align: right; border-bottom: 1px solid black;">Total</th> </tr> </thead> <tbody> <tr> <td colspan="5">President:</td> </tr> <tr> <td>Salary and Benefits</td> <td style="text-align: right;">\$ 389,063</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ -</td> <td style="text-align: right;">\$ 389,063</td> </tr> <tr> <td>Discretionary Allowance</td> <td style="text-align: right;">5,000</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">5,000</td> </tr> <tr> <td>Other Allowances (longevity)</td> <td style="text-align: right;">800</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">800</td> </tr> <tr> <td>Salary, Benefits & Other Payments</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">394,863</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">-</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">-</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 1px solid black;">394,863</td> </tr> <tr> <td>Travel (Schedule A)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> </tr> <tr> <td>Business Meals and Hospitality (Schedule B)</td> <td style="text-align: right;">-</td> <td style="text-align: right;">7,178</td> <td style="text-align: right;">29,282</td> <td style="text-align: right;">36,460</td> </tr> <tr> <td>Other Expenses (Schedule C)</td> <td style="text-align: right;">22,399</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">22,399</td> </tr> <tr> <td colspan="5">President's Office:</td> </tr> <tr> <td>Salary and Benefits</td> <td style="text-align: right;">272,527</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">272,527</td> </tr> <tr> <td>Other Expenses (supplies, copies, etc.)</td> <td style="text-align: right;">6,026</td> <td style="text-align: right;">-</td> <td style="text-align: right;">-</td> <td style="text-align: right;">6,026</td> </tr> <tr> <td>Total Expenses</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 695,815</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 7,178</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 29,282</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ 732,275</td> </tr> </tbody> </table> <p>Additional Disclosures:</p> <p>Discretionary Allowance – The President was provided a discretionary spending allowance. Use of the allowance was not included in tests performed during the audit because the President elected for it to be paid as taxable income.</p> <p>Housing – The President is provided the use of a residence. Costs to maintain the home are paid by the university and totaled \$13,396 for the period.</p> <p>External Sources – This report includes the cost of items provided, paid, or reimbursed by external sources for the benefit of the President.</p>						<i>Institutional</i>	<i>Foundation</i>	<i>External</i>	Total	President:					Salary and Benefits	\$ 389,063	\$ -	\$ -	\$ 389,063	Discretionary Allowance	5,000	-	-	5,000	Other Allowances (longevity)	800	-	-	800	Salary, Benefits & Other Payments	394,863	-	-	394,863	Travel (Schedule A)	-	-	-	-	Business Meals and Hospitality (Schedule B)	-	7,178	29,282	36,460	Other Expenses (Schedule C)	22,399	-	-	22,399	President's Office:					Salary and Benefits	272,527	-	-	272,527	Other Expenses (supplies, copies, etc.)	6,026	-	-	6,026	Total Expenses	\$ 695,815	\$ 7,178	\$ 29,282	\$ 732,275
	<i>Institutional</i>	<i>Foundation</i>	<i>External</i>	Total																																																																		
President:																																																																						
Salary and Benefits	\$ 389,063	\$ -	\$ -	\$ 389,063																																																																		
Discretionary Allowance	5,000	-	-	5,000																																																																		
Other Allowances (longevity)	800	-	-	800																																																																		
Salary, Benefits & Other Payments	394,863	-	-	394,863																																																																		
Travel (Schedule A)	-	-	-	-																																																																		
Business Meals and Hospitality (Schedule B)	-	7,178	29,282	36,460																																																																		
Other Expenses (Schedule C)	22,399	-	-	22,399																																																																		
President's Office:																																																																						
Salary and Benefits	272,527	-	-	272,527																																																																		
Other Expenses (supplies, copies, etc.)	6,026	-	-	6,026																																																																		
Total Expenses	\$ 695,815	\$ 7,178	\$ 29,282	\$ 732,275																																																																		

Observations	No issues were noted.		
Questioned Costs	None	Recoveries	N/A
Conclusion	The objectives of the audit of the expenses of the Office of the President for Tennessee State University for the fiscal year July 1, 2020 through June 30, 2021 were achieved. The audit revealed no significant statutory or policy violations, material omissions from the expense reports or deficiencies in internal controls. The supplemental schedules included with this report fairly represent the expenses of the President's office.		
Restriction on Use of Report	<i>This report is intended solely for the internal use of the Tennessee State University Board of Trustees and Tennessee State University. It is not intended to be and should not be used for any other purpose. The distribution of the report to external parties must be approved by the TSU Audit Committee and Tennessee State University Office of Internal Audit, and handled in accordance with institutional policies; however, this report is a matter of public record.</i>		

Tennessee State University
Schedule A- Travel Expenses for the President
For the Period July 1, 2020 to June 30, 2021

Description	<i>President's Budgetary Accounts</i>			Total
	Institutional	Foundation	External Sources	
(None)	\$ -	\$ -	\$ -	\$ -
Total Travel Expenses for the President	\$ -	\$ -	\$ -	\$ -

Tennessee State University
Schedule B- Business Meals & Hospitality for the President
For the Period July 1, 2020 to June 30, 2021

Description	<i>President's Budgetary Accounts</i>			Total
	Institutional	Foundation	External Sources	
Aramark (President's Hospitality Account 2020-2021)	\$ -	\$ -	\$ 29,282	\$ 29,282
Levy Restaurant at Nissan Stadium (Catering for suites - Tennessee Titans football games)	-	7,178	-	7,178
Total Business & Meals & Hospitality Expenses	\$ -	\$ 7,178	\$ 29,282	\$ 36,460

Tennessee State University
Schedule C - Other Expenses for the President
For the Period July 1, 2020 to June 30, 2021

Description	<i>President's Budgetary Accounts</i>		Total
	Institutional	Foundation	
Holmes Pest Control (pest control services during the fiscal year)	\$ 925 *	\$ -	\$ 925
Johnson Controls Security Solutions (alarm system installation and services)	9,682 *		9,682.00
Proctor and Graves Service Co LLC (HVAC maintenance and inspection)	1,890 *		1,890.00
Lowe's Home Centers LLC (supplies for the President's home)	88 *		88.00
Staples Advantage Inc (miscellaneous supplies for President's home)	811 *		811.00
Arlene Nicholas Phillips (reimbursement for purchase of plaque)	28		28.00
Women in Higher Education in Tennessee (institutional membership)	425		425.00
Women Corporate Directors (membership dues)	500		500.00
The Community Foundation of Middle Tennessee (membership dues)	500		500.00
Nashville Area Chamber of Commerce (Partnership 2020 Initiative)	5,000		5,000.00
Brand Lamb (graphic design service)	300		300.00
Thurgood Marshall College Fund (membership dues)	1,250		1,250.00
ESP Education & Leadership Institut (full-page ad)	1,000		1,000
Total Other Expenses for the President	\$ 22,399	\$ -	\$ 22,399

* Expense for the President's home

**Tennessee State University
Board of Trustees**



**Review of
Outstanding
Audit Issues**

TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
INFORMATION ITEM

DATE: November 18, 2021

ITEM: Audit Committee Report – 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.

Director of Internal Audit, Ms. Adrian Davis, and President Glover and/or her designee will discuss the outstanding audit issues.

Tennessee State University
 Department of Internal Audit
 Audit Issues Outstanding as of November 1, 2021

INTERNAL AUDITS

	Audit Issues	Status
2/12/2021	Follow-Up Review of Admissions	<i>Testing in Progress</i>

The university did not always obtain required immunization history records for applicable newly admitted and readmitted students registered for full-time enrollment during the spring 2021 semester

2/11/2021	Audit of TSU Department of Human Resources	<i>Follow-up to begin December 2021</i>
-----------	---	---

1. Management did not provide the required U.S. Citizenship and Immigration Services (USCIS) Form I-9, Employment Eligibility Verification, for 1 of 44 employees selected for testing. In addition, forms were not completed in the required timeframe for 15 of 44 employees selected for testing.
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.
3. Details of noncompliance in the area of Pre-Employment Screening/Employee Background Checks was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated.
4. University management did not provide us with a copy of the signed Employee Confidentiality Agreement for 1 of 44 employees tested.

2/11/2021	Follow-Up Review of Federal Work-Study Timesheets- Fall 2020	<i>Follow-up to begin February 2022</i>
-----------	---	---

1. For 6 of 14 (43%) 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 8 of the 40 (20%) timesheets reviewed, the students worked more than 20 hours a week for at least one week while classes were in session.
3. For 2 of the 8 (25%) 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 overpayment of \$599.10 was paid to 9 of the 17 students whose timesheets were selected for review. The related supervisor did not ensure that documented time worked was accurately calculated.

Audit Issues

Status

3/19/2021	Student Housing Revenue Review	<i>Follow-up to begin March 2022</i>
-----------	---------------------------------------	--

1. During the fall 2020 and spring 2021 semesters, management in the Department of Residence Life and Housing posted approximately \$100,000 in adjustments to the housing and/or meal plan charges on student accounts for charges incurred in previous fiscal years ranging from fall 2016 to spring 2020. While the charges did not relate to the fiscal year under review, the charges impact the revenue amounts to be reported for the fiscal year ending June 30, 2021.
2. Details of noncompliance in the area of Pre-Employment Screening/Employee Background Checks was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated.

3/19/2021	Foundation Gifts	<i>Testing to Begin December 2021</i>
-----------	-------------------------	---

1. The Former Director of Fiscal Affairs did not ensure that gifts received in the Office of the Tennessee State University Foundation were always timely deposited during the period under review. For 1 of 13 daily deposits tested, daily gifts were not taken to the Office of the Bursar to be deposited within 1 business day. The funds were deposited three business days late.
2. The Former Director of Fiscal Affairs did not ensure that gifts deposited into the bank account of the Tennessee State University Foundation were always recorded or timely recorded during the period under review. For 46 of 66 (69.7%) bank deposits selected for testing, the deposits were either not recorded or not recorded within 10 days of the receipt of the donated funds.
3. The Former Director of Fiscal Affairs did not ensure that donated funds were always spent in accordance with donor intent. For 12 of 212 (5.66%) scholarship recipients selected for testing, the awarded students did not meet the documented awarding criteria as determined by the donor.

EXTERNAL AUDITS

Report Date	Audit Issues	Status
9/21/2020	Division of State Audit, Financial & Compliance Audit, Endowment For Educational Excellence at the Tennessee State University Foundation for the Fiscal Year Ended June 30, 2018	<i>Awaiting reports for FY 2019 and FY 2020</i>

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

3/29/2021	Division of State Audit, Financial & Compliance Audit, Tennessee State University Single Audit 2020	<i>Follow-Up Report Issued 08/24/2021</i>
-----------	--	---

1. Tennessee State University did not return Title IV funds in compliance with federal regulations
2. 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

Subsequent Follow-Up Issued 10/29/2021

9/29/2021	Division of State Audit, Financial & Compliance Audit, Tennessee State University for the Fiscal Year Ended June 30, 2019	<i>Follow-Up Report Due 03/29/2021</i>
-----------	--	--

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
2. As noted in the prior five audits, management needs to improve procedures for preparing and reviewing financial statements
3. As noted in the prior three audits, the university and the university foundation's accounting records did not reconcile to the bank statements
4. As noted in the prior three audits, university personnel did not perform adequate collection procedures for accounts receivable
5. Tennessee State University did not return Title IV funds in compliance with federal regulations
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
7. Tennessee State University did not provide adequate internal controls in three areas, including one area reported for the seventh consecutive audit

**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: November 18, 2021

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

The Audit Committee will go into Executive Session to discuss items deemed confidential under state law.