

**Tennessee State University
Board of Trustees**



**Audit Committee
Report**

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

Tennessee State University
Thursday, September 16, 2021
10 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 June 17, 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
June 17, 2021,
Audit Committee
Meeting Minutes**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: September 16, 2021

ITEM: Audit Committee Report - Approval of the June 17, 2021, Audit Committee Meeting Minutes

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The document reflecting the minutes from the June 17, 2021, Audit Committee meeting is included in the September 16, 2021, Board materials.

MOTION: To approve the minutes from the Board of Trustees' June 17, 2021, Audit Committee meeting, as contained in the Board materials for the Board's September 16, 2021, meeting.

Meeting of the Tennessee State University Board of Trustees
Audit Committee Meeting
June 17, 2021
Tennessee State University – Electronic

MINUTES

Committee Members Present: Trustees Deborah Cole, Obie McKenzie (joined later) and Richard Lewis;

Other Board Members Present: Joseph W. Walker, III, Pam Martin, Andre Johnson, Steve Corbeil, Van Pinnock, Dr. Ali Sekmen, 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 10:08 a.m. on June 17, 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 Lewis seconded and the motion carried.

II. ROLL CALL/DECLARATION OF A QUORUM

Trustee Cole asked the secretary to the Board to call the roll. Board Secretary Pendleton called the roll. Present: Trustees Deborah Cole, Richard Lewis, and Obie McKenzie joined later. A quorum was established.

Trustee Cole asked the committee members to state now if any of the committee members cannot hear or speak with each other. No committee members answered in the affirmative. Trustee Cole also asked the committee members to indicate if someone is present with them from the location in which they are calling. No committee members indicated there was anyone present.

III. APPROVAL OF THE MARCH 11, 2021, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to recommend to the full Board the approval of the minutes from the March 11, 2021, Audit Committee meeting, as contained in the June 17, 2021, Board materials. Trustee Lewis seconded the motion, which carried unanimously by a roll call vote.

IV. ANNUAL REPORT ON THE AUDIT OFFICE'S AUDIT ACTIVITIES

Trustee Cole introduced the next item on the agenda, the annual report on the audit office's audit activities. 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 June 17, 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 the year-end report was guided by their annual audit plan. She stated that her report will detail audits that were completed during the fiscal year as well as those currently in progress.

Director Davis reviewed the audit of TSU Foundation Gifts as outlined in the Board materials on pages #44 to #55. She reminded the committee that the objective of this audit was to determine if the gifts received by the foundation were deposited and recorded timely, and if they were used in accordance with the donors' intent. She pointed out that the period being audited was July 1, 2020 through March 30, 2021 and found that 12 of 13 deposits were made timely. One deposit totaling \$17,710.50 was made 4 days late, to which Director Davis attributed the delay to the decreased office days due to the COVID-19 pandemic.

Regarding timely recording of gifts, Director Davis stated that 66 deposits were randomly selected for the audit sample. She stated that the audit revealed that 20 of 66 were recorded within 10 days of receipt; 3 of 66 totaling \$42,000 were not recorded; 20 of 66 totaling \$118,726 could not be verified and 23 of 66 totaling \$591,994 were recorded 11 to 266 days after the funds were received.

Director Davis stated that for 10 months of the 12-month Fiscal Year, the former Director had not recorded any of the Foundation's investment related transactions. The new Director of Foundation Accounting has since ensured that all transactions are recorded and current.

Trustee Cole expressed her disappointment and indicated that this behavior was "unacceptable." She reminded the committee that the former director and whomever he/she reported to, were both equally at fault. She expressed disappointment with moving the poor performing individual to another position and presumably at the same salary. Trustee Cole asked VP Allen to take responsibility to ensure that all transactions are deposited and recorded timely. She asked President Glover to do whatever was necessary to ensure this matter does not come up again.

After a lengthy discussion between Trustees Cole and Lewis, President Glover and Vice President Allen, Trustee McKenzie pointed out that this issue has a direct effect on our (TSU) ability to raise funds, and ultimately has an effect on all of our programs. He stated that we must show that we have the capacity and ability to raise money and manage money.

Trustee Cole suggested to President Glover that strengthening the relationship with the Foundation was secondary to getting the Foundation reconciliations and finances in order. Trustee Martin concurred with everyone's suggestions and concerns.

Trustee Cole stated that as Chair of the Audit Committee, she was holding President Glover responsible for getting this report fixed and providing the committee with an update at the next Board meeting. President Glover promised to be ready with a report.

Director Davis reported that in auditing whether the gifts received were being spent in accordance with the donors' intent, her team found that 82% of the gifts received were for scholarships to students. A sample of 212 students' awards were reviewed and all but 12 were found to have met the criteria of the donor. Director Davis stressed that although only 12 were found non-compliant, her team deemed this as 'high risk' since it is imperative to adhere to the criteria established by the donor.

Trustee Cole requested that Director Davis and her team change their original audit schedule so as to conduct another review sooner than expected.

Trustee Andre Johnson inquired about the joint reporting of the financial activities for both the Foundation and the University. After a discussion it was confirmed that the two entities had to be reported together or else the University would be subjected to a finding.

Director Davis next referred to the audit of the TSU Department of Human Resources as it related to the question posed by Trustee Sekmen about the E-Verify system and completion of the I9 Forms. The Associate Vice President for Human Resources did confirm that the department will begin using the E-Verify system to determine an employee's eligibility to work in the U.S. This should be implemented by FY2022. We are currently reviewing the Memorandum of Understanding (MOU) between the Department of Homeland Security and TSU.

Director Davis then shared with the committee the results from the audit of student housing revenue as outlined in the Board Meeting materials on pages #59 to #62. She pointed out that the objective was to determine if there were effective controls in place to ensure accurate recording of student housing revenue, and to determine if the university was compliant with federal guidelines, state laws and institutional policies regarding employees working in student housing.

Director Davis advised that there are currently two systems being used, the RMS Mercury system and the Banner system. When these systems were compared there were no issues found except for 7 students whose transactions were showing twice. The error was pointed out to management and immediately fixed.

When reconciling the Banner Finance system and the Banner Student system, there was a difference of \$100,000 found in the totals. Director Davis explained that this was due to adjustments made to students' accounts. She explained that when a student decides to withdraw their application or even change rooms, the system does an adjustment. It was also shared that these charges were not made during the applicable semester, which also affected the reconciliation.

Trustee Cole shared with the committee that President Glover spearheaded the reconciliation effort with the audit report and thanked her for doing whatever was necessary to keep us off the front pages. Trustees McKenzie and Lewis also concurred.

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

V. DISCUSSION OF THE AUDIT OFFICE'S INTERNAL QUALITY ASSESSMENT

Trustee Cole announced the next item on the agenda, the discussion of the audit office's internal quality assessment and asked President Glover to provide pertinent information related to this agenda item. The information is included in the June 17, 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 adheres to the standards of the Institute of Internal Auditors (IIA) and so is required to perform annual internal quality assessment reviews. She shared that the purpose of this assessment was to determine the level of compliance that the office has with the IIA standards and the IIA code of ethics.

Director Davis shared that there are 3 levels of standards: generally conforming; partially conforming; not in conformance. The results of her review determined that the office was found to be generally conforming to the IIA standards and code of ethics.

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

VI. APPROVAL OF THE FISCAL YEAR 2021-2022 AUDIT PLAN

Trustee Cole introduced the next item on the agenda, the approval of the fiscal year 2021-2022 audit plan as included in the June 17, 2021, Board Meeting packet.

Trustee Cole made a motion to recommend to the full Board the approval of the Fiscal Year 2021-2022 Audit Plan as contained in the Board materials for June 17, 2021 Board meeting. Trustee Lewis seconded the motion, which carried unanimously by roll call vote.

With no further questions or comments, Trustee Cole moved to recommend to the full Board the motion to adjourn the meeting to enter into Executive Session. Trustee Lewis seconded the motion, which carried unanimously by roll call vote.

VII. 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. Trustees Lewis seconded the motion, which was carried unanimously. The committee then transitioned into the executive session.

VIII. ADJOURNMENT

There was no further discussion. Trustee Cole moved to adjourn the meeting and the motion was seconded by Trustee Lewis. The motion carried unanimously by roll call vote. The meeting was adjourned at 11:17 a.m.

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 16, 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 for the fiscal year ended June 30, 2019. The details of the audit findings will be discussed.



**Review of the
National Collegiate Athletic Association
Student Assistance Fund
For the Fiscal Year Ended June 30, 2021**

August 11, 2021

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

Dear Ms. DeBauche:

Enclosed is the Tennessee State University Department of Internal Audit's report on our review of the National Collegiate Athletic Association (NCAA) Student Assistance Fund for the fiscal year ended June 30, 2021.

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

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

Sincerely,

Adrian R. Davis

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

CC: Dr. Glenda Glover, President, Tennessee State University
Dr. Deborah A. Cole, Audit Committee Chair, Tennessee State University
Dr. Michael Allen, Director of Athletics, Tennessee State University

Enclosure

Key Department	Tennessee State University Department of Athletics	Internal Auditor	Adrian R. Davis, <i>CPA, CGFM</i> , Director of Internal Audit
Introduction	This review of the expenditures generated by the Student Assistance Fund for the year ended June 30, 2021 was performed at the request of the Ohio Valley Conference (OVC).		
Background	<p>The National Collegiate Athletic Association (NCAA) funds the Student Assistance Fund (SAF) each year by providing funds to the conference offices. The Ohio Valley Conference (OVC) then distributes funds to each university annually. The SAF was created due to expanded uses of the former Special Assistance Fund to mirror the permissible uses of the former Student-Athlete Opportunity Fund. These former funds are now combined into one fund known as the Student Assistance Fund.</p> <p>SAF funds are to be used “to assist student-athletes in meeting financial needs that arise in conjunction with participation in intercollegiate athletics, enrollment in an academic curriculum, or that recognize academic achievement.” All student athletes are eligible to receive SAF benefits. The student-athletes are not required to be grant-in-aid recipients or have demonstrated financial need. Student-athletes are also eligible if they have exhausted their eligibility or may no longer participate for medical reasons. Prospective student-athletes are not eligible to receive SAF benefits, unless they are receiving summer financial aid prior to full-time enrollment under NCAA Bylaw 15.2.8.</p>		
Objectives	<ol style="list-style-type: none"> 1. To determine if SAF expenditures for fiscal year 2021 were in compliance with NCAA guidelines 2. To determine if account balances and expenditures were accurately reported to the Ohio Valley Conference 		
Scope	<p>Our review was conducted in accordance with the <i>International Standards for the Professional Practice of Internal Auditing</i> issued by the Institute of Internal Auditors. The review included an examination of the accounting records and other auditing procedures as considered necessary.</p> <p>The review included, but was not limited to the following:</p> <ul style="list-style-type: none"> – A review of the National Collegiate Athletic Association’s SAF guidelines – Interviews with appropriate university staff in the Athletics Department – An examination of the documentation supporting all expenditures made with SAF funds during the year – A review of the year-end report of expenditures and balance of funds on hand submitted to the Ohio Valley Conference and the NCAA by TSU Athletics Department personnel 		
Prior Audit Finding(s)	Two university students were paid a total of \$13,914.00 for providing tutoring services to student-athletes during the fall 2019 and spring 2020 semesters. The payments were erroneously applied to the students’ accounts as scholarships. SAF guidelines allow scholarship payments in the summer semester only and the recipient must be a student-athlete. These payments to non-student athletes should have been made via the university’s procurement system as they are not eligible scholarship payments. The amounts were accurately reported as tutoring expenses on the <i>NCAA 2019-2020 SAF and SAOF Reporting of Expenses</i> .		
Current Year Finding(s)	There were no findings noted for the fiscal year ended June 30, 2021.		

Conclusion	The results of our review indicate that the Athletics Department has controls in place to ensure that student-athletes are eligible to receive SAF benefits and that expenditures from SAF funds for the year ended June 30, 2021 were in compliance with NCAA guidelines.
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Follow-up Review
Tennessee State University 2020 Single Audit

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August 24, 2021

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

Dear Dr. Glover:

Enclosed is our report on the follow-up review of 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. This report is required by Section 8-4-109(c), *Tennessee Code Annotated*. 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 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
Dr. Michael Harris, Interim Provost and Vice President for Academic Affairs

**Tennessee State University Department of Internal Audit
Follow-up Review
Tennessee State University 2020 Single Audit Report
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. This report presents the current status of 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><u>State Audit Findings and Current Status:</u></p> <p><u>Finding 1:</u> <u>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</u></p> <p>Title 34, <i>Code of Federal Regulations</i>, Part 685, Section 300(b)(5), states that to participate in the Direct Loan program, a school must “on a monthly basis, reconcile institutional records with Direct Loan funds received from the Secretary and Direct Loan disbursement records submitted to and accepted by the secretary.” The Financial Aid Office at Tennessee State University did not properly reconcile and document the university’s Direct Loan financial records with the federal Direct Loan Servicing System. The Financial Aid Office did perform informal monthly reconciliations for August and September. After noting a large discrepancy in October 2019, however, they prepared an informal aggregated reconciliation for the remaining academic year.</p> <p>Current Status: Management in the Office of Financial Aid needs to implement procedures to address the issue cited in this finding. 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. The reconciliations provided were not accompanied with enough supporting documentation to allow us to determine if they were complete. In addition, management could improve its method for documenting that all differences are properly investigated and corrected.</p> <p><u>Finding 2:</u> <u>Tennessee State University did not return Title IV funds in compliance with federal regulations</u></p> <p>We selected a sample of 11 students from a population of 120 Title IV aid recipients who officially or unofficially withdrew from classes at Tennessee State University during the 2019–</p>	

2020 award year. When we reperformed the return of Title IV funds calculations, we found that the university did not perform its return of Title IV funds calculations in compliance with federal regulations for 6 of the 11 Title IV aid recipients tested (54.5%). In addition...financial aid personnel did not return Title IV funds to the Department of Education (ED) in a timely manner. For our sample of 11 students, the university calculated a total return of \$15,543 in Title IV funds. The corrected total for the 11 students was \$18,547.15, which is \$3,004.15 more than the university returned to the U.S. Department of Education.

Current Status: Management in the Office of Financial Aid has 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 year. In addition, Title IV funds were not always returned during the required 45-day timeframe during the fiscal year ended June 30, 2021. Management in the Office of Financial Aid needs to improve procedures for ensuring that return calculations are accurate and for ensuring that unearned Title IV funds are returned in the required timeframe.

FINDING CONDITION AND RECOMMENDATION

- 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**

Condition

The United States Department of Education (ED) requires a mandatory Direct Loan reconciliation be performed monthly. The reconciliation should compare Direct Loan data between the school's financial aid office and business office, and between school data, ED's Common Origination and Disbursement (COD) System, and ED's Grants Management (G5) System. The Financial Aid Office at Tennessee State University did not properly reconcile and document the university's Direct Loan financial records with the federal Direct Loan Servicing System. The Financial Aid Office did perform informal monthly reconciliations for August and September. After noting a large discrepancy in October 2019, however, they prepared an informal aggregated reconciliation for the remaining academic year. As of January 14, 2021, the Financial Aid Office has not been able to resolve all discrepancies from the academic year.

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.

CURRENT STATUS

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.

As of March 5, 2021 (the latest 19-20 aid year reconciliation provided by management), the direct loan reconciliation for the aid year 19-20 included a total difference of \$144,633.00 between the university's Direct Loan financial records and the federal Direct Loan Servicing System. We did not receive subsequent reconciliations to determine if these differences were later resolved.

As of March 7, 2021 (the latest 20-21 aid year reconciliation provided by management), the direct loan reconciliation for the aid year 20-21 included a total difference of \$268,746.00 between the university's Direct Loan financial records and the federal Direct Loan Servicing System. We did not receive subsequent reconciliations to determine if these differences were later resolved.

FINDING CONDITION AND RECOMMENDATION

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

Condition

We selected a sample of 11 students from a population of 120 Title IV aid recipients who officially or unofficially withdrew from classes at Tennessee State University during the 2019–2020 award year. When we reperformed the return of Title IV funds calculations, we found that the university did not perform its return of Title IV funds calculations in compliance with federal regulations for 6 of the 11 Title IV aid recipients tested (54.5%). Based on the high error rate for the original 11 students tested, we did not expand our testwork.

For 6 of 11 students tested, management made the following errors:

1) For the fall 2019 semester, the university did not exclude the fall break from the total number of calendar days in the period of enrollment and the number of calendar days completed; as a result, an additional 8 class days were included in the calculation. Because the days in the semester were incorrectly calculated, the date on which the student had earned his or her financial aid was incorrect for the return of funds calculation. These errors resulted in the university returning more funds than required for 3 of the students tested.

2) When calculating summer term returns, the university incorrectly used the first day of the May term as the start of the summer term, regardless of which summer term the student attended. Because the days in the semester were incorrectly calculated, the date on which one student had earned financial aid was incorrect for the return of funds calculation. This error resulted in the university not returning enough required funds for 1 of the students tested.

3) The university did not calculate the return of funds for 2 students who did not attend class. This error resulted in the university not returning enough required funds for these 2 students.

In addition, for the 3 students discussed in items 2 and 3 above, financial aid personnel did not return Title IV funds to the Department of Education (ED) in a timely manner. After we brought these errors to management's attention, the institution stated that they had returned the funds for 2 of the 3 students on December 20, 2020. These funds were returned to ED over 489 days late. The funds for the final student who withdrew during the summer of 2020, have not been returned as of January 12, 2021.

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.

CURRENT STATUS

When an enrolled student completely withdraws from the university before completing 60% of the enrollment period, the Return of Title IV calculation must be performed to determine the amount of earned/unearned Title IV funds.

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.
 - For two of these six return of Title IV funds calculations, management in the Office of Financial Aid did not ensure that the fall 2020 semester start and end dates were updated in the system prior to performing the calculations. The incorrect dates lead to the return calculation including an additional 8 days in the period, resulting in the university returning \$104.00 more funds than were required for the two students.
 - Management in the Office of Financial Aid did not calculate the \$369 return of funds for one student who withdrew during the fall 2020 semester until it was brought to their attention by auditors.
 - For three of these six return of Title IV funds calculations, management in the Office of Financial Aid did not ensure that the calculated return amount was accurate, that the amount returned agreed to the calculation, and/or that funds were returned in the required order. These errors resulted in the university returning \$769.00 more funds than were required for two students and returning \$2,967 fewer funds than were required for a third student.
 - Management revised the three return calculations and made the necessary student account corrections and initiated the return of the accurate amount of funds to the Department of Education

The 2020-2021 *Federal Student Aid (FSA) Handbook*, Volume 5, page 5-28 states, “Except in unusual instances, the date of the institution’s determination that the student withdrew should be no later than 14 days (less if the school has a policy requiring determination in fewer than 14 days) after the student’s last date of attendance as determined by the institution from its attendance records. The 14 days includes holidays, breaks, and weekends.”

The 2020-2021 *Federal Student Aid (FSA) Handbook*, Volume 5, page 5-30 states, “The school must return the amount of Title IV funds for which it is responsible no later than 45 days after the date of determination.”

- 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 or had not performed the calculation

Federal regulations allow for a maximum 14-day period after a student withdraws for the university to determine that the student has withdrawn. The Interim Registrar indicated that the university determined the withdrawal date for the 20 students mentioned above between 1 to 5 days after the withdrawal. We were not able to verify the date of determination for students included in our sample. However, applying the 14-day maximum for the date of determination, returned funds for 11 of the 20 Title IV financial aid recipients were returned timely. The withdrawal information input into the student information system by Office of the Registrar personnel is used by Office of Financial Aid personnel to determine if a return calculation is required and to prepare the necessary calculation, when applicable. Based on our review of the information available in the system, Office of Financial Aid personnel have approximately two weeks between the time the Office is made aware of a withdrawal and the 45-day window for returning unearned funds.

AUDIT CONCLUSIONS & AUDITOR RECOMMENDATIONS

1. **Conclusion:** Management has not implemented the audit recommendations by ensuring that the required monthly Direct Loan reconciliations were documented, and discrepancies timely investigated, during the fiscal year ended June 30, 2021.

Auditor's Recommendation: The Assistant VP for Financial Aid and Scholarships (Assistant VP) should ensure that procedures are implemented that require the Assistant Director of Loans to complete the required monthly reconciliations and timely investigate and resolve identified differences. The Assistant VP should ensure that the reconciliations are properly documented and prepared in a manner that allows for verification of accuracy and completeness by auditors. The current method of documentation utilized by the Assistant Director of Loans should be modified so that someone not familiar with the preparation of the reconciliation can easily identify differences, see why the differences exist, and when those differences are resolved. The Assistant VP should also consider documenting her review of the monthly reconciliations or designating someone to perform the review to ensure that they are being performed and documented appropriately.

2. **Conclusion:** 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.

Auditor's Recommendation. To ensure the accuracy of returned funds, management in the Office of Financial Aid needs to improve procedures to ensure that return calculations are accurate when initially prepared and unearned Title IV funds are returned within the required timeframe. These procedures should include ensuring the accuracy of semester start and end dates, as the number of days in the period impact the accurate calculation of the percentage of earned and unearned Title IV funds. In addition, management should consider establishing a maximum 7 or 10-day timeframe from when the Office of Financial Aid is notified of a withdrawal and when designated personnel will prepare the return calculation and initiate the return of unearned Title IV funds.



**TENNESSEE
STATE UNIVERSITY**
DEPARTMENT OF INTERNAL AUDIT

**Details of
External Audit Report**

**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, 2019. 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 five audit findings. As a result of the audit, the university's unaudited net position was decreased by \$423,537.25 and the foundation's unaudited net position was increased by \$1,179,764.67.

Finding Recommendations and Management's Responses:

- 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**

Recommendation

TSU management must act 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 should develop 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.

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 through 5. 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 5.

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

Recommendation

As noted in the prior four audits, the 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 institute procedures that ensure the accuracy, proper classification, and disclosure of information presented in the financial statements and the accompanying notes. The 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 the 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. 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 has 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 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 review 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 two audits, the university 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 reconciliations to be performed within 30 days. Once those policies are modified as needed, management should ensure TSU staff follow them consistently. Management should investigate the unresolved differences between cash per the bank and cash per the accounting records and determine what caused the differences. Management should then make necessary adjustments to the accounting records. Upon completion, 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 is 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 two audits, university personnel did not perform adequate collection procedures for accounts receivable

Recommendation

Management should ensure that staff perform collection efforts timely and that the tracking system maintains documentation of when collection letters are mailed. Management should provide oversight and review of the collection process to ensure each step is completed properly.

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 provide adequate internal controls in four areas, including one area reported for the sixth consecutive audit

Pursuant to Standard 4.40 of the U.S. Government Accountability Office's *Government Auditing Standards*, we omitted details from this finding because they are confidential under the provisions of Section 10-7-504(i), *Tennessee Code Annotated*. We provided the university with detailed information regarding the specific conditions we identified, as well as the related criteria, causes, and our specific recommendations for improvement.

Recommendation

Management should ensure that these conditions are corrected by the prompt development and effective implementation of internal controls in these areas. Management should implement effective controls to ensure compliance with applicable requirements; assign staff to be responsible for ongoing monitoring of the risks and mitigating controls; and take action when deficiencies occur.

Management's Comment

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

Current Status:

The Division of State Audit released the audit report for its audit of the university and foundation's financial statements and related notes on August 13, 2021. The audit resulted in a decrease in the unaudited net position of the university and an increase in the unaudited net position of the foundation. University and foundation personnel are working with state auditors to obtain supporting documentation to update the university and foundation's net position for the 2019 fiscal year in the accounting system. State auditors anticipate the release of its audit report related to the audit of university and foundation financial statements for the fiscal year ended June 30, 2020, in September 2021. Management will make necessary updates to the fiscal year 2020 net position balances in the university's accounting system after the audited totals are provided. The corrected totals are needed to ensure that the financial statements prepared for the current fiscal year-end are accurate. This information will also aid in the preparation of accurate and complete bank reconciliations for the 2021 fiscal year. Management for the university and foundation is ensuring the posting of all entries for the 2021 fiscal year and also corrected identified issues with the information system that impacted the fair reporting of the financial statements in the past.

The Director of Foundation Accounting (hired March 8, 2021) has posted entries for current-year Foundation investment activity and ensures that daily gifts received in the Foundation Office are taken to the Bursar's Office for daily depositing at the bank. (*The Department of Internal Audit will test Foundation procedures after 2021 year-end financial statements are prepared and submitted.)

Management in the Bursar's Office is developing a process to document accounts receivable collection attempts. Bursar's Office staff members are instructed to follow the current collections policy, as approved by the Tennessee State University Board of Trustees.

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
INFORMATION ITEM

DATE: September 16, 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 August 25, 2021

INTERNAL AUDITS

Audit Issues	Status
<p>2/12/2021 Follow-Up Review of Admissions</p> <p>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</p>	<p><i>Follow-up to begin October 2021</i></p>
<p>2/11/2021 Audit of TSU Department of Human Resources</p> <ol style="list-style-type: none"> 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. 	<p><i>Follow-up to begin December 2021</i></p>
<p>2/11/2021 Follow-Up Review of Federal Work-Study Timesheets- Fall 2020</p> <ol style="list-style-type: none"> 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. 	<p><i>Follow-up to begin January 2022</i></p>

	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>Ongoing Follow-Up Testing to Begin October 2021</i>
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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 (5.67%) 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
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>
	<ol style="list-style-type: none"> 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 	<ol style="list-style-type: none"> 1. Returns not always in compliance during FYE 06/30/2021 2. Direct Loan records not adequately reconciled during FYE 06/30/2021
8/13/2021	Division of State Audit, Financial & Compliance Audit, Tennessee State University for the Fiscal Year Ended June 30, 2019	<i>Ongoing Follow-Up Follow-Up Report Due 02/13/2022</i>
	<ol style="list-style-type: none"> 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 2. As noted in the prior four audits, management needs to improve procedures for preparing and reviewing financial statements 3. As noted in the prior two audits, the university and the university foundation's accounting records did not reconcile to the bank statements 4. As noted in the prior two audits, university personnel did not perform adequate collection procedures for accounts receivable 5. Tennessee State University did not provide adequate internal controls in four areas, including one area reported for the sixth consecutive audit 	
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>Ongoing Follow-Up</i>
	<p>As noted in the prior two audits, management needs to improve procedures for preparing and reviewing financial statements</p>	

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: September 16, 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.