

**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.