

**Tennessee State University Board of Trustees
Audit Committee Meeting.
February 21, 2019
Tennessee State University. 3500 John A. Merritt Blvd. Nashville, Tennessee
McWherter Administration Building
President's Conference Room**

MINUTES

Committee Members Present: Dr. Deborah Cole, Obie McKenzie, and Dr. Edith Peterson Mitchell.

Other Board Members Present: Dr. Joseph Walker, III, Pam Martin, Dr. Ali Sekmen, Braxton Simpson, and Mr. Stephen Corbeil.

University Staff Present: President Glenda Glover; Mr. Laurence Pendleton, General Counsel and Board Secretary; Dr. Curtis Johnson, Chief of Staff and Associate Vice President of Administration; Ms. Adrian Davis, Director of Internal Audit; Horace Chase, Vice President for Business and Finance, and Dr. John Cade, Vice President for Enrollment Management.

Guests: Ms. Lauren Collier, Tennessee Higher Education Commission, Director of Institution and Board Affairs.

I. CALL TO ORDER

Trustee Cole called the meeting to order at 10:45 a.m. on February 21, 2019.

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. Trustees Cole, McKenzie (remote), and Mitchell were present. Secretary Pendleton announced the presence of a quorum.

III. APPROVAL OF THE NOVEMBER 15, 2018, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to approve the minutes from the November 15, 2018, Audit committee meeting as contained in the February 21, 2019, board materials. Trustee Mitchell seconded the motion, which carried unanimously.

IV. APPROVAL OF THE OFFICE OF INTERNAL AUDIT'S REVISED CHARTER

Trustee Cole asked President Glover to present a report on the Office of Internal Audits revised charter. President Glover designated Adrian Davis to present the report.

Director Davis informed the committee that the internal audit charter is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal

Auditors, states “The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.”

Director Davis stated that an internal assessment was performed on the Office and independently validated by KraftCPAs. KraftCPAs recommended additional language be added to the Office’s Audit Charter to better reflect the mandatory nature of and specific elements of the Institute of Internal Auditors’ International Professional Practices Framework. She noted that the ‘Audit Standards and Ethics’ section of the charter has been updated to include this information. The revised charter has been signed by the President and the Director of Internal Audit.

Trustee Cole thanked President Glover and her team for the report. Trustee Cole moved to recommend to the full board, the approval of the Office of Internal Audit’s Revised Charter as contained in the materials for the February 21, 2019, board materials. Trustee Mitchell seconded the motion, which carried unanimously.

V. REVIEW OF COMPLETED INTERNAL AUDIT REPORTS

Trustee Cole asked President Glover to present on the completed internal audit. President Glover asked Adrian Davis to present the report as her designee.

Director Davis reported that Tennessee State University is governed by its board of trustees, which consists of 10 members (the Board) as determined by state law. In accordance with the "State of Tennessee Audit Committee Act of 2005," the Director of Internal Audit reports directly to the Audit Committee of the Board and oversees the internal audit operations.

Director Davis noted that internal audits assist Tennessee State University's management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements, and providing other information designed to promote effective controls.

Director Davis reminded the committee that internal audit staff were asked to report on the status of management’s implementation of corrective actions implemented in response to the Division of State Audit’s finding related to return of Title IV funds. Thirty-two student withdrawals for fall 2019 required the return of Title IV funds. All 32 return of Title IV funds calculations performed during the fall 2018 semester were accurate. Thirty-one of the 32 (97%) transactions analyzed showed return within 30 days. The Department of Education has a 45- day requirement. One of 32 (3%) returns was 57 days late. It appears that management has taken steps to address the fiscal year 2017 finding noted by the Division of State Audit.

Director Davis provided a follow-up to the state audit report for the fiscal year ending June 30, 2017. There were five findings of note:

1. Finding: As noted in the prior two audits, management needs to improve procedures for preparing and reviewing financial statements.
2. Finding: TSU and TSU Foundation’s accounting records show \$246,000 more cash on hand than shown on the bank statements; this variance is unexplained
3. Finding: The university did not have adequate policies and procedures for the collection of accounts receivable
4. Finding: Return of Title IV funds were not in compliance with federal regulations.

5. Finding: As noted in the prior three audits, Tennessee State University did not provide adequate internal controls in one area.

Trustee Cole asked for confirmation that an audit was completed for November 2018.

Director Davis responded that the November 2018 audit had not been completed as of the date of the meeting.

Trustee Cole asked Director Davis to provide a chart showing audit results in subsequent meetings. The chart should include the findings, the responder, the response, the procedures to be implemented, and status of whether the finding has been cleared or not.

Trustee Cole asked whether the \$246,000 discrepancy could have resulted from the timing of the reconciliation.

Director Davis responded that the timeline for reconciliation is within 60 days.

Trustee Cole asked for verification that the two issues are related and Director Davis agreed.

Trustee Cole thanked President Glover and her staff for the report.

President Glover commented on an audit conducted by THEC regarding the institution's purging processes. THEC found that the university did not appropriately purge students with balances. The finding included students with excessive balances. President Glover continued and stated that the institution tried to retain students by using some of its financial reserves and by instituting a deferred payment plan. These efforts were unsuccessful. The institution worked with THEC to develop a revised purge policy.

President Glover informed the committee that the administration failed to adhere to the institution's policies, but that no state law was violated.

Trustee Cole stated that she observed the purge process for the fall 2019 semester and that she worked to allocate funds to students who could be retained. She confirmed for the committee that all of the students who were retained were retained within policy.

President Glover stated that the results of the institution following the policy are that the current enrollment is lower than normal, but that the student body is more fiscally stable.

Director Davis reported that the audit of research and sponsored programs demonstrated that of over \$1.5M in grants evaluated, two issues totally less than \$3,000 combined, showed error. Unallowable benefit expenses of \$1,285.20 were charged to the grant for the POTUS program and unallowable indirect costs totaling \$1,241.25 were charged to the Career Commitment and Retention in STEM grant. Director Davis further reported that the instructions were unclear and the report was untimely submitted.

Trustee Cole asked for bank reconciliation policy and clarification on how funds from the foundation are allocated to the university.

VI. REPORT ON UNIVERSITY'S RISK ASSESSMENT PROCESS

Trustee Cole asked President Glover to provide a report on the university's risk assessment process. President Cole asked Director Davis to continue.

Director Davis reported that the Financial Integrity Act of 2010 requires each agency of state government and institution of higher education to establish and maintain internal controls that provide reasonable assurance that:

- (1) Obligations and costs are in compliance with applicable law;
- (2) Funds, property and other assets are safeguarded against waste, loss, unauthorized use or misappropriation; and
- (3) Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accurate and reliable financial and statistical reports and to maintain accountability over the assets. To document compliance, Tennessee State University performs annually assessments of risk. The purpose of the annual risk assessment is to provide reasonable assurance of the following:
 - (1) Accountability for meeting program objectives;
 - (2) Promoting operational efficiency and effectiveness;
 - (3) Improving reliability of financial statements;
 - (4) Strengthening compliance with laws, regulations, rules, and contracts and grant agreements; and
 - (5) Reducing the risk of financial or other asset losses due to fraud, waste and abuse.

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

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

Trustee Cole moved to retire into executive session to discuss items deemed confidential under state law. Trustee Mitchell seconded the motion, which carried unanimously. The committee transitioned into executive session at 11:11 a.m.

VIII. ADJOURNMENT

There was no further discussion. Trustee Cole moved to adjourn the meeting. Trustee Mitchell seconded the motion, which carried unanimously. The meeting was adjourned.