

Meeting of the Tennessee State University Board of Trustees
Audit Committee – November 16, 2017
Tennessee State University – Main Campus – McWherter Administration Building,
President’s Conference Room
3500 John A. Merritt Blvd., Nashville, Tennessee
MINUTES

Committee Members Present: Dr. Deborah Cole, Mr. Obie McKenzie (via phone), and Dr. Edith Peterson Mitchell.

Other Board Members Present: Dr. Joseph W. Walker, III, Mr. Stephen Corbeil, Dr. Richard Lewis, and Dr. Ali Sekmen.

University Staff Present: President Glenda Glover; Mr. Laurence Pendleton, University Counsel and Board Secretary; Ms. Cynthia Brooks, Vice President for Business and Finance; Dr. Curtis Johnson, Chief of Staff and Associate Vice President of Administration; Ms. Adrian Davis, Director of Internal Audit; and Bradley White, Associate Vice President of Financial Services.

Guest: 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 8:01 a.m.

II. ROLL CALL/DECLARATION OF AQUORUM

Trustee Cole asked Board Secretary Pendleton to call the roll. Secretary Pendleton called the roll, which reflected that Committee members McKenzie (via Conference Phone) and Mitchell were present. Secretary Pendleton then announced the presence of a quorum.

III. APPROVAL OF NOVEMBER 16, 2017, COMMITTEE MEETING MINUTES

Trustee Cole announced the next item on the agenda, which was the approval of the August 17, 2017, Audit Committee minutes. Trustee Mitchell moved to recommend to the full Board the approval of the August 17, 2017, Audit Committee minutes, as contained in the Board materials for the November 16, 2017, Board meeting. Trustee McKenzie seconded the motion. With there being no discussion, Trustee Cole called for a vote. Secretary Pendleton called the roll. The motion carried unanimously.

IV. SELECTION OF DIRECTOR OF INTERNAL AUDIT

Trustee Cole moved to the next item on the agenda – approval of the selection of the Director of Internal Audit. Trustee Cole then recognized President Glover or her designee to discuss the agenda item. President Glover asked Ms. Brooks to provide pertinent information related to the agenda item.

Ms. Brooks provided the board with a brief synopsis of Ms. Davis’ background.

- Ms. Davis was with the state Audit for approximately eleven (11) years;
- She possess a Bachelor’s degree in Accounting and a Master’s degree in Business; Administration from Tennessee Technology University;

- She is a Certified Public Accountant; and
- Ms. Davis served as the lead on several of TSU's audits

Ms. Brooks also noted that she has found Ms. Davis to be a very good person to work with, very thorough and fair. Ms. Brooks then asked Ms. Davis to provide additional background information.

Ms. Davis stated that she did not have anything more to add to her background information; however, she expressed that she was excited to be a part of the team and to work on TSU's side now.

Board Secretary Laurence Pendleton noted the following:

Under the Audit Committee Charter, the Director of Internal Audit reports directly to the Audit committee, has direct access to the Chair of the Audit Committee, and reports internally to the President. The Audit Committee Charter also requires the Audit Committee's approval of the appointment of the Director of Internal Audit. President Glover requests the Audit committee approve her selection of Ms. Davis to serve as Director of Internal Audit and for her recommendation to go to the full board for approval.

Trustee McKenzie moved to recommend to the full Board the approval of the selection Ms. Adrian Davis to serve as Director of Internal Audit. Trustee Mitchell seconded the motion. There being no discussion, Secretary Pendleton called the roll. The motion carried unanimously.

V. REVIEW OF THE COMPLETED EXTERNAL AND INTERNAL AUDITS

Trustee Cole moved to the next item on the agenda, which was the review of the Completed External and Internal Audits. She also advised that the information regarding this agenda items was included in the November 16, 2017, Board meeting materials.

Trustee Cole asked President Glover or her designee to provide pertinent information related to the agenda item. She also stated after the presentation the Committee members and other Board members would be recognized for the purpose of questions pertaining to the information presented. Trustee Cole advised the board that the presentation was an informational item and no vote was required.

President Glover yielded the floor to Ms. Brooks, who in turned asked Ms. Adrian Davis, Director of Internal Audit, to provide information related to the agenda item.

Ms. Davis provided a brief review of the external and internal reports as follows:

The Office of the Comptroller of the Treasury, Division of State Audit conduct two external audits of the financial statements of Tennessee State University and TSU Foundation Endowment for Educational Excellence. Both audits covered the fiscal year ending June 30, 2016. The financial statements received a clean opinion; however, there was a financial reporting finding due to errors contained in the financial statements and accompanying notes for both the foundation and the university. An additional financial reporting finding was noted in the TSU Foundation Endowment for Educational Excellence due to errors contained in the notes.

Ms. Davis also advised the follow-up reports are due March 2018 for the University and April 2018 for the Foundation and for the Trust. The Director, Ms. Davis, will provide the results of the follow-up at the next Board meeting.

Trustee McKenzie inquired about the errors and stated what he understood, which was that the error was not a cash flow error; but a calculation of a liability. Ms. Davis stated that Trustee McKenzie's assertion was correct. There was a calculation error as it relates to leave and the associated benefits. The University's financial statements had a finding as it relates to the current and noncurrent compensated absences and benefits expenses, which were understated.

The Board also inquired about TSU's corrective measures and follow-up. In addition, the Board wanted to know if the document was public. Ms. Davis advised that the document can be accessed via the Comptroller's website.

Ms. Brooks advised that with every finding, a response must be provided to the State as to the solutions to the issues noted in the report. Follow-ups are also conducted to ensure the measures taken are for everything that the State Audit has determined as a finding. TSU has to submit a corrective action plan and Internal Audit conducts a follow-up to ensure compliance.

VI. APPROVAL OF FY 2017-18 AUDIT PLAN

There being no further discussion, Trustee Cole moved to the next item on the agenda – approval of the revised FY 2017-18 Revised Audit Plan. Trustee Cole recognized President Glover again. President Glover asked Ms. Brooks to provide an overview.

Ms. Brooks requested for Ms. Davis to provide an overview of the Audit Plan. Ms. Davis advised the Board of the Revised Audit plan. The revised Audit Plan reflects the Director and Assistant Director's workloads and it includes risk-based audits recommended by the Institute of Internal Auditors. The revised audit plan covers the annual audit period ending June 30, 2018.

The Board reviewed the audit plan as presented and their being no further discussion, Trustee McKenzie moved to approve to recommend to the full Board the approval of the Revised FY 2017-18 Audit Plan as contained in the Board materials for the November 16, 2017, board meeting. Trustee Mitchell seconded the motion. There being no discussion; Secretary Pendleton called the roll. The motion carried unanimously.

VII. INSTITUTIONAL RISK ASSESSMENT

Trustee Cole presented the next item on the agenda, which was a report on the Institutional Risk Assessment. Information regarding this agenda item was included in the November 16, 2017, Board meeting materials. Trustee Cole asked President Glover and her designees to provide pertinent information related to the agenda item. She also informed the Board that the items were an informational discussion item, so no vote was required.

President Glover asked Ms. Brooks and her designee to provide the requested information. Ms. Brooks stated that an enterprise-wide risk assessment was conducted and led by Mr. Bradley White, Associate Vice President of Financial Services and his team. Ms. Brooks asked Mr. White to provide additional information about the Risk Assessment.

Mr. White provided a brief overview of the requirements and process as required by the *Tennessee Financial Integrity Act*. The team identified a list of approximately 20 risks. The items on the list are ranked according to high and low impact to the institution.

The objectives of Tennessee State University's annual risk management and internal controls assessment are to provide reasonable assurance of the following:

- Accountability for meeting program objectives;
- Promote operational efficiency and effectiveness;
- Improve reliability of financial statements;
- Strengthen compliance with laws, regulations, rules, and contract and grants agreements; and
- Reduce the risk of financial or other asset losses due to fraud, waste, and abuse. Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.

The list was 90% completed; Dr. Glover will review the final list again.

Trustee McKenzie inquired about what kind of risk matrix TSU was using. Dr. Glover advised that TBR has a rubric, which TSU has adopted. However, TSU must define and determine the risk through self-review. The risk that TSU identifies may be different from other institutions.

Mr. White noted that some risk are natural disasters, and the goal is to minimize the risk. After the final list is completed and approved by the President, a letter will be sent under the President's signature to the Comptroller. The letter will confirm TSU performed a risk assessment and have fully complied with the requirements specified in T.C.A. § 9-18-102.

VIII. ADJOURNMENT

There being no further discussion, a motion to adjourn the public portion of the meeting to go into Executive Session for discussion of litigation, items deemed confidential under state law, and ongoing Audits.

There being no further business, Trustee Cole moved to adjourn. Trustee Mitchell seconded the motion. Trustee Cole called for a vote and the motion carried unanimously.

The Board of Trustees Audit Committee meeting adjourned at 8:41 a.m.