

**Tennessee State University
Board of Trustees**



**Audit Committee
Report**

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

Thursday, September 15, 2022
10:00 a.m. CST

Tennessee State University
Via Zoom Link:
<https://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 16, 2022, Audit Committee Meeting Minutes
- IV. Review of Completed Internal 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 16, 2022,
Audit Committee
Meeting Minutes**

TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

ACTION ITEM

DATE: September 15, 2022

ITEM: Audit Committee Report - Approval of the June 16, 2022,
Audit Committee Meeting Minutes

RECOMMENDED ACTION: Approval

PRESENTED BY: Chair of Audit Committee, Trustee Deborah Cole

The document reflecting the minutes from the June 16, 2022, Audit Committee meeting is included in the September 15, 2022, Board materials.

MOTION: To approve the minutes from the Board of Trustees' June 16, 2022, Audit Committee meeting, as contained in the Board materials for the Board's September 15, 2022, meeting.

Meeting of the Tennessee State University Board of Trustees
Audit Committee Meeting
June 16, 2022
Tennessee State University – Electronic

MINUTES

Committee Members Present: Trustee Deborah Cole, Obie McKenzie and Van Pinnock.

Other Board Members Present: Pam Martin, Andre Johnson, Richard Lewis, and Bill Johnson.

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. Quincy Quick, Assoc. Vice President of Research & Sponsored Programs; 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 10:12 a.m. CDT on June 16, 2022. 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 McKenzie seconded and the motion carried unanimously by roll call vote.

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, McKenzie and Van Pinnock. A quorum was established.

III. APPROVAL OF THE MARCH 17 2022, AUDIT COMMITTEE MEETING MINUTES

Trustee Cole moved to recommend to the full Board the approval of the minutes from the March 17, 2022, Audit committee meeting, as contained in the June 16, 2022, Board materials. Trustee McKenzie seconded the motion, which carried unanimously by 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 16, 2022, Board meeting packet. This was an informational and discussion item, so no vote was required.

President Glover asked Director Davis to report on this agenda item, to which Ms. Davis explained that she would report on two completed audits while others were in progress. She commenced to discuss the findings and recommendations for the audit on grants management and financial reports. Regarding the grants, her sample size was 19 grants, and the audit found that 18 of the 19 grants were submitted timely, while one was submitted late. Financial reports were due for 16 of the grants included in the sample size. Three of the sixteen reports were submitted timely, eleven were not submitted timely and two were not provided.

Director Davis explained that in order to ensure timely reporting, management has taken steps to replace the Director of Grants Accounting and recently hired an Assistant Director of Grants Accounting. There had also been an increase in interaction with University departments and Principle Investigators for the grants in an effort to ensure timely reporting deadlines were met. Details of the review are outlined in the Board materials on pages #38 to #49.

VP Doug Allen commented on these findings and confirmed that measures had been taken to ensure compliance in this area. He mentioned that in addition to engaging a consultant, the university had also hired a Chief Data Officer who had extensive banner expertise. Dr. Damian Clarke will be holding Banner training sessions in the upcoming months so as to assist staff in becoming more proficient and to enable automation of most processes. Chair Cole commented on Dr. Clarke's credentials.

Next area of findings and recommendations made by Director Davis was with the timely completion of Form I-9 by new hires and conducted by the Human Resources department. Five of the thirty employees included in the sample were found to have been late in completing this form. Management did confirm that going forward steps have been taken to ensure timely completion of these forms. Regarding employee evaluations, Director Davis stated that she and her team will continue to perform follow-up procedures to determine the level of compliance and university policies in this area.

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

Trustee Cole introduced the next item on the agenda, the discussion of the Audit Office's Internal Quality Assessment. 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 16, 2022, Board meeting packet. This was an informational and discussion item, so no vote was required.

President Glover again called on Ms. Davis to report on this agenda item. Ms. Davis stated that the TSU Department of Internal Audit conducted a quality self-assessment of the internal audit activity during fiscal year 2022. This was to determine the conformity to the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing. Director Davis explained that this assessment is conducted annually. In May 2022, the assessment was done and pertaining to the three areas of evaluation: Attribute Standards, Performance Standards and Code of Ethics, the department was found to be in General Conformity. Details of the evaluated areas are outlined on pages #63 to #65 in the Board materials.

VI. REVIEW OF OUTSTANDING AUDIT ISSUES

Trustee Cole announced the next item on the agenda, the review of outstanding audit issues and asked President Glover to provide pertinent information related to this agenda item. The material is included in the June 16, 2022, Board meeting packet. This was an informational and discussion item, so no vote was required.

Since all of the outstanding items were already discussed when asked by Chair Cole, Director Davis stated that there was not need to reiterate. All the outstanding items are detailed on pages #68 to #70 in the Board materials.

VP Doug Allen commented on the corrective actions taken on several of the outstanding external audit findings which were listed in the Board materials.

VII. APPROVAL OF THE FISCAL YEAR 2022-2023 AUDIT PLAN

Trustee Cole announced that the next item on the agenda was the approval of the Fiscal Year 2022-2023 Audit Plan and asked President Glover to provide pertinent information related to this agenda item. President Glover called on Director Davis to present on this item. The material is included in the June 16, 2022, Board meeting packet.

Director Davis shared that the annual audit plan for the Department of Internal Audit was prepared using a risk-based approach as required by the International Standards for the Professional Practice of Internal Auditing, as issued by the IIA. The audit plan covers the annual audit period ending June 30, 2023. All relevant risk factors were considered when determining the items to be included in the audit plan. The plan is outlined on page #73 of the Board materials.

In addition, Chair Cole and President Glover commented that there may be times when Director Davis is called upon to do an investigation relevant to TSU that is outside of this stated Audit Plan.

Chair Cole moved to recommend to the full Board the approval of the Fiscal Year 2022-2023 Audit Plan, as contained in the Board materials for the June 16, 2022, Board meeting. The motion was seconded by Trustee Pinnock and was carried unanimously by roll call vote.

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

Trustee Cole moved for the Audit committee to go into Executive Session to discuss items deemed confidential under State law. Trustee Pinnock seconded the motion, which carried unanimously by roll call vote. 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 Pinnock. The motion carried unanimously by roll call vote. The meeting was adjourned at 10:54 a.m. CDT.

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

INFORMATION ITEM

DATE: September 15, 2022

ITEM: Audit Committee Report – Review of Completed Internal 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.

DEPARTMENT OF INTERNAL AUDIT

Procurement Card Transactions Review

July 1, 2021 through April 30, 2022



August 23, 2022

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

Dear Dr. Glover:

Enclosed is the internal audit report related to our review of university procurement card purchases. Our review included procurement card purchases during the period July 1, 2021 through April 30, 2022. This audit was performed in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

The primary objective of the audit was to determine if procurement card purchases were made in compliance with related university policy and procedures. The results of our review are documented in the attached report.

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

Sincerely,

Adrian R. Davis

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

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

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**Tennessee State University
Department of Internal Audit
Procurement Card Transactions Review
Executive Summary**

Key Area	TSU Office of Procurement; Procurement cardholders in various university departments	Internal Auditor	Adrian R. Davis, <i>CPA, CGFM</i> , Director of Internal Audit
Introduction	The purpose of the University's Procurement Card Program is to establish a more efficient, cost-effective method of purchasing and paying for small dollar transactions. The Procurement Card Program streamlines the purchasing process, including the requisitioning, procurement, receiving, and payment processes for low-dollar value purchases. University policy sets a \$1,000 transaction limit for purchases made using the procurement card and prohibits splitting purchases to bypass this limit.		
Objective	To determine if procurement card purchases were in compliance with related university policy and procedures		
Scope	Procurement card purchases during the period July 1, 2021 through April 30, 2022		
Audit Finding Ranking	Audit findings are rated as high, medium or low depending on auditor judgment. Some of the factors considered in judging the seriousness of a finding include: (1) level of financial impact, (2) extent of violation of laws, regulations and restrictions, (3) lack of a university policy or noncompliance with a matter in an important matter, (4) lack of internal controls or ineffective controls and procedures, and (5) fraud, theft, conflicts of interest or serious waste of university resources.		
Audit Findings	<ul style="list-style-type: none"> ➤ Cardholders did not always obtain approval to exceed the single transaction limit of \$1,000 [high] ➤ Cardholders did not always ensure adequate supporting documentation was provided for procurement card transactions [medium] ➤ Management did not always ensure that procurement card transactions were properly recorded [low] 		
Conclusion	The objective of the audit was met. It was determined that the university has the appropriate controls in place to ensure compliance with related procurement card policies and procedures. There is room for improvement in certain areas of the procurement card program, as indicated above.		

INTRODUCTION

According to the *Tennessee State University Procurement Card Program Policy and Procedures Manual* (Procurement Card Manual), “The purpose of the University's Procurement Card Program is to establish a more efficient, cost effective method of purchasing and paying for small dollar transactions...” The Procurement Card Program streamlines the purchasing process, including the requisitioning, procurement, receiving, and payment processes for low-dollar value purchases from any vendor or supplier that accepts a VISA credit card. This program enables the cardholder to purchase approved commodities directly from vendors/suppliers.

Program Benefits:

- Significant decrease in paperwork for requisitioning, purchasing and receiving activities.
- Significant decrease in the volume of invoices and checks processed by Accounts Payable.
- Provides for a single electronic bank transaction (payment) which replaces hundreds of invoices.
- Quicker Deliveries - The order is placed immediately by the departmental employee. The availability of items, and process and delivery dates are known when placing the order.

Tennessee State University has a commercial card agreement with Regions Bank to facilitate its Procurement Card Program. Regions Bank provides physical procurement cards for approved users. University policy sets a \$1,000 transaction limit for purchases made using the procurement card and policy prohibits splitting purchases to bypass this limit. The card assigned to the Office of Procurement is excluded from this requirement. Transactions exceeding \$1,000 should continue to be processed in accordance with the established procurement disbursement policies and procedures. As of April 30, 2022, there were four university departments with assigned procurement cards. In addition, there is a procurement card assigned to the Office of Procurement. This card is available for use by the campus community for payment of transactions where the vendor does not accept purchase orders and requires payment via credit card.

AUDIT RESULTS

A. Internal Controls

1. Cardholder Agreements

The Procurement Card Manual states, “All individual cardholders must sign and accept the terms and conditions of the Procurement Card Program.”

- ✓ We were provided with the signed cardholder agreement for each cardholder. Cardholders did not initiate purchases prior to signing the cardholder agreement.

2. Monthly Reconciliations

Monthly reconciliations help to ensure that unallowable, inaccurate, and unauthorized transactions are timely identified. If the university has a billing dispute, it must notify Regions Bank in writing within 60 days of the monthly statement date.

- ✓ For the monthly reconciliation of charges incurred from July 2021 through April 2022, we found that management in the Office of Procurement has procedures in place to ensure that reconciliations are timely performed each month.

B. Compliance

We reviewed the university’s Procurement Card Manual, which outlined general information, policies, and operating procedures for the Purchasing Card Program. We also obtained the monthly Procurement Card account statements covering July 1, 2021 through April 30, 2022. Total expenditures during this period were \$99,357.05.

We selected a sample of 40 transactions totaling \$63,110.05 for review. Our review of these transactions found:

1. Procurement Card transactions for allowable goods should not exceed \$1,000.00 per transaction, unless approved as an exception. (The card assigned to the Office of Procurement is excluded from the \$1,000 transaction limit.)
 - For cardholders subject to the \$1,000 limit, we identified 7 transactions that exceeded the \$1,000 transaction threshold. These transactions totaled \$18,586.62 and ranged

from \$1,200 to \$5,183.64. We were not provided with documentation that supports an approved exception to use the procurement card to complete these purchases.

- 6 of the 7 transactions were for unallowable items, including food and travel expenses (hotel rooms, food, entertainment, etc.).

- For cardholders subject to the \$1,000 limit, we identified 4 transactions totaling \$2,465.22 where the cardholder did not exceed the transaction limit but the purchase was for unallowable goods, including food and a refrigerator.

2. Purchases for goods and services must be supported by adequate documentation, have a valid business purpose, and comply with related university policies and procedures.

- For 4 of the 7 transactions above that exceeded \$1,000.00, the cardholder did not ensure that adequate supporting documentation was provided.

- Three of these four transactions totaling \$9,861.62 relate to travel that occurred during spring break for the spring 2022 semester. We were not provided with the purchase order number to support pre-approval for the travel and university payment for other travel costs not included on the procurement card. The travel included approximately 30 university students. We were not provided with the student waivers required to be obtained when university travel includes students.

- For one of these four transactions totaling \$1,200 for the purchase of food, the cardholder did not provide support that documents the foods items purchased, the quantity of items provided, and where the food were delivered. The receipt provided stated “custom item” with a purchase total.

- An exception to the \$1,000 transaction limit was provided for a transaction totaling \$13,738.00. We were not provided with the complete invoice related to this transaction. Only the first and last pages were included. The transaction total was included on the final page of the invoice. However, due to the omitted pages, we were unable to re-calculate the individual charges to verify the accuracy of the total amount paid or determine if the total included payment for individuals categorized as “family and guests”.

3. All purchases made by a cardholder are to be charged against their department’s available funds. Cardholders document which fund code to apply transaction expenses on the *Purchase*

Card Requisition Form. The Procurement Card Manual requires that documented approval be provided on this form prior to making each purchase.

- We found where one cardholder did not ensure that the account information was accurately entered on five requisition forms, resulting in \$6,782.35 being charged to the wrong account in the information system.

Auditor Recommendation & Management's Response

Auditor Recommendation:

To ensure compliance with the Purchasing Card manual and all related university policies, we recommend that management enacts, or enforces, policies and procedures that:

- Ensure purchases exceeding \$1,000 are processed in accordance with the established procurement policies and procedures
- Ensure cardholders obtain documented approval before initiating a purchase over the established transaction limit or for the purchase of an unallowable commodity
- Ensure consequences are enacted for cardholders who do not abide by the terms of the Procurement Card Program

Management should also ensure that P-card transactions identified as being charged to the incorrect fund in the accounting system are reversed and correctly recorded.

Management's Response:

We concur. Management will conduct additional training with cardholders. The violations noted have been considered as the first infractions. Per the Procurement Card Policy, any additional infractions will result in card restrictions and ultimately the card cancellation. Management will also ensure that the identified transactions are correctly recorded.

DEPARTMENT OF INTERNAL AUDIT

**Review of the
National Collegiate Athletic Association
Student Assistance Fund
For the Fiscal Year Ended June 30, 2022**



August 16, 2022

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, 2022.

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. Mikki Allen, Director of Athletics, Tennessee State University

Enclosure

Key Department	Tennessee State University Department of Athletics	Internal Auditor	Adrian R. Davis, CPA, CGFM, Director
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 2022 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, inasmuch as these standards relate to the audit objectives, and accordingly, included such tests of the accounting records and such 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 – Verification that recipients are student-athletes – An examination of the documentation supporting all expenditures made with SAF funds during the year – A review of the SAF report of expenditures submitted to the Ohio Valley Conference and the NCAA by personnel in the Athletics Department. 		
Finding(s)	There were no findings noted for the fiscal year ended June 30, 2022.		
Conclusion	<p>Total expenditures for the fiscal year ended June 30, 2022 were \$128,495.60 and went towards student-athlete scholarships, insurance premiums, and other miscellaneous items.</p> <p>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 were in compliance with NCAA guidelines.</p>		

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
INFORMATION ITEM

DATE: September 15, 2022

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 26, 2022

INTERNAL AUDITS

Report Date	Audit Issues	Status
2/12/2022	Follow-Up Review of Admissions (Immunizations Compliance)- Fall 2021	<i>Follow-up to begin October 2022</i>

The university did not always obtain required immunization history records for newly admitted students registered for full-time enrollment during the fall 2021 semester.

2/16/2022	Follow-Up Review of Federal Work-Study Timesheets- Fall 2021	<i>Follow-up to begin December 2022</i>
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1. For 14 of 30 (47%) timesheets selected for detailed review, we found where the students performed FWS duties during scheduled performed FWS duties during scheduled class hours for at least one day during the months under review
2. For 15 of the 50 (30%) timesheets reviewed, the students worked more than 20 hours a week for at least one week while classes were in session.
3. For 3 of the 20 (15%) 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 underpayment of \$262.00 was paid to 5 of the students included in our sample. In addition, an overaward of \$340 was also identified.

2/21/2022	Foundation Gifts	<i>Follow-up to begin November 2022</i>
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1. For 3 of 18 daily deposits tested, daily gifts were not deposited within one business day. The funds were deposited from one to four business days late.
2. For 9 of 22 (41%) bank statement credit transactions selected for testing, the transaction was not recorded within 10 days of the receipt of the donated funds.
3. For 3 of 56 (5%) scholarship recipients selected for testing, the awarded students did not meet the documented awarding criteria as determined by the donor. For 1 of 20 (5%) non-scholarship disbursements, \$24,000 in consulting fees were erroneously paid from a fund where funds were solicited to provide scholarships to university students.

5/12/2022	Audit of TSU Department of Human Resources	<i>Follow-up to begin January 2023</i>
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1. For 5 of the 30 employees (17%) included in our sample, university management did not ensure that the employee and/or university representative completed the applicable sections of the USCIS Form I-9 within the required timeframe.
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. (*Follow- up August 2022- considerable progress made towards correcting this issue during 2022)
3. Details of noncompliance in the area of Pre-Employment Screening was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated.

5/16/2022	Student Housing Revenue Review	<i>Follow-up to begin January 2023</i>
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Details of noncompliance in the area of Pre-Employment Screening was determined to be confidential pursuant to Section 10-7-504(i), Tennessee Code Annotated.

EXTERNAL AUDITS

Report Date	Audit Issues
3/7/2022	Division of State Audit, Financial & Compliance Audit, Endowment For Educational Excellence at the Tennessee State University Foundation for the Fiscal Year Ended June 30, 2019

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

3/10/2022	Division of State Audit, Financial & Compliance Audit, Endowment For Educational Excellence at the Tennessee State University Foundation for the Fiscal Year Ended June 30, 2020
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Finding: As noted in the prior four audits, management needs to improve procedures for preparing and reviewing financial statements

EEE Status : The trust's financial statements and related notes for the fiscal year ended June 30, 2021 were submitted to the Division of State Audit in July 2022. The financial statements were prepared by the Executive Director of Foundation and Fiscal Operations (Executive Director), hired July 2021. The Executive Director stated that the prior audit findings were reviewed to become familiar with the issues that caused the repeat findings. The Executive Director confirmed that steps were taken to ensure the recently prepared financial statements were free from material misstatement. To ensure the financial statements were accurately prepared, the Executive Director stated that the fiscal year 2021 financial statements were prepared using information in the accounting system and not the investment statements, as was done in the prior years. The Director of Foundation Accounting is responsible for carrying out the Foundation's daily accounting functions and ensuring that financial information is timely and accurately recorded. This helps to ensure that year-end reporting is accurate. The financial statements and related notes were reviewed by the University's Controller and the Vice President for Business and Finance before they were submitted to the Division of State Audit.

9/29/2021	Division of State Audit, Financial & Compliance Audit, Tennessee State University for the Fiscal Year Ended June 30, 2020
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Finding: 1. TSU management allowed a breakdown of controls that has resulted in errors in the financial statements, inadequate daily operations, and deficiencies in oversight of federal programs

Status: Management has implemented corrective actions to address the findings resulting from the fiscal year 2020 audit; additional effort is needed in certain areas to fully correct cited issues

*See the Status for each finding below.

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

Status: The university hired new staff members with extensive accounting experience to prepare and review the financial statements and notes to the financial statements for the University and Foundation. The most recently completed financial statements for the year ended June 30, 2021, are currently being audited by the Tennessee Division of State Audit.

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

Status: **Foundation** - We previously received bank reconciliations for the period July 2021 through April 2022. We requested the May 2022 and June 2022 bank reconciliations from Foundation management. On August 18, 2022, we were notified that management was still finalizing changes to the cash reconciliations for FY 2021. The changes being made to the prior year-end cash reconciliation impact subsequent periods. The updated bank reconciliations for the fiscal year ended June 30, 2022 were not yet available.

Status: **University** - We previously received bank reconciliations for the period July 2021 through April 2022. The reconciliations included unreconciled amounts (less than 5% of the month's ending cash balance.) The bank reconciliations for May 2022 and June 2022 were obtained on August 26, 2022. While there remained an unresolved variance amount for May 2022, the June 2022 reconciliation provided by Management did not include an unresolved variance amount. The May 2022 and June 2022 bank reconciliations were prepared 36 and 42 days after the respective month-end.

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

Status: Based on discussion with the university's Bursar, hired March 1, 2022, the department has selected a company to assist the university in automating its collections processes. The contract between the university and the vendor is currently in the review phase. The Bursar disclosed that the automated program will be implemented in phases. The first phase will be student payments, followed by collections. The Bursar also confirmed that the new system integrates well with Banner, the university's current student information system.

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

Status: We reviewed a sample of student withdrawals for the fall 2021 and spring 2022 semesters. Management in the Office of Financial Aid has implemented procedures to ensure that return calculations are accurate and that applicable funds are returned to the Department of Education within the required timeframe.

Finding: 6. The Financial Aid Office did not adequately reconcile its Direct Loan records to the Direct Loan Servicing System's records, as required by federal regulations, and did not reconcile discrepancies timely

Status: The Financial Aid Office provided us with monthly Direct Loan reconciliations prepared for each applicable month from July 2021 through April 2022. It appears that management prepared the monthly reconciliations and resolved discrepancies in a timely manner. We are currently awaiting the Direct Loan reconciliations for May and June 2022 to verify that the issue was corrected throughout the fiscal year.

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

Status: Management has implemented adequate internal controls in the three areas.

**Tennessee State University
Board of Trustees**



TENNESSEE STATE UNIVERSITY

BOARD OF TRUSTEES

DISCUSSION ITEM

DATE: September 15, 2022

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.