



Middle Tennessee State University Board of Trustees Audit and Compliance Committee

Tuesday, August 15, 2023

MEC Meeting Room – 2nd Floor
Miller Education Center
503 East Bell Street
Murfreesboro, Tennessee 37130



**Middle Tennessee State University
Board of Trustees
Audit and Compliance Committee**

Tuesday, August 15, 2023

AGENDA

Call to Order and Opening Remarks

Roll Call

Approval of Minutes (Action)Tab 1

Annual Report for Audit and Consulting Services (Action).....Tab 2

Quarterly Report – Results of Internal Audit Reports (Information).....Tab 3

Results of External Reviews (Information)Tab 4

Non-Public Executive Session – Discussion of Risk Assessments (Confidential
Materials) and Audits/Investigations (Information)

Adjourn Non-Public Executive Session

Public Session – Risk Assessment Reporting (Action)Tab 5

Closing Remarks

Adjourn Public Session



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Action Item

DATE: August 15, 2023

SUBJECT: **Approval of Minutes**

PRESENTER: Tom Boyd
Committee Chair

BACKGROUND INFORMATION:

The Audit and Compliance Committee met on May 23, 2023. Minutes from the meeting are provided for review and approval.

**MIDDLE TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**AUDIT AND COMPLIANCE COMMITTEE
MINUTES**

The Audit and Compliance Committee met on Tuesday, May 23, 2023 in the MEC Meeting Room in the Miller Education Center at Middle Tennessee State University.

Call to Order and Opening Remarks

Committee Chair Tom Boyd called the meeting to order at 9:56 a.m. and welcomed everyone in attendance.

Roll Call

The following Committee members were in attendance: Trustees J.B. Baker, Tom Boyd, Pete DeLay, Bill Jones, Christine Karbowiak, Steve Smith, Pam Wright, and Drew Carpenter. Trustee Rick Cottle participated electronically and, pursuant to T.C.A. § 8-44-108(c)(3), he confirmed that he could hear clearly and no one was present in the room with him. A quorum was declared present.

President Sidney McPhee participated in the meeting electronically. Alan Thomas, Vice President for Business and Finance; Mark Byrnes, University Provost; Joe Bales, Vice President for University Advancement; Yvette Clark, Vice President for Information Technology and Chief Information Officer; Andrew Oppmann, Vice President for Marketing and Communications; James Floyd, University Counsel and Board Secretary; Kim Edgar, Assistant to the President and Chief of Staff; and Diane Snodgrass, Interim Chief Audit Executive were also in attendance.

Approval of Minutes - Action

The first agenda item was approval of the minutes from the March 14, 2023 Audit and Compliance Committee meeting. Trustee DeLay moved to approve the minutes from the March 14, 2023 meeting and Trustee Smith seconded the motion. A roll call vote was taken and, with all

Committee members voting “Aye,” the motion to approve the minutes from the March 14, 2023 meeting of the Audit and Compliance Committee carried unanimously.

Report on Independence of Chief Audit Executive – Information

The report on independence of the Chief Audit Executive was presented by Ms. Snodgrass. The Audit and Compliance Committee Charter, Section IV.D.1 requires the Audit and Compliance Committee to “ensure the Chief Audit Executive’s administrative reporting relationship to the President is independent.” There were no problems or issues with independence to report. The President does not limit the scope of audit work performed, is supportive, and encourages the independence of the Chief Audit Executive.

Results of External Reviews – Information

Ms. Snodgrass presented the results of one external review. The Tennessee Division of Claims and Risk Management issued a letter report regarding registered freezers for research materials April 11, 2023. The freezer registration program allows the university to identify the value of research materials in its freezers and ensure coverage of certain materials on the state property insurance policy. The review identified freezers that were not registered and made minor recommendations to ensure all freezers containing research materials are registered; to update registrations as needed in addition to the regular annual registration; and to update the current lab inspection form to include the presence of freezer registrations. The lab inspection form has been updated and training for faculty and staff related to critical freezers is planned to be included in the next cycle of annual training administered by the Office of Environmental Health and Safety.

Quarterly Report – Results of Internal Audit Reports – Information

Ms. Snodgrass reported the audit of Football Ticket Sales and Paid Attendance for Fall 2022 was completed with no reportable issues. Two anonymous hotline complaints were determined to be unsubstantiated with no control weaknesses identified and were administratively closed. The status of the 2023 audit plan was included in the meeting materials for the Committee’s review.

Non-Public Executive Session

The Committee adjourned the public session at 10:05 a.m. and entered non-public executive session at 10:07 a.m. to discuss audits and investigations. The non-public executive session adjourned at 10:25 a.m.

Respectfully submitted,

Audit and Compliance Committee

DRAFT



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Action Item

DATE: August 15, 2023

SUBJECT: **Annual Report for Audit and Consulting Services**

PRESENTER: Diane Snodgrass
Interim Chief Audit Executive

BACKGROUND INFORMATION:

TCA 49-14-102 along with the MTSU Board of Trustees Bylaws and Policy on Board Committees requires an annual comprehensive report on the internal audit function be submitted for the Committee's review. The report is submitted for the Committee's review.

MTSU Policy 70, Internal Audit, Section VII.C. requires approval of the audit plan by the Audit and Compliance Committee. The Internal Audit Plan for Fiscal Year 2024 is included on page 6 of the annual report and is presented to the Committee for approval.



Audit and Consulting Services

Annual Report Fiscal Year 2023

**Audit and Consulting Services
Middle Tennessee State University
Murfreesboro, TN 37132**

Audit and Consulting Services
Middle Tennessee State University
1301 East Main Street
Murfreesboro, TN 37132
Office: 615-898-2914 • Fax: 615-904-8046



July 31, 2023

MTSU Board of Trustees
Audit and Compliance Committee

and

Dr. Sidney A. McPhee, President
Middle Tennessee State University
1301 East Main Street
Murfreesboro, TN 37132

Trustees and Dr. McPhee:

Enclosed is the annual report for Audit and Consulting Services for the 2023 fiscal year. An annual report of audit work is required by TCA 49-14-102 and the Bylaws and Policies of the MTSU Board of Trustees. The Board Committee policy requires a comprehensive report on the internal audit function to the Board through the Audit and Compliance Committee at a stated meeting. The report includes the status of the 2023 annual audit plan noting the audits completed, in progress, and scheduled but not completed.

The report also includes an update on the fraud awareness activities and investigations along with a report of the financial resources of Audit and Consulting Services.

This report fulfills the annual reporting requirements and provides information to the Board of Trustees concerning the 2023 audit efforts of Audit and Consulting Services. The report also includes the annual audit plan for the 2024 fiscal year. This report is intended solely for the internal use of Middle Tennessee State University and the MTSU Board of Trustees. It is not intended to be and should not be used for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Diane B. Snodgrass".

Diane B. Snodgrass, CPA
Interim Chief Audit Executive

**Middle Tennessee State University
Audit and Consulting Services
Annual Report for Fiscal Year 2023**

Introduction:

TCA 49-14-102 and the Bylaws and Policies of the MTSU Board of Trustees require an annual report of audit work. The Board Committee policy requires a comprehensive report on the internal audit function to the Board through the Audit and Compliance Committee (ACC) at a stated meeting.

Audit Effort:

Audit and Consulting Services tracks audit effort by type of project and by university division. The majority of audit effort was in investigations and required audits within the following divisions: Financial Management and Governance. Page two of the report includes details and charts of audit effort. The status of the 2023 audit plan is located on page three.

Fraud Awareness:

When allegations of improper or dishonest acts by an employee, outside contractor or vendor are received, an investigation is required. Four reviews were opened during the year. Two projects were administratively closed and one audit report was issued. Five projects in progress will be included on the FY 2024 audit plan. Additional information is located on page four.

Resources:

The current budget of \$463,763 is adequate to fulfill the current responsibilities. Details of the current budget and actual expenses for the past two years are located on page five.

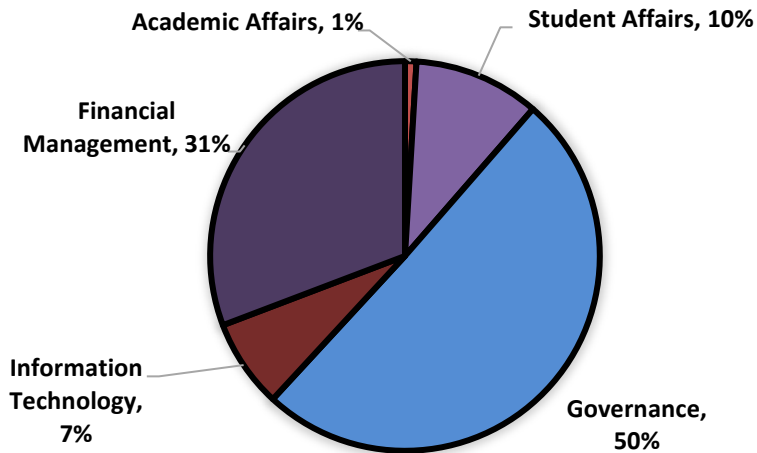
Planned Audit Efforts for 2024:

Along with the audits in progress and required audits, the planned audit effort for 2024 includes four departmental/procedural reviews. The audit plan for 2024 is located on page six.

AUDIT EFFORT

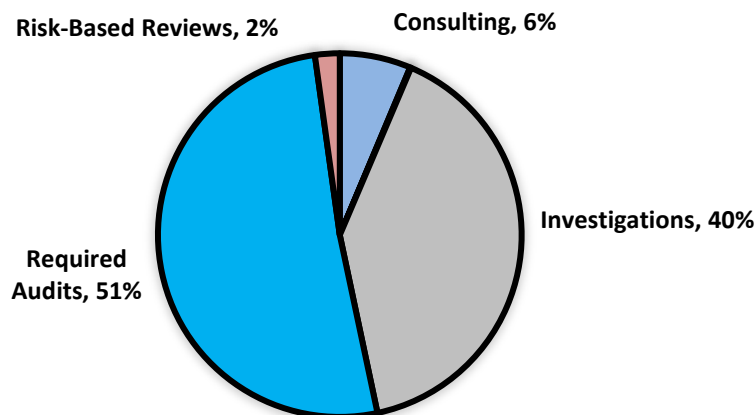
Audit and Consulting Services tracks audit effort by type of project and by university division as shown with the following charts. For the chart Audit Effort by Division, Governance includes the President's Division and general institutional support. The majority of audit effort (81%) focused on projects within Financial Management and Governance.

AUDIT EFFORT BY DIVISION



The type of audit work performed is defined by the source of the request or purpose of the audit work. Required audits (51%) are the result of a third party request or agreement that an audit or review be performed. This audit effort included the annual audit of the President's Office which is required by state law. The year-end reviews of inventory and cash counts are also included in this audit effort. Investigations represented 40% of the audit effort. Investigations are performed at the request of management or with the receipt of a hotline complaint of possible fraud, waste, or abuse. Consulting (6%) represented efforts responding to general audit questions, assisting management with an audit concern and the Conflict of Interest Committee work.

AUDIT EFFORT BY TYPE OF AUDIT



**Middle Tennessee State University
Internal Audit Plan
Fiscal Year Ended June 30, 2023
as of June 30, 2023**

Type	Area	Audit Project	Current Status	Audit Results
R	FM	Year-End Inventory FY2022	Completed 7/28/2022	No Reportable Issues
R	FM	Cash Counts FY2022	Completed 7/28/2022	No Reportable Issues
R	GV	Audit of President's Office	Completed 11/18/2022	No Reportable Issues
R	AT	Football Attendance 2022	Completed 4/13/2023	No Reportable Issues
I	SS	INV1702	In Progress	
I	AA	INV1705	In Progress	
I	AA	INV1801	In Progress	
I	SS	INV2201	In Progress	
I	FM	INV2301-Special Review of Sick Leave Banks	Completed 11/29/2022	2 Recommendations
I	IT	INV2302	Administratively Closed 3/10/2023	No Reportable Issues
I	FM	INV2303	Administratively Closed 4/28/2023	No Reportable Issues
I	SS	INV2304	In Progress	
P	GV	IIA - Self Assessment & QAR	In Progress	
F	GV	State Audit Assistance/Follow-Up	Project Throughout Year	
C	GV	General Consultation/Risk Assessment	Project Throughout Year	
I	GV	Unscheduled Investigations	Scheduled	
R	FM	Cash Counts FY2023	In Progress	
R	FM	Year-End Inventory FY2023	In Progress	
A	IT	Risk/Controls: Vendor Provided Services	In Progress	
A	MC	Marketing & Communications	Scheduled	
A	FM	Payroll	Scheduled	
A	AA	Research Services Procedural Review	Scheduled	
A	FM	Property Management Contract Review	Scheduled	

<p>Audit Types: A - Risk-Based (Assessed) C - Consulting F - Follow-up Review I - Investigation M - Management's Risk Assessment P - Project (Ongoing or Recurring) R - Required S - Special Request</p>	<p>Area = University Division AA - Academic Affairs AD - Advancement AT - Athletics FM - Financial Management GV - Governance/Executive Office IT - Information Technology MC - Marketing and Communications SS - Student Services</p>
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FRAUD AWARENESS

The University is committed to the responsible stewardship of resources and is required by state law to provide a means by which employees, students or others may report suspected or known improper or dishonest acts. Audit and Consulting Services manages the reporting process by which students, employees, taxpayers or other citizens may confidentially report suspected illegal, improper, wasteful or fraudulent activity. (TCA 49-14-103)

The "Fraud Awareness" brochure is a communication tool given to new employees that explains the reporting expectations and options for any individual who suspects improper or dishonest acts involving university employees, outside contractors or vendors. The "Fraud Awareness" information is also located on the Audit and Consulting Services webpage and includes an on-line reporting form.

When Audit and Consulting Services receives allegations of improper or dishonest acts by an employee, outside contractor or vendor, it is required to conduct an investigation. The purpose of the investigation or review is to determine if the allegation or concern is substantiated or unsubstantiated and if there are any internal control weaknesses or risks that management should address. If the allegation or concern is substantiated and corrective action is needed, an audit report is issued. A review is administratively closed with a memo to the file if the concern is unsubstantiated or referred to management or there are no recommendations for corrective action.

Below is a summary of the reviews pertaining to concerns of possible improper or dishonest acts.

Reviews brought forward from prior year	4
New reviews opened during year	4
Projects in Progress During the Year	<u>8</u>
Less Report Issued	(1)
Less Administratively Closed	<u>(2)</u>
Reviews in Progress at June 30, 2023	<u><u>5</u></u>

In 2023, four new reviews of possible improper or dishonest acts were opened which equals the three year average of four reviews per year. New reviews for the past three years were: seven in 2022, three in 2021, and one in 2020.

The report issued was for the Special Review of Faculty and Non-Faculty Sick Leave Banks which was performed after it appeared sick leave bank hours from both banks had been awarded without proper approval; donated leave had been improperly awarded; and the balance in both sick leave banks had not been maintained on a current basis. Based on the review performed the concerns were substantiated. Management terminated the responsible employee and took corrective action to improve the operation, processes, recordkeeping, and oversight of the sick leave banks.

Two projects were closed because the complaints were not substantiated as fraud, waste or abuse and there were no recommendations to improve the control environment. The projects in progress will be included in the 2024 annual audit plan.

RESOURCES

As defined in the MTSU Audit and Compliance Committee Charter, the Audit and Compliance Committee is responsible for ensuring Audit and Consulting Services has adequate resources in terms of staff and budget to effectively perform its responsibilities. The following is the estimated budget for 2023-2024 compared to the actual expenses of the prior two fiscal years.

	Estimated Budget (1)	Actual Expenses	Actual Expenses
	2023-2024	2022-2023	2021-2022
Salaries:			
Chief Audit Executive	\$ 108,496	\$ 17,164	\$ 108,495
Assistant Director	72,656	72,646	68,973
Internal Auditors, 2 Professionals	94,329	50,634	47,746
Support Staff	31,315	31,341	28,272
Professional Extra Compensation	-	39,075	-
Longevity for Staff	6,100	5,900	8,700
Benefits	138,484	104,327	125,220
Total Salaries and Benefits	<u>\$ 451,380</u>	<u>\$ 321,087</u>	<u>\$ 387,406</u>
Travel	5,000	-	80
Operating Expenses	7,383	4,291	3,147
Total Budget/Expenses	<u><u>\$ 463,763</u></u>	<u><u>\$ 325,378</u></u>	<u><u>\$ 390,633</u></u>

(1) The Estimated Budget for FY 2023-2024 will be finalized in October 2023.

The 2023-2024 budget for Audit and Consulting Services is adequate and includes funding for three unfilled audit positions.

**Middle Tennessee State University
Internal Audit Plan
Fiscal Year Ended June 30, 2024
as of July 31, 2023**

Type	Area	Audit Project	Current Status	Audit Results
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R	FM	Cash Counts FY2023	In Progress	
R	GV	Audit of President's Office	In Progress	
R	AT	Football Attendance 2023	Scheduled	
I	SS	INV1702	In Progress	
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I	SS	INV2304	In Progress	
P	GV	IIA - Self Assessment & QAR	In Progress	
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I	GV	Unscheduled Investigations	Scheduled	
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A	IT	Risk/Controls: Vendor Provided Services	In Progress	
A	MC	Marketing & Communications	Scheduled	
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A	AA	Research Services Procedural Review	Scheduled	
A	FM	Property Management Contract Review	Scheduled	

Audit Types: A - Risk-Based (Assessed) C - Consulting F - Follow-up Review I - Investigation M - Management's Risk Assessment P - Project (Ongoing or Recurring) R - Required S - Special Request	Area = University Division AA - Academic Affairs AD - Advancement AT - Athletics FM - Financial Management GV - Governance/Executive Office IT - Information Technology MC - Marketing and Communications SS - Student Services
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**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Information Item

DATE: August 15, 2023

SUBJECT: **Quarterly Report – Results of
Internal Audit Reports**

PRESENTER: Diane Snodgrass
Interim Chief Audit Executive

BACKGROUND INFORMATION:

MTSU Policy 70 Internal Audit section IX.F requires significant results of internal audit reports be presented to the Audit and Compliance Committee quarterly.

Since the last meeting of the Audit and Compliance Committee, there have been no internal audit reports issued.



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Information Item

DATE: August 15, 2023

SUBJECT: **Results of External Reviews**

PRESENTER: Diane Snodgrass
Interim Chief Audit Executive

BACKGROUND INFORMATION:

1. Tennessee Department of Health, Compliance and Ethics Office, Grant Monitoring Team Letter Report Dated June 8, 2023

The Tennessee Department of Health, Compliance and Ethics Office, Grant Monitoring Team conducted a contract review for a contract for the period October 1, 2022 through March 31, 2023. The review resulted in a finding that grantee Policy 03 reports were not filed in a timely manner. The Policy 03 report for the quarter ended 12/31/2022 was filed twenty-five (25) days late. The Office of Research and Sponsored Programs determined the original report was submitted as required by the grant; however, due to miscommunication, this form was not received by the auditor. The university's corrective action plan includes better communication between all parties, including state auditors, the Office of Research and Sponsored Programs, and the MTSU Grant Accounting Office; along with confirmation of receipt on future Policy 03 reports filed with the Tennessee Department of Health.



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Action Item

DATE: August 15, 2023

SUBJECT: **Risk Assessment Reporting**

PRESENTER: Drew Harpool
Assistant Vice President
Office of Compliance and Enterprise
Risk Management

BACKGROUND INFORMATION:

Section 9-18-104 of the Financial Integrity Act requires institutions of higher education to prepare and provide a management assessment of risk to the State of Tennessee's Commissioner of Finance and Administration and to the Comptroller of the Treasury by December 31 annually.

For 2023, the university-wide risk and control activities were updated for the President's Division and the Information Technology Division.

Similar to MTSU's risk assessment reporting of 2022, the risk assessment documents are designated as confidential and are discussed in the non-public executive session of the Committee. The university-wide risk assessment reports for 2023 are presented to the Committee for approval prior to the reports' submission to the State.

