



Middle Tennessee State University Board of Trustees Audit and Compliance Committee

Tuesday, May 20, 2025

MEC Meeting Room – 2nd Floor
Miller Education Center
503 East Bell Street
Murfreesboro, Tennessee 37132



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

Tuesday, May 20, 2025

AGENDA

Call to Order and Opening Remarks

Roll Call

Approval of Minutes (Action)Tab 1

Annual Internal Audit Assurances (Information).....Tab 2

Approval of Internal Audit Department Charter (Action).....Tab 3

Approval of MTSU Policy 70 Internal Audit (Action)Tab 4

Results of External Reviews (Information)Tab 5

1. TN Human Rights Commission
2. TN Department of Health, Compliance and Ethics Office

Quarterly Report – Results of Internal Audit Reports (Information).....Tab 6

Closing Remarks

Adjourn Public Session

Non-Public Executive Session – Discussion of Cyber Security and Audits and
Investigations (Information)



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Action Item

DATE: May 20, 2025

SUBJECT: **Approval of Minutes**

PRESENTER: Tom Boyd
Committee Chair

BACKGROUND INFORMATION:

The Audit and Compliance Committee met on February 25, 2025. 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, February 25, 2025 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 9:55 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, Mary Martin, Steve Smith, Michael Wade, and Pam Wright. Trustees Christine Karbowski Vanek and Shaylaine Roker were unable to attend the meeting. A quorum was declared present.

President Sidney A. McPhee; Alan Thomas, Vice President for Business and Finance; Joe Bales, Vice President for University Advancement; Mark Byrnes, University Provost; Yvette Clark, Vice President for Information Technology and Chief Information Officer; Andrew Oppmann, Vice President for Marketing and Communications; Khalilah Doss, Vice President for Student Affairs; Leah Ladley, Chief Audit Executive; James Floyd, University Counsel and Board Secretary; and Kim Edgar, Assistant to the President and Chief of Staff were also in attendance.

Approval of Minutes – Action

The first agenda item was approval of the minutes from the November 12, 2024 Audit and Compliance Committee meeting. Trustee DeLay moved to approve the minutes from the November 12, 2024 meeting and Trustee Wade seconded the motion. A voice vote was taken and, with all Committee members voting “Aye,” the motion to approve the minutes from the November 12, 2024 meeting of the Audit and Compliance Committee carried unanimously.

Report of Conflict of Interest Disclosures in 2024 – Information

Mr. Drew Harpool, Associate Vice President for Business and Finance presented the 2024 report of the conflict-of-interest disclosures reviewed by the Conflict of Interest Committee. For 2024, there were nine conflicts of interest, up from eight in 2023.

Review of President's Statement of Disclosure of Interests for 2025 – Information

Mrs. Ladley presented the President's Statement of Disclosure of Interests for 2025 for information and the Committee's review, noting the disclosures are consistent with prior disclosures.

Report on Compliance with Public Records Policy - Information

Mr. Floyd presented the Report on Compliance with Public Records Policy, Policy 120. A summary of the number of records requests received in the calendar year 2024 was provided for the Committee's review. Mr. Floyd noted the university received 100 total requests which constituted an increase of 15 requests compared to 2023. Of the 100 requests, 60 were approved. Trustee Wade asked for an example of a records request from the "miscellaneous" category. Mr. Floyd stated an example would be "graduation rates" as that does not fall into the other categories.

Results of External Reviews – Information

Mrs. Ladley reported the results of three external reviews. 1) Tennessee Department of Transportation (TDOT), Division of Finance, Fiscal Monitoring Group conducted a desk monitoring review regarding Tennessee Teachers Aerospace Education Workshop contract. There were no findings of noncompliance during the desk review. 2) The Tennessee Comptroller of the Treasury completed the financial and compliance audit report for fiscal year 2024. The independent auditor's report included unmodified opinions on the fairness of the presentation of financial statements. 3) The Tennessee Comptroller of the Treasury completed an audit on the NCAA Agreed-Upon Procedures Applied to the Athletic Programs Statement of Revenues and Expenses

for the fiscal year 2024. The report was submitted to the NCAA by the required deadline of January 15, 2025.

Quarterly Report – Results of Internal Audit Reports – Information

Mrs. Ladley reported there have been three audit projects completed since the last committee meeting. The Audit of the Office of the President for Fiscal Year 2024 was completed with no reportable issues. The Review of the Use of MTSU Purchasing Card and Compliance with Purchasing Card Program was completed. No evidence of fraudulent activity in the transactions reviewed was identified, however, non-compliance with the P-Card Program Policy and Record Retention & Disposal of Records policy was confirmed. The review of the allegation received from the Tennessee Comptroller of the Treasury related to the misuse of state funds in two particular areas of the university was completed. There was no inappropriate use of funds detected. The status of the 2025 audit plan was included in the meeting materials for the Committee to review.

Non-Public Executive Session

The Committee adjourned the public session at 10:11 a.m. and entered the non-public executive session at 10:13 a.m. to discuss cybersecurity, audits, and investigations. The non-public executive session adjourned at 10:59 a.m. The public session was reconvened at 11:02 a.m. for the remaining agenda items.

Respectfully submitted,
Audit and Compliance Committee



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Information Item

DATE: May 20, 2025

SUBJECT: **Annual Internal Audit Assurances**

PRESENTER: Leah Ladley
Chief Audit Executive

REQUIREMENTS:

- A. The Audit and Compliance Committee Charter, Section IV.D.1 requires the Committee to “ensure the Chief Audit Executive’s administrative reporting relationship to the President is independent.”

No issues with independence to report.

- B. The Global Audit Standards require certain communications:

1. The chief audit executive must confirm the organizational independence of the internal audit function.

Confirmed

2. The chief audit executive must communicate the results of the internal quality assessment.

In progress

3. The chief audit executive must escalate instances of management’s excessive acceptance of risk.

No instances of management’s acceptance of excessive risk have been identified.



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Action Item

DATE: May 20, 2025

SUBJECT: **Approval of Internal Audit
Department Charter**

PRESENTER: Leah Ladley
Chief Audit Executive

BACKGROUND INFORMATION:

As part of our commitment to ensuring alignment with current professional standards, we present the Internal Audit Department Charter for your review.

The current Internal Audit Charter, approved in May 2017, was drafted using the 2017 International Professional Practices Framework. In 2024, the Institute of Internal Auditors issued the Global Internal Audit Standards to replace the previous guidance.

The audit charter presented for approval is drafted using the Model Internal Audit Charter Tool provided by the Institute of Internal Auditors and adheres to the new Global Internal Audit Standards.

The Global Internal Audit Standards, Principle 6.2 requires that “the chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function’s:

- Purpose of Internal Auditing,
- Commitment to adhering to the Global Internal Audit Standards,
- Mandate, including scope and types of services to be provided, and the board’s responsibilities and expectations regarding management’s support of the internal audit function, and
- Organizational position and reporting relationships.”

We respectfully request approval of this version and the committee’s recommendation to the Board of Trustees to accept this version of the Internal Audit Department Charter.

Internal Audit Department Charter for Middle Tennessee State University

Purpose

The purpose of the internal audit function is to strengthen Middle Tennessee State University's ability to create, protect, and sustain value by providing the Board of Trustees and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances Middle Tennessee State University's (MTSU's) successful achievement of its objectives, governance, risk management, and control processes, decision-making and oversight, reputation and credibility with its stakeholders, and ability to serve the public interest.

MTSU's internal audit function is most effective when internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest, the internal audit function is independently positioned with direct accountability to the Board of Trustees, and internal auditors are free from undue influence and committed to making objective assessments.

Commitment to Adhering to the Global Internal Audit Standards

MTSU's internal audit function will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The chief audit executive will report annually to the Board of Trustees and senior management regarding the internal audit function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

Mandate

The laws of the State of Tennessee set forth MTSU's Internal Audit function mandate.

- Tennessee Code Annotated § 4-35-102(a) requires the university to create an audit committee.
- Tennessee Code Annotated § 4-35-106(3) states that the audit committee must require internal auditors to report directly to the audit committee.
- Tennessee Code Annotated § 49-14-102(b) requires that each audit committee employ a person qualified by training and experience to serve as the chief internal auditor who reports directly to the audit committee and respective board and shall be removed only for cause.

Authority

The internal audit function's authority is created by its unrestricted access and direct reporting relationship to the Audit and Compliance Committee and Board of Trustees.

The Board of Trustees, via the Audit and Compliance Committee, authorizes the internal audit function to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- Obtain assistance from the necessary personnel of MTSU and other specialized services from within or outside MTSU to complete internal audit services.

Independence, Organizational Position, and Reporting Relationships

The chief audit executive will be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function. The chief audit executive will report functionally to the Board of Trustees via the Chair of the Audit and Compliance Committee and administratively to the President. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Board of Trustees, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

The chief audit executive will confirm to the Board of Trustees, at least annually, the organizational independence of the internal audit function. If the governance structure does not support organizational independence, the chief audit executive will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The chief audit executive will disclose to the Board of Trustees any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfill its mandate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the chief audit executive, Board of Trustees, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to a significant change in the Global Internal Audit Standards, a significant reorganization within the organization, significant changes in the chief audit executive, Board of Trustees, and/or senior management, significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates, new laws or regulations that may affect the nature and/or scope of internal audit services.

Board of Trustees Oversight

To establish, maintain, and ensure that MTSU's internal audit function has sufficient authority to fulfill its duties, the Board of Trustees will:

- Discuss with the chief audit executive and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function.

- Ensure the chief audit executive has unrestricted access to and communicates and interacts directly with the Board of Trustees, including in private meetings without senior management present, as permitted by TN law.
- Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter.
- Participate in discussions with the chief audit executive and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Approve the internal audit function’s charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Review the internal audit charter, as needed, with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization; and approve the internal audit charter, as needed.
- Approve the risk-based internal audit plan.
- Provide input to the internal audit function’s human resources administration and budgets.
- Review the internal audit function’s expenses.
- Provide input to senior management on the appointment and removal of the chief audit executive, ensuring adequate competencies and qualifications and conformance with the Global Internal Audit Standards.
- Review and provide input to senior management on the chief audit executive’s performance.
- Receive communications from the chief audit executive about the internal audit function including its performance relative to its plan.
- Ensure a quality assurance and improvement program has been established and review the results annually.
- Make appropriate inquiries of senior management and the chief audit executive to determine whether scope or resource limitations are inappropriate.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The chief audit executive will ensure that internal auditors:

- Conform with the Global Internal Audit Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.

- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organization.
- Report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The chief audit executive will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the chief audit executive determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for MTSU or its affiliates.
- Initiating or approving transactions external to the internal audit function.
- Directing the activities of any MTSU employee not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the chief audit executive, Board of Trustees, management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The chief audit executive has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the Board of Trustees and senior management. Discuss the plan with the Board of Trustees and senior management and submit the plan to the Board of Trustees for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Board of Trustees and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in MTSU's business, risks, operations, programs, systems, and controls.
- Communicate with the Board of Trustees and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the Global Internal Audit Standards.
- Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the Board of Trustees and senior management routinely and for each engagement as appropriate.
- Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the Global Internal Audit Standards requirements and fulfill the internal audit mandate.
- Identify and consider trends and emerging issues that could impact MTSU and communicate to the Board of Trustees and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide the internal audit function.
- Ensure adherence to MTSU's relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the Global Internal Audit Standards. Any such conflicts will be resolved or documented and communicated to the Board of Trustees and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the chief audit executive cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and, if necessary, escalated to the Board of Trustees.

Communication with the Board of Trustees and Senior Management

The chief audit executive will report annually, as appropriate, to the Board of Trustees and senior management regarding:

- the internal audit function's mandate,
- the internal audit plan and performance relative to its plan and significant revisions to the plan,
- the internal audit budget and significant revisions to the budget,

- potential impairments to independence, including relevant disclosures as applicable,
- results from the quality assurance and improvement program, which include the internal audit function's conformance with The IIA's Global Internal Audit Standards and action plans to address the internal audit function's deficiencies and opportunities for improvement,
- significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Board of Trustees that could interfere with the achievement of MTSU's strategic objectives,
- results of assurance and advisory services,
- resource requirements, and
- management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond MTSU's risk appetite.

Quality Assurance and Improvement Program

The chief audit executive will develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include external and internal assessments of the internal audit function's conformance with the Global Internal Audit Standards, as well as performance measurement to assess the internal audit function's progress toward achieving its objectives and promoting continuous improvement. The program also will assess, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment will include plans to address the internal audit function's deficiencies and opportunities for improvement.

Annually, the chief audit executive will communicate with the Board of Trustees and senior management about the internal audit function's quality assurance and improvement program, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside MTSU; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of MTSU's activities, assets, and personnel. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board of Trustees and management on the adequacy and effectiveness of governance, risk management, and control processes for MTSU.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to achieving MTSU's strategic objectives are appropriately identified and managed.

- The actions of MTSU's officers, directors, management, employees, and contractors or other relevant parties comply with MTSU's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and programs are consistent with established goals and objectives.
- Operations and programs are being carried out effectively, efficiently, ethically, and equitably.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact MTSU.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.
- Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

Approved by the Board of Trustees at its June 17, 2025 meeting.

Acknowledgments/Signatures

Chief Audit Executive

Date

Board of Trustees Chair

Date

MTSU President

Date



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Action Item

DATE: May 20, 2025

SUBJECT: **Approval of MTSU Policy 70
Internal Audit**

PRESENTER: Leah Ladley
Chief Audit Executive

BACKGROUND INFORMATION:

In support of the University's commitment to upholding the highest standards of internal auditing, we have updated the institution's policy 70 Internal Audit to align with the recently issued Global Internal Audit Standards from the Institute of Internal Auditors.

The revisions primarily involve changing terminology to ensure consistency with the new standards and to reflect current language used across the internal audit profession. No changes have been made to the core responsibilities, authority, or independence of the internal audit function.

We are presenting the revised policy for your review and request a recommendation to the Board of Trustees to accept this policy version.



70 Internal Audit

Approved by Board of Trustees

Effective Date: **June 5, 2017**

Responsible Division: President

Responsible Office: Audit and Consulting Services

Responsible Officer: Chief Audit Executive

I. Purpose

This policy addresses responsibilities of the internal audit function, staffing, audit planning, and reporting on internal audit activities at Middle Tennessee State University (MTSU or University).

II. Definitions

- A. Internal Auditing. An independent, objective assurance and **advisory function. consulting activity** designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- B. Risk. The possibility of an event occurring that will have an impact on the achievement of University goals and objectives. Risk is measured in terms of the impact an event may have and the likelihood that the event will occur. To optimize the achievement of the University's goals and objectives, the Board of Trustees (Board) and management act to minimize the related risks by implementing reasonable procedures to control and monitor the risks.
- C. Governance Processes. The combination of processes and structures implemented by the Board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. Examples of such processes include the organizational structure within the University or a department; policies, standards, and procedures instituted by the Board or management to direct and control a particular activity and preparation and review procedures for preparing reports such as annual financial statements, federal grant, or financial aid reports.

III. General Statement

- A. The internal audit function at MTSU is the responsibility of the office of Audit and Consulting Services which contributes to the improvement of the University's operations

by providing objective and relevant assurance regarding risk management, control, and governance processes to management and the Board.

- B. Management is responsible for evaluating the University's risks and establishing and maintaining adequate controls and processes.
- C. To provide relevant information, Audit and Consulting Services will consider the goals of the University, management's risk assessments, and other input from management in determining its risk-based audit activities.

IV. Internal Audit Standards

Audit and Consulting Services adheres to the Institute of Internal Auditors' (IIA) International ~~Standards for the Professional Practices Framework (IPPF), and is authorized by -of Internal Auditing and Code of Ethics.~~ T.C.A. § 4-3-304(9). ~~The Institute of Internal Auditors International Professional Practices Framework (IPPF) incorporates the International Standards for the Professional Practice of Internal Auditing and Code of Ethics into one document.~~

- A. The IPPF includes attribute Global Internal Audit Standards and Topical Requirements, both of which are mandatory, and Global Guidance, presented as supplemental. ~~The IPPF addresses current internal audit practices while enabling practitioners and stakeholders globally to be flexible and responsive to the ongoing needs for high quality internal auditing in diverse environments and organizations of different purposes, sizes, and structures.~~ standards, which address the expected characteristics of organizations and individuals performing internal audit activities, and performance standards, which describe the nature of internal audit activities and establish criteria to evaluate the performance of internal audit activities.
- B. To assure compliance with the IIA Standards, ~~Audit and Consulting Services~~ the chief audit executive must implement and maintain a quality assurance and improvement program. ~~that incorporates both internal and external review activities.~~
 - 1. Internal ~~reviews~~ assessments include both ongoing and periodic review activities.
 - 2. External ~~reviews~~ assessments must be performed at least every five (5) years by a qualified, independent ~~reviewer~~ assessment team, one of which is required to be a Certified Internal Auditor.
 - 3. Results of quality assurance reviews will be communicated, at least annually, to the University President and the Audit and Compliance Committee of the Board. The results of an external assessment must be reported when completed.

V. Internal Audit Personnel

- A. Internal audit staff must possess the professional credentials, knowledge, skills, and other competencies needed to perform their individual responsibilities.
- B. The internal audit function collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. This may include engaging skilled assessors from outside of the organization.
- C. The Chief Audit Executive must be licensed as a Certified Public Accountant or a Certified Internal Auditor, maintain an active license, and annually complete sufficient, relevant continuing professional education to satisfy the requirements for the professional certification held.
- D. Other University auditors should annually complete sufficient, relevant continuing professional education to satisfy the requirements for their related professional certification or, at a minimum, forty (40) hours of relevant continuing professional education.
- E. Appointments
 - 1. The appointment of the Chief Audit Executive is recommended by the President and approved by the Board. T.C.A. § 49-14-102.
 - 2. The Chief Audit Executive reports directly to, and shall have unrestricted access to, the Audit and Compliance Committee of the Board. T.C.A. § 49-14-102.
- F. Compensation. Compensation of the employees of the MTSU internal audit function is subject to review by the Audit and Compliance Committee of the Board.
- G. Termination or Change of Status
 - 1. The termination or change of status of the Chief Audit Executive requires the approval of the President and the Audit and Compliance Committee of the Board.
 - 2. The Chief Audit Executive may be removed only for cause, which requires a majority vote of the Board. T.C.A. § 49-14-102.

VI. Internal Audit Role and Scope

- A. Reporting Structure. The Chief Audit Executive reports directly to the Audit and Compliance Committee of the Board and administratively to the University President. T.C.A. § 49-14-102. This reporting structure assures the independence of the internal audit function.
- B. The internal auditors' responsibilities include:

1. Working with management to assess University risks and developing an audit plan that considers the results of the risk assessment.
2. Evaluating University controls to determine their effectiveness and efficiency.
3. Coordinating work with external auditors, program reviewers, and consultants.
4. Determining the level of compliance with internal policies and procedures, state and federal laws, and government regulations.
5. Testing the timeliness, reliability, and usefulness of University records and reports.
6. Recommending improvements to controls, operations, and risk mitigation resolutions.
7. Assisting the University with its strategic planning process to include a complete cycle of review of goals and values.
8. Evaluating program performance.
9. Performing ~~consulting~~ advisory services and special requests as directed by the Audit and Compliance Committee or President.
 - a. The scope of internal auditing extends to all aspects of University operations and beyond fiscal boundaries. The internal auditors shall have access to all records, personnel, and physical properties relative to the performance of duties and responsibilities.
 - b. The scope of a particular internal audit activity may be as broad or as restricted as required to meet management needs.
 - c. Objectivity is essential to the internal audit function. Therefore, internal audit personnel should not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise. However, internal audit personnel may be consulted on the adequacy of controls incorporated into new systems and procedures or on revisions to existing systems.
 - d. Management is responsible for identifying, evaluating, and responding to potential risks that may impact the achievement of the University's objectives. Auditors continually evaluate the risk management, internal control, and governance processes. To facilitate these responsibilities, Audit and Consulting Services will receive notices or copies of external audit reviews, program

reviews, fiscally related consulting reports, cash shortages, physical property losses, and employee misconduct.

VII. Audit Plans and Activity Reports

- A. Audit and Consulting Services shall develop an annual audit plan using an approved risk assessment methodology.
- B. At the beginning of each fiscal year, after consultation with the Audit and Compliance Committee, the President, and other University management, Audit and Consulting Services will prepare an annual audit plan. The audit plan must be flexible to respond to immediate issues and will be revised for such changes during the year.
- C. Audit plans and revisions will be reviewed by the President and approved by the Audit and Compliance Committee.
- D. At the end of each fiscal year, Audit and Consulting Services will prepare an annual activity report of all significant audit services performed.
- E. Annual activity reports and approved audit plans will be provided to the Comptroller's Office, Division of State Audit.

VIII. Audit Engagements

- A. Audit engagements will be planned to provide relevant results to management and the Audit and Compliance Committee regarding the effectiveness and efficiency of processes and controls over operations. To ensure management's expectations are met, auditors will communicate with management regarding the objectives and scope of the engagement.
- B. In planning and during the engagement, auditors should consider and be alert to risks that affect the University's goals, objectives, operations, and resources. Auditors should consider risks based on the operations under review, which include, but are not limited to, the risk of financial misstatements, noncompliance, and fraud.
- C. An audit work program will be designed to achieve the objectives of the engagement and will include the steps necessary to identify, analyze, evaluate, and document the information gathered, and the conclusions reached during the engagement.
- D. Working papers that are created, obtained or compiled by an internal audit staff are confidential and are not records subject to the Public Records Act. T.C.A. § 4-3-304(9).

IX. Communicating Audit Results

- A. ~~A written report that documents the objectives, scope, conclusions, and recommendations of the audit will be prepared for audit engagements providing assurance to the Board and management.~~ The chief audit executive must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete, and timely internal audit communications. Management will include corrective action for each reported recommendation.
- B. Audit and Consulting Services will ~~perform audits to follow up on~~ monitor findings, ~~recommendations, and action plans or recommendations~~ included in internal audit reports, investigation reports, and State Audit reports. A written report will be prepared and for any findings that have not been corrected, management will be asked to include a revised corrective action plan. The President, along with the Audit and Compliance Committee, will be notified at the conclusion of a follow-up audit if management has not corrected the reported finding or implemented the corrective action.
- C. A written report that documents the objectives, scope, conclusions, and recommendations will be prepared for investigations resulting from allegations or identification of fraud, waste, or abuse. As appropriate in the circumstances, management will include corrective action for each reported recommendation. In a case where allegations are not substantiated by the review and there are no other operational concerns to report to management regarding the review, the case may be closed by a memo to the working paper file documenting the reasons for closing the case.
- D. Reports on special studies, ~~consulting advisory~~ services, and other non-routine items should be prepared as appropriate, given the nature of the assignment.
- E. All internal audit reports will be signed by the Chief Audit Executive and transmitted directly to the President and appropriate levels of management in a timely manner.
- F. The Chief Audit Executive will present significant results of internal audit reports to the Audit and Compliance Committee quarterly or as appropriate.
- G. The Chief Audit Executive will provide a copy of each report to the Comptroller's Office, Division of State Audit.

X. Exceptions

Any exceptions to the policy established herein shall be subject to the approval of the Audit and Compliance Committee.

Forms: none.

Revisions: ~~none~~.

Last Reviewed: ~~January 2023~~. May 2025

References: T.C.A. §§ 4-3-304(9); 49-14-102.



70 Internal Audit

Approved by Board of Trustees

Effective Date: _____

Responsible Division: President

Responsible Office: Audit and Consulting Services

Responsible Officer: Chief Audit Executive

I. Purpose

This policy addresses responsibilities of the internal audit function, staffing, audit planning, and reporting on internal audit activities at Middle Tennessee State University (MTSU or University).

II. Definitions

- A. Internal Auditing. An independent, objective assurance and advisory function designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- B. Risk. The possibility of an event occurring that will have an impact on the achievement of University goals and objectives. Risk is measured in terms of the impact an event may have and the likelihood that the event will occur. To optimize the achievement of the University's goals and objectives, the Board of Trustees (Board) and management act to minimize the related risks by implementing reasonable procedures to control and monitor the risks.
- C. Governance Processes. The combination of processes and structures implemented by the Board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives. Examples of such processes include the organizational structure within the University or a department; policies, standards, and procedures instituted by the Board or management to direct and control a particular activity and preparation and review procedures for preparing reports such as annual financial statements, federal grant, or financial aid reports.

III. General Statement

- A. The internal audit function at MTSU is the responsibility of the office of Audit and Consulting Services which contributes to the improvement of the University's operations

by providing objective and relevant assurance regarding risk management, control, and governance processes to management and the Board.

- B. Management is responsible for evaluating the University's risks and establishing and maintaining adequate controls and processes.
- C. To provide relevant information, Audit and Consulting Services will consider the goals of the University, management's risk assessments, and other input from management in determining its risk-based audit activities.

IV. Internal Audit Standards

Audit and Consulting Services adheres to the Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF) and is authorized by T.C.A. § 4-3-304(9).

- A. The IPPF includes attribute Global Internal Audit Standards and Topical Requirements, both of which are mandatory, and Global Guidance, presented as supplemental. The IPPF addresses current internal audit practices while enabling practitioners and stakeholders globally to be flexible and responsive to the ongoing needs for high quality internal auditing in diverse environments and organizations of different purposes, sizes, and structures.
- B. To assure compliance with the IIA Standards, the chief audit executive must implement and maintain a quality assurance and improvement program.
 - 1. Internal assessments include both ongoing and periodic review activities.
 - 2. External assessments must be performed at least every five (5) years by a qualified, independent assessment team, one of which is required to be a Certified Internal Auditor.
 - 3. Results of quality assurance reviews will be communicated, at least annually, to the University President and the Audit and Compliance Committee of the Board. The results of an external assessment must be reported when completed.

V. Internal Audit Personnel

- A. Internal audit staff must possess the professional credentials, knowledge, skills, and other competencies needed to perform their individual responsibilities.
- B. The internal audit function collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. This may include engaging skilled assessors from outside of the organization.

- C. The Chief Audit Executive must be licensed as a Certified Public Accountant or a Certified Internal Auditor, maintain an active license, and annually complete sufficient, relevant continuing professional education to satisfy the requirements for the professional certification held.
- D. Other University auditors should annually complete sufficient, relevant continuing professional education to satisfy the requirements for their related professional certification or, at a minimum, forty (40) hours of relevant continuing professional education.
- E. Appointments
 - 1. The appointment of the Chief Audit Executive is recommended by the President and approved by the Board. T.C.A. § 49-14-102.
 - 2. The Chief Audit Executive reports directly to, and shall have unrestricted access to, the Audit and Compliance Committee of the Board. T.C.A. § 49-14-102.
- F. Compensation. Compensation of the employees of the MTSU internal audit function is subject to review by the Audit and Compliance Committee of the Board.
- G. Termination or Change of Status
 - 1. The termination or change of status of the Chief Audit Executive requires the approval of the President and the Audit and Compliance Committee of the Board.
 - 2. The Chief Audit Executive may be removed only for cause, which requires a majority vote of the Board. T.C.A. § 49-14-102.

VI. Internal Audit Role and Scope

- A. Reporting Structure. The Chief Audit Executive reports directly to the Audit and Compliance Committee of the Board and administratively to the University President. T.C.A. § 49-14-102. This reporting structure assures the independence of the internal audit function.
- B. The internal auditors' responsibilities include:
 - 1. Working with management to assess University risks and developing an audit plan that considers the results of the risk assessment.
 - 2. Evaluating University controls to determine their effectiveness and efficiency.
 - 3. Coordinating work with external auditors, program reviewers, and consultants.

4. Determining the level of compliance with internal policies and procedures, state and federal laws, and government regulations.
5. Testing the timeliness, reliability, and usefulness of University records and reports.
6. Recommending improvements to controls, operations, and risk mitigation resolutions.
7. Assisting the University with its strategic planning process to include a complete cycle of review of goals and values.
8. Evaluating program performance.
9. Performing advisory services and special requests as directed by the Audit and Compliance Committee or President.
 - a. The scope of internal auditing extends to all aspects of University operations and beyond fiscal boundaries. The internal auditors shall have access to all records, personnel, and physical properties relative to the performance of duties and responsibilities.
 - b. The scope of a particular internal audit activity may be as broad or as restricted as required to meet management needs.
 - c. Objectivity is essential to the internal audit function. Therefore, internal audit personnel should not be involved in the development and installation of systems and procedures, preparation of records, or any other activities that the internal audit staff may review or appraise. However, internal audit personnel may be consulted on the adequacy of controls incorporated into new systems and procedures or on revisions to existing systems.
 - d. Management is responsible for identifying, evaluating, and responding to potential risks that may impact the achievement of the University's objectives. Auditors continually evaluate the risk management, internal control, and governance processes. To facilitate these responsibilities, Audit and Consulting Services will receive notices or copies of external audit reviews, program reviews, fiscally related consulting reports, cash shortages, physical property losses, and employee misconduct.

VII. Audit Plans and Activity Reports

- A. Audit and Consulting Services shall develop an annual audit plan using an approved risk assessment methodology.

- B. At the beginning of each fiscal year, after consultation with the Audit and Compliance Committee, the President, and other University management, Audit and Consulting Services will prepare an annual audit plan. The audit plan must be flexible to respond to immediate issues and will be revised for such changes during the year.
- C. Audit plans and revisions will be reviewed by the President and approved by the Audit and Compliance Committee.
- D. At the end of each fiscal year, Audit and Consulting Services will prepare an annual activity report of all significant audit services performed.
- E. Annual activity reports and approved audit plans will be provided to the Comptroller's Office, Division of State Audit.

VIII. Audit Engagements

- A. Audit engagements will be planned to provide relevant results to management and the Audit and Compliance Committee regarding the effectiveness and efficiency of processes and controls over operations. To ensure management's expectations are met, auditors will communicate with management regarding the objectives and scope of the engagement.
- B. In planning and during the engagement, auditors should consider and be alert to risks that affect the University's goals, objectives, operations, and resources. Auditors should consider risks based on the operations under review, which include, but are not limited to, the risk of financial misstatements, noncompliance, and fraud.
- C. An audit work program will be designed to achieve the objectives of the engagement and will include the steps necessary to identify, analyze, evaluate, and document the information gathered, and the conclusions reached during the engagement.
- D. Working papers that are created, obtained or compiled by an internal audit staff are confidential and are not records subject to the Public Records Act. T.C.A. § 4-3-304(9).

IX. Communicating Audit Results

- A. The chief audit executive must establish and implement methodologies to promote accurate, objective, clear, concise, constructive, complete, and timely internal audit communications. Management will include corrective action for each reported recommendation.
- B. Audit and Consulting Services will monitor findings, recommendations, and action plans included in internal audit reports, investigation reports, and State Audit reports. A

written report will be prepared and for any findings that have not been corrected, management will be asked to include a revised corrective action plan. The President, along with the Audit and Compliance Committee, will be notified at the conclusion of a follow-up audit if management has not corrected the reported finding or implemented the corrective action.

- C. A written report that documents the objectives, scope, conclusions, and recommendations will be prepared for investigations resulting from allegations or identification of fraud, waste, or abuse. As appropriate in the circumstances, management will include corrective action for each reported recommendation. In a case where allegations are not substantiated by the review and there are no other operational concerns to report to management regarding the review, the case may be closed by a memo to the working paper file documenting the reasons for closing the case.
- D. Reports on special studies, advisory services, and other non-routine items should be prepared as appropriate, given the nature of the assignment.
- E. All internal audit reports will be signed by the Chief Audit Executive and transmitted directly to the President and appropriate levels of management in a timely manner.
- F. The Chief Audit Executive will present significant results of internal audit reports to the Audit and Compliance Committee quarterly or as appropriate.
- G. The Chief Audit Executive will provide a copy of each report to the Comptroller's Office, Division of State Audit.

X. Exceptions

Any exceptions to the policy established herein shall be subject to the approval of the Audit and Compliance Committee.

Forms: none.

Revisions: _____.

Last Reviewed: _____.

References: T.C.A. §§ 4-3-304(9); 49-14-102.



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Information Item

DATE: May 20, 2025

SUBJECT: **Results of External Reviews**

PRESENTER: Leah Ladley
Chief Audit Executive

BACKGROUND INFORMATION:

1. Tennessee Human Rights Commission (THRC) Title IV Compliance Program

Compliance Review of the MTSU Title VI Implementation Plan for FY2023-2024 – issued January 16, 2025

The THRC verifies that all state government entities receiving Federal Financial Assistance comply with Title VI of the Civil Rights Act of 1964 requirements.

The Middle Tennessee State University Implementation Plan for fiscal year 2023-2024 was reviewed and determined to meet the applicable compliance standards.

2. Tennessee Department of Health, Compliance and Ethics Office

Monitoring Report regarding Reducing COVID-19 Risk Through a Coordinated and Holistic Approach and MTSU-COVID-19 Vaccination POD

– issued February 14, 2025.

The monitoring review was conducted in accordance with the Department of General Services, Central Procurement Office Policy #2013-007. The monitoring review included compliance with the contract's scope of services, attachments, narrations, civil rights requirements, specific TDH policy, and understanding billing procedures.

No findings of a material nature were revealed.



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Information Item

DATE: May 20, 2025

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

PRESENTER: Leah Ladley
Chief Audit Executive

BACKGROUND INFORMATION:

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

Since the last meeting of the Audit and Compliance Committee, an investigation was administratively closed, and a memo to close the investigation was issued. A Loss Review was completed with no internal control recommendations.

The updated status of the Internal Audit Plan for FY25 is included for the Committee's review.

Middle Tennessee State University
Internal Audit Plan
Fiscal Year Ended June 30, 2025
as of May 2, 2025

Type	Area	Audit Project	Current Status	Report Date
R	FM	Year-End Inventory FY24	Complete	7/29/2024
R	FM	Cash Counts FY24	Complete	7/24/2024
R	GV	Audit of President's Office Expenses	Complete	11/12/2024
I	AA	INV2403	referred to Comptroller's Office	
I	FM	INV2404	In Progress - initiated April 2024	
I	FM	INV2405	Complete	1/30/2025
I	AT	INV2406	Complete	7/23/2024
I	SS	INV2501	In Progress - initiated September 2024	
I	SS	INV2502	Administratively Closed	4/2/2025
I	AD	INV2503	In Progress - initiated October 2024	
I	FM	INV2504	Complete	2/4/2025
R	IT	INV2505 - Loss Report	Complete	4/2/2025
P	GV	IIA - Self Assessment & QAR	In Progress	
A	FM	P-Card Compliance Review	Planning	
C	FM	Cash Processes in Select Areas	Identified	
A	IT	Penetration Test (Outsourced)	Planning	
F	GV	State Audit Assistance/Follow-Up	Project Throughout Year	
C	GV	General Consultation/Risk Assessment	Project Throughout Year	
R	FM	Cash Counts FY25	Scheduled	
R	FM	Year-End Inventory FY25	Scheduled	
R	GV	Audit of President's Office Expenses	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