Middle Tennessee State University
Board of Trustees
Audit and Compliance Committee

Tuesday, August 16, 2022
10:00 a.m.

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

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 4

Closing Remarks

Adjourn Public Session
DATE: August 16, 2022

SUBJECT: Approval of Minutes

PRESENTER: Pete DeLay
Committee Chair

BACKGROUND INFORMATION:

The Audit and Compliance Committee met on May 24, 2022. Minutes from the meeting are provided for review and approval.
The Audit and Compliance Committee met on Tuesday, May 24, 2022 in the MEC Meeting Room in the Miller Education Center at Middle Tennessee State University.

Call to Order and Opening Remarks
Committee Chair Pete DeLay called the meeting to order at 9:00 a.m. and welcomed everyone in attendance, noting that Provost Mark Byrnes was sitting in for Dr. McPhee who was unable to be at the meeting.

Roll Call
The following Committee members were in attendance: Trustees J.B. Baker, Tom Boyd, Rick Cottle, Pete DeLay, Joey Jacobs, Christine Karbowiak, Steve Smith, and Pam Wright. Trustee Gabriela Jaimes was unable to attend the meeting. Trustee Darrell Freeman Sr. was also present.

Alan Thomas, Vice President for Business and Finance; Mark Byrnes, University Provost; Joe Bales, Vice President for University Advancement; Yvette Clark, Interim Vice President for Information Technology and Chief Information Officer; Brenda Burkhart, Chief Audit Executive; and James Floyd, University Counsel and Board Secretary were also in attendance. Mr. Jimmy Hart, Senior Director News and Media Relations was in attendance for Andrew Oppmann, Vice President for Marketing and Communications.

Approval of Minutes - Action
The first agenda item was approval of the minutes from the March 15, 2022 Audit and Compliance Committee meeting. Trustee Karbowiak moved to approve the minutes from the March 15, 2022 meeting and Trustee Boyd seconded the motion. A voice vote was taken and, with all Committee members voting “Aye,” the motion to approve the minutes from the March 15, 2022 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. Burkhart. 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. Burkhart presented the results of one external review. The Tennessee Department of Health, Compliance and Ethics Office completed sub-recipient monitoring for the COVID 19 Vaccination POD (point of distribution) program for the period March 1, 2021 through September 30, 2021. The monitoring review of the contract revealed no findings of a material nature.

Quarterly Report – Results of Internal Audit Reports – Information

Ms. Burkhart reported there have been no internal audit reports issued since the last meeting of the Audit and Compliance Committee. An anonymous hotline complaint was determined to be unsubstantiated with no control weaknesses identified and was administratively closed. Audit work in progress will be discussed in the executive non-public session of the meeting. The status of the 2022 audit plan was included in the meeting materials for the Committee’s review.

Closing Remarks

Provost Byrnes announced that Ms. Burkhart is retiring and this will be her last committee meeting. She has had over a 35 year career at MTSU and has been a stalwart employee. Ms. Burkhardt added that Dr. McPhee has asked her to announce that Diane Snodgrass will serve as the Interim Chief Audit Executive, noting that she currently serves as the Assistant Director of Audit and Consulting Services and has been with the audit office for 34 years.
Ms. Burkhart thanked all her co-workers throughout the years. She also thanked management and the employees for having an attitude of compliance and a willingness to do the right thing. Ms. Burkhart left five rules for the university community:

- Make all decisions for the betterment of MTSU
- Make it a point to be in compliance; look to the policies for guidance
- We are all in this together and counting on each other to do the right thing
- Be committed to respect
- Be aware of the small things, they truly matter.

Committee Chair Pete Delay commented that Ms. Burkhart has been a great example and wished her the best on behalf of the Committee. Board Chair Steve Smith also commented on his appreciativeness of Ms. Burkhart’s hard work.

**Non-Public Executive Session**

The Committee adjourned the public session at 9:12 a.m. and entered non-public executive session at 9:14 a.m. to discuss audits and investigations. The non-public executive session adjourned at 9:42 a.m.

Respectfully submitted,

Audit and Compliance Committee
DATE: August 16, 2022

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 2023 is included on page 6 of the annual report and is presented to the Committee for approval.
July 29, 2022

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 2022 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 2022 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 2022 audit efforts of Audit and Consulting Services. The report also includes the annual audit plan for the 2023 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,

Diane B. Snodgrass, CPA
Interim Chief Audit Executive
Middle Tennessee State University
Audit and Consulting Services
Annual Report for Fiscal Year 2022

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: Academic Affairs, Governance and Student Affairs. Page two of the report includes details and charts of audit effort. The status of the 2022 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. Seven reviews were opened during the year. Six projects were administratively closed and one audit report was issued. Four projects in progress will be included on the FY 2023 audit plan. Additional information is located on page four.

Resources:

The current budget of $442,854 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 2023:

Along with the audits in progress and required audits, the planned audit effort for 2023 includes a review of the controls mitigating the risk areas of vendor provided services and four departmental/procedural reviews. The audit plan for 2023 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 (76%) focused on projects within Academic Affairs, Governance and Student Affairs.

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 (17%) 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 46% 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 (10%) 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
<table>
<thead>
<tr>
<th>Type</th>
<th>Area</th>
<th>Audit Project</th>
<th>Current Status</th>
<th>Audit Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>FM</td>
<td>Year-End Inventory FY2021</td>
<td>Completed 8/6/2021</td>
<td>No Reportable Issues</td>
</tr>
<tr>
<td>R</td>
<td>FM</td>
<td>Cash Counts FY2021</td>
<td>Completed 8/5/2021</td>
<td>No Reportable Issues</td>
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<tr>
<td>R</td>
<td>GV</td>
<td>Audit of President's Office</td>
<td>Completed 11/11/2021</td>
<td>No Reportable Issues</td>
</tr>
<tr>
<td>I</td>
<td>SS</td>
<td>INV1702</td>
<td>In Progress</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>AA</td>
<td>INV1705</td>
<td>In Progress</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>AA</td>
<td>INV1801</td>
<td>In Progress</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>AT</td>
<td>INV1904</td>
<td>Administratively Closed</td>
<td>No Reportable Issues</td>
</tr>
<tr>
<td>I</td>
<td>SS</td>
<td>INV2201</td>
<td>In Progress</td>
<td></td>
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<tr>
<td>I</td>
<td>FM</td>
<td>INV2202</td>
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<td>FM</td>
<td>INV2203</td>
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<td>I</td>
<td>AA</td>
<td>INV2204-Special Review of Geosciences</td>
<td>Completed 6/7/2022</td>
<td>6 Recommendations</td>
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<td>I</td>
<td>AA</td>
<td>INV2207</td>
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<td>No Reportable Issues</td>
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<tr>
<td>P</td>
<td>GV</td>
<td>IIA - Self Assessment &amp; QAR</td>
<td>In Progress</td>
<td></td>
</tr>
<tr>
<td>F</td>
<td>GV</td>
<td>State Audit Assistance/Follow-Up</td>
<td>Project Throughout Year</td>
<td></td>
</tr>
<tr>
<td>C</td>
<td>GV</td>
<td>General Consultation/Risk Assessment</td>
<td>Project Throughout Year</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>GV</td>
<td>Unscheduled Investigations</td>
<td>Scheduled</td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>FM</td>
<td>Cash Counts FY2022</td>
<td>In Progress</td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>FM</td>
<td>Year-End Inventory FY2022</td>
<td>In Progress</td>
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</tr>
<tr>
<td>A</td>
<td>IT</td>
<td>Risk/Controls: PII Compliance</td>
<td>Completed 2/24/2022</td>
<td>No Reportable Issues</td>
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<tr>
<td>A</td>
<td>IT</td>
<td>Risk/Controls: Vendor Provided Services</td>
<td>Scheduled</td>
<td></td>
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<tr>
<td>A</td>
<td>MC</td>
<td>Marketing &amp; Communications</td>
<td>Scheduled</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>FM</td>
<td>Payroll</td>
<td>Scheduled</td>
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</tr>
<tr>
<td>A</td>
<td>AA</td>
<td>Research Services Procedural Review</td>
<td>Scheduled</td>
<td></td>
</tr>
<tr>
<td>A</td>
<td>FM</td>
<td>Property Management Contract Review</td>
<td>Scheduled</td>
<td></td>
</tr>
</tbody>
</table>

### 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
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          | 7 |
| Projects in Progress During the Year    | 11 |
| Less Report Issued                      | (1) |
| Less Administratively Closed             | (6) |
| Reviews in Progress at June 30, 2022    | 4 |

In 2022, seven new reviews of possible improper or dishonest acts were opened which is above the three year average of three reviews per year. New reviews for the past three years were: 3 in 2021, 1 in 2020 and 5 in 2019.

The report issued in June 2022 was for the Special Review of the Geosciences Department which was performed at the request of management. The scope focused on possible conflicts of interest and possible unrecorded revenue. No material financial improprieties were discovered with travel claims reviewed; however, there were observations and recommendations for improvements of the departmental travel process and cash receipting procedures. Corrective action by management has begun and will be completed at the beginning of the academic year.

Six projects were closed because the complaint was not substantiated as fraud, waste or abuse and there were no recommendations to improve the control environment. The projects in progress will be included on the 2023 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 2022-2023 compared to the actual expenses of the prior two fiscal years.

<table>
<thead>
<tr>
<th></th>
<th>Estimated Budget (1) 2022-2023</th>
<th>Actual Expenses 2021-2022</th>
<th>Actual Expenses 2020-2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Audit Executive</td>
<td>$108,496</td>
<td>$108,495</td>
<td>$106,699</td>
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<tr>
<td>Assistant Director</td>
<td>68,982</td>
<td>68,973</td>
<td>67,831</td>
</tr>
<tr>
<td>Internal Auditors, 2 Professionals</td>
<td>91,440</td>
<td>47,746</td>
<td>46,991</td>
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<tr>
<td>Support Staff</td>
<td>29,169</td>
<td>28,272</td>
<td>29,008</td>
</tr>
<tr>
<td>Longevity for Staff</td>
<td>8,900</td>
<td>8,700</td>
<td>8,500</td>
</tr>
<tr>
<td>Benefits</td>
<td>123,484</td>
<td>125,220</td>
<td>121,937</td>
</tr>
<tr>
<td>Total Salaries and Benefits</td>
<td>$430,471</td>
<td>$387,406</td>
<td>$380,966</td>
</tr>
<tr>
<td>Travel</td>
<td>5,000</td>
<td>80</td>
<td>-</td>
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<tr>
<td>Operating Expenses</td>
<td>7,383</td>
<td>3,147</td>
<td>3,142</td>
</tr>
<tr>
<td>Total Budget/Expenses</td>
<td>$442,854</td>
<td>$390,633</td>
<td>$384,108</td>
</tr>
</tbody>
</table>

(1) The Estimated Budget for FY 2022-2023 will be finalized in October 2022.

The 2022-2023 budget for Audit and Consulting Services is adequate and includes funding for two unfilled audit positions.
# Middle Tennessee State University
## Internal Audit Plan
### Fiscal Year Ended June 30, 2023
#### as of July 29, 2022

<table>
<thead>
<tr>
<th>Type</th>
<th>Area</th>
<th>Audit Project</th>
<th>Current Status</th>
<th>Audit Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>R</td>
<td>FM</td>
<td>Year-End Inventory FY2022</td>
<td>Completed 7/28/2022</td>
<td>No Reportable Issues</td>
</tr>
<tr>
<td>R</td>
<td>FM</td>
<td>Cash Counts FY2022</td>
<td>Completed 7/28/2022</td>
<td>No Reportable Issues</td>
</tr>
<tr>
<td>R</td>
<td>GV</td>
<td>Audit of President's Office</td>
<td>In Progress</td>
<td>No Reportable Issues</td>
</tr>
<tr>
<td>R</td>
<td>AT</td>
<td>Football Attendance 2022</td>
<td>Scheduled</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>SS</td>
<td>INV1702</td>
<td>In Progress</td>
<td></td>
</tr>
<tr>
<td>I</td>
<td>AA</td>
<td>INV1705</td>
<td>In Progress</td>
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</tr>
<tr>
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<td>INV1801</td>
<td>In Progress</td>
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<td>SS</td>
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<td>In Progress</td>
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Page 6
Middle Tennessee State University  
Board of Trustees  
Audit and Compliance Committee  

Information Item

DATE: August 16, 2022

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, the following audit projects were completed:

1. Special Review of the Geosciences Department for the Period August 1, 2018 to December 31, 2021. The report included recommendations to improve travel and cash receipting to comply with university policies and procedures. Management has taken corrective action by ceasing the collection of cash in the department and by developing departmental guidelines for travel and GPR projects which will be communicated to departmental employees at the beginning of the academic year.

2. Audit of Inventories for Fiscal Year Ended June 30, 2022 which concluded the inventory counts were accurate. There were no reportable issues.

3. Cash Counts for Fiscal Year Ended June 30, 2022 were completed with no reportable issues.
DATE: August 16, 2022

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 2022, the university-wide risk and control activities were updated for the Divisions of Student Affairs, University Advancement and Marketing and Communications.

Similar to MTSU’s risk assessment reporting of 2021, 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 2022 are presented to the Committee for approval prior to the reports’ submission to the State.