



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

Tuesday, June 2, 2020
10:00 am



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Board of Trustees
Audit and Compliance Committee**

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10:00 am

AGENDA

Call to Order and Opening Remarks

Roll Call and Statement of Necessity

Approval of Minutes (Action)Tab 1

Results of External Reviews (Information)Tab 2

1. Tennessee Comptroller of the Treasury, Financial and Compliance Audit Report for the Year Ended June 30, 2019
2. Tennessee Department of Finance and Administration, Office of Criminal Justice Programs On-site Review of STOP Contract with MTSU, February 24, 2020
3. National Science Foundation Desk Review performed by Atlas Research, April 14, 2020

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

Closing Remarks

Adjourn Public Session



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Action Item

DATE: June 2, 2020

SUBJECT: **Approval of Minutes**

PRESENTER: Pete DeLay
Committee Chair

BACKGROUND INFORMATION:

The Audit and Compliance Committee met on March 17, 2020. 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, March 17, 2020 via electronic teleconference.

Call to Order and Opening Remarks

Committee Chair Pete DeLay called the meeting to order at 11:45 a.m.

Roll Call and Statement of Necessity

Since the Committee was participating electronically, Heidi Zimmerman, University Counsel and Board Secretary, stated that the meeting must proceed in accordance with Tennessee Code Annotated Section 8-44-108(c)(3). She stated that as roll was called, responses were needed to two questions. (Question 1. Can you hear everyone participating via teleconference so that you can participate in the meeting? Question 2. Is anyone else in the room with you: if so, please identify each person?) These two questions had been asked and answered at the commencement of the other committee meetings held that morning. Ms. Zimmerman stated that unless the trustee stated otherwise as their names were called, she would assume that those present in the room as indicated before remained the same, and that the Committee members could clearly hear others on the line.

Committee members Tom Boyd, Pete DeLay, Mary Martin, Steve Smith, and Pam Wright were in attendance by way of teleconference and confirmed those present in the room were the same as previously noted during prior roll calls: Trustees Tom Boyd, Pete Delay, Steve Smith and J.B. Baker participated via phone from the same location, and Trustees Mary Martin and Pam Wright were alone at their locations. All indicated they could hear all others on the call clearly. Committee member Christine Karbowskiak was not in attendance.

Also present on the conference call were Trustees J.B. Baker, Darrell Freeman Sr., Joey Jacobs, and Samantha Eisenberg. President Sidney McPhee; Alan Thomas, Vice President for Business and Finance; Mark Byrnes, University Provost; Joe Bales, Vice President for University Advancement; Andrew Oppmann, Vice President for Marketing and Communications; Bruce Petryshak, Vice President for Information Technology and Chief Information Officer; Deb Sells, Vice President for Student Affairs and Vice Provost for Enrollment and Academic Services; Brenda Burkhart, Chief Audit Executive; Heidi Zimmerman, University Counsel and Board Secretary; and, Kim Edgar, Assistant to the President and Chief of Staff were also in attendance.

Ms. Zimmerman stated that a quorum was not physically present, but that one would exist with the inclusion of the Committee members participating electronically. In accordance with T.C.A. § 8-44-108(b)(2), in order to proceed without a physical quorum, the Committee was required to make a determination that necessity for the meeting existed. Ms. Zimmerman provided the following circumstances for the Committee's consideration to establish the necessity for holding the meeting:

1. The agenda included matters the Committee must consider and vote on in order to make recommendations to the Board of Trustees. These recommendations include several informational and follow up items to be shared with the Committee members.
2. The Board of Trustees will meet on Tuesday, March 31.
3. It was necessary for the Committee to meet in order to consider these matters prior to the Board's next meeting.
4. Due to concerns related to exposure to the coronavirus, it was determined that the Committee meeting should be held electronically and, thus, there was not a physical quorum without electronic participation of Committee members.

Chairman Delay requested a motion and a roll call vote be taken for determination on the necessity of holding the meeting. Trustee Smith made the motion, which was seconded by Trustee Boyd. A roll call vote was taken and with all Committee members voting “Aye”, the motion establishing the necessity of holding the meeting carried.

Trustee Delay thanked Christine Karbowskiak for her exemplary service as the previous chairman of the Committee, citing her knowledge and experience as invaluable to the Board and the Audit and Compliance Committee.

Approval of Minutes - Action

The first agenda item was approval of the minutes from the November 12, 2019 Audit and Compliance Committee meeting. Trustee Boyd moved to approve the minutes from the November 12, 2019 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 November 12, 2019 meeting of the Audit and Compliance Committee carried.

Report of Conflict of Interest Disclosures in 2019 - Information

Gené Stephens, Assistant Vice-President for the Office of Compliance and Enterprise Risk Management, presented for the Committee’s information the Report of Conflict of Interest Disclosures for 2019. There were 17 cases reviewed with most managed through mitigation plans. Ms. Stephens also stated as of March 1, 2020 Human Resource Services had sent out the Annual Notice of Conflict of Interest Disclosure.

Review of President’s Statement of Disclosure of Interests for 2020 – Information

Ms. Burkhart presented the President’s Statement of Disclosure of Interests for 2020 for information and the Committee’s review, noting there were no changes from the disclosures made in 2019 and the form is a public record on the Tennessee Ethics Commission webpage. She also pointed out the form correctly discloses the position held as “President – University governed by Board of Trustees”.

Report on Compliance with Public Records Policy - Information

Ms. Zimmerman presented the Report on Compliance with Public Records Policy, Policy 120. A summary of the number of records requests received in 2019 was provided for the Committee's review. Ms. Zimmerman noted there were 170 total requests and also stated the denials are typically based on lack of Tennessee citizenship required by policy.

Results of External Reviews - Information

Ms. Burkhart presented the results of two external reviews. The Office of the Comptroller of the Treasury released the Results of Agreed-Upon Procedures Applied to the Statement of Revenues & Expenses for the Athletic Programs on January 13, 2020. The report indicated there were significant differences between the amounts in the athletic statements based on general ledger accounts and changes in the NCAA reporting requirements. The statements were revised to reflect the changes in the reporting requirements.

The Tennessee Department of Transportation, Grants Monitoring Section, conducted a desk review of two contracts with MTSU. There were no findings of noncompliance.

Quarterly Report – Results of Internal Audit Reports – Information

Ms. Burkhart presented the results of Internal Audit Reports. Two audit projects were completed with no reportable issues noted: the Audit of the Office of the President for Fiscal Year 2019 and the Audit of Football Ticket Sales and Paid Attendance for Fall 2019. The third audit report issued, the Review of the Use of the MTSU Owned Aircraft for the Period July 1, 2017 – November 30, 2018 included two recommendations management is implementing: written procedures needed for university plane and improvement needed with flight log documentation. The Committee was provided a draft copy of Policy 180 Operation and Use of University Aircraft for information/review. Discussion regarding the policy included notification of unassigned seats, the rate charged for using the aircraft, approval of the use of the university plane, and other non-MTSU affiliated users of the plane. Board Chair Smith requested that Alan Thomas send all

trustees a copy of the procedures for requesting and obtaining approval for a flight. The approval of the policy was also discussed. Ms. Burkhart explained that it was an operational policy for a campus department, and approval of operational policies was delegated to the President. Committee members agreed that it was an operational policy. The current status of the Internal Audit Plan for Fiscal Year Ended June 30, 2020 was also included for the Committee's review.

Follow-Up Item: Update of Corrective Actions – Comptroller's Audit of Athletics - Information

At the Committee's last meeting on November 12, 2019 the Committee requested an update on the corrective action taken to address the findings and internal control deficiency discussed in the Comptroller's Audit of Athletics report. For better management of the vendor provided sports apparel allotments, the Athletic Department developed written procedures addressing the required approvals, the allocation process and the documentation requirement for reporting an employee's extra compensation. The Committee was provided a copy of the procedure and the extra compensation form for athletic apparel allotments. To address the deficiency of "inadequate oversight of use of Sponsorship Trade" Athletic Department officials established an electronic process for requesting and approving the use of trade. Electronic approvals are granted by the Athletic Director or Senior Associate Athletic Director with the Athletic Business Office maintaining the supporting documentation and tracking the use of the sponsorship trade.

Follow-Up Item: Review of the Draft Report of the Audit of the Office of the President - Information

During the Committee's review of the draft report of the Audit of the Office of the President, a quarterly report of the budget to actual expenses of the accounts for the operations of the Office of the President was requested. Ms. Burkhart presented the Quarterly Reporting of Expenses for the Operations of the Office of the President for the Period July 1, 2019 to December 31, 2019. Ms. Burkhart asked the Committee if an annual report of budget to actual expenses would be sufficient since the majority of the expenses are salary and benefits. Committee members Pete DeLay and Pam Wright stated an annual report would be sufficient.

For the President’s travel with the athletic team, Ms. Burkhart was asked to provide an example of the form used to document the guests of the President. The Committee was provided a blank example of the “Guest List for Athletic Travel” form and an example of the form that included actual descriptions of “Purpose” from forms completed in Fall 2019. The “Guest List for Athletic Travel” form is approved by the Athletic Director and the President.

Adjournment

The Committee adjourned the public session at 12:22 p.m. There were no non-public executive items for discussion.

Respectfully submitted,
Audit and Compliance Committee

DRAFT



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Information Item

DATE: June 2, 2020

SUBJECT: **Results of External Reviews**

PRESENTER: Brenda Burkhart
Chief Audit Executive

BACKGROUND INFORMATION:

1. Tennessee Comptroller of the Treasury, Financial and Compliance Audit Report for the Year Ended June 30, 2019

The Tennessee Comptroller of the Treasury issued the financial and compliance audit report for the year ended June 30, 2019 on March 11, 2020. The independent auditor’s report included unmodified opinions on the fairness of the presentation of the financial statements. The audit report contained no audit findings. A copy of the “Audit Highlights” page from the audit report is included in the materials for your review.

A complete copy of the audit report is located on the Comptroller of the Treasury webpage at:

<https://comptroller.tn.gov/content/dam/cot/sa/advanced-search/disclaimer/2020/cu20010.pdf>

2. Tennessee Department of Finance and Administration, Office of Criminal Justice Programs On-site Review of STOP Contract with MTSU, February 24, 2020

The Tennessee Department of Finance and Administration, Office of Criminal Justice Programs conducted an on-site review of the STOP (Services, Training, Officers, Prosecutions) Contract for the Law Enforcement Domestic Violence/Sexual Assault Investigator for the fiscal year ending June 30, 2020. There were no findings of noncompliance. The monitoring objectives were: 1) to verify that program objectives are met, 2) to test the reliability of the programmatic reporting, 3) to test if services and activities are allowable and eligible, and 4) to verify compliance with the contract.

3. National Science Foundation Desk Review performed by Atlas Research, April 14, 2020

Atlas Research completed a desk review in March 2020. The report submitted to the National Science Foundation (NSF) concluded there were no major deficiencies. The report cited five concerns as “minor” which recommended improvements with the documentation of procedures.

Management is taking corrective action to improve the documentation of procedures. The corrective action of the minor concerns will be reviewed during subsequent monitoring activities.

The scope of the desk review included an assessment of the award-related management practices, a review of the accounting and financial systems, and a review of the Award Cash Management Service (ACM\$) procedures for calculating the amounts drawn down.

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Middle Tennessee State University

For the Year Ended June 30, 2019

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Findings

The audit report contains no findings.



**Middle Tennessee State University
Board of Trustees**

Audit and Compliance Committee

Information Item

DATE: June 2, 2020

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

PRESENTER: Brenda Burkhart
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 March 17, 2020 report of audit results to the Audit and Compliance Committee, there have been no internal audit reports issued.

The current status of the Internal Audit Plan for Fiscal Year 2020 is included for the Committee's review.

**Middle Tennessee State University
Internal Audit Plan
Fiscal Year Ended June 30, 2020
as of April 30, 2020**

Type	Area	Audit Project	Current Status	Audit Results
R	FM	Year-End Inventory FY2019	Report Issued 10/31/2019	1 Recommendation
R	FM	Cash Counts FY2019	Memo to Management 9/26/19	No Reportable Issues
R	GV	Audit of President's Office	Report Issued 12/4/2019	No Reportable Issues
I	SS	INV1702	In Progress	
I	AA	INV1705	In Progress	
I	AA	INV1801	Draft Report	
I	AT	INV1904	In Progress	
I	FM	INV1905	Administratively Closed 12/20/19	No Reportable Issues
I	AA	INV2001	In Progress	
R	AT	Football Attendance Fall 2019	Report Issued 2/6/2020	No Reportable Issues
F	GV	State Audit Assistance/Follow-Up	Project Throughout Year	n/a
C	GV	General Consultation	Project Throughout Year	n/a
R	FM	Cash Counts FY2020	Scheduled	
R	FM	Year-End Inventory FY2020	Scheduled	
P	GV	IIA - Self Assessment & QAR	In Progress	
S	AA	Use of Aircraft	Report Issued 2/20/2020	2 Recommendations
S	AA	Use of Mobile Production Truck	In Progress	
A	AA	Research Services Procedural Review	Scheduled	
A	SS	Financial Aid 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