



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

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

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





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

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Tuesday, August 16, 2022

**AGENDA**

Call to Order and Opening Remarks

Roll Call

Approval of Minutes (Action) .....Tab 1

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

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

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





**Middle Tennessee State University  
Board of Trustees**

**Audit and Compliance Committee**

**Action Item**

DATE: August 16, 2022

SUBJECT: **Approval of Minutes**

PRESENTER: Pete DeLay  
Committee Chair

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**BACKGROUND INFORMATION:**

The Audit and Compliance Committee met on May 24, 2022. Minutes from the meeting are provided for review and approval.



**MIDDLE TENNESSEE STATE UNIVERSITY  
BOARD OF TRUSTEES**

**AUDIT AND COMPLIANCE COMMITTEE  
MINUTES**

The Audit and Compliance Committee met on Tuesday, May 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 Karbowski, 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 Karbowski 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. Burkhart 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





**Middle Tennessee State University  
Board of Trustees**

**Audit and Compliance Committee**

**Action Item**

DATE: August 16, 2022

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

PRESENTER: Diane Snodgrass  
Interim Chief Audit Executive

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**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.





## **Audit and Consulting Services**

### **Annual Report Fiscal Year 2022**

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

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



July 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,

A handwritten signature in black ink that reads "Diane B. Snodgrass".

Diane B. Snodgrass, CPA  
Interim Chief Audit Executive

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

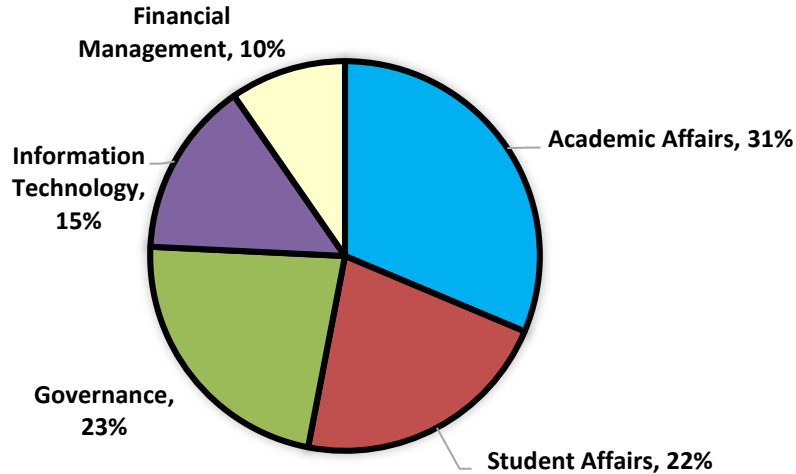
**Planned Audit Efforts for 2023:**

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

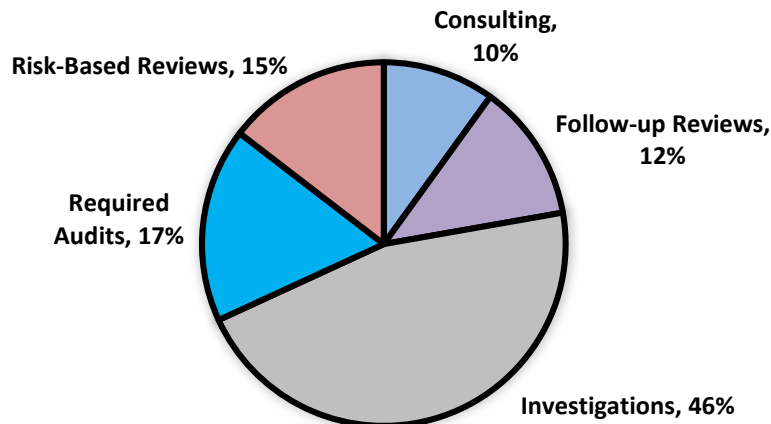
Audit and Consulting Services tracks audit effort by type of project and by university division as shown with the following charts. For the chart Audit Effort by Division, Governance includes the President's Division and general institutional support. The majority of audit effort (76%) focused on projects 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





**Middle Tennessee State University  
Internal Audit Plan  
Fiscal Year Ended June 30, 2022  
as of June 30, 2022**

Type	Area	Audit Project	Current Status	Audit Results
R	FM	Year-End Inventory FY2021	Completed 8/6/2021	No Reportable Issues
R	FM	Cash Counts FY2021	Completed 8/5/2021	No Reportable Issues
R	GV	Audit of President's Office	Completed 11/11/2021	No Reportable Issues
I	SS	INV1702	In Progress	
I	AA	INV1705	In Progress	
I	AA	INV1801	In Progress	
I	AT	INV1904	Administratively Closed 6/22/2021	No Reportable Issues
I	SS	INV2201	In Progress	
I	FM	INV2202	Administratively Closed 10/12/2021	No Reportable Issues
I	FM	INV2203	Administratively Closed 12/1/2021	No Reportable Issues
I	AA	INV2204-Special Review of Geosciences	Completed 6/7/2022	6 Recommendations
I	SS	INV2205	Administratively Closed 4/15/2022	No Reportable Issues
I	FM	INV2206	Administratively Closed 6/30/22	No Reportable Issues
I	AA	INV2207	Administratively Closed 6/30/22	No Reportable Issues
P	GV	IIA - Self Assessment & QAR	In Progress	
F	GV	State Audit Assistance/Follow-Up	Project Throughout Year	
C	GV	General Consultation/Risk Assessment	Project Throughout Year	
I	GV	Unscheduled Investigations	Scheduled	
R	FM	Cash Counts FY2022	In Progress	
R	FM	Year-End Inventory FY2022	In Progress	
A	IT	Risk/Controls: PII Compliance	Completed 2/24/2022	No Reportable Issues
A	IT	Risk/Controls: Vendor Provided Services	Scheduled	
A	MC	Marketing & Communications	Scheduled	
A	FM	Payroll	Scheduled	
A	AA	Research Services Procedural Review	Scheduled	
A	FM	Property Management Contract Review	Scheduled	

**Audit Types:**

A - Risk-Based (Assessed)  
C - Consulting  
F - Follow-up Review  
I - Investigation  
M - Management's Risk Assessment  
P - Project (Ongoing or Recurring)  
R - Required  
S - Special Request

**Area = University Division**

AA - Academic Affairs  
AD - Advancement  
AT - Athletics  
FM - Financial Management  
GV - Governance/Executive Office  
IT - Information Technology  
MC - Marketing and Communications  
SS - Student Services

## 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	<u>11</u>
Less Report Issued	(1)
Less Administratively Closed	<u>(6)</u>
Reviews in Progress at June 30, 2022	<u><u>4</u></u>

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.

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

(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**

Type	Area	Audit Project	Current Status	Audit Results
R	FM	Year-End Inventory FY2022	Completed 7/28/2022	No Reportable Issues
R	FM	Cash Counts FY2022	Completed 7/28/2022	No Reportable Issues
R	GV	Audit of President's Office	In Progress	
R	AT	Football Attendance 2022	Scheduled	
I	SS	INV1702	In Progress	
I	AA	INV1705	In Progress	
I	AA	INV1801	In Progress	
I	SS	INV2201	In Progress	
P	GV	IIA - Self Assessment & QAR	In Progress	
F	GV	State Audit Assistance/Follow-Up	Project Throughout Year	
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A	FM	Property Management Contract Review	Scheduled	

**Audit Types:**

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**Area = University Division**

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IT - Information Technology  
MC - Marketing and Communications  
SS - Student Services



**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

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**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.





**Middle Tennessee State University  
Board of Trustees**

**Audit and Compliance Committee**

**Action Item**

DATE: August 16, 2022

SUBJECT: **Risk Assessment Reporting**

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

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**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.

