



# **Middle Tennessee State University Audit and Compliance Committee**

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2:00 pm CDT  
Tuesday  
March 13, 2018

Bridgestone Americas, Inc.  
200 4<sup>th</sup> Avenue South  
Nashville, Tennessee 37201





**Middle Tennessee State University  
Audit and Compliance Committee**

Tuesday, March 13, 2018 – 2:00pm

**ORDER OF BUSINESS**

- I. Call to Order
- II. Roll Call
- III. Remarks by Committee Chairperson / President
- IV. Approval of the Minutes
  - November 29, 2017 Meeting (Action) ..... Tab 1
- V. Results of State Audit Report for FY 2017 (Information)..... Tab 2
- VI. Conflict of Interest: Report of Disclosures in 2017 (Information) ..... Tab 3
- VII. Reports Required by Policy or Audit Committee Charter (Information) ..... Tab 4
  - Compliance with Public Records Policy
  - Review of Employee Code of Conduct Policy, Audit Office Charter and Independence of Chief Audit Executive
- VIII. Quarterly Report – Results of Internal Audit Reports (Information) ..... Tab 5
- IX. Other Business
- X. Adjourn Public Session
- XI. Non-Public Executive Session – Audits and Investigations (Information)
- XII. Adjourn Non-Public Executive Session





**Middle Tennessee State University  
Audit and Compliance Committee**

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Tuesday, March 13, 2018

Tab 1

Approval of Minutes





**Middle Tennessee State University  
Board of Trustees**

MEETING: Audit and Compliance Committee  
Minutes of November 29, 2017  
SUBJECT: Audit and Compliance  
Committee Meeting  
DATE: March 13, 2018  
PRESENTER: Chris Karbowskiak  
ACTION REQUIRED: Voice Vote  
STAFF RECOMMENDATION: Approval

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**BACKGROUND INFORMATION:**

The Audit and Compliance Committee met on November 29, 2017. Minutes from this meeting are provided for review and approval.





## **Minutes of the Audit and Compliance Committee**

The Audit and Compliance Committee met on Wednesday, November 29, 2017 at Middle Tennessee State University. Trustee Christine Karbowskiak, Audit and Compliance Committee Chair, called the meeting to order at 10:20 a.m. A quorum was present with the following Committee members in attendance: Chairwoman Christine Karbowskiak, Andy Adams, Tony Johnston, and Board Chairman Steve Smith. Trustees J.B. Baker, Pete Delay, Darrell Freeman Sr., Joey Jacobs, and Lindsey Weaver were also present. Also present were President Sidney A. McPhee; Brenda Burkhart, Chief Audit Executive; Gené Stephens, Assistant Vice President for Compliance and Enterprise Risk Management; Alan Thomas, Vice President for Business and Finance; Deb Sells, Vice President for Student Affairs; Andrew Oppmann, Vice President for Marketing and Communications; Mark Byrnes, University Provost; Joe Bales, Vice President for University Advancement; Bruce Petryshak, Vice President Information Technology; Heidi Zimmerman, University Counsel and Board Secretary; and Kim Edgar, Chief of Staff.

The first item on the agenda for action was the approval of the minutes from the September 12, 2017 Audit and Compliance Committee meeting. Trustee Smith made the motion to approve the minutes. The Motion was seconded by Trustee Adams. A voice vote was taken and the Motion to approve the minutes of the September 12, 2017 Audit and Compliance Committee meeting carried.

The next item on the agenda was an informational item presented by Ms. Stephens regarding the Office of Compliance and Enterprise Risk Management. Ms. Stephens presented an overview of the projects and initiatives developed by the Office in support of the University's mission and strategic goals briefly

discussing each project/initiative. In the area of Risk Management Reporting, the Committee requested feedback on enhancements to the process used to support the letter of assurance required by the State's Finance and Administration Department by the middle of next year. Ms. Stephens also provided examples of the University's compliance with the United States Sentencing Commission's guidelines for an effective compliance and ethics program, and examples of the University's demonstration of compliance with the Department of Justice Filip Factors. As part of the discussion concerning risk management, the Committee asked whether the University has a program for drug testing employees. When informed that it does not, a request for information concerning the legal framework for such a program was made.

The Committee adjourned its public session at 11:15 a.m. and entered non-public executive session at 11:16 a.m. to discuss audits and investigations. The non-public session adjourned at 12:15 p.m.

Respectfully submitted,

Audit and Compliance Committee



**Middle Tennessee State University  
Audit and Compliance Committee**

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Tuesday, March 13, 2018

**Tab 2**

**Results of State Audit Report for  
Fiscal Year Ending June 30, 2017**





**Middle Tennessee State University  
Board of Trustees**

MEETING: Audit and Compliance Committee  
SUBJECT: *Results of State Audit Report for Fiscal  
Year Ending June 30, 2017*  
DATE: March 13, 2018  
PRESENTER: Brenda Burkhart  
ACTION: Informational

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**BACKGROUND INFORMATION:**

The Tennessee Comptroller of the Treasury issued the State Audit Report for Fiscal Year Ending June 30, 2017 on February 19, 2018. 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 or recommendations.

There are no follow-up items for this audit report because there were no reportable items or weaknesses discussed with management at the conclusion of the audit.

A complete copy of the audit report is located on the Comptroller of the Treasury webpage at: [www.comptroller.tn.gov/repository/SA/cu17334.pdf](http://www.comptroller.tn.gov/repository/SA/cu17334.pdf).





**Middle Tennessee State University  
Audit and Compliance Committee**

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Tuesday, March 13, 2018

**Tab 3**

**Conflict of Interest:  
Report of Disclosures in 2017**







**Middle Tennessee State University  
Board of Trustees**

MEETING: Audit and Compliance Committee

SUBJECT: *Conflict of Interest: Report of Disclosures in 2017*

DATE: March 13, 2018

PRESENTER: Gené Stephens

ACTION: Information

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**BACKGROUND INFORMATION:**

In the Audit and Compliance Committee (“Committee”) Charter Section IV. Responsibilities, G.4, the Committee is to review the University’s Conflict of Interest (“COI”) policy to ensure the term “conflict of interest” is clearly defined, and that the COI policy is comprehensive. The Committee also is to ensure that all COIs are adequately resolved and documented.

A summary report of the work performed by the Conflict of Interest Committee for calendar year 2017 will be discussed as an informational item.





**Middle Tennessee State University  
Audit and Compliance Committee**

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Tuesday, March 13, 2018

Tab 4

Reports Required by Policy or  
Audit Committee Charter





**Middle Tennessee State University  
Board of Trustees**

MEETING: Audit and Compliance Committee  
SUBJECT: *Reports Required by Policy or  
Audit Committee Charter*  
DATE: March 13, 2018  
PRESENTER: Heidi Zimmerman  
Brenda Burkhart  
ACTION: Informational

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**BACKGROUND INFORMATION:**

Compliance with Public Records Policy

MTSU Policy 120 Public Records, Section III.B.3 requires the Public Records Coordinator to annually report to the Board concerning the institution's compliance with the Tennessee Public Records Act and make recommendations, if any, for revisions to this policy. Ms. Zimmerman will provide the information to the committee.

Review of Employee Code of Conduct Policy, Audit Office Charter and Independence of Chief Audit Executive (CAE)

In the "Responsibilities" section of the Audit and Compliance Committee Charter, the Committee is to "review the University's code of conduct and/or policies regarding employee conduct to ensure that they are easy to access, are widely distributed, are easy to understand and implement, include a confidential mechanism for reporting code violations, are enforced, and include a conflict of interest policy." MTSU Policy 10 Ethics and Code of Conduct is included for the Committees review. No revisions are recommended at this time.

Responsibilities of the Committee includes reviewing the Internal Audit Charter for the Office of Audit and Consulting Services. The Audit Charter that was approved on May 17, 2017 is included for the Committees review. There are no recommended changes at this time.

The Committee is to ensure the Chief Audit Executive's administrative reporting relationship to the President is independent. The Chief Audit Executive has no concerns with independence at this time.



## **10 Ethics and Code of Conduct**

**Approved by Board of Trustees**

**Effective Date: June 5, 2017**

**Responsible Division: Business and Finance**

**Responsible Office: Compliance and Enterprise Risk Management**

**Responsible Officer: Assistant Vice President for Compliance and Enterprise Risk Management**

### **I. Purpose**

Middle Tennessee State University (MTSU or University) has a fiduciary responsibility to fulfill its overall mission in compliance with applicable policies, laws, regulations, rules, contracts, grants, and donor restrictions. As the University pursues its mission, it is committed to conducting its business in an ethical and law-abiding fashion; it will maintain a business culture that builds and promotes compliance consciousness.

The University is also committed to the core values of honesty, integrity, respect for diversity, engagement in the community, and commitment to non-violence. As part of the University's core values, employees are expected to promote the best interests of students; treat others with respect and civility; conduct University business with the highest level of ethical standards and integrity; utilize University resources in a manner that avoids waste, fraud, and abuse; and maintain a culturally rich and diverse environment in which to work and learn. This policy sets forth standards of conduct to support these core values and, in so doing, to protect the reputation, credibility, financial well-being, and legal obligations of the University.

### **II. Scope**

This policy applies to all employees of the University to include faculty and staff, whether employed full-time, part-time, or temporarily.

### **III. Policy**

All employees of the University are expected to maintain the highest standards of honesty and integrity in the performance of their employment duties. Accordingly, the following are general standards of conduct related to an employee's duty to the University.

- A. Employees must comply with [Policy 12 Conflict of Interest](#). Employees must refrain from using their position at the University, or any privileges obtained through employment at the University, in a manner that would unduly influence or result in a personal advantage to the employee or to the employee's immediate family members. Employees shall not have any personal interest, financial or otherwise, or directly or indirectly engage in a business transaction or professional activity that conflicts with the proper performance and responsibilities of their duties in the course of University employment, or that provides the appearance of such conflict. As provided for in [Policy 12 Conflict of Interest](#), employees must disclose information on the nature and extent of any financial interests in entities that do business with the University.
- B. Employees must comply with [Policy 71 Preventing and Reporting Fraud, Waste, and Abuse](#), and should become familiar with the reporting process.
- C. Employees must comply with [Policy 814 Outside Employment, Extra Compensation, and Dual Services Agreements](#) as concerns employment outside of, and in addition to, the employee's responsibilities at the University.
- D. Employees shall not accept any compensation for their service as University employees from any source other than the University, except as may be otherwise provided in other policies such as [Policy 814 Outside Employment, Extra Compensation, and Dual Services Agreements](#).
- E. An employee shall not disclose the confidential information of the University obtained during the course of his/her employment, except as required by law, statute, a valid subpoena, or request by a government entity for educational or investigatory purposes. An employee shall not use such information for his/her personal gain or benefit. Such confidential information includes, but is not limited to, student educational records under the Family Educational Rights and Privacy Act (20 U.S.C. § 1232g; 34 CFR Part 99); pharmacy records, treatment records, medical records, and other protected health information; University business and financial records; and University patents, licenses, inventions, research, or other University intellectual property.
- F. An employee shall not engage in conduct or actions that could provide the appearance or impression that improper influence over him/her could favorably affect the outcome of any University contract, award, rank, position, grant, or University-owned asset.
- G. Employees must comply with [Policy 816 Nepotism](#). An employee may not be in a direct supervisory line with his/her relative, nor may the employee participate in the process of review, recommendation, and/or decision making in any manner concerning hiring, opportunity, promotion, salary, retention, or termination of a relative.
- H. Professional Values. Employees should demonstrate the following behaviors in carrying out fiscal and other professional transactions by:



1. According respect to self and others;
2. Exhibiting commitment to both the University and organizational unit;
3. Accepting responsibility; and
4. Striving to enhance one's own capabilities, and provide the highest quality of performance and counsel.

I. Employees shall, in the performance of their duties, be accountable for:

1. Knowing, supporting, and implementing the University's and functional area's operational plans;
2. Exercising prudence and integrity in the management of resources in their custody and in all fiscal transactions in which they participate;
3. Acting in a competent manner and in compliance with applicable policies, laws, regulations, and rules, contracts, grants, and donor restrictions;
4. Not knowingly being a party to, or condoning, fiscal misconduct;
5. Reporting fiscal misconduct as required by University policy;
6. Not knowingly signing, subscribing to, or permitting the issuance of any financial statement or report that contains any material misstatement or that omits any material fact;
7. Knowing and fulfilling the fiscal responsibilities set forth in University policy;
8. Preparing or presenting financial information as required by University policies; and
9. Protecting privileged or confidential information to which they have access by virtue of their position.

J. Appropriate Use of University Resources

University resources are an important part of the successful delivery of both academic and support services to MTSU's students and community constituents. All employees of the University are entrusted with the responsibility of preserving University resources, using those resources in a prudent manner for their designated purposes, and are entrusted with fiscal responsibility for their functional area of responsibility. Accordingly, University resources should only be used in furtherance of the University's mission and operations. Inappropriate use of University resources includes:

1. Faculty or staff utilizing students or other University employees to advance the faculty or staff member's personal, monetary, or political interests.
2. Granting external entities access to University services, information, technology, or resources for personal gain.

K. Fiscal Code of Conduct

1. All Banner Finance users, HRBanner users, procurement card (P-Card) users, and other specified employees shall demonstrate their awareness of, and compliance with, the University's Fiscal Code of Ethics through the acknowledgement process that follows.
2. Acknowledgment Process. The applicable Fiscal Code of Ethics statement must be signed, as monitored by the responsible party identified in parentheses:
  - a. By employees upon signing their letter of offer for employment with the University (the respective department or college);
  - b. By individuals requesting access to the University's Finance System/MTSource as Finance System Users, prior to receiving such access (the appropriate University Finance System Access Security Coordinator);
  - c. By individuals requesting access to the University's HRBanner and by HRBanner users prior to receiving such access (the appropriate University HRBanner Access Security Coordinator);
  - d. By individuals asking for authority as a P-Card user, prior to receiving such authority (Procurement Services);
  - e. By all the principal investigators, project directors, and everyone associated with a grant, as may be required by the terms of the grant or relevant laws, regulations, or policies; and
  - f. By other employees as required by his/her Vice President.
3. If an individual fails to sign the statement as required, the respective Finance System, HRBanner, or P-Card access will not be provided. If the individual already has access, then the access will be withdrawn. The failure to sign will be reported to the relevant supervisor for appropriate action. Employees who fail to sign as required will be deemed to have failed to meet a condition of their appointment/employment.

#### **IV. Enforcement**

Violations of this policy shall be reported to the Assistant Vice President for Human Resource Services and/or to the Office of Audit and Consulting Services for the University. An investigation of the allegations will be conducted and recommendations made concerning such disciplinary action as may be appropriate.

Forms: none.

Revisions: none.

References: Policies 12 Conflict of Interest; 71 Preventing and Reporting Fraud, Waste, and Abuse; 814 Outside Employment, Extra Compensation, and Dual Services Agreements; 816 Nepotism.



## **Introduction**

Middle Tennessee State University is an institution within the Tennessee higher education community. Middle Tennessee State University is governed by the Board of Trustees, consisting of 10 members (the Board) as determined by state law. The Audit and Compliance Committee is a standing committee of the Board. In accordance with the “State of Tennessee Audit Committee Act of 2005,” the chief audit executive reports directly to the Audit and Compliance Committee of the Board and oversees the internal audit function. Middle Tennessee State University employs an audit staff of four professionals including the chief audit executive.

## **Purpose**

Audit and Consulting Services is an independent objective assurance and consulting activity designed to add value and improve Middle Tennessee State University management systems. Audit and Consulting Services helps Middle Tennessee State University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. Audit and Consulting Services assists Middle Tennessee State University’s management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements and providing other information designed to promote effective controls.

Assurance services involve the internal auditor’s objective assessment of evidence to provide an opinion or conclusions regarding an entity, operation, function, process, system, or other subject matters. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — the internal auditor, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — the internal auditor, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

Middle Tennessee State University's management has the primary responsibility for establishing and maintaining a sufficient system of internal controls.

### **Authority and Scope**

Audit and Consulting Services review of operations may include the examination and evaluation of the effectiveness of all aspects of university operations at Middle Tennessee State University. In the course of its work, Audit and Consulting Services has full and complete direct access to all Middle Tennessee State University books, electronic and manual records, physical properties, and personnel information relative to the performance of duties and responsibilities. All documents and information provided to Audit and Consulting Services during their work will be handled in the same prudent manner that Middle Tennessee State University expects of the employees normally accountable for them.

Audit and Consulting Services has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews nor shall their review relieve others of their responsibilities. The internal auditors must maintain a high degree of independence and not be assigned duties or engage in any operations or decision making in any activities they would normally be expected to review or evaluate as part of the normal audit function.

### **Responsibility and Role**

MTSU Policy 70, *Internal Audit*, states the role of the internal audit function is to contribute 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. Meaningful internal auditing requires cooperation among Audit and Consulting Services, Middle Tennessee State University's administration, and the department under audit. In fulfilling their responsibilities, Audit and Consulting Services will:

- Comply with auditing standards established by the Institute of Internal Auditors to ensure the effectiveness and quality of the internal audit effort.
- Develop and implement audit plans and programs after consultation with the Audit and Compliance Committee, President and other university management who respond to both risk and cost effectiveness criteria.
- Review the reliability and integrity of information, and the information technology processes that produce that information.
- Verify compliance with applicable policies, guidelines, laws, and regulations.

- Suggest policies and procedures or improvements to existing policies and procedures where appropriate.
- Provide audit reports that identify internal control issues and make cost-effective recommendations to strengthen control.
- Facilitate the resolution of audit issues with administrators who have the most direct involvement and accountability.
- Review university operations (financial and other) on an advisory basis to inform and assist management in the successful execution of their duties.
- Assist with audits or perform certain agreed upon procedures for external parties. External parties include but are not limited to audit offices of federal and state governments and related agencies.
- Review management's risk assessment process and advise management on the reasonableness and propriety of the assessment.
- Promote and evaluate fraud prevention and identification programs and investigate allegations involving fraud, waste, and abuse.
- Demonstrate and promote appropriate ethics and values within the organization.
- Communicate activities and information among the board, internal auditors, external auditors and the administration.

### **Organizational Status/Reporting Structure**

In accordance with T.C.A. 49-14-102 and MTSU Policy 70, *Internal Audit*, the chief audit executive reports directly to the Audit and Compliance Committee and the Board.

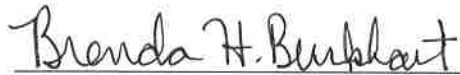
The internal auditing services provided by Audit and Consulting Services are reported directly to the President and the Audit and Compliance Committee. All audit work is summarized in timely written reports distributed to management to ensure that the results are given due consideration. In addition to management, reports or summaries are distributed to all members of the Audit and Compliance Committee and to the State of Tennessee Comptroller of the Treasury. Management is provided a discussion draft of the audit report prior to the issuance of the report. Audit and Consulting Services is responsible for the timely follow-up on audit findings and recommendations to ascertain the status of management's corrective actions.

## Audit Standards and Ethics

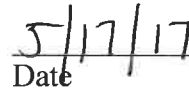
Audit and Consulting Services adheres to The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*, together with the Code of Ethics. The *Standards* consist of core requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity.

## Periodic Review of Internal Audit Charter

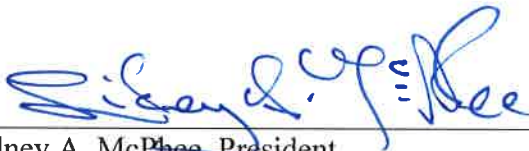
This charter will be periodically assessed by the chief audit executive to determine whether the purpose, authority, and responsibilities defined in this charter are adequate to enable the internal auditing activity to accomplish its objectives. The results of the periodic assessment will be communicated to senior management and the Audit and Compliance Committee.



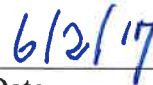
Brenda H. Burkhart, Director  
Audit and Consulting Services  
Middle Tennessee State University



Date



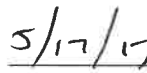
Dr. Sidney A. McPhee, President  
Middle Tennessee State University



Date



Trustee Christine Karbowiak, Committee Chair  
Audit and Compliance Committee  
Board of Trustees  
Middle Tennessee State University



Date





**Middle Tennessee State University  
Audit and Compliance Committee**

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Tuesday, March 13, 2018

Tab 5

Quarterly Report  
Results of Internal Audit Reports





**Middle Tennessee State University  
Board of Trustees**

MEETING: Audit and Compliance Committee  
SUBJECT: *Quarterly Report – Results of Internal  
Audit Reports*  
DATE: March 13, 2018  
PRESENTER: Brenda Burkhart  
ACTION: Informational

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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 report for the Audit of Football Ticket Sales and Paid Attendance for Fall 2017 was issued. There were no findings or recommendations.

The current status of the Internal Audit Plan for Fiscal Year Ended June 30, 2018 is included for the Committee's review.



**Middle Tennessee State University  
Internal Audit Plan  
Fiscal Year Ended June 30, 2018  
Updated March 5, 2018**

Type	Area	Audit	Current Status	Audit Results
M	GV	Management Risk Assessment	Completed 9/12/17	No Reportable Issues
Y	FM	Year-End Inventory FY2017	Report Issued 9/25/17	No Reportable Issues
Y	FM	Cash Counts FY2017	Memo to Management 9/25/17	No Reportable Issues
I	AA	INV1701 - Case Resolution Band Loss	Report Issued 11/8/17	1 Recommendation
R	GV	Audit of President's Office	Report Issued 11/20/17	No Reportable Issues
I	SS	INV1602	Draft Report	
I	AA	INV1604	In Progress	
I	SS	INV1702	In Progress	
I	AT	INV1703	In Progress	
I	MC	INV1704	In Progress	
I	AA	INV1705	In Progress	
I	AA	INV1801	In Progress	
S	AA	Confucius Institute	Draft Report	
R	AT	Football Attendance Fall 2017	Report Issued 2/6/2018	No Reportable Issues
F	FM	State Audit Assistance/Follow-Up	Project Throughout Year	
C	GV	General Consultation	Project Throughout Year	
F	GV	Follow-up, Prior Recommendations	Scheduled	
I	GV	Unscheduled Investigations	Scheduled	
Y	FM	Cash Counts FY2018	Scheduled	
Y	FM	Year-End Inventory FY2018	Scheduled	
A	AA	Research Services Procedural Review	Scheduled	
A	SS	Financial Aid Procedural Review	Scheduled	
A	FM	Property Management Contract Review	Scheduled	

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

