



AUDIT COMMITTEE

Austin Peay State University

317 College Street

Clarksville, TN 37040

December 2, 2022

At the conclusion of the Business and Finance meeting Committee

Call to Order

Roll Call/Declaration of a Quorum

Approval of Minutes

Information Items

A.Internal Audit Reports released between August 17, 2022 and November 4, 2022

B.Discussion of the principles of independence and objectivity

C.Information Technology Security Update

Adjourn





Audit Committee Minutes

Friday, September 16, 2022
317 College Street, Clarksville, TN 37040

Call to Order

Trustee Mealer, committee chair, called the meeting to order at 9:04 a.m.

Roll Call/Declaration of Quorum

Dr. Carol Clark, secretary to the board, called the roll. Trustee Mealer stated there was a quorum.

Attendees:

Committee Members

Trustee Robin Mealer, Chair
Trustee Katherine Johnson Cannata
Trustee Mike O'Malley
Trustee Phil Roe
Trustee Billy Atkins, ex-officio

University Personnel

Dr. Michael Licari, President
Dr. Carol Clark, Secretary to the Board
Mr. Blayne Clements, Chief Audit Officer
Ms. Dannelle Whiteside, Vice President for
Legal Affairs & Org. Strategy

Approval of Minutes

Trustee Mealer presented the minutes of the June 10, 2022, meeting of the Audit Committee, both the public and executive sessions, to the committee for approval. She asked if there were any corrections or additions to the minutes. There were none.

Trustee Roe moved to approve the minutes of the Audit Committee, both the public and executive sessions, as written. Trustee Cannata seconded the motion.

A voice vote was taken, and the motion carried unanimously with five trustees voting yes.

Action Items

A. Consideration of Internal Audit Salaries and Budget for FY2023

Trustee Mealer recognized Blayne Clements, chief audit officer, for a report. Clements explained that in accordance with the Audit Committee Charter, the salaries for staff in the Office of Internal Audit are to be reviewed and approved by the Audit Committee. Additionally, the *International Professional Practices Framework* promulgated by the Institute of Internal Auditors, Standard 2020, requires the board to review and approve the resources of the Office of Internal Audit.

Trustee Cannata moved to approve the FY2023 Internal Audit Salaries and Budget. Trustee Roe seconded the motion. A roll call vote was taken, and the motion carried unanimously with five trustees voting yes.

Information Items

A. Internal Audit Reports issued between May 11, 2022, and August 16, 2022, and List of Outstanding Audit Recommendations

Mealer recognized Clements for a report. Clements discussed two audits completed between May 11, 2022, and Aug. 16, 2022. The internal audit report for the Enrollment Management and Student Success Internal Controls Verification Review was issued on June 28, 2022, and the internal audit report for the Student Assistant Fund and Academic Enhancement Fund Review was issued on Aug. 3, 2022.

Clements also explained that the Office of Internal Audit follows up on all recommendations included in internal audit reports, and a summary of outstanding audit recommendations was provided to the committee.

B. Results of Quality Assurance Review – Periodic Assessment

Trustee Mealer recognized Clements for a report. Clements explained that state law requires the Office of Internal Audit to comply with the mandatory guidance issued by the Institute of Internal Auditors (IIA). This guidance requires the office to conduct periodic assessments to evaluate the office's conformance to the IIA's standards, Code of Ethics, Core Principles and definition of internal auditing.

The office recently completed a periodic assessment using IIA-approved tools and achieved the highest rating possible, "generally conforms." The resulting report and list of opportunities for improvement were included in the meeting materials.

C. Office of Internal Audit FY2022 Annual Report

Trustee Mealer recognized Clements for a report. Clements explained the Audit Committee Charter requires the committee to provide oversight on internal audit activities, which includes reviewing the results of the year's work. The Internal Audit Year End Report for Fiscal Year 2022 was included in the meeting materials and contains summary information of internal audit activities for the year.

D. Overview of Recently Completed External Audits

Trustee Mealer recognized Clements for a report. Clements discussed three external audits conducted at the university. On March 15, 2022, the state of Tennessee sponsored a site survey to review the university's physical property loss control measures. On April 12, 2022, the state Records Management Division completed a records assessment designed to evaluate the university's compliance with state records retention rules. On May 31, 2022, the Tennessee Student Assistant Corporation (TSAC) completed a review of the university's state financial aid programs for the 2020-2021 award year.

Adjournment

Trustee O'Malley moved to adjourn the public portion of the Audit Committee meeting. Trustee Cannata seconded the motion. A voice vote was taken and carried unanimously with five trustees voting yes. The meeting adjourned at 9:14 a.m.



Audit Committee – Executive Session Minutes

Friday, September 16, 2022
317 College Street, Clarksville, TN 37040

Call to Order

Trustee Mealer called the confidential, nonpublic executive session to order at 9:16 a.m.

Roll Call/Declaration of Quorum

Dr. Carol Clark, secretary to the board, called the roll. Trustee Mealer stated there was a quorum.

Attendees:

Committee Members

Trustee Robin Mealer, Chair
Trustee Katherine Johnson Cannata
Trustee Mike O'Malley
Trustee Phil Roe
Trustee Billy Atkins, ex-officio

University Personnel

Dr. Michael Licari, President
Dr. Carol Clark, Secretary to the Board
Mr. Blayne Clements, Chief Audit Officer
Ms. Dannelle Whiteside, Vice President for
Legal Affairs & Org. Strategy

Executive Session

Trustee Mealer recognized Dannelle Whiteside, vice president for the Division of Legal Affairs and Organizational Strategy, for a discussion of litigation and reminded the attendees that everything discussed is to be considered confidential and not shared outside the session.

Adjournment

Trustee O'Malley moved to adjourn the meeting. Trustee Cannata seconded the motion. A voice vote was taken and carried unanimously with five trustees voting yes. The meeting adjourned at 9:23 a.m.

Austin Peay State University
Review of the Physical Plant Department
Internal Audit Report
August 31, 2022

Key Staff: Exec. Director of the Physical Plant	Auditor: Blayne M. Clements CIA, CFE, CRMA
<p>Introduction: The mission of the Physical Plant Department is to maintain and operate the physical facilities of the University to create a physical environment in which the faculty can teach, students can learn and staff members can perform. Approximately sixty five employees work in the areas of Building Maintenance, Grounds/Landscaping, Central Plant, Warehouse/Central Receiving and Administration. The department supports the university by offering a variety of services, including but not limited to:</p> <ul style="list-style-type: none">• Maintain heating and air conditioning units• Operation of Steam/Chilled Water Plant• Manage university key inventory• Manage re-use/disposition of surplus property• Handle office relocations and coordinate small renovation projects• Maintain grounds and landscaping• Provide shipping and receiving services <p>Each spring and fall, the department solicits feedback from the clients they serve with a Customer Survey. This surveys routinely shows the campus community's satisfaction with the Physical Plant Department.</p>	
<p>Objectives: The objective was to review the operations of the Physical Plant Department and provide assurance on a variety of topics, including:</p> <ul style="list-style-type: none">• Fixed Assets and Equipment• Department Payroll• Procurement Card Use• System Access• Compliance• Financial Matters• Physical Security	
<p>Scope: January 2022 through May 2022</p>	
<p>Field Work: The audit included interviewing key staff, reviewing a variety of documents and performing tests of significant controls.</p>	
<p>Results: The results of the review indicate the Physical Plant Department has adequate controls over operations.</p>	

Austin Peay State University
Review of the Office of Emergency Management
Internal Audit Report
October 18, 2022

Key Staff: Director of Emergency Management	Auditor: Blayne M. Clements CIA, CFE, CRMA
<p>Introduction: In May 2020, during the early stages of the COVID crisis, the university hired a Director of Emergency Management to oversee the newly created Office of Emergency Management (OEM). The Director is the only employee fully dedicated to the university's emergency preparedness and reports to the Assistant Vice President for Public Safety. The Director is responsible for, but not limited to, the following:</p> <ul style="list-style-type: none">• Assisting the university in responding to an emergency or crisis;• Creating a comprehensive university emergency management plan, which includes an Emergency Action Plan, Crisis Communication Plan and Emergency Operations Center Plan;• Facilitating the completion of Continuity of Operations Plans for over 90 university departments/offices;• Providing training to the campus community on how to respond in an emergency, engaging nearly 450 employees/students in 48 training sessions held between January 2021 and August 2022;• Facilitating tabletop exercises with key campus leaders to simulate a real emergency and response; and• Working with a University Emergency Management Committee, which provides oversight and support to the Emergency Management function.	
<p>Objective: The objective was to review the department's operations and provide assurance on a variety of topics, including:</p> <ul style="list-style-type: none">• Emergency Preparedness Planning• Emergency Preparedness Awareness Efforts• Access to and use of various university Emergency Alert Systems• Finances (including departmental payroll, purchasing, and budget monitoring)• Physical Security	
<p>Scope: February 2022 to August 2022</p>	
<p>Field Work: The audit included interviewing key staff, reviewing a variety of documentation and performing tests of significant controls.</p>	
<p>Results: The results of the review indicate the Office of Emergency Management has adequate internal controls over operations.</p>	



The Office of Internal Audit

Annual Review of the President's Office

July 1, 2021 – June 30, 2022

November 4, 2022

Restrictions on Report Use: This report is intended solely for the internal use of the Austin Peay State University Board of Trustees and the management of Austin Peay State University. It is not intended to be, and should not be, used for any other purpose. The distribution of the report to external parties must be approved by Austin Peay State University, Office of Internal Audit, and handled in accordance with institutional policies; however, this report is a matter of public record.



Internal Audit

November 4, 2022

Brig. Gen. Robin Mealer, Audit Committee Chair
Austin Peay State University
601 College Street
Clarksville, TN 37044

Dear Trustee Mealer,

Enclosed is the internal audit report, Annual Review of the President's Office for fiscal year July 1, 2021 to June 30, 2022, which is required by Tennessee Code Annotated 49-7-3001(c). The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors.

The audit objective was to verify compliance with state law and university policies by performing an internal financial audit of the president's office. Our review did not result in any recommendations in the report. However, a clerical error resulted in several expenses, one of which was material, not being initially included in the schedules. These transactions were added to the audited report. Other less significant issues were communicated to management but not included in the report.

Please contact me should you have any questions regarding this review.

Sincerely,

A handwritten signature in blue ink, reading 'Blayne M. Clements'.

Blayne M. Clements CIA, CFE, CRMA

CC: Dr. Michael Licari, President
Mr. Shahrooz Roohparvar, Vice President for Finance and Administration

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Austin Peay State University
Annual Review of the President's Office
Fiscal Year July 1, 2021 – June 30, 2022
Internal Audit Report
November 4, 2022

Key Staff: Dr. Michael Licari, President	Auditor: Beth Chancellor, CFE
<p>Introduction: Tennessee Code Annotated 49-14-104 states "The governing boards of all public institutions of higher education shall establish a policy requiring that annual reports detailing expenditures made by, at the direction of, or for the benefit of a system head or chief executive of an institution are to be filed with their respective boards." In addition, Tennessee Code Annotated, 49-7-3001(c) states "Each state university board shall require an annual internal financial audit of the office of the president of the institution. The audit shall be reviewed by the institution's governing board and the comptroller of the treasury."</p> <p>To ensure compliance with T.C.A. 49-14-104 and 49-7-3001(c), the university follows university policy 4:016, Reports of Expenditures by the President. Policy 4:016 details what is to be included in the report, the Office of Internal Audit's responsibility in reviewing the report and performing an internal financial audit of the annual report of president's expenses, as well as Internal Audit's responsibility to provide the results of the audit to the APSU Audit Committee and the Comptroller of the Treasury.</p>	
<p>Objectives: To comply with state law and university policy, by performing an annual internal financial audit of the president's office. To ensure the President's Expense Report accurately contains all expenses made by, at the direction of, or for the benefit of the president regardless of the funding source. To ensure the expenses reported comply with applicable laws, regulations and university policies.</p>	
<p>Scope: The review included all expenses for fiscal year July 1, 2021 – June 30, 2022 made by, at the direction of, or for the benefit of the president regardless of the funding source.</p>	
<p>Field Work: The review included correspondence with key members of management, tests of the accounting records and other auditing procedures considered necessary during the course of the review.</p>	
<p>Audit Results: The objectives of the Annual Review of the President's Office for fiscal year July 1, 2021 – June 30, 2022 were achieved. The summary included with this report fairly represents the expenses of the president's office.</p>	

Austin Peay State University
Summary of the President's Expenses
For the Period July 1, 2021 to June 30, 2022

	Supplemental Schedule	President's Budgetary Accounts		Other Accounts		External Sources	Total
		Institutional	Foundation	Institutional	Foundation		
President/Interim President:							
Salary and Benefits		\$ 411,614.08	\$ -	\$ -	\$ -	\$ -	\$ 411,614.08
Bonus Payments		13,800.00	-	-	-	-	13,800.00
Discretionary Allowance		6,666.67	-	-	-	-	6,666.67
Vehicle Allowance		11,200.00	-	-	-	-	11,200.00
Salary, Benefits & Other Payments		<u>443,280.75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443,280.75</u>
Travel	A	403.24	-	1,850.51	3,040.00	-	5,293.75
Business Meals and Hospitality	B	689.78	2,674.75	10,676.43	20,199.35	5,707.00	39,947.31
Other Expenses	C	9,102.14	16,850.00	12,327.54	1,200.00	-	39,479.68
Total Expenses for the President		<u>453,475.91</u>	<u>19,524.75</u>	<u>24,854.48</u>	<u>24,439.35</u>	<u>5,707.00</u>	<u>528,001.49</u>
President's Office:							
Salary and Benefits		66,032.85	107,650.00	-	-	-	173,682.85
Travel		734.88	175.26	-	-	-	910.14
Other Expenses		2,415.44	1,775.43	-	-	-	4,190.87
		<u>69,183.17</u>	<u>109,600.69</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>178,783.86</u>
Total Expenses		<u>\$ 522,659.08</u>	<u>\$ 129,125.44</u>	<u>\$ 24,854.48</u>	<u>\$ 24,439.35</u>	<u>\$ 5,707.00</u>	<u>\$ 706,785.35</u>

Additional Disclosures:

Housing - The President is provided the use of a campus residence valued at \$8,640 per year.

Athletic Tickets - The Office of the President is provided a suite at the football stadium that is used for the cultivation of University community relations and private giving. The suite has 46 seats at the value of \$25,000.

Bonus Payment - The Board of Trustees Executive Committee approved the President's incentive payment for 2021-2022 on June 10, 2022.

External Sources - Chartwells Dining Services donated food for President's Football Suite due to catering issues.

*Audited supplemental schedules available on request.

Report Objective: In accordance with TCA 49-14-104, this is a report of expenses made by, at the direction of, or for the benefit of the president for the period and includes expenses from the president's institutional operating budget, as well as any discretionary expenses from unrestricted gifts, foundation funds, athletic funds, sponsorship fees, licenses and royalty funds, and other such funds that would not be included in the operating budget for the president's office for the period indicated. This summary report includes two sections, one for the expenses made by, at the direction of, or for the benefit of the president and the other for the remaining expenses of the president's office.

APSU - Status Report on Outstanding Internal Audit Recommendations as of November 11, 2022

Date of report	Recommendation	Responsible Staff	Date Management's Actions to be Implemented	Status of Internal Audit Follow-up	Internal Audit's Conclusion on Management's Actions
1 2/16/2022	Payroll Office Mangement should ensure aid provided to international students is properly and timely considered for any potential tax considerations.	Assistant Vice President for Finance/ Executive Director of International Education	Original 8/1/2022 Revised 1/1/2023	Not Yet Due	NA

Gramm-Leach-Bliley Act (GLBA)

Also known as the Financial Modernization Act of 1999, this is a federal law to control how financial institutions deal with the private information of individuals.

This law also applies to higher education institutions.

Key changes to Safeguards Rule are set to take effect on December 6, 2022

Three Sections:

- I. *Financial Privacy Rule* – regulates the collection and disclosure of private financial information.
- II. *Pretexting Provisions* – prohibits accessing private information using false pretenses.
- III. *Safeguards Rule* – stipulates that financial institutions must implement security programs to protect information.

Safeguards Rule

- I. What is it?
 - a. FCC Code of Federal Regulations
 - i. Title 16, Chapter 1, Subchapter C, Part 314
 - ii. Authority: 15 U.S.C. 6801(b), 6805(b)(2).
 - b. Purpose: “This part, which implements sections 501 and 505(b)(2) of the Gramm-Leach-Bliley Act, sets forth standards for developing, implementing, and maintaining reasonable administrative, technical, and physical safeguards to protect the security, confidentiality, and integrity of customer information.”
 - c. Scope: “Namely, this part applies to those “financial institutions” over which the Commission has rulemaking authority pursuant to section 501(b) of the Gramm-Leach-Bliley Act. An entity is a “financial institution” if its business is engaging in an activity that is financial in nature or incidental to such financial activities as described in section 4(k) of the Bank Holding Company Act of 1956, ...”
- II. New requirements to be aware of:
 - a. Designating a Qualified Individual
 - Oversee the Information Security Program
 - Report out to Governing Board annually
 - b. Conducting a Risk Assessment
 - Currently in place need to make some adjustments
 - c. Specific Information Security Program Requirements

- Developing, implementing, and maintaining a written information security program
- Inventory of data, personnel, systems
- Multi-factor authentication on key systems
- Creating and maintaining a change management process
- Encrypting personal data at rest and in transit
- Vulnerability scanning and penetration testing
- Requiring and documenting security awareness training
- Assessing third-party service providers periodically
- Establishing a written information incident response program

III. Procedures in place, being implemented

- a. Controls or compensating controls in place to meet most of these requirements
- b. Additional actions
 - i. Investigating Banner Data Defense or Oracle Transparent Data Encryption for improved encryption
 - ii. Increase use of MFA on campus
 - iii. Adjusting our Risk Assessment to include Center for Internet Security – 18 controls
 - iv. Written Information Security Program
 - v. Reporting out annually
 - vi. Person responsible for Safeguards Rule/Program