



Audit Committee Agenda

Austin Peay State University

417 College Street

Clarksville, TN 37040

September 14, 2017

Call to Order

Roll Call/Declaration of Quorum

Action Items

- A. Internal Audit Salaries and Budget (Roll Call Vote)
- B. FY2018 Internal Audit Plan (Voice Vote)

Informational Items

- A. Year-end Status Report
- B. Internal Audit Reports issued between May 1, 2017 and August 30, 2017, with list of outstanding audit recommendations
- C. Periodic Quality Assessment Methodologies
- D. Risk Assessment
- E. Code of Conduct Policy
- F. Conflict of Interest Policy

Executive Session (if needed)



**Information Item: A.**

**Date:** September 14, 2017

**Subject:** Year End Report

**Action Recommended:** Informational Item

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**Background Information:**

The Audit Committee charter requires the Audit Committee to provide oversight in internal audit activities, which includes reviewing the results of the year's work. The Internal Audit Year End Report for FY 2017 follows this transmittal letter. This report contains summary information of internal audit activities for the year.

**Proposed Implementation Date:** N/A

**Item Details:** N/A

# AUSTIN PEAY STATE UNIVERSITY



Year End Report  
For The Fiscal Year  
Ended June 30, 2017



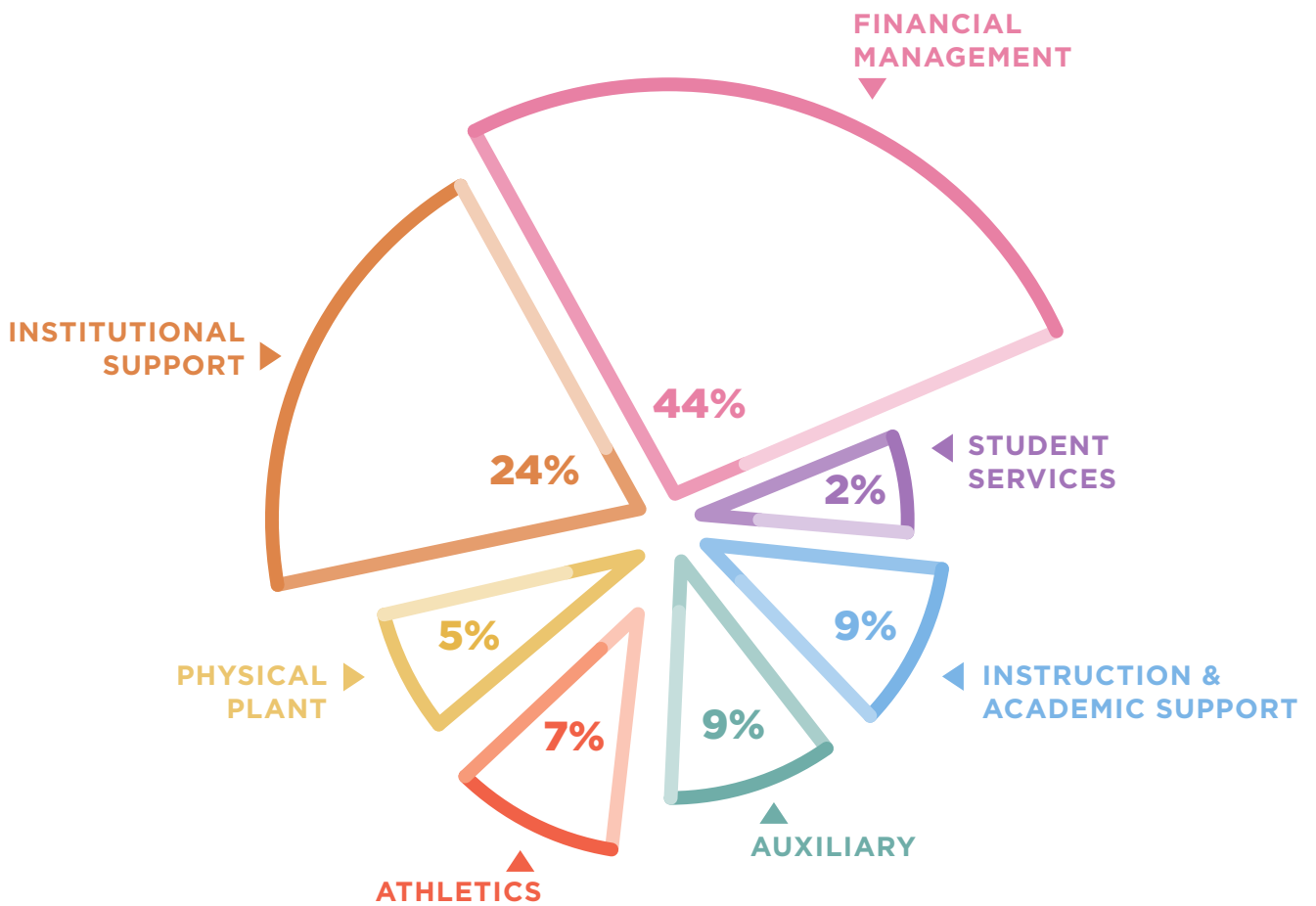
Office of Internal Audit  
Box 4415  
601 College St.  
Clarksville, TN 37044



The Office of Internal Audit should be a helpful and valued asset to the university community. More than half of the office’s audit time was spent consulting with management (9 percent) or performing reviews requested by management (48 percent). This high percentage of effort dedicated to consulting and requests by management is evidence that the Office of Internal Audit is a much-used and valued asset to the university community.

The Office of Internal Audit classifies audits by functional area. This allows us to report to the Board of Trustees and management what segments of the university community we are serving. Below is a chart showing the distribution of audit hours by functional area:

*Audit Hours by Functional Area FY June, 2017\**



The Office of Internal Audit focuses mainly on the university’s business operations, which are generally classified under financial management and institutional support. One area that appears underserved in fiscal year 2017 is information technology. To address this, the fiscal year 2018 audit plan has dedicated more time resources to the area of information technology.

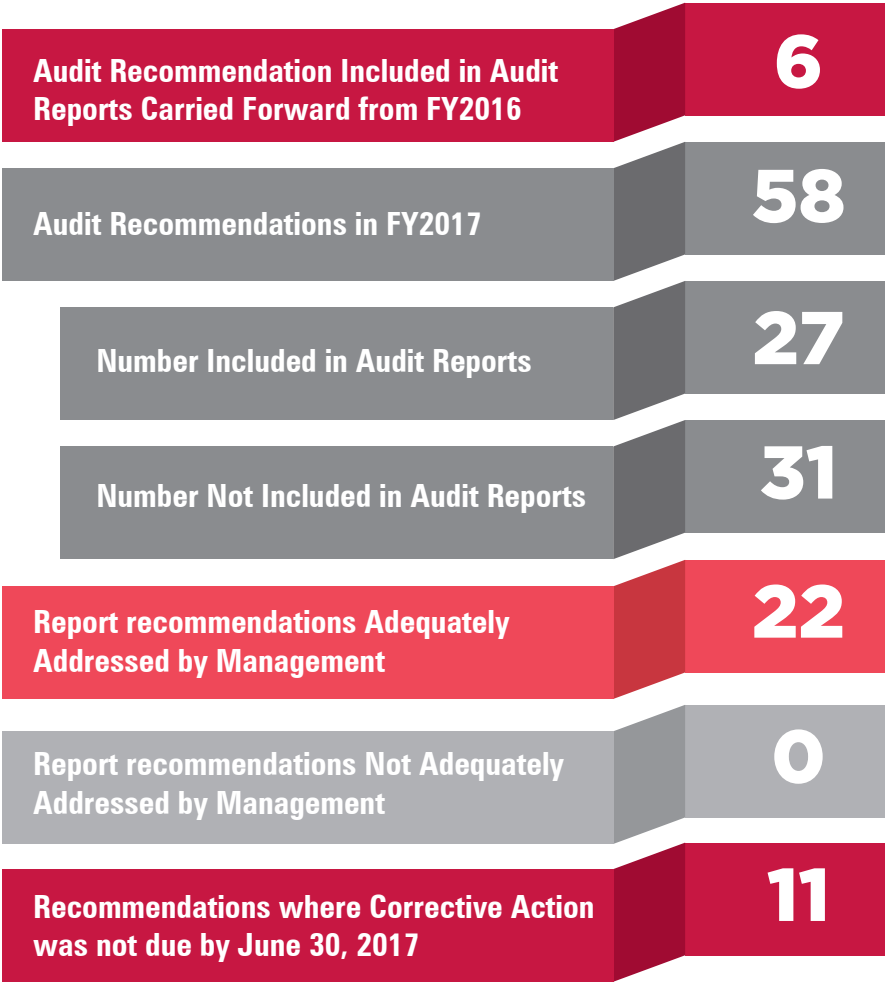
## INTERNAL AUDIT RECOMMENDATIONS

Audits often discover opportunities for management to improve operations. Significant opportunities are generally included in the audit report as recommendations. Less significant opportunities may not be included in the audit report but discussed with the appropriate staff.

For recommendations included in audit reports, management will provide the Office of Internal Audit a corrective action plan. Corrective action plans detail what actions management may take to address the issue, who will address the issue and an estimated date of when the corrective action will be completed. Once the corrective action is completed, the Office of Internal Audit will perform a follow-up review to determine if management has taken adequate corrective action to address the recommendation.

One measure of internal audit effectiveness is reviewing how many audit recommendations management implements. Below is a summary of recommendations for fiscal year 2017:

### *Audit Recommendation Summary For FY2017\**



*\*Recommendation information was not tracked prior to FY2017, therefore, historical data cannot be shown for comparison*





## INVESTIGATION SUMMARY

The Office of Internal Audit has deployed a variety of ways for staff, faculty, students and other stakeholders to report instances of potential fraud, waste or abuse. On rare occasion, the Office of Internal Audit may be called upon to investigate other matters, such a discrimination complaint, which is generally not considered a fraud, waste or abuse issue. The Office of Internal Audit is required to investigate each allegation received. If an allegation is not substantiated and no significant opportunities for improvement were noted, the case is closed with an administrative memo to the file. If an allegation is substantiated or significant opportunities for improvement are discovered, an audit report may be issued. Below is a summary of the investigative activity for fiscal year 2017:

### *Investigation Summary For FY2017*



Occasionally, internal audit reports contain sensitive information that if released in a public report may create a security concern. In these instances, state law allows for internal audit reports to be classified as “Limited Official Use” (LOU) reports. LOU reports are only made available to those who have a need to know the information in the performance of their official university duties. LOU reports are not subject to public inspection.

## OTHER SIGNIFICANT ACCOMPLISHMENTS

***Customer Satisfaction Survey*** - The Office of Internal Audit is committed to a continuous quality assessment and improvement program. Starting in October 2016, the Office of Internal Audit implemented an anonymous customer satisfaction survey. The survey is conducted every April and October. Clients who have had significant contact with the Office of Internal Audit since the previous survey are asked to complete a brief ten-question survey. The results of each survey are discussed with the President and the Audit Committee.

***Enhanced the Office's Fraud, Waste and Abuse Awareness Efforts*** – The Office of Internal Audit took several steps to increase the university community awareness of what fraud, waste and abuse is and how such issues can be reported. At the start of the spring semester, a dedicated GovSays email (campus-wide email communication) was sent to the campus community. This email informed the university community of various ways that potential issues of fraud, waste and abuse can be reported to the Office of Internal Audit. We created new reporting mechanisms for the community such as an anonymous, online FWA Reporting Form and a dedicated email address (ReportFraud@apsu.edu). We also redesigned portions of the internal audit website to better communicate what fraud, waste and abuse looks like and how to report potential issues.

***FOCUS Transition*** - The Office of Internal Audit assisted in the FOCUS transition process by serving on the FOCUS Transition Task Force. Additionally, the internal audit staff had to create various documents and policies such as the Audit Committee Charter, the Internal Audit Charter, Internal Audit Policy and Preventing and Reporting Fraud, Waste or Abuse Policy as part of the focus transition.

***Other Accomplishments*** – The Office of Internal Audit led the effort to redesign the university's enterprise risk management process. Internal Audit staff are also active members of the university's Cyber Incident Response team and the Conflict of Interest Committee.

## VOLUNTEER SERVICE

The staff of the Office of Internal Audit is committed to the broader university community by volunteering at various university events and activities.

- Military Coining Ceremony
- Officer in the Montgomery County Chapter of the APSU National Alumni Association
- Speaker at a meeting of the Accounting Society of Austin Peay (student group)
- Freshman Move-In
- Peay Parking Assist
- Ask Me tents
- Annual Employee Thanksgiving Day Lunch



**Information Item: B.**

**Date:** September 14, 2017

**Subject:** Internal Audit Reports and Listing of Outstanding Audit Recommendations

**Action Recommended:** Informational Item

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**Background Information:**

A list of audits completed between May 1, 2017 and Aug. 18, 2017 is included below. A detailed description of each type of audit and the audit reports follow this transmittal page.

1. Review for Fictitious Employees; issued May 23, 2017
2. Review of Wire Transfers and ACH Payments; issued June 21, 2017
3. Investigation 17-08, Gender Discrimination; issued July 19, 2017\*
4. Follow Up to the Comptroller Audit for FYE June 30, 2016; issued July 31, 2017
5. Information Technology Security Review – Payroll; May 31, 2017\*\*
6. Investigation 18-01, Faculty and Staff Reimbursement Program; issued August 9, 2017
7. Review of Master Vendor List; issued August 14, 2017

With all recommendations included in audit reports, management must identify what actions will be taken, who is responsible for that action and provide an expected date of completion. After the expected completion date has passed, the Office of Internal Audit will perform a follow-up review to determine what action was taken and if that action adequately addresses the issue in the report. Internal Audit generally does not issue reports for follow-up reviews; however, we do maintain a list of outstanding audit recommendations, which is also included after this transmittal.

**Proposed Implementation Date:** N/A

**Item Details:** N/A

*\*Presented at the Special Called Meeting of the Board of Trustees held August 3, 2017. Therefore, the report is not included in the meeting materials.*

*\*\*Pursuant to the protection afforded by T.C.A 10-7-504(i) and 10-7-508(a), this report contained sensitive information and was designated as "Limited Official Use Only" (LOU). LOU reports are only made available to those who have a need to know the information in performance of their official duties for the university. Therefore, the report is not included in the meeting materials.*



**Austin Peay State University  
Audit Committee  
September 14, 2017  
Types of Reviews Performed by Internal Audit**

Required	Certain reviews are required, whether by contract, statute, or outside authorities (such as the Tennessee Higher Education Commission or the Comptroller's Office).
Risk Based	Risk-based reviews are deemed necessary by the Internal Audit Office per the results of an annual risk analysis of all university activities.
Special Request	Management often requests Internal Audit review an area or process. These are generally different than Consultations because Special Requests generally result in audit reports.
Investigation	The Office of Internal Audit manages a variety of means for stakeholders to report suspected issues of fraud, waste and abuse.
Risk Assessment	Management is required by several statutes to conduct risk assessments. The Office of Internal Audit assists in facilitating this risk management process.
Consultation	Consultations closely resemble Special Requests, except Consultations need less time resources and generally do not result in a report unless significant issues are discovered.
Follow-up Reviews	To ensure management has taken adequate corrective action, Internal Audit performs follow-ups on any recommendations included in an audit report. These follow-ups to Internal Audit recommendations do not generally result in a report unless something significant is discovered. Internal Audit is required to perform follow-ups on any findings included in State Audit reports. The follow-ups to State Audit reports always result in a written report.

**Austin Peay State University  
Review for Fictitious Employees  
Executive Summary Report  
May 23, 2017**

<b>Key Staff:</b> HR Systems Administrator	<b>Auditor:</b> Beth Chancellor
<b>Introduction:</b> In accordance to the 2017 audit plan, the Review for Fictitious Employees started in March 2017. According to the Association of Certified Fraud Examiners, 2016 <i>Report to the Nations on Occupational Fraud and Abuse</i> , payroll fraud accounted for 12.6% of all fraud cases reported in the United States between January 2014 and October 2015. A common payroll fraud is paying fictitious employees. A fictitious employee is someone in the payroll system, but who does not work for the organization. The fictitious employee can be a real person who knowingly or not, is on the payroll, or a fictitious person invented by a dishonest employee.	
<b>Objectives:</b> The objectives of this review were <ul style="list-style-type: none"><li>• To provide assurance to management that controls are adequate and in place to ensure only “real” employees are paid.</li><li>• To perform searches for potential fictitious employees.</li></ul>	
<b>Scope:</b> July 1, 2016 – February 28, 2017	
<b>Results:</b> During the course of the review, Internal Audit met with Human Resources staff to obtain an understanding of the internal controls and verify duties are properly segregated regarding entering and maintaining employee payroll information.  In order to provide assurance to management that there are not any fictitious employees on the payroll, Internal Audit performed a variety of tests to search for common attributes of fictitious employee. These test include, but were not limited to, reviewing data for the following: <ul style="list-style-type: none"><li>• Employee bank account information for unexplained duplicated account numbers;</li><li>• Payroll data for unexplained lack of certain deductions, such as FICA;</li><li>• Unexpected overtime hours paid;</li><li>• Employees paid after their termination date; and</li><li>• Employees earning sick and annual leave but no usage.</li></ul>	
<b>Audit Conclusion:</b> Based on the audit tests performed, adequate controls appear to be in place to ensure to ensure only “real” employees are paid. Additionally the tests performed during the review did not result in the discovery of any fictitious employees.	

**Austin Peay State University**  
**Wire Transfers and ACH Payments**  
**Executive Summary Report**  
**June 21, 2017**

<b>Key Staff:</b> Controller	<b>Auditor:</b> Blayne M. Clements CIA, CFE, CRMA
<p><b>Introduction:</b> In conducting business, the university utilizes wire transfers and automated clearing house payments (ACHs), both examples of electronic funds transfers.</p> <p>A wire transfer is an electronic transfer of funds across a network of hundreds of banks around the world. Wire transfers can be performed very quickly, for large amounts of money and one transaction at a time. Unlike a check that can be stopped, the university does not have the ability to recover funds once the wire is received by the destination institution.</p> <p>An ACH payment is an electronic payment created when a person or business authorizes the university to debit their checking or saving account. ACH payments are most commonly used by the university to process payroll via direct deposit. Unlike wire transfers, which is a single transaction, ACH payments are completed in batches.</p> <p>The audit of wire transfers and ACH payments was performed as part of the Internal Audit office's audit plan. The inherent nature of these transactions and other risk factors ranked this area relatively high in our risk analysis for the audit plan.</p>	
<p><b>Objectives:</b> The objective of this review was to determine if the university's process for handling wire transfers and ACH payments is adequate and to ensure duties are properly segregated, and payments were properly approved and documented.</p>	
<p><b>Scope:</b> Wire transfers occurring between January 23, 2017 and March 21, 2017. ACH transactions occurring between February 7, 2017 and March 24, 2017.</p>	
<p><b>Audit Conclusion:</b> Based on audit tests performed, adequate controls are in place to ensure wire transfers and ACH payments are managed appropriately.</p>	

**Austin Peay State University**  
**Follow up to the Comptroller of the Treasury Financial and Compliance Audit Report**  
**for the Year Ended June 30, 2016**  
**Executive Summary Report**  
**July 31, 2017**

<b>Key Staff:</b> Associate Vice President for Finance	<b>Auditor:</b> Blayne M. Clements CIA, CFE, CRMA
<b>Introduction:</b> The Office of the Comptroller's financial and compliance audit report for fiscal year ended June 30, 2016 was issued February 3, 2017 and contained three findings. As required by the Comptroller's Office, the Department of Internal Audit performed a follow-up review to determine if management has taken adequate corrective action to address the issues noted in the report.	
<b>Objectives:</b> The objective of this review is to determine if management has implemented corrective actions to adequately address the issues noted in the Comptroller's financial and compliance audit report for the fiscal year ended June 30, 2016.	
<b>Comptroller's Findings:</b>  1. University revenues were improperly treated as revenues of the university's foundation.  Recommendation: University management should implement policies and procedures that provide for the proper recording and control of university and foundation funds.  2. The university did not record projects in progress transactions funded by capital appropriations.  Recommendation: Management should develop written policies and procedures for recording capital projects. Management should also ensure staff are adequately trained and that procedures are in place to ensure communications from other entities are received by the appropriate staff.  3. The university did not prepare proper bank reconciliations.  Recommendation: Management should develop written policies and procedures to ensure bank reconciliations are prepared and reviewed timely. Management should also ensure that all reconciliations are signed and dated by both the preparer and the reviewer.	
<b>Audit Conclusion:</b>  Finding 1: On June 19, 2017, the Austin Peay State University Foundation entered into an agreement with an outside law firm to review and/or create Foundation policies and procedures. The Vice President for Advancement, Communication and Strategic Initiatives stated key university management will be involved in this process, and the process would include related university policies. Since the release of the Comptroller's report, there has been increased engagement between finance, advancement and general counsel staff to ensure transactions are treated appropriately.  Finding 2: Management has established written procedures for recording capital project activity. Key staff have received training on how to properly record capital project activity. Management has taken steps to ensure communications from other entities are received by the appropriate staff.  Finding 3: Management has established written procedures to ensure bank reconciliations are prepared and reviewed timely. Internal Audit reviewed the bank reconciliations of the operating and payroll bank accounts for April, May and June of 2017. Each was completed timely and was signed and dated by both the preparer and reviewer.  Based on audit tests performed, management has taken adequate corrective actions to adequately address the issues noted in the Comptroller's report.	



**Austin Peay State University**  
**Review of Allegation Regarding the University's Faculty and Staff Tuition Reimbursement Program**  
**Executive Summary Report**  
**August 9, 2017**

<b>Key Staff:</b> Assistant Vice President and Chief Human Resources Officer	<b>Auditor:</b> Blayne M. Clements CIA, CFE, CRMA
<b>Introduction:</b> On July 15, 2017, the Office of Internal Audit received an allegation that a faculty member resigned in May 2017 but was allowed to continue participation in the university's Faculty and Staff Tuition Reimbursement Program during Summer 2017.	
<b>Objectives:</b> To determine if university policy was violated and offer practical recommendations designed to mitigate any identified risks going forward.	
<b>Scope:</b> Faculty and Staff Tuition Reimbursement Program during Spring 2017	
<p><b>Audit Results:</b> In May 2017, an employee applied for and received a tuition reimbursement payment for courses taken in the spring semester at an out of state university, totaling \$4,488. The employee was employed by the university at the time the reimbursement was requested and when the courses were taken, therefore, the employee's participation in the Faculty and Staff Tuition Reimbursement Program was allowable.</p> <p>APSU Policy 5:001, <i>Educational Expenses for APSU Employees</i>, states employees participating in the Faculty and Staff Tuition Reimbursement Program "shall be required, after completion of the course or courses, to be employed for not less than one (1) month of full-time employment for each month of the term of participation in the Staff Tuition Reimbursement Program". The policy further states that "early voluntarily separation will, therefore require the employee to reimburse the University for the remaining balance of this commitment".</p> <p>The employee's employment contract ended on May 15, 2017. The university was in the process of drafting a three year contract, when the employee unexpectedly resigned on June 23, 2017. The employee resigned because their spouse was active duty military being relocated out of state.</p> <p>Management discussed whether resignation due to military relocation of a spouse constituted an employee's "voluntary separation" from the university. The term "voluntary separation:" is not defined in university policy. Ultimately, management did not feel seeking repayment in this instance was consistent with the university's culture of being "military friendly". Management agreed this policy should be reviewed to ensure it fully reflects management expectations of how the tuition program should operate.</p> <p>On March 30, 2017, the university left the Tennessee Board of Regents system (TBR) to be governed by the APSU Board of Trustees. As part of the governance transition, the university established its own policies, which significantly mirror the TBR policies. As the university is starting to use and cite these policies, management is discovering certain policies do not to reflect expectations of university management.</p>	
<p><b>Recommendation:</b> Management should review university Policy 5:001, <i>Educational Expenses for APSU Employees</i>, to ensure expectations of how tuition assistance programs are to operate are accurately reflected and are clearly understood by employees.</p>	
<p>Management's Response: We concur. Management will review this policy and make any necessary revisions.</p>	
<p><b>Audit Conclusion:</b> Based on audit tests performed, adequate controls are in place to ensure the Faculty and Staff Tuition Reimbursement Program is managed appropriately, except as noted in the observations above. Other less significant issues were discussed with management.</p>	

**Austin Peay State University  
Master Vendor List Review  
Executive Summary Report  
August 14, 2017**

<b>Key Staff:</b> Director of Purchasing and Accounts Payable Lead	<b>Auditor:</b> Beth Chancellor
<p><b>Introduction:</b> The area of Purchasing and Contracts was identified on the 2017 Audit Plan as an area to review. Given the recent completion of the audit, Review for Fictitious Employees, it was determined this review would focus on similar fraud risk related to the university’s master vendor list.</p> <p>According to the Association of Certified Fraud Examiners, <i>2016 Report to the Nations on Occupational Fraud and Abuse</i>, 27.8% of all asset misappropriation fraud schemes in the United States are billing schemes. A billing scheme is where a fraudster causes his or her employer to issue a payment by submitting invoices for fictitious services or goods. A common billing scheme is a “fictitious vendor” or “shell company” billing scheme. In this scheme, a fraudster will set up a shell or fictitious company, fabricate invoices and submit them for payment. For this scheme to be successful at the university, the fraudster must get the shell company on the university’s master vendor list.</p>	
<p><b>Objectives:</b> The objectives of this review were to analyze how vendors are added to the master vendor list, how the list is maintained, and to perform data analytics by comparing information in the master vendor list to other sources of information.</p>	
<p><b>Scope:</b> July 2016 – June 2017</p>	
<p><b>Results:</b> During the course of the review, Internal Audit met with Procurement and Contract Services staff as well as Accounts Payable staff to obtain an understanding of how vendors are added to the master vendor list and how the list is maintained.</p> <p>In order to provide assurance to management that there are not any fake or duplicate vendors, Internal Audit performed a variety of tests. These tests include, but were not limited to, reviewing data for the following:</p> <ul style="list-style-type: none"><li>• Examination for duplicate name, address, bank account information and phone number information for vendors;</li><li>• Verification of W-9 on file for random sample of vendors added to the list since July 1, 2016;</li><li>• Examination of vendors with “Do Not Use” in name, i.e. deactivated vendors;</li><li>• Comparison of bank account information of vendors to bank account information of employees;</li><li>• Comparison of addresses of vendors to addresses of employees.</li></ul>	
<p><b>Audit Conclusion:</b> Based on the audit tests performed, adequate controls appear to be in place to ensure the master vendor list is managed appropriately.</p>	

**APSU - Status Report on Outstanding Internal Audit Recommendations as of August 18, 2017**

Date of report	Recommendation	Responsible Staff	Date Management's Actions to be Implemented	Date Internal Audit Follow up Completed	Internal Audit's Conclusion on Management's Action s
8/26/16	<p>OVC SAF- The report totals are incorrect</p> <p>Internal Audit noted that adjustments need to be made to the FY 2015-2016 Report of Student Assistance Fund Financial Activity. The balance of funds on hand at June 30, 2015 was understated by \$804.99, this was primarily due to \$803.60 that was remaining on gift cards and not included in the amount submitted by Athletics to the OVC as well as a minor rounding adjustment.</p> <p>Expenditures were overstated by \$4,912.16, this was due to a \$1,125 academic support services expense as well as \$968.85 in tutoring expenses that were charged to the account after the report was submitted, it was also due to \$3,095.59 in scholarship expenses being removed from the account after the report was submitted because two students dropped the class they intended to take as well as \$3,914.07 in scholarship expenses being removed from the account because scholarships were mistakenly added for three students that were not taking classes until the second summer session which started after June 30, 2016.</p> <p>Due to these adjustments, the balance of funds on hand at June 30, 2016 should have been \$59,921.33 which includes \$800.00 remaining on gift cards and a minor rounding adjustment.</p> <p>Management should ensure information reported to the OVC is accurate and based on information they have at the date the report is due.</p>	Compliance Coordinator	6/30/17	In Progress	NA
12/8/16	<p>Music Department Expense Transfers - Consider streamlining accounts</p> <p>The Music Department should consider closing some of the restricted accounts in order to streamline their account structure. They should also consider spending the current balance in the two agency accounts first in order to close these accounts out as soon as possible.</p>	Dean of Arts and Letters, Chair of the Music Department	Orig. 6/30/2017 Revised 8/31/17	In Progress	NA
1/31/16	<p>Emergency Preparedness Plan - Management should document the university's relationships and shared responsibilities with outside agencies that are integral in the university's Emergency Management Plan.</p> <p>The emergency management plan recognizes the importance of collaborating with outside agencies to adequately respond to an emergency. Although the university has good relations with outside agencies, as evidenced by regularly meeting with these outside agencies and participating in multi-agency training, these relationships with other agencies have not been formally documented.</p> <p>Recommendation: To ensure all parties are fully aware of their commitments in an emergency, as well as to recognize the need for collaboration to adequately respond to an emergency, management should obtain Memos of Understanding with outside agencies who are significant partners identified in the plan.</p>	Chief of Police	8/31/17	Not Yet Due	NA
1/31/17	<p>SWIA IT Carry Forward - Management should develop a comprehensive Business Continuity Plan.</p> <p>The university does not have a Business Continuity Plan. Having such a plan would significantly enhance the ability of the university to prepare for and respond to an emergency. The task of creating a Business Continuity Plan has been delegated to the Chief of Police/Director of Public Safety, who stated that this process will be initiated in 2017.</p> <p>Management should develop a comprehensive Business Continuity Plan.</p>	Chief of Police	6/1/18	Not Yet Due	NA

**APSU - Status Report on Outstanding Internal Audit Recommendations as of August 18, 2017**

Date of report	Recommendation	Responsible Staff	Date Management's Actions to be Implemented	Date Internal Audit Follow up Completed	Internal Audit's Conclusion on Management's Action s
3/15/17	Bad Debt Expense - Enhance the Academic Alert System Consider enhancing the academic alert program to monitor student attributes that indicate an increased likelihood of becoming delinquent.	Associate Provost for Student Success	Multiple actions to be completed between March 2017 to October 2017	Not Yet Due	NA
3/15/17	Bad Debt Expense - Partnerships with companies Consider partnering with companies focused on increasing student success and lowering default rates.	Associate Provost for Student Success, Associate Vice President for Finance and the Director of Financial Aid	Multiple actions to be completed between Fall 2017 and Fall 2018	Not Yet Due	NA
3/15/17	Bad Debt Expense - Ensure failure to attend grades are recorded timely Consider taking steps to ensure faculty report timely a student's failure to attend. Doing so ensures the collection process starts sooner, increasing the probability of successful collections.	Associate Provost for Student Success	Fall 2017	Not Yet Due	NA
3/15/17	Bad Debt Expense - Repurpose Duties of Existing Staff Consider repurposing the duties of existing business office staff to increase the investment of resources dedicated to collection efforts.	Bursar	2/1/18	Not Yet Due	NA
4/28/17	Review of Cheerleading Invoices - Agreement Needed  No formal agreement exists between the university and the off campus gym utilized for cheerleading practice. The Office of Legal Affairs stated the university typically requests students sign waivers if they are traveling in their personal vehicles to and from a university-sponsored event. No such waivers are obtained for cheerleaders driving personal cars to the off campus gym. Additionally, the Office of Legal Affairs recommended the cheerleaders sign an agreement when they utilize the off-campus gym.  The Athletic Director and Cheerleading Coach will work with the Office of Legal Affairs to develop an agreement between the off-campus gym and the university, as well as agreements to be used by cheerleaders using the off-campus gym and waivers for cheerleaders driving their personal vehicles to and from practices held at the off-campus gym.	Athletic Director Cheerleading Coach General Counsel	8/31/2017	Not Yet Due	NA
8/9/17	Management should review university Policy 5:001, Educational Expenses for APSU Employees, to ensure expectations of how tuition assistance programs are to operate are accurately reflected and are clearly understood by employees.	Assistant Vice President and Chief Human Resources Officer	12/31/2017	Not Yet Due	NA



**Information Item: C.**

**Date:** September 14, 2017

**Subject:** Periodic Quality Assessment Methodologies

**Action Recommended:** Informational Item

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**Background Information:**

State law requires the Office of Internal Audit to follow the *International Professional Practices Framework* (IPPF) promulgated by the Institute of Internal Auditors (IIA). The IPPF is the internationally recognized authoritative guidance for internal audit professionals worldwide. The mandatory elements of the IPPF are:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- *International Standards for the Professional Practice of Internal Auditing*
- Definition of Internal Auditing

The IPPF requires Internal Audit to have an active quality assurance and improvement program, which includes periodic self-assessment and external assessments. At the May 2017 Audit Committee meeting, members were presented a copy of the most recent periodic self-assessment, which was performed in May 2016.

The IPPF requires external assessments be performed every five years by a qualified, independent assessor or assessment team from outside the organization. The objective of the assessment is to determine if the internal audit function is conforming with the IPPF's mandatory guidance. External assessments provide the board of trustees, executive management and other stakeholders assurance that Internal Audit is operating as required by the IPPF and potentially highlight opportunities for improvement.

An external assessment is required at least once every five years. The previous external assessment was completed in August 2013; the next is due August 2018.

The IPPF defines two acceptable methods an external assessment: a full external assessment or a self-assessment with independent validation.

Self-assessment with independent validation: This option allows for internal audit staff to perform an in-depth self-assessment of operations to determine if

operations conform to the IPPF mandatory guidance. An external, independent assessor or team performs a site visit to review the self-assessment to determine the conclusions reached are sound. During this site visit, the assessor or team may interview key staff, review audit working papers and review related policies, charters and other pertinent documents. At the conclusion, the independent assessor/team provides a written report to the Audit Committee reporting the results of their review. Often, the assessor/or team lead is called to present their report directly to the Audit Committee.

Full External Assessment: Unlike the method described above, the assessor or assessment team completes 100 percent of the work needed to determine if the internal audit function is in conformance with the IPPF mandatory guidance.

The self-assessment with external validation is the most common and cost effective means of completing the required external assessment. Members of the internationally recognized organization, the Association of College and University Auditors (ACUA), often volunteer their time to participate as an external assessor, requiring only to be reimbursed for travel costs associated with the site visit, which normally lasts one week.

The full external assessment option is more expensive and may require the services to be competitively bid.

The IPPF requires the chief audit officer has a discussion with the board about the form and frequency of external assessments, as well as the qualifications and independence of the external assessor or assessment teams conducting the review.

**Proposed Implementation Date:** N/A

**Item Details:** N/A



**Information Item: D.**

**Date:** September 14, 2017

**Subject:** Management Risk Assessment

**Action Recommended:** Informational Item

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**Background Information:**

State law requires audit committees to review and approve management's assessment of risk and controls. This risk assessment process is facilitated by the Office of Internal Audit.

Risk Assessment is as a process of management identifying significant organizational risks and measuring the potential impact and probability of each risk. After the risks have been identified, management then inventories the mitigating strategies deployed by management to reduce the impact or probability of the risk coming to fruition. The process ensures significant risks are being adequately managed.

The outputs from this process are a series of risk footprints or heat maps displaying significant risks as measured by the probability of the risk's occurrence and the impact of the risk if it does occur. Control footprints are produced showing what actions management is taking to mitigate the probability of the risk coming to fruition or minimizing the impact of the risk should it occur.

The current risk assessment plan is a four year cycle designed to ensure all significant business operations are assessed over that four year period. Currently, the Provost's area is being assessed. A summary of the results of this assessment will be presented to the Audit Committee at the next Audit Committee meeting.

**Proposed Implementation Date:** N/A

**Item Details:** N/A



**Information Item: E.**

**Date:** September 14, 2017

**Subject:** Employee Code of Conduct

**Action Recommended:** Informational Item

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**Background Information:**

The Audit Committee charter was approved at the board of trustees meeting held on March 30, 2017. This charter requires the Audit Committee to review the university's Code of Conduct to ensure it is readily available to all employees, easy to understand and implement, enforced and provides a confidential means of reporting violations.

The Code of Conduct should remind management and staff of the need to:

1. Maintain the highest level of integrity in regards to financial operations.
2. Avoid preparing or issuing fraudulent or misleading information.
3. Protect university assets from fraud, waste or abuse.
4. Comply with all relevant laws, rules, policies and procedures.
5. Avoid engaging in activities which would bring dishonor to the university.

The Vice President for Finance and Administration is the official responsible for this policy. Human Resources is the office responsible for this policy. The policy was approved by the university's Policy Review Committee and signed by the president on March 25, 2017.

**Proposed Implementation Date:** N/A

**Item Details:** N/A



**Austin Peay State  
University**

**Employee Code of Conduct**

**Issued:** March 25, 2017

**POLICIES**

**Responsible Official:** Vice President for Finance and Administration

**Responsible Office:** Human Resources

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**Policy Statement**

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Austin Peay State University is committed to facilitating a workplace culture that promotes responsible and ethical behavior.

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**Purpose**

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Austin Peay's Employee Code of Conduct policy is intended to assist employees and their departments in creating a responsible and ethical workplace. It outlines the basic expectations for employees, directs them to policy requirements and training resources and provides instructions for reporting concerns and violations.

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**Procedures**

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**Introduction**

The Code of Conduct was developed to supplement and clarify existing university policies, procedures and rules. It does not replace, limit or otherwise alter any existing policies. Employees are expected to familiarize themselves with the Code and to abide by it. Employees who violate the Code will be subject to appropriate disciplinary action. Employees should direct specific ethical or compliance questions to their supervisor or the university's Office of Internal Audit or the University Attorney. The university's Code of Conduct is comprised of 1) general principles and statements of ethical and responsible conduct and 2) specific examples of prohibited conduct.

**General Principles and  
Statements of Ethical and  
Responsible Conduct**

1. **Ethical and Responsible Conduct:** In carrying out its educational, research and public service missions, the university relies on the ethical and responsible conduct of all employees. Even the appearance of unethical or irresponsible conduct can be damaging to the public's trust in the university. Employees are expected to conduct themselves

fairly, honestly, in good faith and in accordance with the highest ethical and professional standards and to comply with applicable laws, regulations, contractual obligations and university policies.

**2. Responsible Reporting of Suspected Violations and University Response:**

**a. General Statement of Reporting Obligation.**

- Employees are expected to report any good-faith concern that compliance violations might have occurred, including, but not limited to, the following: violations of state or federal law or regulations; fraud in the operations of government programs; misappropriation of state or federal resources; acts that endanger the health or safety of the public or employees; and mismanagement of programs, funds and/or abuses of authority.
- Employees are expected to report compliance concerns at the earliest possible opportunity by contacting their immediate supervisor, the next level of supervision, the Office of Legal Affairs, or the Office of Internal Audit.
- Employees wishing to remain anonymous should report their concerns online or by phone to 221-7466. Employees may also report concerns anonymously to the [State Comptroller's Fraud Hotline \(1-800-232-5454\)](#).
- Employees are expected to report sexual misconduct, relationship violence and stalking directly to the campus [Title IX coordinator](#) or through any other reporting channels outlined in the campus policies on sexual misconduct, relationship violence and stalking.
- Employees are expected to cooperate fully in investigations. As required by [APSU Policy 4:003 Preventing and Reporting Fraud, Waste or Abuse](#), department heads and other management officials must report suspected fraud, waste and abuse of university resources, and all allegations of such

activity made to them, immediately to the Office of Internal Audit.

- b. **Mandatory Reporting of Child Abuse and Child Sexual Abuse.** Employees must comply with Tennessee laws on mandatory reporting of child abuse and child sexual abuse. Tennessee laws mandate reporting by any person who has knowledge of physical or mental harm to a child if: 1) the nature of the harm reasonably indicates it was caused by brutality, abuse, or neglect; or 2) on the basis of available information, the harm reasonably appears to have been caused by brutality, abuse or neglect.

Tennessee law also mandates reporting by any person who knows or has reasonable cause to suspect that a child has been sexually abused, regardless of whether it appears the child has sustained an injury as a result of the abuse. A report of child abuse or child sexual abuse must be made immediately to one of the following authorities:

- The Tennessee Department of Children's Services (call the Central Intake Child Abuse Hotline at 1-877-237-0004).
- The sheriff of the county where the child resides.
- The chief law enforcement official of the city where the child resides.
- A judge having juvenile jurisdiction over the child.

- c. University police departments are not included in the list of authorities. Reporting to university police, a supervisor, or any other university official or employee does not satisfy an individual's duty to report child abuse or child sexual abuse to one of the authorities listed above.

- d. **Protection from Retaliatory Discharge.** Employees are protected from retaliatory discharge if in good faith they report or attempt to report illegal activities, or if they refuse to participate in illegal activities. For purposes of this policy, illegal activities are violations of the civil or criminal code of this state or the United States or any regulation intended to protect the public health, safety or welfare. Employees are also protected from other forms of retaliation for reporting or seeking guidance regarding potential or actual criminal conduct.

1. **Respect for Others:** People are Austin Peay State University's most important resource for accomplishing its

teaching, research and public service missions. Accordingly, employees are expected to be committed to creating an environment that promotes academic freedom, diversity, fair treatment and respect for others. Employees are expected to treat one another, students and the general public in an honest and respectful manner.

2. **Avoiding Conflicts of Interests:** Objectivity and integrity are essential qualities for employees of a public institution such as APSU. For the university to carry out its missions with unquestioned credibility, employees are expected to maintain the highest levels of integrity and objectivity as they perform their duties. Employees are expected to take all reasonable precautions and seek appropriate guidance to ensure that their outside interests do not place them in conflict with carrying out their duties and responsibilities as APSU employees. Employees must disclose outside interests in accordance with APSU Policy 1:001 so that they can be reviewed and managed or eliminated, as appropriate.
3. **Professional Development:** Employees shall strive to enhance their own proficiencies; enhance the capabilities and skills of their colleagues and supervisors; and promote excellence in public service.
4. **Responsible Use of University Resources:** Employees must use university property, funds, technology, time and other resources for legitimate business purposes. Employees must not use university resources for personal gain or to benefit third parties, unless a specific exception has been granted in accordance with policies. Employees are expected to be responsible stewards when using university funds for business travel or entertainment.
5. **Responsible Conduct in Research:** As members of a research university, employees must conduct research with the highest integrity and in compliance with federal, state and local laws and regulations and university policies. Employees must recognize that failure to do so can result in significant penalties or criminal prosecution for both employees and the university. Employees involved in conducting research are expected to become familiar with applicable laws, regulations and policies and to consult with the Office of Research and Sponsored Programs if they have concerns or questions. Employees are expected to submit



accurate, timely and complete reports and documents related to research.

6. **Commitment to Environmental Health and Safety:**  
Employees are expected to be committed to protecting the health and safety of all university students, faculty, staff, volunteers, patients and visitors. To accomplish this, the university provides information and training to employees about the health and safety hazards and safeguards applicable to their work location. Employees are expected to exercise good health and safety practices and to comply with all health and safety laws and regulations.
7. **Responsible Use and Protection of Confidential Information:** Employees are entrusted with a variety of confidential information about students, faculty, staff, alumni, donors, research sponsors, licensing partners, patients and others. Employees must access, use, protect, disclose, preserve, and dispose of confidential information in compliance with applicable laws, regulations, contracts and university policies.
8. **Integrity of Information:** Employees shall demonstrate professional integrity in the issuance and management of information by:
  - a. Not knowingly signing, subscribing to or permitting the issuance of any statement or report that contains any material misstatement or that omits any material fact;
  - b. Preparing or presenting financial information as required by University policies;
  - c. Adhering to University policy governing responses to inquiries about fiscal matters from the public and the media.

### **Specific Examples of Prohibited Conduct**

No Code of Conduct can list all prohibited conduct. The following information, which is not all-inclusive, illustrates some examples of specifically prohibited conduct that may lead to disciplinary action, up to and including termination, as either unsatisfactory work performance or work-related behavior or gross misconduct, under university policy.

#### **1. Respect for Persons:**

- a. Disorderly conduct, including, but not limited to, using discriminatory, abusive, or threatening language; fighting, provoking a fight, or attempting bodily harm or injury to another employee or to any other individual or threatening physical action or injury on university property or during university activities; or other conduct that threatens or endangers the health, safety or well-being of any person.
- b. Violation of any university policy or law prohibiting harassment, discrimination or retaliation against students or employees.

## **2. Respect for Property:**

- a. Willful or negligent damage to university property.
- b. Theft or dishonesty.
- c. Tampering with or wantonly destroying university data, records, or other information; gaining unauthorized access to such information; disclosing confidential information; or otherwise misusing university data or information.
- d. Unauthorized use of university vehicles, mail services, identification and credit cards, telephones, computers, computer equipment or other university equipment or materials. Computers and computer accounts are provided to employees to assist them in the performance of their jobs. Employees do not have a right to privacy in anything they create, send or receive on a university computer. The university has the right to monitor, for business reasons, any and all aspects of any university computer system, including employee email.
- e. Soliciting, collecting money or circulating petitions on university property at any time without permission of the chief business officer or designee.

## **3. Standards of Safety:**

- a. Possessing or carrying a firearm in violation of APSU Policy 5:003.

- b. Possessing explosives or other dangerous materials on university property or during university activities, unless the employee is authorized either by university policy or law to carry such materials and it is also necessary to do so in the course of employment (police officers, R.O.T.C. personnel, etc.).
- c. The unlawful manufacture, distribution, dispensation or possession of controlled substances; the abuse of alcohol, illegal drugs, intoxicants or controlled substances while on duty; abuse of prescription drugs while on duty; use of alcohol in a university vehicle on or off university property; or reporting to work under the influence of illegal drugs or alcohol or while unlawfully using controlled substances.
- d. Refusal to obey security officials, Emergency Management personnel or other proper authorities in emergencies.
- e. Failure to comply with safety rules, regulations or common safety practices.
- f. Failure to report an accident involving on-the-job injury or damage to university property.
- g. Smoking in violation of university policy.

#### **4. Compliance with Laws and University Policies:**

- a. Falsification of university records.
- b. Misrepresentation of academic credentials, which is defined by Tennessee law as follows: "A person commits the offense of misrepresentation of academic credentials who, knowing that the statement is false and with the intent to secure employment at or admission to an institution of higher education in Tennessee, represents, orally or in writing, that such person 1) has successfully completed the required course work for and has been awarded one or more degrees or diplomas from an accredited institution of higher education; 2) has successfully completed the required course work for and has been awarded one or more degrees or diplomas from a particular institution of higher education; or 3) has successfully completed the required course work for and

has been awarded one or more degrees or diplomas in a particular field or specialty from an accredited institution of higher education.” Misrepresentation of academic credential is a Class A misdemeanor.

- c. Violation of federal government security regulations as outlined in contracts.
- d. Any violation of any law in the performance of duties or that affects the ability to perform duties satisfactorily.
- e. Failure to comply with Tennessee laws on mandatory reporting of child abuse and child sexual abuse.
- f. Failure to comply with laws regarding mandatory reporting requirements applicable to health care professionals’ interactions with patients while acting within the scope of university employment.
- g. Failure to comply with the university’s conflict of interest policy.
- h. Fabrication, falsification, plagiarism or other serious unethical or illegal deviations from accepted practices in proposing, conducting, reporting the results of or reviewing research of service activities, in violation of university policy or state or federal law or regulations.
- i. The access, use or disclosure of a person’s financial, personal, protected health information or other confidential information without authorization or legal justification, in violation of university policies or law, e.g., privacy provisions of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Federal Educational Rights and Privacy Act (FERPA).
- j. Gambling on university property or during university activities.
- k. Flagrant violation or failure to observe traffic or parking regulations.
- l. The university will not discharge or in any other manner discriminate against any employee or applicant for employment because such employee or applicant has

inquired about, discussed or disclosed the compensation of the employee or applicant or another employee or applicant.

**5. Work Performance:**

- a. Insubordination or refusal of an employee to follow instructions or to perform designated work or to comply with directives of authorized university officials.
- b. Failure to wear proper uniform or identification in the prescribed manner as may be required by the university.
- c. Sleeping on the job.
- d. Failure or refusal to maintain or obtain required licensure, certification, or registration.
- e. Instigating or participating in deliberate low productivity and/or interfering with another employee's work.

**6. Standards of Attendance:**

- a. Unexcused Absence. An absence without proper notification or satisfactory reason is unexcused. An absence of three consecutive days without notification or satisfactory reason is considered a voluntary termination.
- b. Repeated Tardiness. Tardiness is defined as arriving at work past the appointed starting time without supervisory approval.
- c. Other Absences. Such absences include the failure of employees to report to their work place at the beginning of the work period, leaving work before the end of the work period, and failure to inform the supervisor when leaving the work area.

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**Revision Dates**

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APSU Policy 5:043 – Issued: March 25, 2017

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**Subject Areas:**

Academic	Finance	General	Human Resources	Information Technology	Student Affairs
		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>		

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**Approved**

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President: signature on file

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**Information Item: F.**

**Date:** September 14, 2017

**Subject:** Conflict of Interest

**Action Recommended:** Informational Item

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**Background Information:**

The Audit Committee charter was approved at the board of trustees meeting held on March 30, 2017. This charter requires the Audit Committee to review the university's Conflict of Interest policy to ensure "conflict of interest" is clearly defined, the guidelines are comprehensive, annual sign off is required for those in key positions and procedures are in place to ensure potential conflicts are adequately resolved and documented.

General Counsel is the official responsible for this policy. The Office of Legal Affairs is the office responsible for this policy. The policy was approved by the university's Policy Review Committee and, since it was denoted as a Governance policy, was approved by the board of trustees on March 30, 2017.

**Proposed Implementation Date:** N/A

**Item Details:** N/A



**Austin Peay State  
University**

**Conflict of Interest**

**POLICIES**

**Issued:** March 30, 2017

**Responsible Official:** General Counsel

**Responsible Office:** Office of Legal Affairs

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**Policy Statement**

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It is the policy of Austin Peay State University that employees should avoid external commitments which significantly interfere with the employee's duties to the board of trustees and the university. Employees should avoid situations where the self-interests of the trustees or employee diverge from the best interests of the board and the university. Board members should avoid external commitments that interfere with their fiduciary obligations to Austin Peay.

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**Purpose**

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The purpose of this policy is to define the general principles which should guide the actions of members of the board and of employees; offer illustrations of activities which potentially constitute a conflict of interest; make board members and employees aware of disclosure requirements related to conflicts of interest; describe the process by which those disclosures shall be evaluated and decisions rendered; and describe the appeals process regarding such decisions.

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#### **Related Forms**

-Financial Interests Disclosure Form

#### **Links**

-APSU Conflict of Interest Committee

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### **Definitions**

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<b>Conflict of interest</b>	Occurs when the personal interests, financial or otherwise, of a person who owes a duty to the Austin Peay State University Board of Trustees and its constituent university (trustees and all employees) actually or potentially diverge with the person's professional obligations to and the best interests of the board and the university.
<b>Conflict of commitment</b>	Occurs when the personal or other non-work-related activities of an employee of the board of trustees and its constituent university impair the ability of that employee to meet their commitments of time and energy to the board of trustees and the university.
<b>Family member</b>	Includes the spouse and children (both dependent and non-dependent) of a person covered by this policy.
<b>Immediate family</b>	For purposes of Section VI.A.1.b.(2)(c), means spouse, dependent children or stepchildren or relatives related by blood or marriage.

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### **Procedures**

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- I. Objectives of the Conflicts of Interest Policy**

Members of the APSU Board of Trustees and all employees of APSU serve the interests of the state of Tennessee and its citizens, and have a duty to avoid activities and situations which, either actually or potentially, put personal interests before the professional obligations which they owe to the state and its citizens.
- II. Pertinent Federal Regulations, State Laws, and APSU Policies**
  - A. The following lists are intended to indicate sources of information which may provide additional guidance regarding conflict of interest situations.
  - B. This policy is intended to be consistent with all pertinent federal and state laws, regulations and policies, as well as with other APSU policies.
  - C. To the extent that conflicts arise, federal and state laws, regulations and policies shall take precedence.
  - D. The lists are not intended to be exhaustive and additional laws, regulations and policies may be implicated in a given conflict of interest situation.
    1. Federal Regulations
      - a. The National Science Foundation (NSF) and the Department of Health and Human Services (HHS), acting through the Public Health Service (PHS) (which includes the National Institutes of Health (NIH)), have promulgated policies and regulations regarding conflicts of interest and disclosure of financial interests by investigators who receive funding from these federal agencies.
      - b. The NSF policy regarding researcher conflicts of interest is contained in Section 510 of NSF Publication 95-26, the Grant Policy Manual. The PHS regulations, upon which the NSF policy is modeled, are contained in the Code of Federal Regulations at 42 CFR 50.601 et seq. and 45 CFR 94.1 et seq.
      - c. Other federal agencies (e.g., the Veterans' Administration or the Food and Drug Administration) may require as a condition to a contract, disclosure and management of conflicts of interest (see, for example, Veterans' Administration Acquisition Regulation 852.209-70).
    2. Tennessee State Law
      - a. Various statutes contained in the Tennessee Code Annotated (T.C.A.) are pertinent to the issue of

conflicts of interest within the board of trustees and the university, including:

1. T.C.A. § 8-50-501, Disclosure statements of conflict of interests by certain public officials
2. T.C.A. § 12-2-208, Purchase by officer unlawful – penalty for violation
3. T.C.A. § 12-2-415, State surplus property disposition regulation
4. T.C.A. § 12-2-416, Violation of § 12-2-415
5. T.C.A. § 12-2-417, State employee violation – punishment
6. T.C.A. § 12-4-106, Prohibition against receiving rebates, gifts, money or anything of value -- Conflict of interest
7. T.C.A. § 12-4-101, Personal interest of officers prohibited
8. T.C.A. § 12-4-102, Penalty for unlawful interest
9. T.C.A. § 12-4-103, Bidding by state employees prohibited
10. T.C.A. § 12-4-104, Penalty for unlawful transactions
11. T.C.A. § 49-8-203(d), Powers and duties (of the Board of Trustees)

- b. It is significant to note that violation of some of these statutes may lead to criminal penalties (e.g., violation of T.C.A. § 12-4-103 is a Class E felony).

### 3. APSU Policies

- a. The following APSU policies deal with issues which implicate conflict of interest situations:
  1. APSU Policy 4:014, Purchasing Policy
  2. APSU Policy 4:019, Disposal of Surplus Personal Property
  3. APSU Policy 5:014, Outside Employment
  4. APSU Policy 2:047, Intellectual Property, Patents, and Copyrights
  5. APSU Policy 5:035, Nepotism

## III. Applicability

This policy shall apply to all persons serving as members of the board of trustees and to all persons employed (either as full-time, part-time or temporary employees) by the university.

## IV. General Principles

- A. It is the policy of Austin Peay State University that employees should avoid external commitments which significantly interfere with the employee's duties to the board of trustees and the university (conflicts of commitment). See also APSU Policy 5:014, Outside Employment. Disclosures

of conflicts of commitment shall be made as required under Policy 5:014 and evaluated as indicated in that policy.

- B. It is the further policy of Austin Peay State University that both the trustees and employees should avoid situations where the self-interests of the trustees or employees diverge from the best interests of the university (conflict of interest).
- C. The mere existence of either a potential or actual conflict of interest does not mean that such conflict must necessarily be eliminated.
  - 1. Where the potential detriment to the board and the university is at most minor and inconsequential, and the conflict does not indicate violation of federal or state law, regulation, or policy, those persons charged with evaluating disclosures should allow the activity to proceed without interference.
  - 2. For those situations which do not implicate federal or state law, regulation or policy, the standard by which it should be determined whether a conflict of interest should be managed, reduced or eliminated is whether that conflict would appear to a reasonable person to call into question the integrity or judgment of the affected trustee or employee.

**V. Situations and Activities Creating a Conflict of Interest**

- A. In the following situations and activities, there is at least the appearance, and possibly the actuality, of an employee/trustee allowing his or her personal interests, and not the best interests of the board of trustees and its constituent university, to affect that employee's judgments. This list is illustrative, and not exhaustive.
  - 1. Self-dealing
    - a. Situations in which a trustee or employee can appear to influence or actually influence a university-related decision from which that person or a member of that person's family stands to realize a personal financial benefit is self-dealing and a conflict of interest.
    - b. Examples of self-dealing activities are numerous, and include those listed below.
      - 1. Purchase of state-owned property by an employee absent fair and open bidding.
        - 1. It is unlawful for any state employee to purchase surplus state-owned property absent a fair and open bidding process (see T.C.A. § 12-2-208 and T.C.A. § 12-2-417).

2. Such purchases are also prohibited under APSU Policy 4:019.
2. Institutional purchases from businesses in which an employee or family member has a financial interest.
  1. T.C.A. § 12-4-103 declares that it is unlawful for any state official or employee to “bid on, sell, or offer for sale, any merchandise, equipment or material, or similar commodity, to the state of Tennessee” or “to have any interest in the selling of the same to the state” during that person’s term of employment and for six months thereafter.
  2. Disclosure of any such transaction by an employee or member of the employee’s family or by a business in which an employee or member of the employee’s family has any significant (more than 4 percent) ownership interest or for which an employee or employee family member serves as an officer is required by this policy.
  3. T.C.A. § 12-4-106(b) declares that it is a conflict of interest for any person or any company with whom such person is an officer, a director, or an equity owner of greater than 1 percent interest to bid on any public contract for products or services for a governmental entity if such person or “immediate family” of such person is a member of a board or commission having responsibility for letting or approving such contract.
  4. For purposes of this section only, “immediate family” means spouse, dependent children or stepchildren, or relatives related by blood or marriage.
3. Use of Educational Materials from Which a Faculty Member Derives Financial Benefit in That Faculty Member’s Teaching Activities.
  1. Any faculty member who wishes to use in his or her teaching activities educational materials (e.g. a textbook) which he or she has authored, or in which he or she otherwise stands to benefit financially from such use, a conflict of interest disclosure shall be made per Section VII of this policy.

2. Whether the use of such materials shall be permitted shall be evaluated either under the terms of Institutional policy, or in the absence of such policy, by the Review Committee established under Section X of this policy.
3. Such evaluation shall include consideration of suitable substitute materials and ensure that the needs of students are best served by use of the materials in which the faculty member has an interest.
4. Acceptance of Gifts, Gratuities or Favors
  1. Gifts. No employee shall knowingly solicit or accept, directly or indirectly, on behalf of himself or herself or any member of the employee's household, for personal use or consumption any gift, including but not limited to any gratuity, service, favor, food, entertainment, lodging, transportation, loan, loan guarantee or any other thing of monetary value, from any person or entity that:
    1. Has, or is seeking to obtain, contractual or other business or financial relations with the institution in which the individual is employed; or
    2. Has interests that may be substantially affected by the performance or nonperformance of the employee.
5. Exceptions
  1. The prohibition on accepting gifts in Section (4)(a) above, does not apply to:
    1. A gift given by a member of the employee's immediate family, or by an individual, if the gift is given for a non-business purpose and is motivated by a close personal friendship and not by the position of the employee;
    2. Informational materials in the form of books, articles, periodicals, other written materials, audiotapes, videotapes or other forms of communication.
    3. Sample merchandise, promotional items and appreciation tokens, if they are routinely given to customers, suppliers or potential customers or suppliers in the ordinary course of business, including items distributed at trade shows and



professional meetings where vendors display and promote their services and products;

4. Food, refreshments, foodstuffs, entertainment or beverages provided as part of a meal or other event, including trade shows and professional meetings, if the value of such items does not exceed \$50 per occasion; provided further, that the value of a gift made pursuant to this subsection may not be reduced below the monetary limit by dividing the cost of the gift among two or more persons or entities identified in Section VI.A.1.b.(4).
  5. There may be circumstances where refusal or reimbursement of a gift (such as a lunch or dinner) may be awkward and contrary to the larger interests of the institution. In such circumstances, the employee is to use his or her best judgment, and disclose the gift including a description, estimated value, the person or entity providing the gift and any explanation necessary within 14 days to their immediate supervisor;
  6. Food, refreshments, meals, foodstuffs, entertainment, beverages or intrastate travel expenses that are provided in connection with an event where the employee is a speaker or part of a panel discussion at a scheduled meeting of an established or recognized membership organization which has regular meetings;
  7. Participation in institution or foundation fundraising and public relations activities, i.e. golf tournaments and banquets, where persons or entities identified in Section VI.A.1.b.(4) provide sponsorships; and
  8. Loans from established financial institutions made in the ordinary course of business on usual and customary terms, so long as there are no guarantees or collateral provided by any person described in Section VI.A.1.b.(4)
2. Inappropriate use of students or support staff

- a. Employees shall ensure that the activities of students or support staff are not exploited for the benefit of any external activity of the faculty member.
- b. Prior to assigning any such non-institutionally related task (which is more than incidental or de minimis in nature) to a student or member of the support staff, an employee shall disclose such proposed activities and obtain approval.
3. Inappropriate use of state owned resources
  - a. Employees may not make significant use of state owned facilities, equipment, materials or other resources, not otherwise available to the public, in the course of activities which are not related to the Institution and which are intended for personal benefit, without prior disclosure and approval.
4. Failure to disclose intellectual property
  - a. APSU Policy 2:047 governs the rights and responsibilities which persons affiliated with the board of trustees and the university have regarding intellectual property developed during the term of their affiliation with the university.
  - b. Among the responsibilities enumerated in the policy is that of disclosure of inventions and those copyrightable works which may be reasonably expected to have commercial value which they have jointly or solely developed with the board of trustees and the university.

## **VI. General Disclosure Requirements**

- A. Persons to whom this policy applies who believe that a conflict of interest may exist either personally or with respect to another person covered by this policy shall make a written disclosure of the facts and circumstances surrounding the situation.
- B. No particular format is required, but the disclosure should adequately describe the pertinent facts and circumstances.
- C. For members of the board, disclosure shall be made to the secretary of the board.
- D. A university employee who self-discloses a potential conflict of interest or a written report of a potential conflict of interest is presented to the Conflict of Interest Committee.
- E. Disclosures made by a president shall be submitted to the director of internal audit.

**VII. Special Disclosure Requirements for Researchers Applying For or Receiving NSF or PHS Funding**

- A. Under the policies and regulations indicated under Section 2.1 herein, investigators seeking funding from either the National Science Foundation or the Public Health Service are required to disclose to the investigator's employer all significant financial interests of the investigator;
1. That would reasonably appear to be affected by the research or educational activities funded or proposed for funding by the NSF or PHS; or
  2. In entities whose financial interests would reasonably appear to be affected by such activities.
    - a. Such disclosures must be submitted prior to the time the proposal is submitted to the federal agency.
    - b. Further, such disclosures must be updated during the period of the award; either annually or as new reportable financial interests arise.
    - c. The university is responsible for eliminating or managing such conflicts prior to receipt of the award.
    - d. To facilitate such disclosures, the accompanying disclosure form is available.
  3. The university is responsible for determining if a grant, services, or other contract with federal agencies other than the Public Health Service or the National Science Foundation requires disclosure and/or management of conflicts of interest, and for ensuring that any such requirements are met.
  4. Disclosure of financial interests made pursuant to this Section VIII notwithstanding, such disclosure does not eliminate the responsibility for making disclosures under Section VII, when specific conflict of interest situations arise.

**VIII. Special Disclosure Requirements for Trustees and Certain APSU Employees**

- A. Members of the board of trustees, the president, coaches, assistant coaches and employees of athletic departments who are exempt from the provisions of the Fair Labor Standards Act are required to file a financial disclosure form within one month of their initial appointment and annually thereafter in January.
- B. Disclosure of financial interests made pursuant to this Section IX notwithstanding, such disclosure does not eliminate the responsibility for making disclosures under Section VII, when specific conflict of interest situations arise.
1. Members of the board of trustees shall make their disclosure using a form as indicated and submitted to the secretary of the board.

2. The president is required by Tenn. Code Ann. § 8-50-501(a)(15) to file an online Statement of Disclosure of Interests Form with the Tennessee Ethics Commission at <https://apps.tn.gov/conflict/>, Form ss-8005 (State Officials). For the presidents, this statement of disclosure will meet the requirements of this policy.
3. Coaches, assistant coaches, exempt employees of the athletic department and other university personnel required to complete a disclosure form shall also use the Tennessee Ethics Commission Form ss-8005, Statement of Disclosure of Interest Form and accompanying instructions. The form shall be submitted to the Human Resource Office or other person designated by the president.

**IX. Review of Disclosures**

- A. Disclosures made under Section VII of this policy by a member of the board of trustee. A member of the board making a disclosure shall not be entitled to vote regarding disposition of the disclosure.
- B. A university employee who self-discloses a potential conflict of interest or a written report of a potential conflict of interest is presented to the Conflict of Interest Committee.
  1. The chair of the Conflict of Interest report submits the disclosure report to the Conflict of Interest Committee.
  2. The Conflict of Interest Committee reviews details of possible Conflict of Interest.
  3. The Conflict of Interest Committee evaluates the proposed Conflict of Interest and seeks legal input from the APSU Office of Legal Affairs when indicated in reviewing of the report.
  4. The Conflict of Interest Committee renders a decision regarding the issue around the disclosure, determining if there is a conflict of interest and how it should be managed (restrictions to be placed on the individual to manage the conflict or that the person must eliminate the conflict).
  5. The Conflict of Interest Committee notifies in writing the person of the outcome, and employee is given an opportunity to appear before the committee.
  6. The disclosures and committee decisions are forwarded to the president.

**X. Sanctions**

Failure to observe restrictions imposed as a result of review of a conflict of interest disclosure or a knowing failure to disclose a conflict of interest may result in disciplinary proceedings under

university policy. A board member who knowingly fails to disclose a conflict of interest shall be subject to removal.

## **XI. Appeals**

- A. Decisions made by the board of trustees may not be appealed.
- B. Decisions made by the University Review Committee may be appealed to the president. Decisions of the president shall be final and binding.

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### **Related Forms**

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<b>Financial Interests Disclosure Form</b>	<a href="http://www.apsu.edu/files/human-resources/conflict_interest.pdf">http://www.apsu.edu/files/human-resources/conflict_interest.pdf</a>
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### **Links**

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<b>APSU Conflict of Interest Committee</b>	<a href="https://www.apsu.edu/governance/committees/proprights">https://www.apsu.edu/governance/committees/proprights</a>
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### **Revision Dates**

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APSU Policy 1:001 (previously 5:056) – Rev.: March 30, 2017  
APSU Policy 1:001 – Rev.: April 11, 2012  
APSU Policy 1:001 – Rev.: September 2, 2008  
APSU Policy 1:001 – Rev.: January 13, 2003  
APSU Policy 1:001 – Issued: February 10, 1999

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### **Subject Areas:**

Academic	Finance	General	Human Resources	Information Technology	Student Affairs
		<input checked="" type="checkbox"/>			

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### **Approved**

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President: signature on file

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