



AUDIT COMMITTEE

Austin Peay State University

317 College Street, Clarksville, TN 37040

September 15, 2023

At the conclusion of the Executive Committee

Zoom link:

<https://apsu.zoom.us/j/82706697259>

Call to Order

Roll Call/Declaration of a Quorum

Approval of Minutes

Action Items

A. Internal Audit Salaries and Budget FY2024

Information Items

A. Internal Audit Reports released between May 12, 2023 and August 17, 2023

B. Office of Internal Audit FY2023 Annual Report

C. Overview of Recently Completed External Review

D. Update - Quality Assurance Review of the Office of Internal Audit

Adjourn





Audit Committee Minutes

Friday, June 9, 2023
317 College Street, Clarksville, TN 37040

Call to Order

Trustee Roe, in the committee chair's absence, called the meeting to order at 9:18 a.m.

Roll Call/Declaration of Quorum

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

ATTENDANCE ROLL CALL		
Name	Present	Absent
Trustee Atkins	X	
Trustee Cannata		X
Trustee Jenkins, ex officio	X	
Trustee Mealer (Chair)		X
Trustee Roe	X	

University Personnel Present

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 Roe presented the minutes of the March 17, 2023, meeting of the Audit Committee and Audit Committee Executive Session to the committee for approval. He asked if there were any corrections or additions to the minutes. There were none.

Trustee Jenkins moved to approve the minutes of the Audit Committee and Audit Committee Executive Session as written. Trustee Atkins seconded the motion. A voice vote was taken, and the motion carried unanimously with three trustees voting yes.

Action Items

A. Review of Fiscal Year 2024 Internal Audit Plan

Trustee Roe recognized Blayne Clements, chief audit officer, for a report. Clements explained that the Office of Internal Audit prepares an annual Audit Plan at the beginning of each fiscal year. The plan is based on the staffing and time resources available to perform audits and is prepared in conjunction with an annual risk analysis of the university's auditable areas. During the year, changes in audit priorities may result in alterations to the plan. The *International Standards for the Professional Practice of Internal Auditing*, issued by the Institute of Internal Auditors (IIA), requires the audit plan, and any significant changes to the plan, be approved by the Audit Committee.

Trustee Jenkins moved to approve the 2024 Internal Audit Plan. Trustee Atkins seconded the motion. A voice vote was taken, and the motion carried unanimously with three trustees voting yes.

Information Items

A. Internal Audit Reports issued between February 18, 2023 and May 11, 2023, and List of Outstanding Audit Recommendations

Trustee Roe recognized Clements for a report. Clements discussed two audits completed between Feb. 18, 2023 and May 11, 2023. Clements discussed the Review of Dining Services Contract report released on April 14, 2023 and the Review of Grants Administration report released on May 10, 2023.

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. Overview of Recently Completed External Review

Trustee Roe recognized Clements for a report. Clements explained that the Audit Committee Charter requires the committee to review the results of external audits conducted at the university. Clements discussed the February 2023 audit of the university's Water Intrusion Plan conducted by the State of Tennessee's Division of Claims and Risk Management.

Adjournment

Trustee Jenkins moved to adjourn the Audit Committee meeting. Trustee Atkins seconded the motion. A voice vote was taken and carried unanimously with three trustees voting yes. The meeting adjourned at 9:27 a.m.

Austin Peay State University
Office of Internal Audit
Budget Information for the Fiscal Year Ending June 30, 2024

Title	Name	Salary	Professional Certifications	Years of Professional Experience	Years of APSU Experience
Chief Audit Officer	Blayne Clements	\$ 129,162	CIA, CFE, CRMA	26	7.5
Assistant Director	Beth Chancellor	66,230	CFE	29	24.5
	Longevity Payments	\$ 5,200	(1)		
	Travel Budget	8,500			
	Operating Budget	2,100	(2)		
	Employee Benefits	88,000			

Certifications:

CIA - Certified Internal Auditor

CFE - Certified Fraud Examiner

CRMA - Certification in Risk Management Assurance

- (1) Longevity payments are required by state law and are \$100 for each year of state service for each employee.
- (2) Operating budget generally covers expenses such as office supplies, postal charges, printing, etc.
- (3) A budget request was submitted to obtain funds to out-source or co-source a review of information technology. The request was not fulfilled.

Austin Peay State University
Athletics – Cash Receipting Process for Non-ticketed Events
Internal Audit Report
June 7, 2023

Key Staff: Associate Athletic Director and Chief Financial Officer	Auditor: Blayne M. Clements CIA, CFE, CRMA
<p>Introduction: On June 2, 2022, the Tennessee Comptroller of the Treasury, Division of Investigations, issued a report “Austin Peay State University Track and Field and Cross Country.” The investigation revealed that between January 1, 2015 and June 30, 2018, the former track and cross-country coach misappropriated university funds totaling \$30,600.45.</p> <p>The former coach held track and cross-country fundraiser events, charged participants entry fees to compete in the fundraiser events, and deposited some of the proceeds into a non-university bank account that the former track coach established, maintained and controlled for his personal use and benefit.</p> <p>On June 2, 2022, the former coach entered a plea of guilty by criminal information in the Circuit Court of Montgomery County to the felony offense of Attempted Theft of Property over \$10,000. The Court granted judicial diversion relief, placed the former coach on four years’ supervised state probation and ordered him to pay full restitution which the university received on June 6, 2022.</p>	
<p>Objectives: To review the Athletics Department cash receipting processes for fundraising events (non-ticketed athletic events) and ensure proper cash receipting procedures were followed.</p>	
<p>Scope: Non-ticketed athletic events occurring between July 1, 2022 and April 30, 2023.</p>	
<p>Field Work: During the scope of the audit, one non-ticketed athletic fundraiser occurred – a women’s golf tournament held in September 2022. Audit procedures were designed to ensure all event revenue was collected and appropriately deposited with the university - \$11,700.</p>	
<p>Results: Based on audit tests performed, adequate controls are in place to ensure event revenues for non-ticketed athletic events are managed appropriately.</p>	

Austin Peay State University
Continuity of Operations Planning
Internal Audit Report
August 2, 2023

Key Staff: Director, Emergency Management	Auditor: Blayne M. Clements CIA, CFE, CRMA
<p>Introduction: The concepts of Disaster Recovery Plan and Continuity of Operations Plan are related but separate. A Disaster Recovery Plan details how the university should respond to an emergency. A Continuity of Operations Plan deals with how university operations will proceed during and following an emergency.</p> <p>The Office of Emergency Management is responsible for bringing focus to the planning, preparing and responding to university emergencies. This includes assisting departments with creating a Continuity of Operations Plan (COOP). These plans guide the individual departments on how to operate during and immediately after an emergency. By completing the COOP, each department has an opportunity to be in control of their recovery after an emergency. The individual departments are responsible for creating a COOP and updating the plan annually. The Office of Emergency Management support the departments by providing training and assistance, as well as reviewing each plan for adequacy.</p> <p>The Office of Emergency Management has identified sixty-six departments that should have a COOP. The Director of Emergency Management started offering related training to departments in the summer of 2021 with a goal of 50% of departments having completed a COOP by December 31, 2022. At the time of the audit, forty-five departments (68%) had created a COOP. The Office of Emergency Management is actively working with and encouraging the remaining areas to complete a COOP.</p>	
<p>Objectives: To ensure management has strategies in place to ensure:</p> <ul style="list-style-type: none">• All pertinent departments have been identified as needing a COOP• Identified departments have been properly trained on the importance of and how to complete a COOP• Identified departments have adequately completed a COOP• Identified departments periodically update their COOP• User access to continuity planning software is appropriate	
<p>Scope: Summer 2023</p>	
<p>Field Work: The audit included interviewing key staff, reviewing various documentation, reviewing significant controls and performing detailed testwork as deemed necessary.</p>	
<p>Results: Based on audit tests performed, it appears the Office of Emergency Management has adequate controls in place to help ensure departments have an adequate Continuity of Operations Plan.</p>	

**Austin Peay State University
Review of the Budget Office
Internal Audit Report
August 11, 2023**

Key Staff: University Budget Director	Auditor: Beth Chancellor, CFE
<p>Introduction: The Budget Office is responsible for ensuring the prudent management of university resources. The Budget Office performs many vital roles for the university which include:</p> <ul style="list-style-type: none">• Coordinating the annual preparation of the Original (July) Budget, Revised (October) Budget and Estimated Budget for the APSU Board of Trustees.• Coordinating the annual preparation of the appropriations request submitted to the Tennessee Higher Education Commission (THEC).• Creating new positions and maintaining the accounting distribution for positions in the Human Resource System.• Coordinating the annual preparation of proposed fee changes for approval by the APSU Board of Trustees.• Managing budget revision requests from university departments.• Providing data and analysis to support decision making and resource allocation.• Assisting departments with budget questions.	
<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">• Compliance with APSU Policy 1:022 Budget Principles and Control• Finances (including departmental payroll, purchasing, and budget monitoring)• System Access and Physical Security	
<p>Scope: July 2022 to May 2023</p>	
<p>Field Work: The audit included interviewing key staff, reviewing a variety of documentation and performing tests of significant controls.</p>	
<p>Audit Results: The results of the review indicate the Budget Office has adequate controls over operations.</p>	

APSU - Status Report on Outstanding Internal Audit Recommendations as of August 17, 2023

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
2/16/2022	<p>Payroll Office Review</p> <p>Management should ensure aid provided to international students is properly and timely considered for any potential tax considerations.</p>	Assistant Vice President for Finance/ Executive Director of International Education	<p>Original 8/1/2022</p> <p>Revised 1/1/2023</p>	In Progress	NA
1/30/2023	<p>Review of Inappropriate Travel Expenses Reimbursements</p> <p>Management obtain appropriate documentation when a third party is paying any travel expenses of an employee and review for any potential conflict of interest concerns.</p>	Vice President for Finance and Administration	5/31/2023	In Progress	NA
1/30/2023	<p>Review of Inappropriate Travel Expenses Reimbursements</p> <p>Management should ensure all business trips made by employees have a documented business purpose, such as itineraries, conference agendas, etc.</p>	Vice President for Finance and Administration	5/31/2023	In Progress	NA



Office of Internal Audit

Year End Report

FOR THE YEAR ENDED
JUNE 30, 2023

'23

A message from the university's Office of Internal Audit:

It is our pleasure to share the Office of Internal Audit's Annual Report for fiscal year 2023.

We are audit and fraud investigation professionals. As University employees, we have a dual reporting responsibility to the president and the Audit Committee of the University Board of Trustees. Our primary task is to review University functions to determine whether they comply with and support the University's goals and objectives. Please take a brief moment and review our report to familiarize yourself with the services we offer the University community.

Let's Go Peay!



Blayne M. Clements, CIA, CFE, CRMA
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Beth Chancellor, CFE
Assistant Director
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1. INTRODUCTION

The Office of Internal Audit's primary duty is to provide assurance to the Board of Trustees, president and other stakeholders that management is operating effectively, efficiently and in compliance with a variety of laws, rules and regulations.

As University employees, we report functionally to the University Board of Trustees (solid line) and administratively to the president (dotted line). This unique reporting structure provides the office the objectivity and independence needed to perform our duties effectively.

2. TYPES OF SERVICES OFFERED BY THE OFFICE OF INTERNAL AUDIT

Our office offers the following services to the University community:

Audit/Assurance Services – This includes planned reviews of compliance, operations, information technology, financial activity and other areas of University operations. Using a risk based methodology, an annual audit plan is created that dictates what audits are completed in a given year. This plan is approved by the Audit Committee of the Board of Trustees. The audits performed generally result in a written report which includes an overall opinion of the area being audited and a description of any significant recommendations for management to improve operations.

Investigations – The Office of Internal Audit is charged with soliciting, reviewing and investigating allegations of potential fraud, waste and abuse. These investigations may result in a written report which details the allegations, work performed and the results of the investigation. If appropriate, the investigation findings will be presented to the local district attorney.

Advising/Consultative Services – Generally speaking, consultations are where an employee or department requests assistance from the Office of Internal Audit to collaborate on a potential solution to a problem. Consultations may not always result in a written report.

Follow-Ups – For all recommendations included in reports released by the Office of Internal Audit, staff perform follow-up reviews to ensure management has taken adequate corrective action.

Management's Risk Assessment Program – State law requires management to periodically evaluate their risk environment and ensure adequate mitigation strategies are in place. This assessment process was established in 2006 and is facilitated by the Office of Internal Audit. The Audit Committee of the Board of Trustees reviews and evaluates the program for adequacy.

3. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

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 have a robust Quality Assurance and Improvement Program. This program must include the following:

- Ongoing monitoring of the performance of the internal audit activity. This includes day-to-day supervision and a review of performance metrics of the internal audit activity. Ongoing monitoring is incorporated into routine policies and practices used to manage the internal audit activity.
- Periodic assessments, which are usually self-assessments that evaluate the office's conformance to the IIA's *standards*, Code of Ethics, Core Principles and the definition of internal auditing.
- An external assessment must be conducted at least once every five years by a qualified independent assessor or assessment team from outside the organization. The most cost efficient option for an external assessment is performing a self-assessment which is validated by an external review team. Our last external review was conducted in the summer of 2018. We received the highest rating possible, "generally conforms."

The next external assessment is due in the fall of 2023. The results of the external validation will be presented to the president and the Audit Committee.

4. PERFORMANCE METRICS

The Office of Internal Audit tracks several performance metrics to measure effectiveness and productivity.

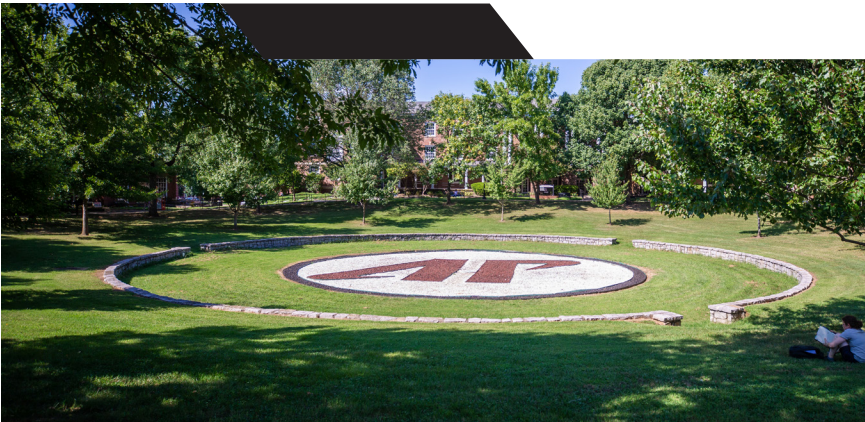
Time Resources

A common metric of an internal audit office’s productivity is the number of hours spent performing audits. Based on research performed in 2019 and 2022, a two-person audit office in a state university/community college spends approximately 2,000 hours each year performing audits. The Office of Internal Audit has a long-standing goal of spending 2,200 hours performing audits, which is 10% greater than the average.

Fiscal Year	2017	2018	2019	2020	2021	2022	2023
Hours Performing Audits	2,201	2,178	2,172	2,271	2,291	2,057	2,238

Another common productivity metric is the ratio of time spent performing audits versus the time spent on administrative work. A common industry benchmark used in internal auditing is to spend 75% of time performing audits and 25% of time on administrative duties (75/25). The Office of Internal Audit has a long-standing goal to invest 80% of time into performing audits and 20% of time into performing administrative duties (80/20). For the fifth straight year, we exceeded the goal with a ratio of 83/17.

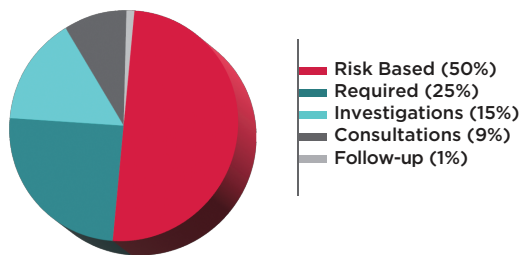
Fiscal Year	2017	2018	2019	2020	2021	2022	2023
Audit vs. Admin Ratio	78/22	80/20	82/18	83/17	83/17	84/16	83/17



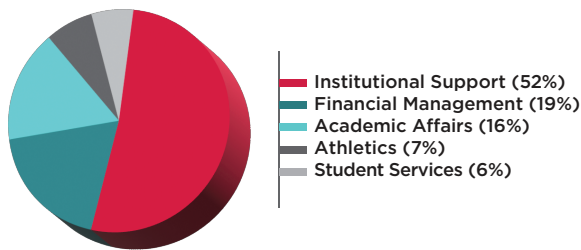
Audit Coverage

Two additional performance metrics are tracking audit coverage by the type of audit performed and by the University functional area being reviewed. Tracking audit coverage by audit type allows stakeholders to see what kind of audit engagements are occurring. Tracking audit coverage by functional area allows stakeholders to see what segments of the University internal audit serves.

AUDIT HOURS BY AUDIT TYPE **FY2023**



AUDIT HOURS BY FUNCTIONAL AREA **FY2023**



Although all aspects of University operations can be audited, the Office of Internal Audit focuses resources on business operations (financial management and institutional support).

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	7 Year Average
% of Audit Time Spent on Business Operations	68%	66%	48%	57%	73%	59%	71%	63%

In fiscal year 2018, the Office of Internal Audit revised its efforts to ensure the campus community is aware of the services offered by internal audit, including the investigation of potential issues of fraud, waste and abuse. These efforts resulted in a spike of time spent performing investigations.

Fiscal year 2023 continues the four-year trend of declining audit hours invested in performing investigations regarding potential issues of fraud, waste and abuse.

Fiscal Year	2017	2018	2019	2020	2021	2022	2023	7 Year Average
% of Audit Hours Spent on Investigations	18%	25%	33%	25%	20%	5%	15%	20%

Internal Audit Recommendations

A common measure of an internal audit office’s effectiveness is the number of audit recommendations implemented by management.

Audits may discover opportunities for management to improve operations. Significant opportunities are generally included in the audit report as recommendations. Less significant opportunities are generally communicated in a separate letter to management.



For recommendations included in audit reports, management will provide the Office of Internal Audit a corrective action plan. Corrective action plans detail what actions will be taken to address the issue, who is responsible for that action and an estimated date of when the 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 appropriate corrective actions to adequately address the issue.

Below is a summary of the recommendations for fiscal year 2023:

Audit Recommendations Included in Audit Reports Carried Forward from FY2022	1
Audit Recommendations in FY2023	
Number Included in Audit Reports	6
Number Not Included in Audit Reports	51
Report Recommendations Adequately Addressed by Management	3
Report Recommendations Not Adequately Addressed by Management	0
Recommendations where Corrective Actions were not due by or follow up was in Progress at June 30, 2023	4

5. 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 and/or abuse. The Office of Internal Audit is required to investigate each allegation received. If the initial analysis of an allegation deems the allegation has no merit or lacks adequate details, there is no need to open an investigation. If the allegation is not fraud, waste and/or abuse, the issue may be referred to management to address. If an investigation reveals the

allegation is not substantiated and no significant opportunities for improvement were noted, the case may be administratively closed (no report issued). If an allegation is substantiated or significant opportunities for improvement are discovered, a report may be issued.

Below is a summary of the investigative activity since 2017:

Fiscal Year	2017	2018	2019	2020	2021	2022	2023
Calls/Emails/Referrals Received				18	16	9	15
Cases Opened	8	10	12	6	8	5	4
Cases Administratively Closed	5	5	8	2	6	5	2
Reports Issued	2	3	6	4	2	1	1
Cases Outstanding at Year End	1	3	1	1	1	0	1

To ensure allegations are followed up on in a timely manner, the Office of Internal Audit tracks the number of days from when an allegation is received to when a report is issued or the case is administratively closed. In fiscal year 2023, the average number of calendar days a case was open was 30 calendar days – the longest was 63 calendar days.



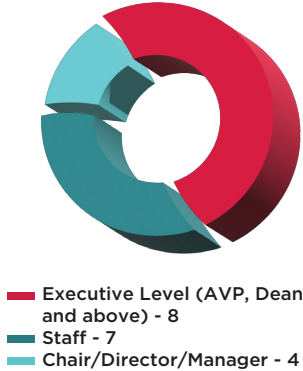
6. CUSTOMER SATISFACTION SURVEYS

The Office of Internal Audit is committed to a continuous quality assessment and improvement program. This program includes soliciting feedback directly from the clients served about the quality of services we have provided. At the beginning of each calendar year, the Office of Internal Audit sends a 10-question client satisfaction survey to employees who have had significant interaction with the office pursuant to internal audits occurring the previous year. The survey responses are anonymous to ensure candid feedback. In January 2023, surveys were sent to 19 individuals. The survey completion rate was 74% and the responses and comments were positive. See the graphs below for more about who we sent the survey to, how many responded and what they said.

SURVEY RECIPIENTS BY AREA
CALENDAR YEAR 2022



SURVEY RECIPIENTS BY JOB TITLE
CALENDAR YEAR 2022



SURVEY RESPONSES
MULTIPLE CHOICE QUESTIONS
CALENDAR YEAR 2022



SURVEY RESPONSES "WHICH OF THE FOLLOWING WORDS WOULD YOU USE TO DESCRIBE INTERNAL AUDIT?"
CALENDAR YEAR 2022



7. VOLUNTEER SERVICE

The Office of Internal Audit staff is committed to the broader University community and volunteer at various events and activities. In fiscal year 2023, staff members volunteered in a variety of ways including assisting with information tables on the first day of classes, assisting at graduation ceremonies and participating in the two-day career fair sponsored by the Office of Career Services.

8. COMMITTEE WORK

Internal Audit staff members serve on various University committees, including but not limited to the Conflict of Interest Committee, the Cyber Incident Response Team and the Data Governance Steering Committee. Internal audit staff members generally serve in a non-voting status in order to maintain organizational independence.





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