



AUDIT COMMITTEE

Austin Peay State University

317 College Street

Clarksville, TN 37040

September 16, 2022

At the conclusion of the Business and Finance Committee Meeting

Call to Order

Roll Call/Declaration of a Quorum

Approval of Minutes

Action Items

A.Internal Audit Salaries and Budget FY2023

Information Items

A.Internal Audit Reports released between May 11, 2022 and August 16, 2022

B.Results of Recent Quality Assurance Review - Periodic Assessment

C.Office of Internal Audit FY2022 Annual Report

D.Overview of Recently Completed External Reviews

Adjourn



<b>Audit Committee Minutes</b>			
<b>6.10.22</b>		<b>9:43 a.m.</b>	<b>317 College Street Clarksville, TN 37040</b>
<b>Meeting Type</b>	<b>Audit Committee</b>		
<b>Notetaker</b>	<b>Beth Chancellor</b>		
<b>Attendees</b>	<b>Committee Members</b>		<b>Present (Y/N)</b>
	Brig. Gen. Robin Mealer, Chair		Y
	Ms. Katherine Johnson Cannata		Y
	Mr. Mike O'Malley		Y
	Dr. Phil Roe		Y
	Mr. Billy Atkins (ex-officio, voting)		Y
	<b>University Personnel</b>		
	Mr. Blayne Clements, Chief Audit Officer		Y
	Dr. Michael Licari, President		Y
	Dr. Carol Clark, Secretary to the Board		Y
	Ms. Dannelle Whiteside, Vice President for Legal Affairs and Organizational Strategy		Y (via Zoom)
<b>Call to Order</b>			
<b>Discussion</b>			
Trustee Mealer called the meeting to order at 9:43 a.m.			
<b>Roll Call/Declaration of a Quorum</b>			
<b>Discussion</b>			
Dr. Carol Clark, secretary to the board, called the roll.			

Trustee Mealer stated there was a quorum.	
<b>Approval of Minutes</b>	
Discussion	
Trustee Mealer presented the minutes of the March 18, 2022, meeting of the Audit Committee, both the public and executive sessions, to the committee for approval. She asked if there were any corrections or additions to the minutes. There were none.	
Conclusions	
Trustee O'Malley moved to approve the minutes of the Audit Committee, both the public and executive sessions, as written. Trustee Atkins seconded the motion.  A voice vote was taken and the motion carried unanimously with five trustees voting yes.	
<b>Action Item A – Consideration of the FY2023 Internal Audit Plan</b>	
Discussion	
Trustee Mealer recognized Blayne Clements, chief audit officer, for a report. Clements explained 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 <i>International Standards for the Professional Practice of Internal Auditing</i> , issued by the Institute of Internal Auditors (IIA), requires the Audit Committee to approve the audit plan and any significant changes to the audit plan.	
Conclusions	
Trustee O'Malley moved to approve the FY2023 Internal Audit Plan. Trustee Cannata seconded the motion.  A voice vote was taken and the motion carried unanimously with five trustees voting yes.	
<b>Information Item A - Internal Audit Reports issued between February 19, 2022 and May 10, 2022, and List of Outstanding Audit Recommendations</b>	
Discussion	
Trustee Mealer recognized Clements for a report. Clements discussed the review of the Provost's Office audit completed between Feb. 19, 2022, and May 10, 2022 and issued on April 14, 2022.	

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

Conclusions

This was an information item and required no action.

### **Information Item B – Quality Assessment and Improvement Program**

Discussion

Trustee Mealer recognized Clements for a report. Clements explained that state law requires the Office of Internal Audit to comply with the mandatory guidance issued by the Institute of Internal Auditors (IIA). This guidance requires the office to have a robust Quality Assurance and Improvement Program. As part of the program, 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 efficient option for an external assessment is to perform a self-assessment with the opinion validated by an external review team. The last external review was conducted in the summer of 2018. The next external assessment is due Aug. 31, 2023. The FY2023 internal audit plan contains a project for an internal self-assessment. This self-assessment will be validated by an external review team. The results of the external validation will be presented to the president and the Audit Committee.

Conclusions

This was an information item and required no action.

### **Information Item C – Overview of Recently Completed External Audits**

Discussion

Trustee Mealer recognized Clements for a report. Clements discussed the Austin Peay track and field and cross country investigative report that was released by the state Comptroller's Office on June 2, 2022.

Conclusions

This was an information item and required no action.

### **Adjourn**

Discussion



Trustee O'Malley moved to adjourn the public portion of the Audit Committee meeting. Trustee Atkins seconded the motion.

A voice vote was taken and carried unanimously with five trustees voting yes. The meeting adjourned at 9:51 a.m.



**Audit Committee - Executive Session Minutes**

6.10.22

9:56 a.m.

317 College Street  
Clarksville, TN 37040

Meeting Type

Audit Committee - Executive Session

Notetaker

Beth Chancellor

Attendees	Committee Members	Present (Y/N)
	Brig. Gen. Robin Mealer, Chair	Y
	Ms. Katherine Johnson Cannata	Y
	Mr. Mike O'Malley	Y
	Dr. Phil Roe	Y
	Mr. Billy Atkins (ex-officio, voting)	Y
	University Personnel	
	Mr. Blayne Clements, Chief Audit Officer	Y
	Dr. Michael Licari, President	Y
	Dr. Carol Clark, Secretary to the Board	Y
	Ms. Dannelle Whiteside, Vice President for Legal Affairs and Organizational Strategy	Y (via Zoom)

**Executive Session**

Discussion

Trustee Mealer called the confidential, nonpublic executive session to order at 9:56 a.m. Trustee Mealer recognized Dannelle Whiteside, vice president for the Division of Legal Affairs and Organizational Strategy, for a discussion of litigation and reminded the attendees that everything discussed is to be considered confidential and not shared outside the session.

Trustee Mealer then recognized Blayne Clements, chief audit officer, for a review of Management's Risk Assessment for Finance and Administration.

Lastly, Trustee Mealer recognized David Sanchez, associate vice president and chief information officer, for a ransomware update.

## **Adjourn**

Discussion

Trustee Mealer moved to adjourn the meeting. Trustee Cannata seconded the motion.

A voice vote was taken and carried unanimously with five trustees voting yes. The meeting adjourned at 10:43 a.m.

**Austin Peay State University**  
**Office of Internal Audit**  
**Budget Information for the Fiscal Year Ending June 30, 2023**

Title	Name	Salary	Professional Certifications	Years of Professional Experience	Years of APSU Experience
Chief Audit Officer	Blayne Clements	\$ 123,600	CIA, CFE, CRMA	25	6.5
Internal Auditor	Beth Chancellor	63,378	CFE	28	23.5
	Longevity Payments	\$ 5,000	(1)		
	Travel Budget	8,500			
	Operating Budget	1,600	(2)		
	Employee Benefits	76,200			

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 an review of information technology. The request was not fulfilled.

**Austin Peay State University**  
**Enrollment Management and Student Success Internal Controls Verification Review**  
**Internal Audit Report**  
**June 28, 2022**

<b>Key Staff:</b> Various	<b>Auditor:</b> Beth Chancellor, CFE
<p><b>Introduction:</b> Management is required by state law to perform an annual risk assessment. This risk assessment, which is facilitated by the Office of Internal Audit, identifies business risks and measures their potential impact to the university as well as their likelihood of occurrence. For risks that management identifies as significant, management inventories mitigating controls which are designed to reduce the impact or probability of the risk to an overall acceptable level. In summer 2021, the risks under the Provost and Senior Vice President for Academic Affairs were assessed, which included Enrollment Management and Student Success.</p> <p>The charter of the Audit Committee of the Board of Trustees requires the committee to “review and evaluate” management’s assessment of risk. The assessment of risks in the academic affairs area were presented to the committee at their December 2021 meeting.</p>	
<p><b>Objectives:</b> For Enrollment Management and Student Success risks identified as significant in management’s summer 2021 risk assessment, verify the controls inventoried by management are in place and mitigating the risk to an acceptable level.</p>	
<p><b>Scope:</b> Management’s risk assessment related to Enrollment Management and Student Success performed in the summer of 2021.</p>	
<p><b>Field Work:</b> The review identified key employees responsible for mitigating the risks identified as significant in the summer 2021 risk assessment. These employees were interviewed and supporting documentation was reviewed as deemed necessary.</p>	
<p><b>Results:</b> Enrollment Management and Student Success operate in a highly dynamic environment. Management frequently analyzes and revises internal controls to optimize effectiveness. Therefore in some cases, the internal controls identified in the 2021 risk assessment may have changed.</p> <p>Based on discussions with key employees and review of various documentation, it appears management is actively mitigating Enrollment Management and Student Success risks identified as significant in the 2021 risk assessment.</p>	

**Austin Peay State University**  
**Student Assistance Fund and Academic Enhancement Fund Review**  
**Internal Audit Report**  
**August 3, 2022**

<b>Key Staff:</b> Assistant Director of Athletics/Compliance	<b>Auditor:</b> Beth Chancellor, CFE
<p><b>Introduction:</b> The National Collegiate Athletic Association (NCAA) distributes the Student Assistance Fund (SAF) and the Academic Enhancement Fund (AEF) to conference offices annually in June and the conference offices traditionally distribute the appropriate amount to each institution in July.</p> <p>According to NCAA guidelines, the SAF “shall be used to assist student-athletes in meeting financial needs that arise in conjunction with participation in intercollegiate athletics, enrollment in an academic curriculum or to recognize academic achievement.” The AEF guidelines state “Institutions are encouraged to use the funds for the direct benefit of student-athletes which enhance the student-athlete’s welfare.” As part of the Ohio Valley Conference (OVC) annual audit and to determine whether funds are being spent in accordance with NCAA guidelines, the OVC requires each institution to subject the Student Assistance Fund and Academic Enhancement Fund to a review and verification of expenses by a source outside the athletics department (i.e. Internal Auditor).</p>	
<p><b>Objective:</b> The audit objective was to verify disbursements from the 2021-2022 Student Assistance Fund and Academic Enhancement Fund complied with established NCAA guidelines.</p>	
<p><b>Scope:</b> The review focused on Student Assistance Fund and Academic Enhancement Fund expenses between July 1, 2021 and June 30, 2022.</p>	
<p><b>Audit Results: Disbursements complied with established NCAA guidelines.</b></p> <p>Internal Audit examined the institutional accounts where expenditures from the Student Assistance Fund and Academic Enhancement Fund are charged. The Athletic Department used the SAF for a travel (mileage) reimbursement for one athlete and for summer school scholarships to cover living expenses (housing/food) for athletes taking summer classes and/or participating in summer workouts. Male athletes participating in basketball and football were recipients of the funds. Female athletes participating in women’s basketball were also recipients of the funds. The Athletic Department used the AEF for Student-Athlete Support Services academic personnel salaries and benefits.</p> <p>The results of the review indicate that the Athletic Department has adequate controls in place to ensure disbursements from the 2021-2022 Student Assistance Fund and Academic Enhancement Fund complied with NCAA guidelines.</p>	

**APSU - Status Report on Outstanding Internal Audit Recommendations as of August 16, 2022**

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

## Overview

As required by the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* (Standards), a periodic quality assessment review (QAR) of Austin Peay State University (University) Internal Audit procedures, practices and activities has been completed. The principal objectives of the QAR were to assess APSU Internal Audit's conformance with IIA Standards and effectiveness in carrying out its purpose, objectives and responsibilities. Objectives of the QAR also included identifying opportunities for APSU Internal Audit to improve its procedures, practices and activities and enhance the value internal audit provides to Austin Peay State University.

## Scope and Methodology

The QAR included an extensive internal self-assessment of internal procedures, practices and activities including:

- Annual university risk assessment and audit planning process
- APSU Internal Audit procedures and practices
- Project scheduling and management
- Execution of individual audits and other projects including planning, fieldwork and reporting and related work papers
- Reporting to and meeting with the Audit Committee and University President
- Staff qualifications, supervision and training
- Surveys of audit clients

## Evaluation Results

### Overall Opinion

It appears APSU Internal Audit **Generally Conforms** to the Standards and Code of Ethics established by the IIA, which is the highest rating available. A detailed list of conformance with individual standards and the Code of Ethics is shown in attachment A. Some opportunities for improvement were noted but not deemed significant enough to lower the evaluation rating. A detailed list of compliance with specific sections of the standards are listed below.

### Conformance Evaluation

Three degrees of conformance were used to evaluate APSU Internal Audit's conformance to individual IIA Standards, sections of Standards, major categories of Standards, and to the IIA Code of Ethics. The three conformance degrees are:

*Generally Conforms* - Relevant structures, policies and procedures of APSU Internal Audit, as well as the process by which they are applied, comply in all material respects with the IIA Standards and Code of Ethics. General conformance does not imply complete or perfect performance. There might be areas for improvement, but these do not represent situations where APSU Internal Audit has not implemented the IIA Standards or Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

*Partially Conforms* - APSU Internal Audit has made a good faith effort to comply with the IIA Standards and/or Code of Ethics, but has not achieved one or more major objectives

## INTERNAL AUDIT



**Evaluation Results (continued)**

of the IIA Standards and/or Code of Ethics.

*Does Not Conform* – APSU Internal Audit is not aware of, is not making a good faith effort to comply with, or is failing to achieve many or all objectives of the IIA Standards or elements of the Code of Ethics.

**Conformance to Specific Section of Standards**

APSU Internal Audit generally conforms to the following:

- The IIA Code of Ethics
- 1000 -Purpose, Authority, and Responsibility (Charter)
- 1100-Independence and Objectivity
- 1200-Proficiency and Due Professional Care
- 1300-Quality Assurance/Improvement Program
- 2000-Managing the Internal Audit Activity
- 2100 -Nature of Work
- 2200-Engagement Planning
- 2300-Performing the Engagement
- 2400 -Communicating Results
- 2500-Monitoring Progress
- 2600 -Communicating the Acceptance of Risks

APSU Internal Audit partially conforms to the following: None

APSU Internal Audit does not conform to the following: None

**External Validation**

As required by IIA Standards, APSU Internal Audit must be externally reviewed at least once every five years. The last external review occurred in the 2018. The next external assessment is due in 2023. In preparation for the external review, Internal Audit will update this self-assessment. The external reviewers will review the self-assessment and supporting documents to provide an overall opinion on the APSU Office of Internal Audit's conformance with the IIA mandatory guidance. The external validators will be independent from APSU Internal Audit and experienced in QARs.

Completed by



Blayne Clements, CIA, CFE, CRMA  
Chief Audit Officer  
June 30, 2022

## ATTACHMENT A – EVALUATION SUMMARY AND RATING

### DEFINITIONS

	GC	PC	DNC
<b>Overall Evaluation</b>	X		

<b>Attribute Standards (1000 through 1300)</b>		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognizing Mandatory Guidance in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	Chief Audit Executive Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		

1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X		
1322	Disclosure of Nonconformance	X		

Performance Standards (2000 through 2600)		GC	PC	DNC
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination and Reliance	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		

2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of “Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X		
2431	Engagement Disclosure of Nonconformance	X		

2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Code of Ethics		GC	PC	DNC
	Code of Ethics	X		



June 30, 2022

Trustee Robin Mealer

Chair of the Audit Committee, Austin Peay State University Board of Trustees

and

Dr. Michael Licari

President of Austin Peay State University

Trustee Mealer and Dr. Licari,

The Office of Internal Audit recently completed a periodic self-assessment of internal audit operations. The objective of the self-assessment was to determine compliance with the mandatory guidance of the Institute of Internal Auditors (IIA) and to identify opportunities for APSU Internal Audit to improve its procedures, practices and activities and enhance the value internal audit provides to Austin Peay State University. The self-assessment will be updated and then reviewed by an external team of reviewers in 2023.

The self-assessment found the internal audit office Generally Conforms with the IIA's mandatory guidance, the highest rating available. However, the following opportunities to improve were identified:

1. Increase Audit Coverage of the Information Technology Area

Although internal auditors are not expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing, internal auditors must have sufficient knowledge of key information technology risks and controls. The external validators for 2018 assessment identified the internal audit function should allocate more resources to the information technology area.

In response, the Chief Audit Officer took the following steps to increase internal audit coverage of the information technology area:

- Performed an internal control verification review of certain IT risks (December 2019);
- Audited IT's Implementation of Role Based Access (December 2019);
- Performed a review of the data that is used in the state's funding formula in July 2020;
- Performed several departmental audits – which includes a review of department employee's access to systems/data;
- Submitted budget requests for funds to outsource or co-source an IT review. Due to budget challenges across the university, the requests were not fulfilled. The Audit Committee is made aware of each request when the committee approves the internal audit resources at the committee's September meeting.

**INTERNAL AUDIT**

P.O. Box 4415 • Clarksville, TN 37044 • phone: 931-221-7466

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Although not an action of internal audit, the external audit of FY2019 financial statements included a full IT audit performed by IT auditors. In their FY2020 financial audit, the external auditors performed an IT follow up to ensure any IT issues identified in the previous audit had been adequately addressed.

#### Corrective Action Plan

- Continue to request funds to outsource or co-source information technology related audits;
- Continue to review system access of employees as part of departmental audits;
- Continue to build relationships with key IT employees to identify ways to collaborate on consulting engagements.

#### 2. Performance Evaluation needed for CAO

At the time of the self-assessment, the Chief Audit Officer had not had a performance evaluation since 2020 (for calendar year 2019). In 2020, the President Alisa White left before evaluations were due. Interim President Dannelle Whiteside elected to not do performance evaluations. President Michael Licari was hired in March 2021 and his first round of performance evaluations are due to start in the summer of 2022.

Given the dual reporting relationship of the Chief Audit Officer, the President should seek input from the Chair of the Audit Committee. This was discussed with Dr. White but she left the university before it was implemented. However, it is believed her plan was to have the chair review the performance evaluation she completed for the CAO for potential input.

#### Corrective Action Plan

- Per the Office of Human Resources, the performance evaluation for direct reports to President Licari (which includes the Chief Audit Officer) are to be completed this summer. To the extent deemed necessary, the Audit Committee Chair and the President should collaborate on the Chief Audit Officer's performance evaluation.

Please contact me if you have any questions.

Sincerely,



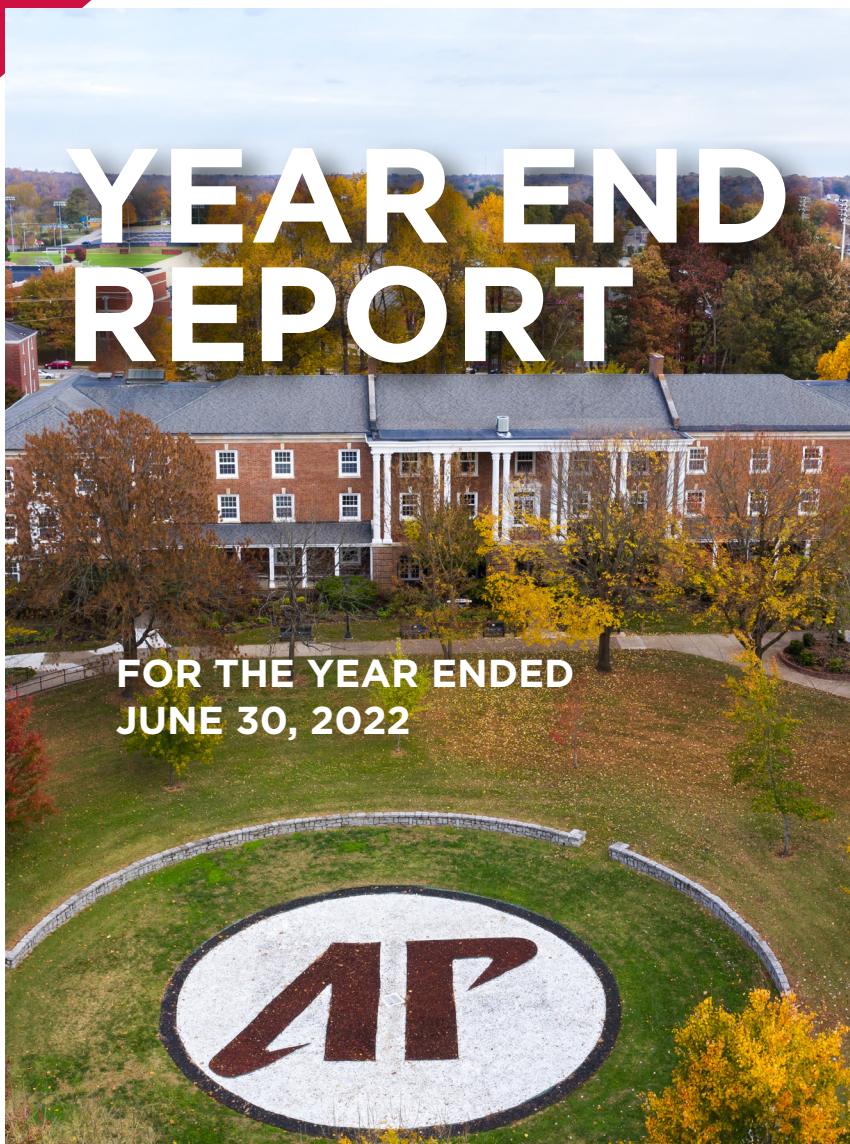
Blayne M. Clements CIA, CFE, CRMA  
Chief Audit Officer



## Office of Internal Audit

# YEAR END REPORT

FOR THE YEAR ENDED  
JUNE 30, 2022







## 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 2022.

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  
Chief Audit Officer  
clements@apsu.edu



Beth Chancellor, CFE  
Internal Auditor  
chancellorb@apsu.edu

# 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 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 result in a written report which includes an overall opinion of the area 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 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. 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 August 31, 2023. The FY2023 audit plan contains a project for an internal self-assessment. This self-assessment will be validated by an external review team. The result 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 internal audit's productivity is the number of hours invested in 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. Although the office has effectively met or exceeded this goal since 2017, we fell short in fiscal year 2022 due to an unanticipated increase in sick leave use.

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

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

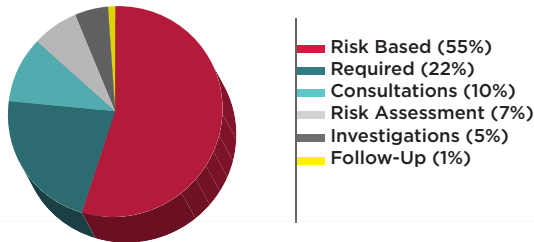
Fiscal Year	2017	2018	2019	2020	2021	2022
Audit vs. Admin Ratio	78/22	80/20	82/18	83/17	83/17	84/16



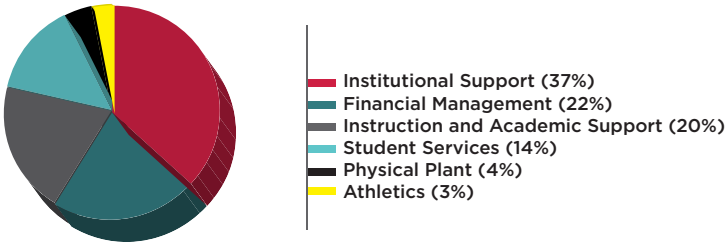
# Audit Coverage

Two additional performance metrics are tracking audit coverage by the type of audit performed and by 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 **FY2022**



AUDIT HOURS BY FUNCTIONAL AREA **FY2022**



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
% of Audit Time Spent on Business Operations	68%	66%	48%	57%	73%	59%

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 2022 continues the three-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	6 yr. Avg.
% of Audit Hours Spent on Investigations	18%	25%	33%	25%	20%	5%	21%

### Internal Audit Recommendations

A common measure of internal audit'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.

<b>Audit Recommendations Included in Audit Reports Carried Forward from FY2021</b>	<b>0</b>
<b>Audit Recommendations in FY2022</b>	
<b>Number Included in Audit Reports</b>	<b>4</b>
<b>Number Not Included in Audit Reports</b>	<b>32</b>
<b>Report Recommendations Adequately Addressed by Management</b>	<b>3</b>
<b>Report Recommendations Not Adequately Addressed by Management</b>	<b>0</b>
<b>Recommendations where Corrective Actions were not due by June 30, 2022</b>	<b>1</b>



# 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
Calls/Emails/Referrals Received				18	16	9
Cases Opened	8	10	12	6	8	5
Cases Administratively Closed	5	5	8	2	6	5
Reports Issued	2	3	6	4	2	1
Cases Outstanding at Year End	1	3	1	1	1	0

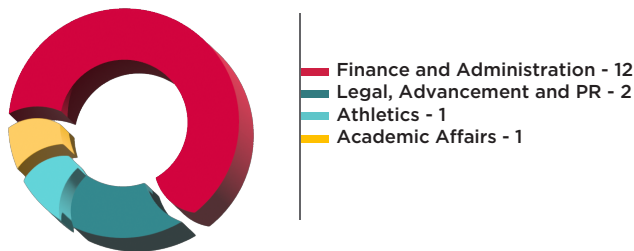
To ensure allegations are followed up on timely, the Office of Internal Audit tracks the number of days from when an allegation is received to when a report is issued or the case is administratively closed. In fiscal year 2022, the average number of calendar days a case was open was 7 calendar days – the longest was 35 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 2022, surveys were sent to 16 individuals. The survey completion rate was 75% and the responses and comments were overall 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 2021



SURVEY RECIPIENTS BY JOB TITLE  
CALENDAR YEAR 2021



SURVEY RESPONSES  
MULTIPLE CHOICE QUESTIONS  
CALENDAR YEAR 2021

Positive Responses - 95  
Negative Responses - 1





## 7. VOLUNTEER SERVICE

The Office of Internal Audit staff are committed to the broader university community and volunteer at various events and activities. In fiscal year 2022, staff members volunteered in a variety of ways including assisting with information tables on the first day of classes, volunteering at ticket distribution prior to graduation and assisting with several graduation ceremonies. In addition, one staff member serves as a board member for the APSU National Alumni Association.

## 8. COMMITTEE WORK

Internal audit staff are members of 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 generally serve in a non-voting status in order to maintain organizational independence.







**BOX 4415  
601 COLLEGE ST.  
CLARKSVILLE, TN 37044**

**BLAYNE CLEMENTS, CIA, CFE, CRMA**  
Chief Audit Executive  
clements@apsu.edu • 931-221-7466

**BETH CHANCELLOR, CFE**  
Internal Auditor  
chancellor@apsu.edu • 931-221-7464