



Audit Committee Meeting Agenda

Austin Peay State University

317 College Street

Clarksville, TN 37040

November 30, 2017

Information Items

- A. Internal Audit Reports issued between August 18, 2017 and November 6, 2017, with list of outstanding audit recommendations
- B. External Quality Assurance Review (QAR)
- C. Client Satisfaction Survey Results – Fall 2017

Executive Session- Risk Assessment



**Information Item: A.**

**Date:** November 30, 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 August 18, 2017 and November 6, 2017 is included below. A detailed description of each type of audit and the audit reports follow this transmittal page.

1. OVC Student Assistance Fund; issued August 23, 2017
2. Annual Review of the President's Office, September 22, 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, 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

**APSU - Status Report on Outstanding Internal Audit Recommendations as of 11/6/2017**

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
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	Orig. 8/31/2017 Revised 12/1/17	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
3/15/17	<p>Bad Debt Expense - Enhance the Academic Alert System</p> <p>Consider enhancing the academic alert program to monitor student attributes that indicate an increased likelihood of becoming delinquent.</p>	Associate Provost for Student Success	Multiple actions to be completed between March 2017 to October 2017	Not Yet Due	NA
3/15/17	<p>Bad Debt Expense - Partnerships with companies</p> <p>Consider partnering with companies focused on increasing student success and lowering default rates.</p>	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	<p>Bad Debt Expense - Ensure failure to attend grades are recorded timely</p> <p>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.</p>	Associate Provost for Student Success	Fall 2017	Not Yet Due	NA
3/15/17	<p>Bad Debt Expense - Repurpose Duties of Existing Staff</p> <p>Consider repurposing the duties of existing business office staff to increase the investment of resources dedicated to collection efforts.</p>	Bursar	2/1/18	Not Yet Due	NA

**APSU - Status Report on Outstanding Internal Audit Recommendations as of 11/6/2017**

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
4/28/17	<p>Review of Cheerleading Invoices - Agreement Needed</p> <p>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.</p> <p>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.</p>	Athletic Director Cheerleading Coach General Counsel	Orig. 8/31/2017 Revised 12/31/17	Not Yet Due	NA
8/9/17	<p>APSU 18-01</p> <p>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.</p>	Assistant Vice President and Chief Human Resources Officer	12/31/2017	Not Yet Due	NA
8/23/2017	<p>OVC SAF 2017</p> <p>Internal Audit made adjustments to the FY 2016-2017 Report of Student Assistant Fund Financial Activity. Expenditures were understated by \$662.05 due to tutoring expenses that were charged to the account after the report was submitted. Due to this adjustment, the balance of funds on hand at June 30, 2017 should have been \$79,718.95. Management should report this expense to the OVC/NCAA and use the correct beginning balance (\$79,718.95) on the FY 2017-2018 Report of Student Assistance Fund Financial Activity.</p>	Director of Athletic Compliance	6/30/2018	Not Due Yet	NA

**Austin Peay State University  
Student Assistance Fund Review  
Executive Summary Report  
August 23, 2017**

<b>Key Staff:</b> Director of Athletics Compliance	<b>Auditor:</b> Beth Chancellor
<p><b>Introduction:</b> The National Collegiate Athletic Association (NCAA) distributes the Student Assistance Fund (SAF) to conference offices in late June and the Ohio Valley Conference (OVC) distributes the appropriate amount to each university in September of each year. As a guiding principle, 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 as determined by conference offices.</p> <p>The responsibility for oversight and administration of the fund, including interpretations, rests solely with the conferences. Conferences are required to report annually, to the NCAA national office, the amount of funds used in each category. As part of the Conference annual audit and to determine whether funds are being spent in accordance with NCAA guidelines, the Ohio Valley Conference requires each institution to subject the Student Assistance Fund to a review and verification by a source outside the athletics department (i.e. Internal Auditor).</p>	
<p><b>Objectives:</b> The audit objectives are to verify disbursements from the 2016-2017 Student Assistance Fund were in compliance with established NCAA guidelines and to verify proper documentation supports each disbursement.</p>	
<p><b>Scope:</b> July 1, 2016 – June 30, 2017</p>	
<p><b>Results:</b> Internal Audit examined the institutional account where expenditures from the Student Assistance Fund are charged. The Athletic Department used the Student Assistance Fund for tutoring, educational evaluations for three athletes, app for class for one athlete, insurance premiums for four international athletes, reimbursement to two athletes for stolen laptops, graduation stoles for athletes, summer scholarships for athletes, and fifth-sixth year emergency scholarships as permitted by the guidelines.</p> <p>Male athletes participating in baseball, basketball, cross country, football, and tennis were recipients of the funds. Female athletes participating in basketball, track, golf, soccer, softball, tennis, and volleyball were also recipients of the funds. The results of the review indicate that the Athletic Office has a process in place to ensure that student-athletes are eligible to receive the funds and that expenditures from the funds were in compliance with NCAA guidelines.</p>	
<p><b>Observation 1 - The expenses for FY 2016-2017 should be increased by \$662.05 and the ending balance should be decreased by \$662.05.</b></p> <p>Internal Audit made adjustments to the FY 2016-2017 Report of Student Assistant Fund Financial Activity. Expenditures were understated by \$662.05 due to tutoring expenses charged to the account after the report was submitted. Due to this adjustment, the balance of funds on hand at June 30, 2017 should have been \$79,718.95. Management should report this expense to the OVC/NCAA and use the correct beginning balance (\$79,718.95) on the FY 2017-2018 Report of Student Assistance Fund Financial Activity.</p> <p>Management's Response: We concur. As noted above in the observation, inaccuracies due to timing issues are expected because the report is due to the OVC before the university closes the accounting records for the fiscal year. At the time the report was submitted, the information presented in the report agreed with the accounting records.</p>	
<p><b>Audit Conclusion:</b> Based on audit tests performed, adequate controls are in place to ensure disbursements from the 2016-2017 Student Assistance Fund are in compliance with NCAA guidelines.</p>	

**Austin Peay State University**  
**Annual Review of the President's Office**  
**Fiscal Year July 1, 2016 – June 30, 2017**  
**Executive Summary Report**  
**September 22, 2017**

<b>Key Staff:</b> Dr. Alisa White, President	<b>Auditor:</b> Blayne M. Clements CIA, CFE, CRMA
<p><b>Introduction:</b> Tennessee Code Annotated, 49-14-104 requires "all public institutions of higher education establish a policy requiring annual reports detailing expenditures made by, at the direction of, or for the benefit of a ....chief executive of an institution be filed with their respective boards." The related university policy is 4:016, Reports of Expenditures by the President.</p> <p>Tennessee Code Annotated, 49-7-3001(c) states "each state university board shall require an annual internal financial audit of the office of the president of the institution. The audit shall be reviewed by the institution's governing board and the comptroller of the treasury."</p> <p>This review was completed to comply with TCA and university policy.</p>	
<p><b>Objectives:</b> To comply with Tennessee Code Annotated, Title 49, Chapter 7 and university policy 4:016, by performing an internal financial audit of the Office of the President for the fiscal year July 1, 2016 to June 30, 2017; to determine compliance with state statutes and TBR and institutional policies regarding expenses; and to ensure the report accurately contains all expenses made by, at the direction of or for the benefit of the president regardless of the funding source.</p>	
<p><b>Scope:</b> The review included all expenses for fiscal year July 1, 2016 – June 30, 2017 made by, at the direction of, or for the benefit of the president regardless of the funding source. The review included interviews of key members of management, tests of the accounting records and other auditing procedures considered necessary during the course of the review.</p>	
<p><b>Audit Conclusion:</b> The objectives of the Annual Review of the President's Office for fiscal year July 1, 2016 – June 30, 2017 were achieved. The audit revealed no significant statutory or policy violations, material omissions from the expense report or deficiencies in internal controls. The summary included with this report fairly represents the expenses of the president's office.</p>	

**Austin Peay State University**  
**Summary of the President's Expenses - Audited**  
**For the Period July 1, 2016 to June 30, 2017**

	Supplemental Schedule	President's Budgetary Accounts		Other Accounts		External Sources	Total
		Institutional	Foundation	Institutional	Foundation		
<b>President:</b>							
Salary and Benefits		\$ 320,715	\$ -	\$ -	\$ -	\$ -	\$ 320,715
Bonus Payments		15,233	-	-	-	-	15,233
Discretionary Allowance		5,000	-	-	-	-	5,000
Housing Allowance		-	-	-	-	-	-
Vehicle Allowance		8,400	-	-	-	-	8,400
Other Allowances		960	-	-	-	-	960
Salary, Benefits & Other Payments		350,308	-	-	-	-	350,308
Travel	A*	14,086	184	596	-	1,824	16,690
Business Meals and Hospitality	B*	239	4,741	24,842	376	-	30,198
Other Expenses	C*	33,520	10,848	11,125	-	-	55,493
<b>Total Expenses for the President</b>		<b>398,153</b>	<b>15,773</b>	<b>36,563</b>	<b>376</b>	<b>1,824</b>	<b>452,689</b>
<b>President's Office:</b>							
Salary and Benefits (2 FTE)		131,301	-	-	-	-	131,301
Travel		1,081	-	-	-	-	1,081
Business Meals and Hospitality		-	-	-	-	-	-
Other Expenses		8,202	-	-	-	-	8,202
		140,584	-	-	-	-	140,584
<b>Total Expenses</b>		<b>\$ 538,737</b>	<b>\$ 15,773</b>	<b>\$ 36,563</b>	<b>\$ 376</b>	<b>\$ 1,824</b>	<b>\$ 593,273</b>

**Additional Disclosures:**

**Discretionary Allowance** - The President is provided an administrative allowance of \$1,250 per quarter.

**Housing Allowance** - The President is provided the use of a campus residence which prior to January 1, 2017 was valued at \$7,200 per year. On January 1, 2017, the value was increased to \$8,240 per year.

**Vehicle Allowance** - The President receives a \$700 monthly vehicle stipend.

**Other Allowances** - The President is provided other spending allowances of \$240 per quarter for cell phone.

**Athletic Tickets** - The President is provided a box at the football stadium with 46 seats at a value of \$25,000.

**Bonus Payment** - The Board of Trustees Executive Committee approved the President's incentive payment for 2016-2017 on June 21, 2017.

**External Sources** - This report includes the disclosure of items provided, paid, or reimbursed by external sources for the benefit of the President. In instances when the values of these items are not available, other relevant details are provided on the applicable supplemental schedule.

\*Supplemental schedules available upon request.

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





**Austin Peay State University**  
**Audit Committee**  
**November 30, 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.



**Information Item: B.**

**Date:** November 30, 2017

**Subject:** External Quality Assurance Review (QAR)

**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 requires external quality assurance reviews (QAR) 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. QARs 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 QAR is required at least once every five years. The next review is due in August 2018. As discussed in the September 2017 Audit Committee meeting, the assessment will be completed via a 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.

Members of the internationally recognized organization, Association of College and University Auditors (ACUA), often volunteer their time to participate as an external validator, requiring only to be reimbursed for travel costs associated with the site visit, which normally lasts one week.

Mary Barnett, Virginia Community College System has tentatively agreed to lead the external validation next summer. Her resume follows this transmittal letter. A past president of ACUA, Ms. Barnett has over twenty nine years of internal audit experience at a variety of institutions of higher education. Ms. Barnett helped prepare VCCS for their external review in 2015, as well as participated in two QARs of other colleges (Longwood University and Ivy Tech Community College System).

Other potential members of the external review have been identified and contacted, however, no firm commitment has been obtained as of the time of this meeting.

**Proposed Implementation Date:** N/A

**Item Details:** N/A

# **Mary M. Barnett, CPA, MBA**

Richmond, Virginia

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## **PROFESSIONAL EXPERIENCE**

### **VIRGINIA COMMUNITY COLLEGE SYSTEM**

**2015 - Present**

#### **Assistant Director, Audit & Consulting Team**

Plans and directs multiple audits, investigations and special projects concurrently. Assists the Director, including presenting audit results at meetings with the State Board, the Audit Committee, and System Cabinet. Responsible for day to day oversight of department including supervising audit staff; developing audit objectives and audit programs; reviewing audit workpapers; reporting all audit results; implementing and championing a new audit management system; implementing Strategic Objectives; working closely with College staff; and participating in all aspects of risk assessments.

### **VIRGINIA COMMUNITY COLLEGE SYSTEM**

**2010 – 2011 and 2012 – 2015**

#### **Fraud Investigations and Special Projects Auditor**

Investigating Fraud Hotline calls related to colleges in the system and performing special projects as needed. Position requires presentations to the Audit Committee and the State Board, as well as the System Chancellor. Responsibilities of the position included three months as Acting Director in 2014.

### **VIRGINIA DEPARTMENT OF CORRECTIONS**

**2011 - 2012**

**Hotline Investigator**, investigating Fraud Hotline calls related to the Department. Investigations include interviewing interested parties, including the hotline callers; reviewing documents and records; relating findings to state laws and Department regulations; reporting results and making recommendations for improvements in internal controls as needed. Position reported to the Inspector General.

### **VACO RESOURCES**

**2010 - 2011**

Providing temporary and part-time solutions in internal audit; assigned to MeadWestvaco Audit Services addressing issues related to corporate cards and fraud.

### **VIRGINIA COMMONWEALTH UNIVERSITY**

**2009 - 2010**

#### **Special Project Auditor**

Lead auditor investigating an internal fraud estimated at nearly \$150,000. Performed work leading to documentation of the extent of the fraud in order to develop workpapers to be used by Commonwealth's Attorney in criminal proceedings. Documented decisions related to personnel action taken and prepared report of recommendations to improve internal controls to prevent similar events in the future.

### **UNIVERSITY OF RICHMOND**

**1989 - 2009**

#### **Director, Internal Audit (1997 – 2009)**

#### **Assistant Internal Auditor (1989 – 1997)**

Evaluated and improved the effectiveness of University departments and processes to improve operations and customer satisfaction. Opined on observance of laws and regulations and assisted management in improving compliance. Produced annual audit plans, performed risk assessments, and developed and performed audit programs to help departments and the University achieve stated goals. Created a University-wide Risk Assessment with input from 40 individuals in virtually all strategic departments, improving the efficiency of internal audits and assisting departments in managing risks.

# **Mary M. Barnett, CPA, MBA**

Richmond, Virginia

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## **EDUCATION**

### **Master of Business Administration**

Virginia Commonwealth University, Richmond, Virginia

### **Bachelor of Arts**

College of William and Mary in Virginia

## **CREDENTIALS**

**Certified Public Accountant** licensed in Virginia

Member of Virginia Society of Certified Public Accountants

Certified Information Systems Auditor

### **Professional Associations**

Member of the Association of Certified Fraud Examiners

Member of ISACA, the Information Systems and Control Association

## **DEVELOPMENTAL ACTIVITIES**

Annual CPE requirements for maintenance of CPA License and other certifications

Fraud investigation and prevention workshops and technical training seminars

Federal grant compliance workshops

Have taught auditing, business process, and compliance workshops for the College and University Auditors of Virginia, the Association of College and University Auditors, and the Eastern Association of College and University Business Officers.



**Information Item: C.**

**Date:** November 30, 2017

**Subject:** Customer Satisfaction Survey Results

**Action Recommended:** Informational Item

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**Background Information:**

The Office of Internal Audit is committed to a continuous quality assessment and improvement program. This program includes periodically soliciting feedback directly from the clients we have served about the quality of services we have provided. Each April and October, the Office of Internal Audit sends a 10 question survey to staff who have had significant interaction with the office pursuant to internal audit engagements for the previous six months. The survey responses are anonymous to ensure candid feedback. The results of the fall 2017 survey follows this transmittal page.

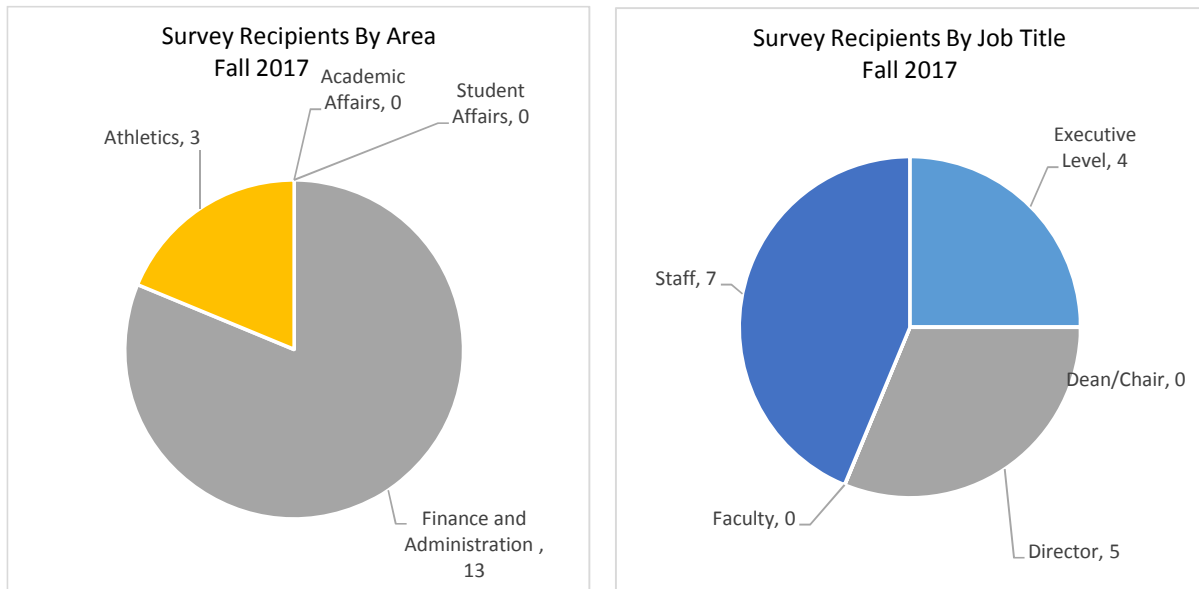
**Proposed Implementation Date:** N/A

**Item Details:** N/A

## Fall 2017 - Customer Satisfaction Survey

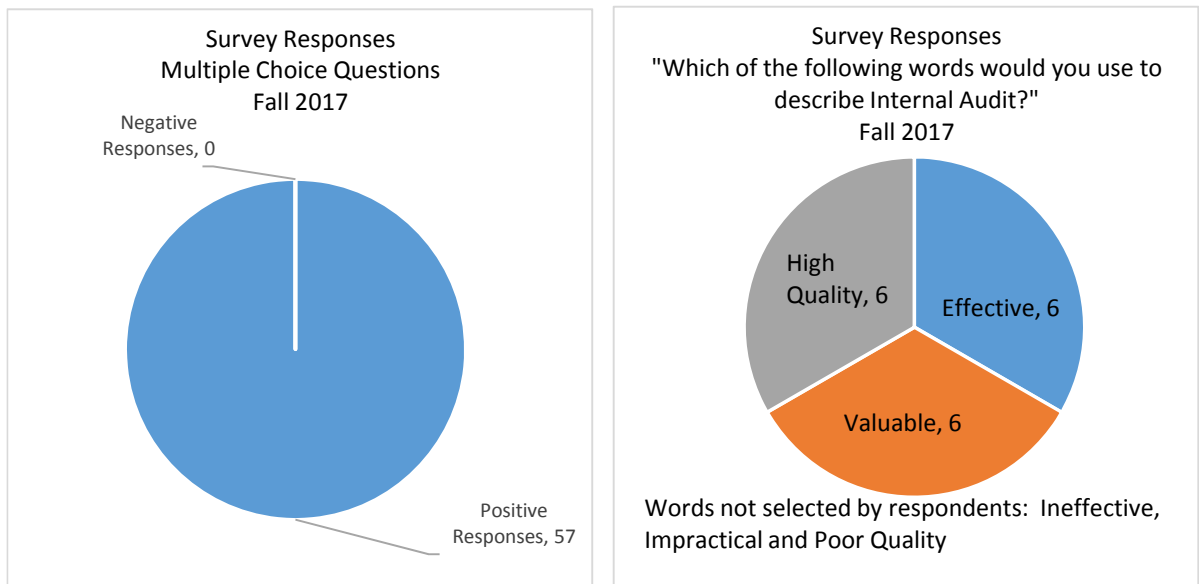
### Fall 2017 - Who received the Client Satisfaction Survey?

Internal Audit identified 16 employees who had significant contact with the Office of Internal Audit for reviews completed between April 2017 and October 2017. The demographics of the survey recipients is summarized below.



### What did they say?

As of October 30, 2017 (when the survey was closed), eight surveys had been completed (50%). Survey responses are summarized below.



### Survey Comments:

"OIT (Office of Information Security) did not have an audit done. IT Security worked with audit on several cyber breaches. The partnership was very good!"

"I can't think of anything that would have improved the service received. Blayne and Beth are always professional, courteous and efficient."

"No suggestions. The process identified issues that could be improved upon and practical solutions were provided. The internal audit team is always professional, helpful and fair."