

EAST TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES
AUDIT COMMITTEE

MINUTES

February 19, 2021
Johnson City, Tennessee

The ETSU Board of Trustees Audit Committee met at 8 a.m. on Friday, February 19, 2021, at the Martin Center for the Arts in the Foundation Grand Hall. The meeting was broadcast over YouTube.

I. Call to Order

Committee Chairperson Melissa Steagall-Jones called the meeting to order at 8:03 a.m.

II. Roll Call

Board of Trustees Secretary Adam Green called roll and confirmed to Trustee Steagall-Jones that a quorum was present. Committee members present were Melissa Steagall-Jones and Ron Ramsey, and Dorothy Grisham, who participated remotely.

Secretary Green stated that according to Tennessee Code § 8-44-108 Section (c)(3), he needed to present two questions to Trustee Grisham who was participating remotely. Trustee Grisham confirmed that she could hear everyone, and she stated that she was alone. Other ETSU Board of Trustees members present for the committee meeting were Steven DeCarlo, Virginia Foley, Linda Latimer, and Janet Ayres, who participated remotely.

Because a trustee was participating remotely, Secretary Green noted that all votes must be taken by roll call.

III. Minutes of the Audit Committee Meeting from November 13, 2020

The minutes from the November 13, 2020, meeting were reviewed. Trustee Ramsey moved for them to be approved and Trustee Grisham seconded the motion. A roll call vote was taken, and the motion passed unanimously 3-0.

IV. Revision to the Audit Plan

Ms. Rebecca Lewis requested approval from the Audit Committee to add two audits to the current audit plan. The first audit was a review of the ETSU College of Nursing. The dean of the college recently retired, and a request was made for ETSU

Internal Audit to perform an audit. Such action is standard protocol and is similar to the reviews performed of head coaches as well as vice presidents upon their departure from the university. The second requested audit was a review of the institution's legislatively mandated Sunset Audit.

Trustee Ramsey made a motion to accept the revisions to the audit plan, and Trustee Steagall-Jones seconded the motion. The motion passed unanimously 3-0.

V. Review of Audit Work Performed November 2020 through January 2021

Ms. Lewis stated that her office had completed one audit and two investigations. Additional information on the audits was available in the audit committee materials.

A. WETS-FM radio

Internal Audit completed its annual financial statement audit of WETS-FM radio. This was the only financial statement audit Ms. Lewis' office performs and it is required by the Corporation for Public Broadcasting (CPB) due to the fact that WETS-FM receives grant funding. Ms. Lewis stated that acknowledgment and disclosure are made that ETSU is not independent; however, according to CPB, ETSU Internal Audit is allowed to render an opinion. It is the opinion of ETSU Internal Audit that the financial statements for the year ending June 30, 2020, were fairly presented in all material respects, and there were no audit findings.

B. Memorandum of Investigations

Two investigations were performed since the last Audit Committee meeting.

Human Patient Simulation Laboratory: An investigation review of the Human Patient Simulation Laboratory was conducted. During this review, it was discovered that some of the licensing agreements between the laboratory and other external parties did not contain all of the required approvals and disclosures. In addition, two employees who own outside businesses did not seek approval before entering into a business relationship with ETSU. These companies offered training courses to both individuals and outside entities in conjunction with the university laboratories. The business relationships and related transactions lacked transparency and full disclosure. Based on discussions with administration, appropriate controls are being implemented to help ensure compliance with university policies, including proper disclosures and approvals. Conflicts of interest should be disclosed annually and reviewed in accordance with university policies.

Procurement and Contract Services: An investigation related to Procurement and Contract Services in response to issues that emerged over the past year. In April 2020, Internal Audit was notified that the direct deposit information for one of the university's major vendors appeared to be fraudulently changed. The investigation revealed that failure to confirm direct deposit change requests for this vendor allowed funds, totaling \$1,457,499.59, to be diverted into fraudulent bank accounts. A claim

has been filed against the vendor's insurance policies, including, but not limited to, cybersecurity. The university also anticipates the receipt of a \$200,000 payment through the State of Tennessee's cybersecurity insurance program. The timing of any recoveries is uncertain at this time. No evidence was discovered to indicate a university employee was a knowledgeable participant in the fraudulent scheme.

Internal Audit has also completed a follow-up review after changes were made to procedures and internal controls in Accounts Payable. Based on the review, Ms. Lewis says actions have been taken to help prevent similar schemes from occurring. University Counsel Mark Fulks provided an update on efforts to recover the money. There is not a timeframe available for when or how much money can be recovered.

C. Completed Audit Heat Map

The Internal Audit Heat Map was included in the materials.

VI. Recommendation Log Status as of January 31, 2021

A. Recommendation Log:

Ms. Lewis reviewed the recommendation log, which provides the status of recommendations made in prior audit reports. The log indicated that follow-up actions were either in progress or have been completed.

VII. Public Safety Update/Annual Update on Clery Report

Jeremy Ross, ETSU Chief Operating Officer, gave a brief introduction to the role of emergency preparedness efforts at ETSU, the role of Public Safety, and the importance of accreditation and reporting of incidents. Mr. Ross introduced Cesar Gracia, ETSU's new Chief of Police, who is a two-time alumnus of ETSU. In discussion of the recent Sunset Audit, Chief Gracia said ETSU will improve how it reports crimes in the "Clery geography" that surrounds campus. More Clery training is taking place for employees, and the department is in the process of certifying a new Clery compliance officer.

Also introduced was Jeff Blanton, who recently worked with the Federal Bureau of Investigation and is now leading emergency preparedness at ETSU. Mr. Blanton discussed new training efforts taking place on campus and referenced the new ETSU Safe App. Dan O'Brien, who is Executive Director of Parking Services and is ETSU's Radiation Safety Officer, gave a presentation on the ETSU Safe App and how it is used as a communication tool and has a number of other important features, including a "Friend Walk" option. ETSU is investing over \$2 million in new security cameras and access control. Mr. O'Brien played a video showing how the security cameras are used investigations.

VIII. Other Business

No other business items were presented. Trustee Steagall-Jones noted that the financial statement audit is nearing completion and should be done soon.

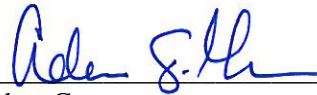
IX. Executive Session to Discuss Active Audits and Enterprise Risk Management

Trustee Steagall-Jones announced the committee will move into executive session and noted that no action will be taken in executive session.

X. Adjournment

The meeting adjourned at 8:35 a.m.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Adam Green", is written over a horizontal line.

Adam Green
Secretary of the Board of Trustees

Approved by the Board of Trustees at its April 23, 2021 meeting.