



Audit Committee Meeting

Agenda

Austin Peay State University

317 College Street

Clarksville, TN 37040

June 6, 2019

Call to Order

Roll Call/Declaration of Quorum

Information Items

- A. Overview of Internal Audit's Fraud Awareness Program and Investigation Process
- B. Internal Audit Reports Released between February 19, 2019 and May 10, 2019, with a list of outstanding recommendations
- C. Client Satisfaction Survey Results – Spring 2019

Executive Session (if needed)

Agenda Item: A.

Date: June 6, 2019

Subject: Overview of Internal Audit's Fraud Awareness Program and Investigation Process

Action Recommended: Informational Item

The Office of Internal Audit is experiencing a significant increase in the amount of time resources devoted to investigating potential instances of fraud, waste and abuse (FWA). See the chart below:

	Percentage of Audit Hours devoted to FWA cases	Number of Cases Worked
As of 4/30/19	33%	14
FY2018	25%	10
FY2017	18%	8

While Internal Audit tries to focus our work on areas with a larger risk profile, often these tips deal with smaller areas/processes that Internal Audit would not normally review. While this increases our visibility with the broader university community, such a dramatic and unexpected increase diverts time resources away from other planned audits and projects. We believe this increase is partially due to the office's increased efforts to raise the campus' awareness of what fraud, waste and abuse is and how to report it.

Examples of Our Fraud Awareness Efforts

In fall 2018, the Office of Internal Audit partnered with the Office of Human Resources to educate new employees on what fraud is and how to report it. New employees are required to acknowledge they have read and understand the university's policy on fraud,

waste and abuse. New employees also receive a copy of the brochure “Preventing Fraud, Waste and Abuse.” A copy of this brochure is included in the Board materials. Both the policy and brochure are mentioned during new employee orientation.

Each fall, over 80 key campus leaders receive a copy of Internal Audit’s year-end report and fraud awareness brochure.

The chief audit officer meets with key employees on campus as they are hired or promoted into key positions to inform them of the Office of Internal Audit and the services we provide to the campus community.

Reporting Options

The Office of Internal Audit provides and promotes a variety of ways that faculty, staff, students and other stakeholders can report known or suspected fraud. These reporting methods are:

- An online web form on the Internal Audit website (anonymous)
- Comptroller’s State Hotline (50+ posters for the hotline are located on campus)
- Dedicated email address: ReportFraud@apsu.edu
- Contact internal audit staff directly by phone or email

Investigating Reports of Possible Fraud, Waste or Abuse

When a report of potential fraud, waste or abuse is received, the Office of Internal Audit performs some due diligence to determine if the report has merit. If the report appears to have merit, a case is opened and upper management is informed. The Office of Internal Audit is required by state law to inform the Comptroller of the Treasury of all allegations received. The Comptroller’s Office has the legislative power to take over an investigation. If the allegation received is high risk, deals with a high dollar amount or could draw media interest, the chair of the Audit Committee is also informed.

Once a case is opened, the objectives of the review is to determine if any instances of fraud, waste or abuse occurred. If the investigation identifies any opportunities to improve operations and reduce the risk of potential future fraud, waste and abuse, we will work with management to identify practical recommendations to mitigate the risks identified. If our investigation substantiates the allegation, a report is issued. If the allegations cannot be substantiated, a report may not be necessary.

Upcoming Improvements

The Office of Internal Audit receives many tips that do not result in opening a case. Often we can mitigate a caller’s concerns with a minimal investment of time resources. Starting on July 1, 2019, we will log these calls to better track and report the deployment of our resources dedicated to serving the campus community.

Preventing Fraud, Waste and Abuse

Management at Austin Peay State University is responsible for establishing and implementing systems and procedures to prevent and detect fraud, waste and abuse. The basic elements of a proper control system include:

- Creating a culture of honesty and high ethics
- Evaluating risks and implementing processes, procedures and controls to prevent, deter and detect fraud, waste and abuse
- Developing an appropriate oversight process

Management at all levels of Austin Peay State University should review the information that is available from the American Institute of Certified Public Accountants in the document, Management Antifraud Programs and Controls: Guidance to Help Prevent and Deter Fraud, found as an exhibit in their Professional Auditing Standard AU 316 at the AICPA's website: www.aicpa.org.

Internal Audit can provide assistance in reviewing risks, processes, procedures or controls, or in providing internal control training. Contact our office at 221-7466.

Austin Peay State University

Office of Internal Audit
P.O. Box 4415
Clarksville, TN 37044
(931) 221-7466



Office of Internal Audit

Preventing Fraud, Waste and Abuse

Austin Peay State University does not discriminate against students, employees, or applicants for admission or employment on the basis of race, color, religion, creed, national origin, sex, disability, age, status as a protected veteran, or genetic information with respect to all employment, programs, and activities sponsored by APSU. For additional information see APSU Policies @ <http://www.apsu.edu/policy/>.

Preventing Fraud, Waste and Abuse

Austin Peay State University is committed to the responsible stewardship of resources. State law requires all public institutions of higher education provide a means by which students, employees, or others may report suspected or known improper or dishonest acts (T.C.A. § 49-14-103(a)). Whether you are part of departmental management, a faculty or staff member, a student, or an interested citizen, we encourage you to report known or suspected fraud, waste, or abuse by employees, outside contractors, or vendors (T.C.A. § 8-50-116).

Actions to Report

Activities such as the following, either known or suspected, should be reported:

- Theft or misappropriation of funds, supplies, property, or other institutional resources
- Forgery or alteration of documents
- Unauthorized alteration or manipulation of computer files
- Improper and wasteful activity
- Falsification of reports to management or external agencies
- Pursuit of a benefit or advantage in violation of the university's conflict of interest policy
- Authorization or receipt of compensation for hours not worked

Be Reasonably Certain!

Before making allegations of fraud, waste, or abuse, be reasonably certain of any claims. Such allegations could seriously and negatively impact the accused individual's life and adversely affect the working environment of the department.

T.C.A. § 39-16-502, False Reports, states that it is unlawful to make a false report if:

- The offense or incident reported did not occur;
- The person has no information relating to the offense or incident reported; or
- The information relating to the offense reported is false.

Protection under State Law

State law provides protection for individuals by prohibiting discrimination or retaliation of any kind against employees who report, in good faith, allegations of fraud, waste or abuse or for cooperating with auditors conducting an investigation. Internal Audit working papers, including allegations of fraud, waste or abuse and the individual reporting information to Internal Audit are confidential under T.C.A. § 10-7-504(a)(22), unless subject to court action requiring disclosure. If there is a separate legal obligation to investigate the complaint (e.g., complaints of illegal harassment or discrimination), anonymity or complete confidentiality cannot be guaranteed. T.C.A. § 49-14-103(b) directs that a person who knowingly and willingly retaliates or takes adverse action of any kind against any person for reporting alleged wrongdoing pursuant to the provisions of this part commits a Class A misdemeanor.

Investigations

Internal Audit has reporting responsibility to the Audit Committee of the Austin Peay State University Board of Trustees. This reporting relationship enables Internal Audit staff to independently and objectively review matters involving any level of administration. When the Office of Internal Audit receives allegations of dishonesty or other irregularity by an employee, outside contractor, or vendor, Internal Audit staff are required to conduct an investigation.

Reporting Options

Several options are available to employees, students and others for reporting known or suspected fraud, waste or abuse. You may report your concerns to:

- 1) A Supervisor
- 2) The Office of Internal Audit
Blayne Clements, Chief Audit Officer
(931) 221-7466
clementsblayne@apsu.edu

ReportFraud@apsu.edu
Online Reporting Form -
<http://www.apsu.edu/internal-audit/reporting-fraud-waste-and-abuse-university-resources/fraud-waste-or-abuse-reporting-form.php>
- 3) The Tennessee Comptroller's Hotline for Fraud, Waste or Abuse
Phone: 1-800-232-5454
Website:
<https://apps.cot.tn.gov/ANTS/Submission/Submit>

Information Item: B.

Date: June 6, 2019

Subject: Internal Audit Reports and Listing of Outstanding Audit Recommendations

Action Recommended: Information Item

Background Information:

A list of audits completed between Feb. 19, 2019, and May 10, 2019, are included below. The audit reports follow this transmittal page.

1. Review of Donor-Funded Scholarships, issued April 1, 2019
2. Review of Loss in the Tennis Center, issued April 16, 2019

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.

Austin Peay State University
Review of Donor Funded Scholarships
Internal Audit Report
April 1 2019

Key Staff: Scholarship Coordinator and Director of Donor Relations and Scholarships	Auditor: Beth Chancellor, CFE
<p>Introduction: Donor funded scholarships allow students to earn a degree with less student debt. University Advancement works with the donors to develop a scholarship establishment form where the donor can specify certain stipulations be required of the scholarship recipient.</p> <p>The Scholarship Coordinator in the Office of Student Financial Aid and the Director of Donor Relations and Scholarships in University Advancement work together to train departmental scholarship selection committee chairs on their role in selecting student scholarship recipients that meet the donor’s stipulations. Admitted students can apply for most donor scholarships through an online application process. After the application period ends, the Scholarship Coordinator forwards applicant information to the chairs of the scholarship selection committees. The committees review the applicants and make their selections. For those scholarships that do not fall under a specific department or area, the Scholarship Coordinator forms a committee and selects the recipients.</p>	
<p>Objective: The audit objective was to determine if management has adequate controls in place to ensure scholarships are awarded to students that applied and met the scholarship eligibility criteria.</p>	
<p>Scope: The review focused on donor scholarships awarded during Fall 2018.</p>	
<p>Audit Results: The objectives of the Review of Donor Funded Scholarships were achieved. Based on audit tests performed, adequate controls are in place to ensure donor funded scholarships are awarded to students that applied and met the scholarship eligibility criteria.</p>	

Austin Peay State University
Review of Loss in the Tennis Center
Internal Audit Report
April 16, 2019

Key Staff: Tennis Center Manager	Auditor: Blayne M. Clements CIA, CFE, CRMA
Introduction: On March 22, 2019, the Bursar reported a loss of deposit in the Tennis Center to the Vice President for Finance and Administration and the Office of Internal Audit. The deposit of \$1,730 was dated December 6, 2018.	
Objectives: To determine the cause of the loss and review internal controls to ensure processes are properly established to prohibit potential future losses.	
Scope: Cash Receipting Process in the Tennis Center	
<p>Field Work: Around January 11, 2019, the Tennis Center Manager became aware the center’s December 6, 2018 deposit of \$1,730 was missing and reported the issue to the Athletic Office on January 17, 2019. The Tennis Center Manager reported the loss to the Cashier’s Office on January 18, 2019. The Bursar reported the loss to the Vice President for Finance and Administration and the Office of Internal Audit on March 22, 2019.</p> <p>The normal deposit process was for the Tennis Manager or a student worker to deliver deposits to the Administrative Assistant or a student worker in the Athletic Office. The Athletic Office would deposit the funds with the university Cashier Office. The Cashier’s Office would record the revenue in the accounting system and deposit the funds at the bank. The Cashier’s Office has no record of receiving the deposit. The Tennis Manager could not remember who took the deposit to the Athletic Office nor who received the deposit at the Athletic Office.</p> <p>Due to the loss being reported untimely and the lack of proper documentation of the deposit’s chain of custody, this review could not determine the cause of the loss.</p>	
Recommendations:	
<p>1. Management should ensure cash handlers are aware of university policy requirements.</p> <p>University policy 1:016, <i>Preventing and Reporting Fraud, Waste and Abuse</i>, requires employees to immediately report cash shortages greater than \$500 to the Office of Internal Audit and the Vice President for Finance and Administration. The deposit in question was made on December 6, 2018. The Notification of Loss Report was not submitted until March 22, 2019.</p> <p>University policy 4:008, <i>Deposit and Investment of Funds</i>, requires each university department to “deposit funds each day when \$500 in funds has been accumulated...In all cases a deposit must be made at least once each work week.” The audit revealed occasionally the Tennis Center’s deposits were not made in a timely manner as required by university policy.</p> <p>Recommendation: Although, the Office of Internal Audit discussed these requirements with each person interviewed as part of the review, management should ensure all cash handlers are periodically reminded of the requirements regarding reporting losses and timeliness of deposits.</p>	

Austin Peay State University
Review of Loss in the Tennis Center
Internal Audit Report
April 16, 2019

(Recommendation 1 continued)

Managements Response: We concur. Student Account Services will offer training twice a year so that everyone will have ample opportunity to review policies and procedures. The Bursar will also discuss with staff the importance and urgency to report possible losses immediately. After the meeting, the Bursar will send follow-up documentation and a link to the related policies.

2. Management should work with Tennis Center staff to ensure proper cash handling procedures are in place to mitigate the risk of future loss.

During the audit, the Tennis Center Manager enhanced the cash receipting process to properly document the chain of custody of deposits. The Tennis Center is currently using un-numbered receipts. Using pre-numbered receipts is a better control. Tennis Center also operated a small unauthorized petty cash fund to provide change to clients that pay for goods and services.

Recommendation: The Bursar should work with the Tennis Center staff to develop a cash receipting process that meets their unique needs, complies with policy and tries to properly segregate duties given the center's extremely small staff size. This resulting procedures should be documented and communicated to all tennis center staff to ensure all employees are aware of the proper cash receipting procedures.

Management Response: We concur. Staff from Student Account Services will meet with the Head Tennis Coach and address the issues. We will provide them with a pre-numbered receipt book as well as a locking bag. A new account code will be created so the tennis office can have a \$100 petty cash fund that will be monitored as are all other petty cash balances across campus.

APSU - Status Report on Outstanding Internal Audit Recommendations as of May 10, 2019

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 Action s
1 1/31/2017	<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. Management should develop a comprehensive Business Continuity Plan.</p> <p><i>*Corrective action dependent on future funding.</i></p>	Chief of Police	<p>Originally 6/1/2018</p> <p>Revised to 7/1/2020*</p>	Not Due Yet	NA
2 5/10/2018	<p>Building Security and Key Controls Review</p> <p>Management should ensure that all employees hired since July 1, 2011, with access to student housing, have supplied a fingerprint sample and submitted to a criminal history records check which includes verification that the individual is not on the sex offender registry. Management should also consider whether it is feasible to have Campus Police fingerprint these employees to ensure the university is in compliance with this portion of the legislation. Currently, the university sends people off campus to be fingerprinted. Internal Audit believes there would be a higher compliance rate if the university performed this function internally. This process could be performed by Campus Police by sending off fingerprint cards to be compared against a database but would be more efficient if Campus Police had the proper equipment to receive immediate results.</p>	Various	<p>Originally 9/30/2018</p> <p>Revised to 3/31/19</p>	In Progress	NA
3 5/10/2018	<p>Building Security and Key Controls Review</p> <p>Management should ensure the contractor is in compliance with their contract. Management should use rosters provided by the contractor to remove card access for employees that no longer work at the university. Management should also consider whether it is feasible to have Campus Police fingerprint the contractor's employees to ensure this portion of the contract requirements are met. Internal Audit believes there would be a higher compliance rate if the university performed this function for the contractor. As stated above, this process could be performed by Campus Police by sending off fingerprint cards to be compared against a database but would be more efficient if Campus Police had the proper equipment to receive immediate results.</p>	Director of Physical Plant	<p>Originally 9/30/2018</p> <p>Revised to 3/31/19</p>	In Progress	NA

APSU - Status Report on Outstanding Internal Audit Recommendations as of May 10, 2019

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 Action s
4 5/10/2018	<p>Building Security and Key Controls Review</p> <p>Management should ensure compliance with Policy 4:007. Management should also consider investing in an electronic key cabinet to be located in the Physical Plant area of the Shasteen Building for grand master keys to student housing buildings and/or building master keys for student housing. The electronic key cabinet should have the capability for employees to use an access card that allows them to retrieve a certain key or set of keys that they have been authorized to obtain. The electronic key cabinet should also have the capability to e-mail the appropriate individual if a key is not returned by the end of the work day.</p>	Various	<p>Originally 10/31/2018</p> <p>Revised to 3/31/19</p>	In Progress	NA
5 5/10/2018	<p>Building Security and Key Controls Review</p> <p>Management should develop a process to ensure that keys are returned and card access is removed from adjunct faculty, temporary employees, and student employees when these individuals leave the university. Management should consider adding a block to the key request form with a "key return date" or "employment end date" which could be used by the Operations Manager to notify these individuals prior to them leaving the university that the key(s) issued to them must be returned and card access will be removed.</p>	Physical Plant Operations Manager	<p>Originally 8/31/2018</p> <p>Revised to 3/31/19</p>	In Progress	NA
6 5/10/2018	<p>Building Security and Key Controls Review</p> <p>Management should verify all keys and building access cards for contractors have been returned prior to approving the final invoice for payment. Management should also consider investing in an electronic key cabinet to be located in the Campus Police lobby in the Shasteen Building for contractors to access the keys and access cards they have been authorized to obtain. The electronic key cabinet should be set up to require the keys and access cards be returned on a specific date and have the capability to e-mail the appropriate person if the keys and access cards are not returned.</p>	Physical Plant Operations Manager	<p>Originally 8/31/2018</p> <p>Revised to 3/31/19</p>	In Progress	NA
7 5/10/2018	<p>Building Security and Key Controls Review</p> <p>Management should consider conducting annual audits of hard keys as well as card access which could be focused on a specific area instead of auditing every key each year.</p>	Physical Plant Operations Manager	<p>Originally 2/28/2019</p> <p>Revised to 4/30/19</p>	In Progress	NA
8 10/15/2018	<p>APSU INV 18-09 - Review of Allegations regarding Certain Hiring Practices</p> <p>A search for a permanent hire will be conducted during academic year 2018-19.</p>	Provost and the Chief Human Resources Officer	6/30/2019	Not Due Yet	NA

APSU - Status Report on Outstanding Internal Audit Recommendations as of May 10, 2019

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 Action s
9 3/15/2019	Internal Control Review - Culinary Arts Program Develop and document policies and procedures over how expenses should be handled, inventory should be monitored and catering events managed.	Coordinator of the Culinary Arts Program	11/1/2019	Not Due Yet	NA
10 4/17/2019	19-08, Review of Loss in the Tennis Center Management should ensure all cash handlers are periodically reminded of the requirements regarding reporting losses and timeliness of deposits.	Bursar	5/1/2019	Scheduled	
11 4/17/2019	19-08, Review of Loss in the Tennis Center The Bursar should work with the Tennis Center staff to develop a cash receipting process that meets their unique needs, complies with policy and tries to properly segregate duties given the center's extremely small staff size. This resulting procedures should be documented and communicated to all tennis center staff to ensure all employees are aware of the proper cash receipting procedures.	Bursar	5/1/2019	Scheduled	

Information Item: C.

Date: June 6, 2019

Subject: Client Satisfaction Survey Results

Action Recommended: Information Item

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 spring 2019 survey follow this transmittal page.

Austin Peay State University
Office of Internal Audit
Client Satisfaction Survey

The Office of Internal Audit is committed to a continuous quality assessment and improvement program. This program includes soliciting feedback directly from our clients. Please take a moment and complete the brief 10 question survey by clicking the link below. Your responses are completely anonymous.

1. The purpose, goals, objectives, areas to be reviewed and tentative completion dates were clearly explained.

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

2. The review was conducted in a courteous and professional manner.

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

3. Internal Audit was responsive to my concerns and perspectives throughout the review.

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

4. The review was conducted as to minimally disrupt operations.

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

5. Internal Audit's comments and recommendations will assist us to improve our operations.

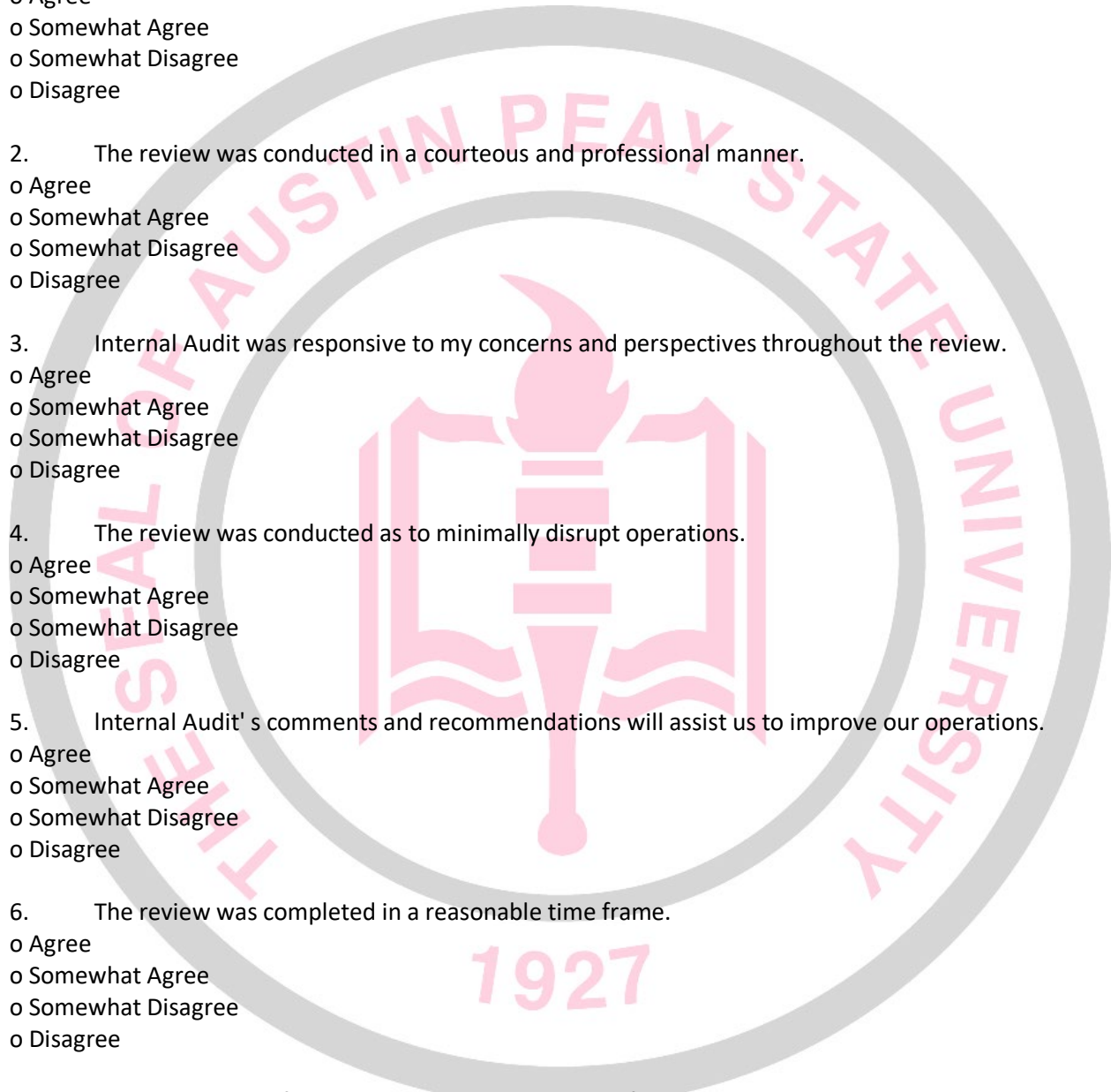
- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

6. The review was completed in a reasonable time frame.

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

7. Overall, how satisfied were you with the services of Internal Audit.

- Satisfied
- Somewhat Satisfied
- Somewhat Dissatisfied
- Dissatisfied



Austin Peay State University
Office of Internal Audit
Client Satisfaction Survey

8. Which of the following words would you use to describe Internal Audit services. Check all that apply.

- High Quality
- Valuable
- Effective
- Ineffective
- Impractical
- Poor Quality

9. Internal Audit is a resource I would use in the future.

- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

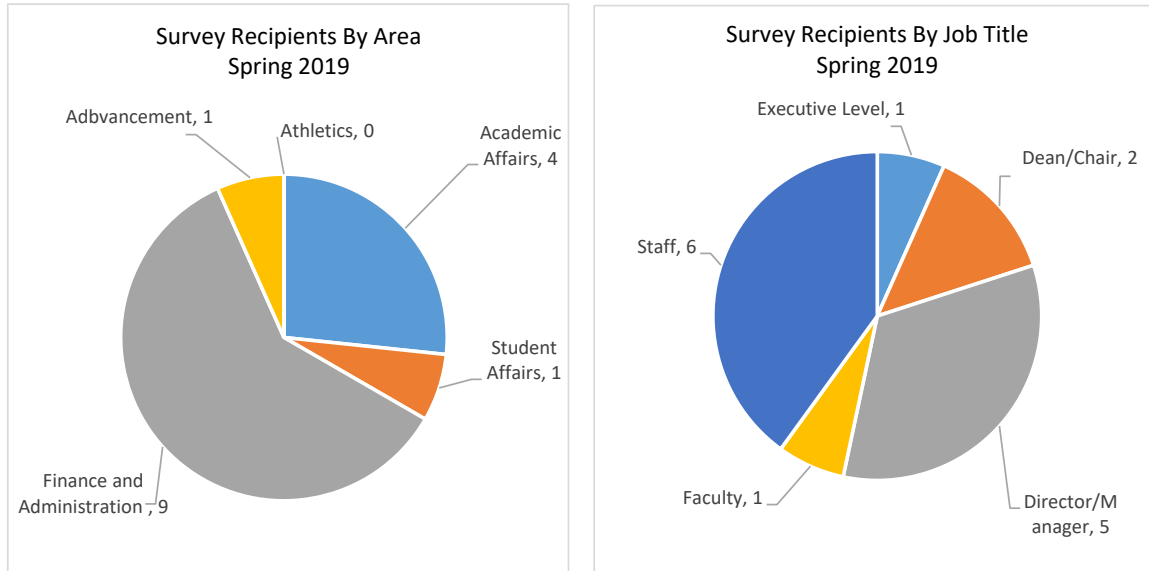
10. What suggestions do you have for improving the audit process? What did you especially like or dislike?



Spring 2019 - Customer Satisfaction Survey

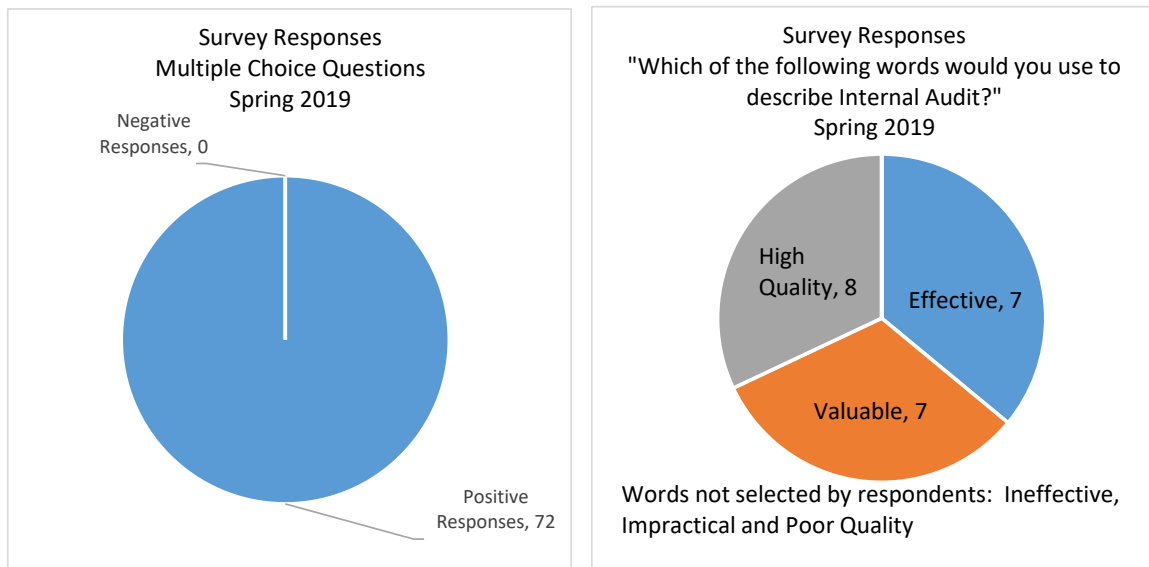
Spring 2019 - Who received the Client Satisfaction Survey?

Internal Audit identified 15 employees who had significant contact with the Office of Internal Audit for reviews completed between October 2018 and March 2019. The demographics of the survey recipients is summarized below.



What did they say?

As of April 30, 2019 (when the survey was closed), 9 surveys had been completed (60%). Survey responses are summarized below.



Survey Comments:

"I appreciated the focus on how we can improve our processes, and I also appreciated (the) professional approach that Mr. Blayne Clements brought to his work. The findings from the audit will help us in providing a more effective program and one of greater value to our students and other stakeholders."

"It is always helpful to have an outside perspective review our work to ensure best practices are being followed."

"None noted. I thought the process was well explained and provided some good suggestions on ways to improve."

"Blayne was very kind, considerate, and easy to work with, He went above and beyond. And Beth always is also."

"I was pleasantly surprised with the experience, Audits can be stressful, but I felt at ease. I didn't feel like I was defending our processes; I felt like we were reviewing and discovering ways to improve it."