



APSU Board of Trustees		
5.18.2017	4:00 pm	416 College Street
Meeting Type	Audit Committee Meeting	
Note taker	Beth Chancellor	
Attendees		Present (Y/N)
	Ms. Katherine Cannata (chair)	Y
	Mr. Billy Atkins	Y
	Dr. Nell Rayburn	Y
	Mr. Mike O'Malley (ex-officio)	Y
Internal Audit Charter (Voice Vote)		
Discussion	<p>Trustee Cannata recognized Blayne Clements for a report. Clements explained that state law requires APSU's Office of Internal Audit to follow the mandatory guidance of the Institute of Internal Auditors (IIA). In addition to defining internal audit's purpose, authority and responsibility, the charter speaks of the organizational independence of internal audit. This charter mirrors the charter used prior to the FOCUS Act, which was reviewed as part of two external peer reviews (2008 and 2013) and numerous internal reviews performed annually since 2006. The President and Blayne Clements have signed this charter.</p> <p>Trustee Rayburn moved to approve the Internal Audit Charter. Trustee Atkins seconded the motion.</p>	
Conclusions	<p>A voice vote was taken to approve the Internal Audit Charter and was passed unanimously with 3 trustees voting yes.</p>	
Follow-up Items	Person	Deadline
N/A		

Internal Audit Policy (Voice Vote)

Discussion

Trustee Cannata recognized Blayne Clements for a report. Clements explained that the purpose of this policy is to address staffing, responsibilities of the internal audit function, audit planning and reporting on internal audit activities. The policy contains the IIA definition of Internal Audit and references the IIA Code of Ethics and Standards, all of which the IIA requires to be reported to the Board periodically. The policy defines the reporting structure of internal audit: administratively (dotted line) to the university president and functionally (solid line) to the Board via the Audit Committee which ensures Internal Audit is independent of the organization; this information is also required to be reported to the Board periodically. This policy is essentially the same policy used prior to the FOCUS Act, which was reviewed as part of two external peer reviews (2008 and 2013) and numerous internal reviews performed annually since 2006. The policy has been approved by the university Policy Committee and was signed by the President on March 28, 2017.

Trustee Rayburn moved to approve the Internal Audit Policy. Trustee Atkins seconded the motion.

Conclusions

A voice vote was taken to approve the Internal Audit Policy and was passed unanimously with 3 trustees voting yes.

Follow-up Items

Person

Deadline

N/A

Reporting Fraud, Waste and Abuse Policy (Voice Vote)

Discussion

Trustee Cannata recognized Blayne Clements for a report. Clements explained that this policy is dense and lengthy to guide internal audit work and is intended to be used a resource tool for members of the university community by defining various terms and processes.

Clements stated that this policy combines the former TBR policy on Reporting Fraud, Waste and Abuse with the TBR policy on Reporting Losses. Clements and Robinson had made the decision to merge the two because they were closely related.

This policy mirrors the policy, which existed before the FOCUS Act, which had been in place for over ten years and reviewed annually. The policy has been approved by the university Policy Committee and the President signed on March 28, 2017.

Trustee Atkins moved to approve the Reporting Fraud, Waste and Abuse Policy. Trustee Rayburn seconded the motion.

Conclusions

A voice vote was taken to approve the Reporting Fraud, Waste and Abuse Policy and was passed unanimously with 3 trustees voting yes.

Follow-up Items

Person

Deadline

FY2017 Internal Audit Plan (Voice Vote)

Discussion

Trustee Cannata recognized Blayne Clements for a report. Clements explained the IIA mandatory guidance requires the Audit Committee/Board to approve the audit plan and any significant changes to the plan. Clements explained that the current risk-based approach has been used at APSU for over ten years and has been reviewed as part of two external peer reviews (2008 and 2013) with no issues noted. Clements noted that this is being presented late in the fiscal year so most of the projects are completed. Clements will provide the committee an audit plan for FY2018 at the next meeting.

Trustee Rayburn moved to approve the Internal Audit Plan. Trustee Atkins seconded the motion.

Conclusions

A voice vote was taken to approve the Internal Audit Plan and was passed unanimously with 3 trustees voting yes.

Follow-up Items

Person

Deadline

N/A

Comptroller's Office Financial and Compliance Audit Report for Fiscal Year 2016 (Mitch Robinson)

Discussion

Trustee Cannata recognized Mitch Robinson for a report. Robinson explained that the Comptroller's Office comes to audit the university each year. On the 2016 FY Audit Report, the university had 3 findings (2 significant deficiencies and 1 material weakness). He elaborated that the first finding had to do with improperly recording sponsorship revenues, the second finding had to do with recording projects in process, and the third finding had to do with bank reconciliations not being signed or dated. Robinson explained that the university has taken steps to make the necessary corrections and ensure they do not happen

again. Blayne Clements added that the Office of Internal Audit must perform a follow up on issues noted in the state audit reports within 6 months of the issuance of the report.

Conclusions

This is an information item and required no action.

Follow-up Items

Person

Deadline

N/A

Quality Assurance Review – Periodic Internal Review Results May 2016

Discussion

Trustee Cannata recognized Blayne Clements for a report. Clements explained the IIA requires external reviews, periodic self-assessments and on-going assessments. Clements stated the next external assessment was due in the summer of 2018. Clements explained that this self-assessment presented to the committee was performed almost immediately after he started at the university. He believes this could provide the members some perspective and insight on how the Office of Internal Audit measures up to expectations in policy and mandatory guidance of the IIA.

Conclusions

This is an information item and required no action.

Follow-up Items

Person

Deadline

N/A

Internal Audit Customer Satisfaction Survey

Discussion

Trustee Cannata recognized Blayne Clements for a report. Clements described the customer satisfaction survey as a new initiative to assess the performance of the Office of Internal Audit. Clements stated he was pleased with the response rate and results.

Conclusions

This is an information item and required no action.

Follow-up Items

Person

Deadline

N/A

Internal Audit Reports FY2017 with list of outstanding audit recommendations

Discussion

Trustee Cannata recognized Blayne Clements for a report. Clements explained that the meeting materials define the types of reviews performed by the Office of Internal Audit, as well as a list of all the audits completed between 7/1/16 and 4/30/17. Clements stated the audits released prior to 2/28/17 were submitted to the TBR Audit Committee. The reports issued between 3/1/17 and 4/30/17 were included in the meeting materials. Clements went into detail on the Bad Debt audit report to show how audits can touch many different areas of the University. Clements briefly mentioned the other two audit reports. Clements also explained the outstanding list of audit recommendations, which was included in the meeting materials.

Conclusions

This is an information item and required no action.

Follow-up Items

Person

Deadline

President White asked whether we are permitted to apply students' refunds to debts the student owes to the University.

Pres. White

5/31/17

Educational Session

Discussion

Trustee Cannata recognized Blayne Clements for a report. Clements explained that the Office of Internal Audit is available to meet with the Audit Committee members, individually or in a group, if they would like additional training on audit processes.

Conclusions

This is an information item and required no action.

Follow-up Items

Person

Deadline

N/A

Miscellaneous

Discussion

Trustee Rayburn moved to adjourn the meeting to go into executive session to discuss an investigation. Trustee Atkins seconded the motion. The meeting adjourned at 4:50 p.m.

Conclusions

Michael P. D'Malley

Signature

May 19, 2017

Date