

Audit Committee

Meeting Agenda

Austin Peay State University

317 College Street

Clarksville, TN 37040

November 29, 2018

Call to Order

Roll Call/Declaration of Quorum

Information Items

- A. Internal Audit Reports Released between August 21, 2018 and November 6, 2018, with list of outstanding recommendations
- B. Quality Assessment Review with External Validation
- C. Client Satisfaction Survey results – Fall 2018
- D. Information Technology Security Update – Presented by Judy Molnar, Associate Vice President and Chief Information Officer

Executive Session (Risk Assessment)

**Information Item: A.**

**Date:** November 29, 2018

**Subject:** Internal Audit Reports and Listing of Outstanding Audit Recommendations

**Action Recommended:** Information Item

---

**Background Information:**

A list of audits completed between August 21, 2018 and November 6, 2018 are included below. The audit reports follow this transmittal page.

1. Review of Allegations in the School of Nursing, released September 11, 2018
2. Review of Allegations Regarding Certain Hiring Activities, released October 15, 2018
3. Annual Review of the President's Office, released October 25, 2018

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

**Austin Peay State University**  
**Annual Review of the President's Office**  
**Fiscal Year July 1, 2017 – June 30, 2018**  
**October 25, 2018**

<b>Key Staff:</b> Dr. Alisa White, President	<b>Auditor:</b> Beth Chancellor, CFE
<p><b>Introduction:</b> Tennessee Code Annotated 49-14-104 states "The governing boards of all public institutions of higher education shall establish a policy requiring that annual reports detailing expenditures made by, at the direction of, or for the benefit of a system head or chief executive of an institution are to be filed with their respective boards." In addition, 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>To ensure compliance with T.C.A. 49-14-104 and 49-7-3001(c), the university follows university policy 4:016, Reports of Expenditures by the President. Policy 4:016 details what is to be included in the report, Internal Audit's responsibility in reviewing the report and preparing an internal financial audit of the annual report of president's expenses, as well as providing the results of the report to the APSU Audit Committee and the Comptroller of the Treasury.</p>	
<p><b>Objectives:</b> To comply with state law and university policy, by performing an annual internal financial audit of the president's office. To ensure the Report of President's Expenses accurately contains all expenses made by, at the direction of, or for the benefit of the president regardless of the funding source. To ensure the expenses reported comply with applicable laws, regulations and university policies.</p>	
<p><b>Scope:</b> The review included all expenses for fiscal year July 1, 2017 – June 30, 2018 made by, at the direction of, or for the benefit of the president regardless of the funding source. The review included correspondence with 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, 2017 – June 30, 2018 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**  
**Review of Allegations in the School of Nursing**  
**September 11, 2018**

<b>Key Staff:</b> Interim Dean of the College of Behavioral and Health Sciences	<b>Auditor:</b> Blayne M. Clements CIA, CFE, CRMA
<p><b>Introduction:</b> On April 5, 2018, the Office of Internal Audit received several allegations regarding possible improper actions of a nursing faculty member. The allegations were a nursing faculty member:</p> <ol style="list-style-type: none"><li>1. Failed to attend required Title IX training.</li><li>2. Purposefully reported inaccurate hours worked to inflate payroll payments made to herself and certain adjunct nursing instructors.</li><li>3. Charged students a fee for weekend workshops where students could receive extra credit and did not report the fees to the university.</li><li>4. Operated an outside business which affected her ability to fulfill her university obligations.</li></ol>	
<p><b>Objectives:</b> To determine if any actual instances of fraud, waste or abuse occurred and offer practical recommendations designed to mitigate identified risks going forward.</p>	
<p><b>Conclusion:</b></p> <ol style="list-style-type: none"><li>1. A nursing faculty member failed to attend required Title IX training.  This allegation was partly substantiated. Although the faculty member did not attend the same training session that others in the School of Nursing attended, the faculty member did attend the training on May 14, 2018.</li><li>2. A nursing faculty member purposefully reported inaccurate hours worked to inflate payroll payments made to herself and certain adjunct nursing instructors.  This allegation could not be substantiated. Faculty are not paid by the hours worked, but by the class taught.</li><li>3. A nursing faculty member charged students a fee for weekend workshops where students could receive extra credit and did not report the fees to the university.  This allegation could not be substantiated. The audit determined the faculty member did offer a one day weekend workshop to students enrolled in a certain course. However, this workshop was included in course materials and the audit did not discover any evidence that students paid to attend.</li><li>4. A nursing faculty member operated an outside business which affected her ability to fulfill her university obligations.  This allegation could not be substantiated. Nursing faculty must work outside the university in order to maintain professional certifications. The audit found no evidence the faculty member's outside employment interfered with her ability to fulfill her university obligations.</li></ol>	

**Austin Peay State University**  
**Review of Allegations Regarding Certain Hiring Activities**  
**October 15, 2018**

<b>Key Staff:</b> Various	<b>Auditor:</b> Blayne M. Clements CIA, CFE, CRMA
<p><b>Introduction:</b> On June 14, 2018, the Office of Internal Audit received an allegation that the Provost filled the Interim Executive Director for the Center for Extended and International Education position with a friend and did so without a proper search. The allegation further stated interim was removed from the job title during 2018, implying the employee was permanently placed in the position without a proper search.</p> <p>The allegation also stated the Provost created a new, unnecessary position of Sustainability Coordinator and appointed his spouse to the position without a proper search.</p>	
<p><b>Objectives:</b> The audit objective was to determine if any instances of fraud, waste of abuse occurred and offer practical recommendations designed to mitigate identified risks going forward.</p>	
<p><b>Conclusions:</b></p> <ol style="list-style-type: none"><li>1. Interim Executive Director for the Center for Extended and International Education</li></ol> <p>The allegation was partly substantiated. The Provost stated he has known the Interim Executive Director professionally since approximately 2003 when they both worked at another university.</p> <p>The university's strategic plan includes increasing the international student population. When hired in 2015, the Provost stated he took several actions towards this goal but obtained only minimal results. The Provost determined a more focused investment was necessary and created a temporary position of Executive Director for the Center for Extended and International Education. The Provost appointed the current employee to the position stating the employee has extensive experience with international students at other universities, which the audit confirmed by reviewing the employee's resume.</p> <p>University policy 5:011, <i>General Personnel Policy</i>, does not require a formal search to fill a temporary position. However, it states temporary employees cannot be employed longer than twelve consecutive months.</p> <p>The temporary employment contracts for the employee clearly shows the temporary nature of the appointment as the Interim Executive Director for the Center for Extended and International Education. At the time of the review, the interim nature of the position was not accurately reflected on the university organizational chart or the department's webpage.</p> <p>The initial temporary employment contract was for the period of January 17, 2017 through January 15, 2018. The second temporary employment contract is for the period of January 16, 2018 to June 30, 2019 and contains a special condition allowing the possibility of extending the contract to June 30, 2020. The continuous terms of these two contracts employ the temporary employee for longer than 12 consecutive months violating university policy. The Provost stated he was unaware university policy limited employment of temporary employees to no longer than twelve consecutive months.</p>	

Recommendation: Management should ensure compliance with the university General Personnel Policy by requiring Human Resources and/or General Counsel vet all temporary employment contracts. Management should ensure the interim nature of the current appointment of the Executive Director for the Center for Extended and International Education is recognized in all university materials. If this position is still deemed necessary at the end of the current contract, management should make the position permanent and perform a formal search.

Management's Response: We concur. The majority of temporary employees are not under contract, and utilize temporary employment pay forms for recordkeeping. Human Resources vets those standard temporary employment pay forms. There are rare instances where a temporary position will require a contract. In those instances, Human Resources and the Office of Legal Affairs will review those temporary employment contracts to ensure compliance with the university's General Personnel Policy. Human Resources will send a memo to managers to apprise them of this process, which will be applicable for those temporary positions that require contracts.

Management will ensure the interim nature of the current appointment of the Executive Director for the Center for Extended and International Education is recognized in all university materials. If this position is still deemed necessary at the end of the current contract, management will make the position permanent and perform a formal search.

## 2. Sustainability Coordinator

The allegation was not substantiated. In 2016, the university hired the Provost's spouse as a temporary, part-time employee in the physical plant area to assist in the university's sustainability efforts. This position was not created by the Provost, but at the direction of the Vice President for Finance and Administration who is responsible the university's sustainability efforts. Sustainability is a goal of the university's strategic plan. As the goal champion, the Vice President for Finance and Administration identified the need to invest resources into the university's sustainability efforts.

As noted above in issue #1, no formal search is required to fill temporary positions. The Vice President for Finance and Administration was aware the Provost's spouse had previous experience working on sustainability initiatives in a university setting. A review of the temporary employment contracts show this employee was never employed for more than twelve consecutive months. The employee resigned on September 20, 2018.

**APSU - Status Report on Outstanding Internal Audit Recommendations as of November 6, 2018**

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 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>	Chief of Police	<p>Originally 6/1/2018</p> <p>Revised to 12/1/2018</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>	Not Due Yet	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>	Not Due Yet	NA

**APSU - Status Report on Outstanding Internal Audit Recommendations as of November 6, 2018**

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 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>Originall 8/31/2018</p> <p>Revised to 3/31/19</p>	Not Due Yet	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>	Not Due Yet	NA
8 10/15/2018	<p>APSU INV 18-09 - Review of Allegations regarding Certain Hiring Practices</p> <p>Human Resources will send memo to managers to apprise them that Human Resources and Office of Legal Affairs must review all temporary employment contracts to ensure compliance with the university's General Personnel Policy.</p>	Chief Human Resources Officer	11/1/2018	In Progress	NA

**APSU - Status Report on Outstanding Internal Audit Recommendations as of November 6, 2018**

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
9 10/15/2018	APSU INV 18-09 - Review of Allegations regarding Certain Hiring Practices  Academic Affairs will ensure the interim nature of the current appointment of the Executive Director for the Center for Extended and International Education is recognized in all university materials.	Provost and Vice President for Academic Affairs	11/1/2018	In Progress	NA
10 10/15/2018	APSU INV 18-09 - Review of Allegations regarding Certain Hiring Practices  Human Resources and Legal Affairs will review temporary employment contracts.	Chief Human Resources Officer and General Counsel	11/1/2018	In Progress	NA
11 10/15/2018	APSU INV 18-09 - Review of Allegations regarding Certain Hiring Practices  A search for a permanent hire will be conducted during academic year 2018-19.	Provost and the Chief Human Resources Officer	6/30/2019	Not Due Yet	NA

**Information Item: B.**

**Date:** November 29, 2018

**Subject:** Results of Quality Assessment Review with External Validation

**Action Recommended:** Information Item

---

**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 the Office of Internal Audit to have an active Quality Assessment Improvement Program which includes external assessments. External assessments provide the Board of Trustees, senior management and other stakeholders assurance that internal audit is operating as required by the IPPF and potentially highlight opportunities for improvement.

An external assessment is required at least once every five years. The previous external assessment was completed in August 2013. A self-assessment with independent validation is a common and acceptable method of completing an external assessment. 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 whether the conclusions reached are sound.

The Office of Internal Audit performed a self-assessment during the spring of 2018. A team of qualified reviewers reviewed the self-assessment which included interviewing key staff, reviewing audit working papers, and reviewing related policies, charters and other pertinent documents. The independent team's report was issued on October 17, 2018. It contains three opportunities for improvement and four successful practices. For each opportunity for improvement, the Chief Audit Officer has developed a corrective action plan.

**Proposed Implementation Date:** N/A

**Item Details:** N/A

**APSU - Status Report on Outstanding Recommendation - 2018 QAR**

Recommendation	Responsible Staff	Date Action to be Implemented
<u>Corrective Action Plan for Recommendation 1</u>		
1. Future internal audit year-end reports presented to the Audit Committee and senior management will report hours by audit type (mandatory audits, investigations, etc.)	Chief Audit Officer	September 2019
2. Future annual audit plans and revised audit plans presented to the Audit Committee and senior management will include information regarding planned hours by audit type and major area.	Chief Audit Officer	September 2019
3. The Chief Audit Officer will develop an effective means to report administrative time and areas not receiving audit coverage to the Audit Committee and senior management.	Chief Audit Officer	September 2019
4. Starting September 1, 2018, the Office of Internal Audit started tracking "work that could be performed by an administrative assistant". The Chief Audit Officer will monitor the data to determine if the workload necessitates an Administrative Assistant position.	Chief Audit Officer	September 2018
5. In the next budget cycle and with the collaboration of the CIO, the Chief Audit Officer will consider submitting a budget request for funds to hire IT consultants to perform reviews of certain IT risk areas and processes. If the consultants note any significant issues that management should address, internal audit will perform a follow up to determine management corrective occurred and adequately addresses the consultants concern.	Chief Audit Officer	March 2019
<u>Corrective Action Plan for Recommendation 2</u>		
1. Starting immediately, management's responses in internal audit reports will be more detailed and specifically include the job title of the employee responsible for the corrective action, specificity of the corrective action and the anticipated date the corrective action will be completed.	Chief Audit Officer	September 2018
<u>Corrective Action Plan for Recommendation 3</u>		
1. The audit route sheet will be revised to specifically state that report recommendations and conclusion are adequately supported and within the scope and objectives of the audit.	Chief Audit Officer	October 2018
2. The issue was discussed with all internal audit staff to raise awareness of the importance of ensuring audit conclusions trace directly to the audit's identified risks and objectives.	Chief Audit Officer	October 2018
3. The Chief Audit Officer will review audit working papers before, during and after the performance of the audit to ensure the work being performed is within the scope and objectives of the audit.	Chief Audit Officer	October 2018

**Audit Committee Meeting  
Summary of the Quality Assessment Review  
November 29, 2018**

The Quality Assessment (QA) review report was released on October 17, 2018. The Chief Audit Officer provided copies of the full report to the Chair of the Audit Committee and the President. The Chief Audit Officer met individually with the Chair and the President to discuss the report in detail. The full report is available upon request.

Background: The QA review of the Austin Peay State University Office of Internal Audit was performed in accordance with the Institute of Internal Auditors (IIA) Quality Assessment Manual, 2017 edition. The primary purpose of a QA review is to determine the internal audit function's conformance with the *International Standards for the Professional Practice of Internal Auditing (the Standards)* and the Code of Ethics.

Opinion: The reviewers overall opinion is that the Office Generally Conforms with the *Standards* and the Code of Ethics. "Generally Conforms" is the highest rating available.

While the reviewers found the Office in general conformance with the *Standards* and the Code of Ethics, the reviewers did identify three opportunities for improvement:

1. Implement further clarification with the Audit Committee and senior management about the impact of resource limitations.
2. Ensure audit reports contain all essential information.
3. Trace audit conclusions directly from identified risks and objectives.

The Chief Audit Officer developed a detailed Corrective Action Plan (CAP) to address each of these opportunities. The plan details what action will be taken, who is responsible for that action and the anticipated date the action will be completed. An updated plan will be presented to the Audit Committee until all actions have been taken.

The reviewers also identified four particularly successful practices:

1. Board of Trustees and senior management support is strong.
2. Audit recommendations are accepted and appreciated by senior management.
3. Audit staff are seen as experienced and positive.
4. Participation in the risk assessment process strengthens ties with departments.

**Information Item: C.**

**Date:** November 29, 2018

**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 fall 2018 survey follows this transmittal page.

**Proposed Implementation Date:** N/A

**Item Details:** N/A

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.

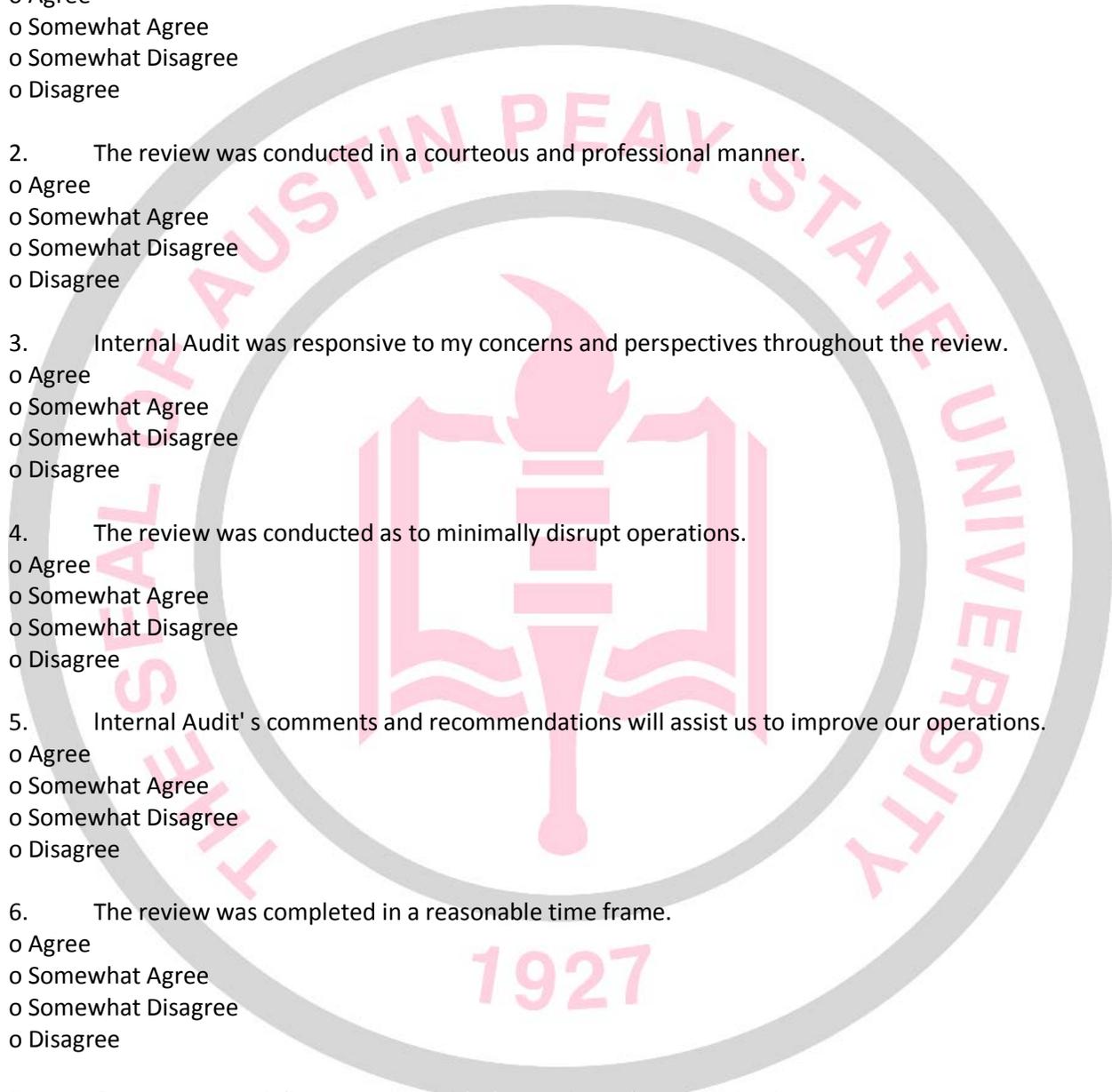
- Agree
- Somewhat Agree
- Somewhat Disagree
- Disagree

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

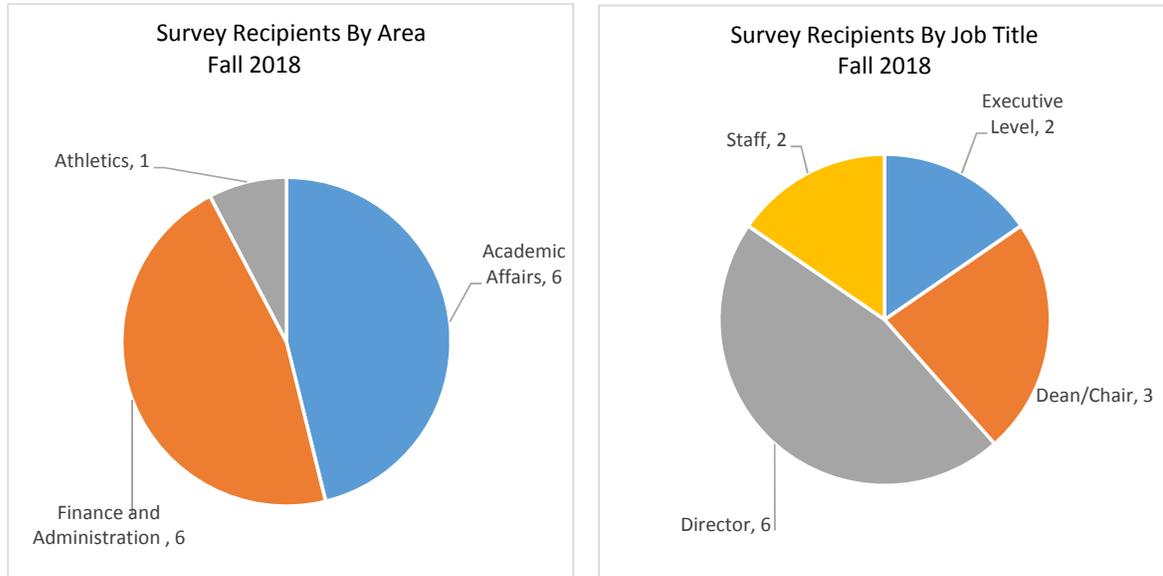
10. What suggestions do you have for improving the audit process? What did you especially like or dislike?



## Fall 2018 - Client Satisfaction Survey

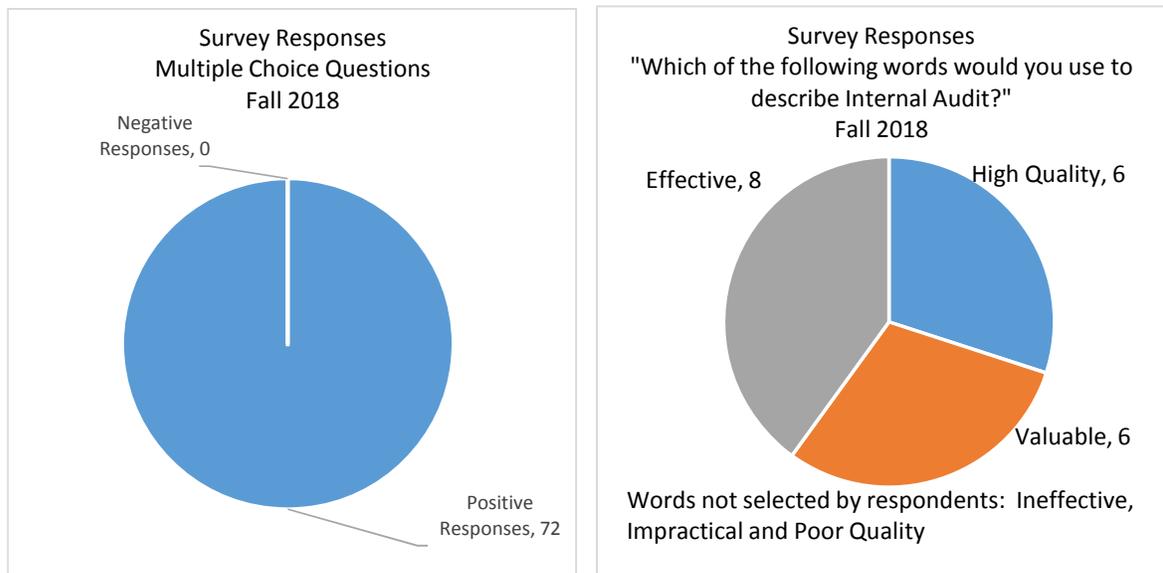
### Fall 2018 - Who received the Client Satisfaction Survey?

Internal Audit identified 13 employees who had significant contact with the Office of Internal Audit for reviews completed between April 2018 and September 2018. The demographics of the survey recipients is summarized below.



### What did they say?

As of October 31, 2018 (when the survey was closed), 9 surveys had been completed (69%). Survey responses are summarized below.



### Survey Comments:

All my interactions with IA have been great. They do a professional, quick job. Their comments and recommendations are always constructive. I appreciate that they have the time to conduct requested audits.

The auditor kept confidentiality throughout the process, which was greatly appreciated. He was clear in his explanations, and thorough in his investigation, I was very please with how the situation was handled.

Auditors were very helpful, courteous and genuine while conducting our audit. Thank you for the help.

I enjoyed working with Beth.

**Information Item: D.**

**Date:** November 29, 2018

**Subject:** Information Technology Security Update

**Action Recommended:** Information Item

---

**Background Information:**

Judy Molnar, Associate Vice President and Chief Information Officer, will provide an overview on Information Technology Security.

**Proposed Implementation Date:** N/A

**Item Details:** N/A