BUSINESS AFFAIRS SUB-COUNCIL

April 20, 2011

MINUTES

The meeting began at 9:00 a.m. in the TBR Board Room. Present were Ms. Cynthia Brooks (TSU); Mr. Steve Campbell (NeSCC); Mr. Horace Chase (JSCC); Dr. David Collins (ETSU); Ms. Beth Cooksey (VSCC); Ms. Mary Cross (NaSCC); Mr. Danny Gibbs (RSCC); Mr. Mike Gower (MTSU); Mr. Lowell Hoffman (DSCC); Mr. Ken Horner (CoSCC); Mr. Tim Hurst (APSU); Dr. Rosemary Jackson (WSCC); Ms. Susan Joseph (ChSCC); Mr. Ron Kesterson (PSCC); Mr. Ron Parr (STCC); Mr. Mitch Robinson (APSU); Dr. Claire Stinson (TTU); Ms. Hilda Tunstill (MSCC); Dr. Tommy Wright (ClSCC); Mr. Jeff Young (TTU); Mr. David Zettergren (UOM); Ms. Alicia Gillespie, Ms. Tammy Gourley, Ms. Angela Gregory, Ms. Deanna Hall; Ms. Lisa Hall, Ms. Pat Massey, Ms. Mary Moody, Chancellor John Morgan, Ms. April Preston, Ms. Brooke Shelton, Mr. Dale Sims, and Ms. Renee Stewart (TBR).

1. Chancellor's Remarks

The Chancellor informed the committee that the budget hearings seemed to go well, and the legislature seems to be pleased with the way we are handling things. He also informed the committee that TBR and UT are on the same page with regards to the guns on campus legislation. Both systems had a strong representation at the meetings.

The Chancellor was asked about the possibility of institutions giving an additional salary increase. We are working to prepare the legislature and the Board of this possibility. Mr. Sims asked the business officers if there would be any ramifications of passing the salary increase in June and implementing it in July. The business officers were in agreement that they would like to implement the increase in July.

2. Report of the Committees

A. Finance Committee

Dr. Collins highlighted the following issues from the April 6, 2011 Finance Committee meeting.

- Surplus Property

  The committee discussed the Surplus Property Policy. The policy states that there is a 30 day requirement for other institutions/agencies to respond to surplus equipment notifications. Because of current technology, it seems that people can view the notification in a shorter time period. Therefore, the committee decided that the 30 day requirement should be revised to 7 days and will be revised in the policy. (Attachment A)

- Naming Rights

The committee discussed adding language to Policy 4:02:05:01 Naming Rights. The committee discussed removing a name from a physical building, space, object, or project. It was determined to add language that the Board reserves the right to remove a name if the naming gift pledge remains unfulfilled, if it is in the best interest of the institution or the donor to do so, or to protect the reputation of the institution. (Attachment B)

- Banner Web Time Entry

The committee discussed Banner Web Time entry and the implementation for those institutions interested in it. A survey was sent out by TBR Human Resources to determine which institutions were interested in the Banner Web Time entry. Most of the community colleges were interested.

The committee discussed some of the issues with it, such as time approval and reporting leave in arrears. UOM is using it, but said that the approval process is time consuming.

A webinar has been scheduled for May 6th at 1:30 p.m. for any interested institutions.

- Travel Policy Revisions

The committee discussed and approved the following travel policy revisions that were submitted:

1. Create the following links so that individual institutions can create links directly to this place in the TBR policy:

a. Addendum headings:
   1. General Reimbursement Rates
   2. Out-of-State Reimbursement Rates
   3. In-State Travel Reimbursement Rates
   4. Standard Out-of-Country Rates

b. Add a link to the standard mileage rate document

Since TBR Legal is responsible for maintaining the policies and guidelines on the website, they will be notified about this request.

2. The following language was requested by an institution and TBR Internal Audit to be added to the travel advance section:

> "You are eligible for reimbursement of travel expenses if your trip was entirely business related. If your trip was primarily for business and while at your business destination, you extended your stay, made a personal side trip, or had other personal activities, you

can obtain reimbursement for only your business related travel expenses. These expenses include the travel costs of getting to and from your business destination, but do not include additional lodging, parking, and per diem for the days not required for the business travel. Additional days are not considered business related unless they are necessary to provide rest or sleep required for you to properly perform your duties."

3. Hotel Internet Access – This is becoming more and more of an expected reimbursable cost with I-Pads and being connected 24/7 with the campus community. The committee discussed reimbursement of hotel internet access and will add it to the Miscellaneous Expense section.

4. Modify language regarding two round trips to the airport

This item was discussed at the October 2010 Finance meeting and the suggested revision will be made to the travel policy.

See Attachment C for travel policy revisions.

- Findings and Weaknesses

  The committee was given all findings and weaknesses published since the last quarterly Finance Committee meeting. There were two audit reports released in the last quarter with a total of two findings. Both of the findings dealt with improving procedures to prevent errors in the preparation of the financial statements and notes to the financial statements. (Attachments D and E)

- TBR Fund Codes

  The committee discussed the recommended revisions to the TBR fund codes for unexpended plant funds. This revision will allow for the unexpended plant fund projects to be categorized into three funding sources (local funds, state appropriations, and TSSBA). This will allow projects funded with local funds to be separated. (Attachment F)

- Guideline B-060

  The committee discussed the proposed revisions regarding the debt service fee once the debt for a project is retired. The committee discussed what happens to the debt service fee at the conclusion of a project. Language was proposed that states at the conclusion of the debt retirement for a given project, the debt service fee attributed to the project will cease. The existing fee cannot be reallocated for a new project which requires the approval of a new debt service fee. Any continuation of fees for renewal and replacement for a project must be approved by TBR. (Attachment G)

- Livestock

The committee discussed the need to develop procedures for the record-keeping and disposal of livestock. The committee discussed the different options for disposal of livestock and determined that there needs to be a commonality among the schools.

It was determined that a group of people from schools with livestock will be selected to develop a policy. Procedures for disposal of livestock were found in the General Services rules and regulations. (Attachment H, I, and J)

- Fund Balances

The committee discussed fund balances left at year end and whether these funds should be transferred out to stay within the 2 to 5% requirement. Institutions felt that transferring funds to unexpended plant funds would raise a red flag since unexpended plant funds have been scrutinized recently. After further discussion, it was determined to remove the 5% limit and instruct campuses to only retain in unrestricted funds those funds that are expected to be spent within one fiscal year.

The Finance Committee minutes, with the policy and guideline changes, were approved.

B. Council of Buyers

Ms. Gregory highlighted the following issues from the March 31, 2011 Council of Buyers meeting.

- Staples Contract Update (2011/2012 Discount Structure)

Ms. Gregory presented the Staples final numbers for the 2010/2011 contract term stating that TBR, as a system, succeeded in increasing the average order size as well as annual sales. Therefore, invoices for the 2011/2012 year will contain a 6.6% discount, instead of the 6% that we received during the 2010/2011 term.

- THEPI Website – Tennessee Higher Education Procurement Initiative

Ms. Gregory reminded the Council of the THEPI website that was established as a common portal where all institutions could load their contracts, and would serve as a one-stop-shop for individuals looking for contracts for specific goods and services. However, the institutions did not maintain their information very well, and UOM, who is currently hosting the site, contacted Ms. Gregory about the possibility of discontinuing the site.

Mr. Sims would like the Central Office to possibly host the site and would like all institutions to upload their contract information and keep the information current. A question was raised regarding the possibility of posting a link to the THEPI website in lieu of posting the data. Ms. Gregory will check with Mr. Sims to see if that is acceptable.

Another question was raised regarding the status of State Purchasing loading its contracts on the Edison system. Ms. Gregory indicated that the instructions remain the same as have been previously provided to the Council, and that the State continues to indicate that if contracts are not coming up, the contract is not loaded into the system. It was also indicated that a list of the State's buyers is located on the State's Purchasing website (www.state.tn.us/generalserv) under the *Contact Us* section.

- Policy/Guideline/RFP Format/Impermissible Clauses/Forms Proposed Changes

  Ms. Gregory informed the Council that she and Ms. Moody will be reviewing the purchasing policy, contract guideline, RFP format, etc. for proposed edits and changes that need to be made to enhance the process. Ms. Gregory requested that the Council provide feedback on any changes/additions they feel are necessary or should be considered. The goal is to have any edits made before the end of the calendar year, which will be during the timetable for additional training to be provided by the Central Office. Ms. Moody indicated that she would like to see more templates to meet the specific needs of certain types of contracts. She asked that if anyone had a need or suggestion, to please forward those to her during this process. It was also indicated that it would be helpful if the Central Office could provide a schedule of which documents would be addressed and in what order to assist the institutions in knowing when to provide applicable feedback.

- Annual RFP Survey

  The Central Office Purchasing and Contracts Office will be developing a system-wide survey that will be sent to each institution's President. The purpose of the survey is to allow input from each institution on what types of system-wide RFPs/agreements they would like to see processed by the Central Office. This survey will be sent out for the period beginning July 1, 2011 to June 30, 2012.

The Council of Buyers minutes were approved.

C. Human Resources

Ms. Preston highlighted the following issue from the March 28-29, 2011 Human Resource Officers Committee meeting.

- People Admin (Applicant Tracking System)

  The current People Admin contract expires December 31, 2011. There are currently nine institutions participating with the TBR Central Office instance. Ms. Preston inquired as to whether any campuses wish to move to their own instance with the contract renewal. APSU expressed an interest in implementing an individual instance effective January 1, 2012. Ms. Preston will work with Mike Hamlet to make the appropriate changes along with the Contracts and Purchasing department. No other institutions expressed an interest in changing the current contractual obligation.

The HR Officers minutes were approved.

D. Internal Audit

Ms. Gourley highlighted the following issues from the April 5, 2011 Internal Auditors meeting.

- Risk Assessments

  One institution expressed concern that the risk assessment process duplicates efforts because the process closely resembles the institutional effectiveness process of monitoring and evaluating the achievement of institutional goals. Ms. Gourley informed the committee that the risk assessment process was originally implemented to comply with the Audit Committee Act and the Comptroller's 2006 letter. However, the Financial Integrity Act legislation was changed in 2008 and also requires that risk assessments be performed by management. Others commented that the institutional effectiveness process might not be an appropriate substitute for the risk assessment process.

The Internal Auditors minutes were approved.

3. <u>Incidental Fee Requests</u>

Several Board members have requested that consultation with the student body be made before mandatory fee requests are presented for approval. There is not a requirement for a student referendum. The Board just wants to ensure that there is some type of student consultation, whether it is through student senate approval or some other means. There is an expectation from the Board that this will be implemented from this point forward.

4. <u>Proposed Tuition Increases</u>

The Board is considering various tuition increases at universities, community colleges and technology centers for 2011-2012. The proposed increase will be calculated by adding the costs of funding a portion of fixed cost increases, system-wide salary policy, and replacing a portion of the lost state funding. This total funding need will be translated into the increase needed in student revenues.

There are three telephonic meetings scheduled before the next Board meeting to discuss options and recommendations. The final tuition recommendation will be presented at the June Board meeting.

5. <u>Business Process Modeling (BPM) Project</u>

Mr. Sims informed the committee that a revised schedule, along with a suggested list of participants, would be sent out today. There will be general orientation sessions May 17-19, with 2-3 day functional group meetings in late June and early July. Participants may attend the meetings in person or via conference call or webex. Mr. Sims stated that although it would be fine to call-in or attend via webex for the general orientation sessions, it would be more beneficial for participants to attend in person for the functional group meetings.

6. Election of BASC Chair

The committee elected Ms. Rosemary Jackson as the BASC Chair.

7. Election of IT Sub-Council Representative

The committee elected Dr. Tommy Wright as the IT Sub-Council representative.

The meeting was adjourned at 10:45 a.m.

Attachment A

Policy 4:02:20:00
Subject: Disposal of Surplus Personal Property

The following policies and procedures concerning the disposal of surplus personal property shall be followed by all institutions governed by the Tennessee Board of Regents.

1. **Definition of Surplus Personal Property**

   "Surplus personal property" means that personal property which has been determined to be obsolete, outmoded, unusable or no longer usable by the institution, or property for which future needs do not justify the cost of maintenance and/or storage. Such property must be declared "surplus personal property" by the president, director, or designee of the transferring institution; provided however, property need not be declared surplus when disposition is through the trade-in method.

2. **General Rules**

   1. (a) Surplus personal property is either usable property, which shall be transferred or sold, or unusable property, which may be destroyed, as hereinafter provided:
      1. (1) Surplus personal property which is perishable food may be destroyed without delay or notification.
      2. (2) Surplus mattresses may be destroyed or may be otherwise disposed of only upon compliance with T.C.A. 12-2-403.
      3. (3) Surplus personal property which is determined to be not usable by the institution and of little or no salvage or other economic value may be destroyed by an appropriate method.
      4. (4) The institution shall follow the procedures described in Section 3(c) of this policy, prior to disposal of all other surplus personal property.
   2. (b) Surplus personal property in which the Federal Government or other entity has a legal interest should be transferred to such entity when no longer needed.
   3. (c) It is unlawful for any state official or employee, including System employees, to purchase from the state except by bid at public auction any surplus property during the tenure of his office or employment, or for six (6) months thereafter. A purchaser who violates this provision is guilty of a misdemeanor under T.C.A. 12-2-412.
   4. (d) For all sales to individuals except at public auctions including internet auction, the transferring institution conducting the sale shall obtain from the purchaser a signed disclaimer certifying the purchaser is not a state or System employee and that the purchaser is not buying the property for or on behalf of any state or System employee.
   5. (e) All employees of the Tennessee Board of Regents System and their immediate families, shall be ineligible to bid for or purchase surplus personal property except by bid at public auction.
   6. (f) Possession of surplus personal property sold to the general public under any method prescribed under Section 3(c) of this policy shall not pass until payment is made by cash, or if payment is made by cashiers check or certified check, possession shall not pass until the check is honored by the drawee bank.
   7. (g) Possession shall pass to System institutions, political subdivisions of the state, and other governmental entities upon receipt, by the institution, of purchase vouchers of such institutions, political subdivisions, or other governmental entities. Title to motor vehicles sold as surplus property to political subdivisions and other governmental entities shall be closed as to transferee when title is passed.

3. **General Disposal Procedures**

   1. (a) The president or director of each institution or their designee shall declare personal property to be surplus personal property prior to disposition as such; provided however, property need not be declared surplus when disposition is through use of the trade-in method.
   2. (b) The president or director or their designee shall designate the department or individual at the institution responsible (hereinafter referred to as "responsible authority") for the disposal of surplus personal property, and the communications and procedures concerning the disposal of surplus personal property.
   3. (c) No article of personal property may be disposed of as surplus except by one of the following methods: (1) Trade-in, when such is permitted due to the nature of the property or equipment and subject to the provisions of T.C.A. 12-2-403 and the rules of this policy;

1. Transfer to other institutions within the Tennessee Board of Regents system;
2. Transfer to other state agencies;
3. Sale to eligible political subdivisions of the state and other governmental entities;
4. Public auction, publicly advertised and held;
5. Sale under sealed bids, publicly advertised, opened and recorded;
6. Negotiated contract for sale, at arms length; but only in those instances in which the availability of the property is recurring or repetitive in character, such as marketable waste products;
7. Disposition through the Department of General Services as provided in the Department Rules and Regulations.
8. Donations to a public school or public school system.
9. Sale by Internet auction.

4. (d) If the president, director or designee declares the property to be surplus personal property, the method of disposal shall be determined by the responsible authority from the alternatives set forth in Section 3(c) of this policy. Written documentation for the selection of method of disposal shall be maintained. The trade-in method, when property is of the nature appropriate for trade-in, and transfer to other institutions in the Tennessee Board of Regents System shall be the first and second priority methods, respectively, for disposal of surplus personal property, except for waste products which shall be disposed of as further provided in this policy. In the selection of other methods of disposal, the following criteria shall be considered:
   1. The character, utility and functionality of the property;
   2. The economics of disposal in light of all relevant circumstances attendant the proposed disposal, including the condition and climate of the potential market and present estimated market value of the property, transportation costs, and other cost factors associated with disposal; and
   3. Sound fiscal and budgetary policy and practices.
5. (e) The method of disposal selected in the preceding section shall be implemented pursuant to the specific procedures set forth in this policy for such disposition.
6. (f) The responsible authority at the institution shall be responsible for the maintenance of accountability documentation on all items of surplus personal property, and shall ensure that adequate audit and inventory trails on all items of surplus personal property are maintained. Such authority shall make the final determination of the fair market value of surplus personal property for purposes of calculating reimbursements to the transferring institution and to determine whether property may be destroyed pursuant to Section 2(a) (3).
7. (g) Nothing shall prohibit an institution from simultaneously providing notice of an intended disposition of surplus personal property to all System institutions and all state agencies as specified in Section 5(a) and 6(a) below. In such event, if no System institution has requested the property within ~~30~~ **7** days of the initial notice, the first state agency which had requested the property within such time shall be entitled to receive the property upon reimbursement as provided in Section 6 below.

4. **Trade-In On Replacement**

1. (a) Items that must be replaced may, subject to the requirements of this section, be traded in on replacement property.
2. (b) The responsible authority of the institution shall perform the following functions in connection with the trade-in method of disposal:
   1. Issue invitations to bid asking for bids with trade-in and without trade-in and receive and review bids;
   2. Make an evaluation of the condition and fair market value of the property to be disposed of; Through comparisons of bids and the evaluation prepared, make a determination whether it is in the best interests of the institution to dispose of the property by trade-in or by one of the other methods of disposal.

5. **Transfer to System Institutions**

1. (a) Except when the trade-in method is utilized or when the property is to be disposed of as a waste product, the responsible authority at the institution shall provide to the president, director, or their designee, or appropriate departments and/or individuals at all other institutions in the System and to the offices of the Tennessee Board of Regents, a notice of intended disposition which shall include the name of the individual to contact for additional information, the location of the property for inspection, a description of the property, the condition of the property and the original cost and fair market value of the property as determined by the responsible authority. The initial notice of available surplus personal property may be made at periodic intervals for the purpose of consolidating notices on numerous items of such property for convenience.
2. (b) The first institution which makes a written request for the available surplus personal property shall be entitled to receive such property

3. (c) In the event that no institution requests transfer of available surplus personal property within ~~30~~ **7** days of the date of the initial notice, the property may be disposed by means of another appropriate method of disposal.

6. **Transfer to Other State Agencies**

1. (a) When transfer to other state agencies is the method of disposal selected, the responsible authority of the institution shall provide notice of the intended disposition to the commissioner or chief executive officer of all state agencies which shall include all information specified in the notice required by Section 5(a).
2. (b) The first state agency which makes a written request for the available surplus personal property shall be entitled to receive such property.
3. (c) In the event that no state agency requests transfer of available surplus personal property within ~~30~~
7 days of the date of the initial notice, the property may be disposed by means of another appropriate method of disposal.

7. **Sale of Surplus Property to Governmental Entities**

1. (a) Political subdivisions of the state and other eligible governmental entities may purchase surplus personal property by submission of sealed bids for such property to the responsible authority of the institution no later than two (2) days prior to a public auction held for disposal of such property. Such bids shall be opened two (2) days prior to such public auction and the highest bid shall be selected unless the responsible authority decides that the highest bid does not represent the fair market value. The responsible authority may reject such bids and may negotiate with the political subdivisions of the state and other entities which have submitted bids in order to obtain a fair market value. In the event negotiation does not result in a fair market value, such property shall be disposed of by public auction.
2. (b) Political subdivisions of the state and other governmental entities shall retain possession of surplus property purchased from System institutions for at least one (1) year unless disposal is approved by the Board of Standards. Any profit realized from the resale of such property shall revert to the state or the System as their interests may appear.
3. (c) Any sale of automobiles by a System institution to a county, municipality or other political subdivision or governmental entity shall become null and void and such property shall revert to the state, or the System as their interests may appear, in the event that such political subdivision or governmental entity does not transfer the registration of title to such automobile to its name within seven (7) days after the sale.

8. **Public Auctions and Sales Under Sealed Bids**

1. (a) Public auctions and sales under sealed bids, as provided in this policy, shall be publicly advertised and publicly held. Notice of intended disposal by public auction or sale under sealed bid shall be entered by the responsible authority of the institution in at least one (1) newspaper of general circulation in the county or counties in which the disposal is to be made reasonably describing the property and specifying the date, time, place, manner, and conditions of the disposal. The advertisement shall be entered in the public notice or equivalent section of the newspaper and shall run not less than three (3) days in the case of a daily paper and not less than twice in the case of a weekly. The disposal shall not be held sooner than seven (7) days after the last day of publication nor later than fifteen (15) days after the last day of publication of the required notice, excluding Saturdays, Sundays and holidays. Prominent notice shall also be conspicuously posted for ten (10) days prior to the date of disposal, excluding Saturdays, Sundays and holidays, in at least two (2) public places in the county or counties where the disposal is to be made. Furthermore, notice shall be sent to the county court clerks of the county in which the sale is to be made, and all contiguous counties in Tennessee, except when the fair market value of all the property to be sold is determined in writing by the president or director or his or her designee to be less than $500.00.
2. (b) A mailing list shall be developed for mailing to eligible governmental entities and potential buyers of surplus items.
3. (c) No person, firm or corporation shall be notified of any public auction or sale except as provided by this policy.
4. (d) Each institution should attempt to include as many items in each sale as is practical and feasible.
5. (e) All notices of sales of such property shall provide that the property is to be sold "as is" with transportation costs assumed by the purchaser. The notice shall state that the only warranty provided, expressed or implied, is the seller's right, title and interest in the property sold.
6. (f) All sales by bid or auction shall be with reserve, and when bids received are unreasonably below the fair market value as determined by the responsible authority of the institution or school, all bids shall

be rejected and the property shall be thereafter disposed of pursuant to other acceptable methods of disposal.

9. **Disposal of Waste Products**

1. (a) Marketable waste products such as paper and paper products, used lumber, bottles and glass, rags, and similar materials of nominal value classified as scrap may be sold directly to dealers at the going market rate without soliciting bids. Each institution shall keep a record of the volume and unit price of such materials sold on the scrap market.
2. (b) Waste products which are subject to storage and are normally accumulated until such quantities are available to make a sale economically feasible shall be sold under sealed bids as follows:
    1. Invitations to bid shall be mailed to known buyers of the particular item;
    2. Three firm bids shall be secured when possible;
    3. Sealed bids shall be publicly opened and recorded ten (10) days, excluding Saturdays, Sundays, and holidays, after the invitations to bid are mailed;
    4. The highest bidder shall be awarded the contract and shall be notified of the date for removal of the property and the method of payment which will be acceptable;
    5. A file shall be maintained for each disposal for the purpose documenting the sale and should include all documents and information pertinent to the disposal.
3. (c) Anything to the contrary notwithstanding, surplus personal property which is determined to be unusable and of little or no salvage or other economic value may be destroyed by an institution or school as provided in Section 2(a) (3).

10. **Sale by Internet**

Notice of intended disposal by Internet auction shall be posted on the Internet. Such notice shall specify and reasonably describe the property to be disposed of, the date, time, manner and conditions of disposal, all as previously determined by the responsible authority.

11. **Exceptions**

Surplus personal property may be disposed of by a method other than those listed in Section 3(c) of the policy only upon request by the president or director of the transferring institution or designee and approval by the Chancellor or his or her designee.

Source: TBR Meetings, June 29, 1979; September 30, 1983; March 7, 1997; September 26, 2003; June 29, 2007.

Policy 4:02:05:01

Subject: Naming Buildings and Facilities and Building Plaques

The following policy shall apply to all institutions governed by the Tennessee Board of Regents.

A. Naming Buildings and Facilities

1. General Statement

The naming of buildings, facilities, grounds, and organizational units of institutions for individuals or groups who have made significant contributions to society is an honored tradition of higher education. The prerogative and privilege of such namings on the campuses of the Tennessee Board of Regents System are vested in the Board. Authority to name identifiable sub-units or components of buildings and facilities, however, is delegated to the institution president or technology center director, subject to the criteria and process set forth below.

The purpose of this policy is to establish the criteria and process for such namings in the System.

This policy applies to all buildings of the institutions governed by the Board. It also applies to other facilities, grounds, and organizational units which the institution wishes to dedicate in the name of an individual or group. Buildings designated by their general purpose or function are not subject to this policy.

2. Criteria

In general, individuals and groups for whom buildings are named must have made a significant contribution to the field of education, government, science, or human betterment. To preserve the integrity of all buildings named in the System, this honor must be reserved for individuals of recognized accomplishment and character; no building may bear the name of an individual convicted of a felony. With respect to the naming of buildings on a particular campus, special consideration shall be given to:

1. The historical significance of the contribution of the individual or group to the institution;

2. The association of the individual or group with the building to be named;

3. Any financial contribution of the individual or group to the institution; and

4. State, regional, national, or international recognition of the individual's or group's contributions and achievements.

A given surname may be assigned to only one building on a specific campus.

In all cases, naming rights are considered to be in effect for the duration of the effective and typical useful life of the physical building, space or object, and not in perpetuity. If necessary, the Board reserves the right to remove a name associated with any physical building, space, object, or project at any time if the naming gift pledge remains unfulfilled, it is in the best interests of the institution or of the donor to do so, or to protect the reputation of the institution and/or the donor.

3. Process

The institution president or technology center director shall charge a committee to consider and make recommendations for the naming of a building. The committee shall be comprised of student, faculty, and administrative representatives; other representatives of the campus community may serve on the committee, as deemed appropriate by the president or director.
The committee shall consider all suggested namings which satisfy the criteria cited above. Any individual or group associated with the institution may suggest a name for consideration by the committee.

The committee shall submit a report to the president or director, which includes a recommendation for the naming, documentation of all suggestions considered, and justification of its recommendation.

For namings which require Board approval, the president or director shall submit his or her recommendation, along with the committee's report and any additional supporting information deemed appropriate, to the Board through the Chancellor.

No publicity shall be given to the recommendation for naming until it is considered by the Board. For namings not subject to Board approval, the president or director shall determine and make known the naming in the manner deemed most appropriate.

4. Dedication Ceremony and Plaque

Upon approval of the naming by the Board, an appropriate dedication ceremony may be planned and conducted by the institution.

The institution also may erect a dedication plaque or comparable marking upon approval of the naming by the Board. The plaque may be separate from the building plaque provided by State regulations. In addition to the individual or group for whom the building is named, the dedication plaque should identify the institution president or technology center director, the Chancellor, and the Chairman of the Board at the time the naming was approved.

B. Building Plaques

An institution may affix a building plaque to a new or newly renovated building or facility. All building plaques must comply with Tennessee Board of Regents guidelines adopted pursuant to this policy and State Building Commission policy on building plaques. This section shall apply to any new or newly renovated building or facility.

Source: TBR Meetings, April 13, 1973; September 30, 1983; June 28, 1985; March 21, 1986; September 18, 1992; March 30, 2007.

Policy 4:03:03:00
Subject: General Travel

The following policy applies to the travel of all employees of the institutions and Tennessee Technology Centers governed by the Tennessee Board of Regents, as well as members of the Board staff, in the performance of their official duties. Provisions of this policy also may apply to individuals other than employees who are authorized to travel at institutional, school, or Board expense. Specific provisions of the policy also address the travel of Board members, pursuant to Tennessee Code Annotated 4-3-1008. Authorization for travel will not be granted and expenses will not be reimbursed unless the travel is made and reimbursement claimed in accordance with this policy and any approved exceptions hereto. Procurement cards may be used for the payment of registration fees and required advance payments for airline or hotel payments. Procurement cards may not be used for expenses incurred during actual travel time except in instances of team/group travel.

This policy and specific reimbursement rates for travel expenses allowed under this policy shall be consistent with those of the Comprehensive Travel Regulations of the State of Tennessee. Exceptions which may be deemed necessary and approved by the Board shall be submitted for consideration by appropriate State officials. Current reimbursement rates shall be issued by the Chancellor as an addendum to this policy.

All travel must be consistent with the educational, research, and professional needs of the TBR System. Employees must conduct all travel with integrity, in compliance with applicable laws, policies, and procedures, and in a manner that excludes considerations of personal advantage. Employees must exercise good judgment and conduct all aspects of travel in a cost-efficient manner.

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Addendum

II. General Provisions

1. No authorization for travel by any employee shall be granted, and no reimbursement for travel expenses shall be made, except in accordance with the provisions of these policies and procedures. Reimbursement for travel expenses shall be limited to expenses incurred upon travel authorized in advance in accordance with Section III.

2. Travel which may be authorized, and pursuant to which expenses may be reimbursed, shall be limited to the following:

a. Travel which is necessary for the proper execution of official System business, or in justifiable pursuit of an institution's or school's educational and research objectives; or

b. Travel to meetings and conferences of a professional nature which will increase the attending employee's usefulness to the System.

3. Travel shall not include, and no reimbursement for expenses shall be made for, transportation in connection with an employee's official station of employment. The employee's "official station" is his or her regular area of employment activity, e.g., office headquarters, campus, or designated location of an employee established in the field.

The official station of an employee shall be designated by the appointing authority. It is normally expected that the official station is that location at which the employee spends the major portion of his or her working time. For an employee required to be on call (as determined by his or her job description), either overnight or on weekends, the official station of the employee while on call becomes his or her residence, or the location at which the employee receives the call. Reimbursable mileage begins at the location at which the employee receives the call.

4. The employee is considered to be on official travel status, and as such, eligible for reimbursement of travel expenses, at the time of departure from the employee's official station or residence, whichever is applicable, for the purpose of traveling on state business. Expenses for meals will be allowed when overnight travel is required outside the county of the employee's official station or residence. En route lodging will be allowed for only one day each way on trips of long duration. Expenses for lodging will only be allowed in cases where the approved and most direct or expeditious mode of travel will require more than ten (10) hours of continuous travel for trips of long duration. The lodging expense will not be considered en route lodging if it does not add an additional day of lodging expense. For example: An employee has a 9:00 a.m. meeting in Atlanta, GA. Assume the employee needs to work a full day prior to the trip. It would be less expensive and more convenient to drive rather than fly. The employee leaves the night

before and drives to within two hours of Atlanta. Then the employee spends the night, continues the drive the next morning and arrives for the 9:00 a.m. meeting. This will be reimbursed but is not considered en route lodging as it did not add an additional day of lodging expense to the normal travel expenses.

5. The limitations on travel expenses contained herein are maximum amounts above which reimbursement shall not be made. Employees are expected to be as conservative as possible in incurring travel expenses.

6. Reimbursement for travel expenses shall only be allowed for actual expenses incurred, subject to the maximum limitations shown on the Addendum. Receipts must accompany claims for reimbursement for all expenses exceeding the amount cited on the Addendum. The exceptions to this rule are for meals, taxi fares, tolls and ferry fees, with no receipt required. Lodging receipts are required and must itemize room charges and taxes. No expenses shall be reimbursed until after travel has been completed.

7. When using websites (such as Expedia.com, Travelocity.com, Hotwire.com, etc.) to make travel arrangements using package deals, documentation is required for each specific item included in the package such as airfare, hotel, and rental car. Documentation should be provided to substantiate the conformance with set rates as established in CONUS and in the general travel policy. If such documentation cannot be obtained from the website or vendors, the employee is responsible for comparing the package price to the separate coach airfare rates, hotel rates (as allowed by CONUS/conference rate) and vehicle rental rates and providing documentation to reflect that the package price is less expensive than fares allowed individually. When the website documentation is not sufficiently detailed, a signed statement by the employee (along with documentation from separate coach airfare rates, hotel rates, etc.) referencing the comparison above is to be attached to the travel claim to certify that a reasonable effort was made to procure the best price for the college or institution. The employee is responsible for abiding by rates as approved by TBR.

III. Authorization of Travel

l. Approving Authorities - The president or director or his or her designees shall have authority to approve travel by employees of the various institutions and schools. The Chancellor or his or her designees shall have authority to approve travel by employees of the Board. Authorization for travel by a student, regardless of the destination, shall be approved by the president or director of the institution or school or his or her designee.

2. In-State Travel - All employees must obtain prior authorization for in-state travel by the employee's appropriate approving authority. Written authorization may not be necessary for in-state travel where the expected expenses will not be substantial, or when there is no advance notice of the circumstances necessitating the travel, and such travel is approved orally by the appropriate approving authority. Employees whose employment requires frequent in-state travel may obtain blanket authorization in writing for such travel.

3. Out-of-State Travel - All employees must obtain prior written authorization for out-of-state travel, which must be approved by the employee's appropriate approving authority. The authorization must show the name of the person traveling, purpose of the trip, destinations, date of departure and return, mode of transportation, estimated expenses, and availability of funds. If, in the normal course of official business, the employee must routinely travel into another state and back in the same day, such travel will be considered in-state travel and shall be subject to the in-state travel

provisions. This exception applies for trips which do not exceed 50 miles into another state. Employees whose employment requires frequent out-of-state travel may obtain blanket authorization in writing for such travel.

4. Canada Travel - Authorization for travel by an employee to Canada shall be approved by the president for employees of institutions, the Vice Chancellor for Technology Centers for employees of the schools, and the Chancellor for employees of the Board.

5. All Other Travel - Authorization for travel by an employee to Alaska, Hawaii, and all out-of-country travel shall be subject to approval by the president. Authorization for travel to Alaska, Hawaii, and all out-of-country travel by the president shall be subject to approval by the Chancellor (or designee). Authorization for travel to Alaska, Hawaii and all out-of-country travel by an employee of a technology center shall be subject to approval by the Vice Chancellor of Technology Centers.

IV. Transportation

1. General - All travel must be by the most direct or expeditious route possible, and any employee who travels by an indirect route must bear any extra expense occasioned thereby. When work is performed by an employee in route to or from the official station, reimbursable mileage is computed by deducting the employee's normal commuting mileage from the actual mileage driven in performing the work in route to or from the official station. For example, if an employee normally commutes 10 miles (20 miles round trip), and performs work on the way home from the official station which results in 12 miles driven, the mileage reimbursement will be for 2 miles only, as that is the amount of mileage in excess of the employee's normal commute. In no instance shall mileage claimed for reimbursement exceed actual miles traveled.

2. Mode of Transportation - Transportation for employees traveling singly should be by common carrier (air, train, or bus) whenever practical. The use of air travel is recommended when time is an important factor or when the trip is so long that other methods of travel would increase the subsistence expense. Automobile transportation may be used to save time when common carrier transportation cannot be satisfactorily scheduled, or to reduce expenses when two or more employees are making the trip. Reimbursement for personal vehicle use may be claimed at the standard mileage rate provided that the cost of such reimbursement is less than comparable cost of commercial transportation including taxi fares and/or limousine charges.

3. Common Carrier Travel - When travel is by common carrier, the fare must not exceed the regular coach fare charged the general public, and advantage must be taken of round trip rates when available. The employee's copy of the ticket, or an acceptable receipt, must be submitted for reimbursement of common carrier expenses.

4. Chartered Aircraft – Generally, faculty and staff (including group travel and athletics) whose duties require travel will use commercial ground and air carriers or a university/college/technology center automobile. However, a chartered aircraft may be used if time and/or distance preclude ground travel or if a commercial air service is either unavailable or does not meet the needs of the traveler(s). The following guidelines apply:

a. The chief executive officer of each institution shall assign the following duties to a responsible official: (1) reviewing and approving requests for charter air services, (2) scheduling charter flights, and (3) informing those who request charter flights of the charter company's policy on canceling scheduled flights.

b. Charter services will be obtained only when it can be shown that the charter does not exceed the sum of all traveling costs by commercial carrier (e.g. transportation, meals, and lodging) or that circumstances necessitate travel when no other means is available.

c. The charter company must provide the institution with an original, itemized invoice showing the beginning and ending dates of the charter, the origin and destination of each flight, and the names of passengers on each flight.

5. Automobile Travel - When travel by automobile is appropriate, employees may use state-owned automobiles whenever available and feasible. However, state-owned vehicles should be used only on official business.

a. State Owned Automobiles - When transportation is by a state-owned automobile, tolls, parking, gasoline and storage expenses are allowable. When using motor pool automobiles, employees will be furnished with courtesy cards for purchase of gasoline, oil, and other automobile services, and such expenses should not be claimed by employees as travel expenses. Emergency out-of-pocket expenses, such as towing or emergency repairs, will be reimbursed but must be accompanied by proper receipt identifying the automobile and itemizing the services. Such expenditures must be of an emergency nature whenimmediate service is required and access to a state facility is not possible. Major repairs should be approved by campus officials prior to work being performed. Such expenditures are allowed but should be filed for reimbursement separately.

b. Personally-Owned Automobiles - Use of a personally-owned automobile must be authorized. Mileage reimbursement rates are provided on the Addendum. The authorized mileage allowance includes all operating expenses such as gas, oil, and repairs precluding any separate claim for such items. Employees may use reputable websites to determine point-to-point and/or vicinity mileage.

Commuter Mileage - Procedures for calculating mileage are based on the fact that the State is prohibited from reimbursing employees for normal commuting mileage.

1) If an employee begins or ends a trip at his/her official station, reimbursable mileage will be the mileage from the official station to the destination.

2) If work is performed by an employee in route to or from his/her official station, reimbursable mileage is computed by deducting the employee's normal commuting mileage from the actual mileage driven.

3) If an employee begins or ends his/her trip at his/her residence without stopping at his/her official station, reimbursable mileage will be the lesser of the mileage from the employee's residence to his/her destination or his/her official station to the destination. On weekends and holidays, the employee may typically be reimbursed for actual mileage from his/her residence to the destination.

4) If an employee travels between destinations without returning to his/her official station or his/her residence, reimbursable mileage is the actual mileage between those destinations.

c. The travel claim must indicate the employee's itinerary and must show the official business mileage. Business mileage as indicated by the official state map or reputable websites, and that published by Rand-McNally or reputable websites for out-of-state routes will be regarded as official. Vicinity mileage must be reported on a separate line and not included with point-to-point mileage. Only mileage on official business may be claimed.

d. Necessary charges for hotel and airport parking will be allowed. ~~provided that airport parking fees do not exceed normal taxi fare to and from the airport or the cost of two round trips in the employee's personal car (see item 10 below).~~

6. Limousine and Taxi Service - When travel is by common carrier, reasonable limousine and taxi fares will be allowed for necessary transportation. Bus or limousine service to and from airports will be used when available and practical. After arrival at destination, necessary taxi fares for traveling between hotel or lodging and meeting or conference will be allowed. No receipt is required for reimbursement of reasonable taxi fares.

7. Car Rentals at Destination - Charges for automobile rental shall be allowed whenever it is more economical than alternative methods of transportation or it is the only practical means of transportation. Charges for insurance for rented automobiles are not reimbursable. Whenever possible, employees should refuel before returning vehicles.

8. Tolls and Ferry Fees - Reasonable tolls and ferry fees will be allowed when necessary. No receipt is required for reimbursement of tolls and ferry fees.

9. Daily Parking Fees - Daily parking fees for those employees working in downtown offices will not be allowed. However, if an employee is required to leave his office on official business and later returns the same day, the actual additional charge required to park will be reimbursed up to the maximum indicated (see Addendum). Also, those employees required to utilize commercial parking facilities in the daily performance of duties, or while on travel status, will be allowed reimbursement for actual costs. Receipt is required if the fee exceeds the maximum indicated per day (see Addendum).

10. Unnecessary meals and lodging expenses which are occasioned by the use of an automobile for reasons of the employee's personal convenience, or which are due to travel by an indirect route, will not be allowed.

11. If travel is by common carrier, the employee will be reimbursed for expenses in traveling to and from the common carrier including but not limited to the reasonable cost of one of the following options, whichever is less:

a. one round trip taxi fare,
b. or parking of the employee's personal car at the location of the common carrier, plus mileage of one round trip,
c. or mileage of two round trips in the employee's personal car (subject to a 200 mile maximum for two round trips).

Receipts must be furnished on airport and hotel parking exceeding maximum parking allowance in Addendum.

V. Lodging

1. In-State Lodging - Lodging expenses incurred within the state while on authorized travel will be reimbursable to the maximum shown on the Addendum.

2. Out-of-State Lodging - Lodging expenses incurred out of the state while on authorized travel will be reimbursable to the maximum shown on the Addendum. The maximum reimbursement rates for out-of-state travel are the same as those maintained by the U. S. General Services Administration for federal employees within the continental United States (CONUS). The CONUS list, available on the General Services Administration web site, contains a standard reimbursement rate for lodging and meals and incidentals, and several pages of exceptions. Most destinations for out-of-state travel fall within the list of exceptions. En route lodging will be allowed for only one day each way on trips of long duration. En route lodging will only be allowed in cases when the approved and most direct or expeditious mode of travel will require more than ten (10) hours of continuous travel. (Refer to Section II.4. for explanation of en route lodging expenses.)

3. Additional Lodging Expenses - Sales taxes on lodging costs will be reimbursable.

Higher rates for lodging at the location of a convention or conference will be allowed, without special approval, up to the amount indicated in the convention or conference brochure or conference website. Additional lodging for presidents/directors will be approved on the same basis as approval is granted for other employees. Any exceptions must be approved by the Chancellor. The convention or conference brochure which indicates the lodging rates must be included with the travel claim. Otherwise, reimbursement will be limited to the applicable lodging rate as provided in these regulations.

4. Shared Lodging – In the event of double occupancy for state employees on official travel, both employees should attach an explanation to his/her travel claim detailing dates and other employees with whom the room was shared. The lodging cost may be claimed by the employee who incurred the cost, or one half the double occupancy charge may be allowable for each employee. If a room is shared with other than a state employee, actual cost subject to the maximum in the Addendum will be allowed. The receipt for the entire amount should be submitted with the expense account.

VI. Meals

1. In-State and Out-of-State Meals - Meals while on authorized travel will be reimbursed, subject to the meal allowance provided on the Addendum. The maximum per diem rates include a fixed allowance for meals and for incidental expenses (M&I). The M&I rate, or fraction thereof, is payable to the traveler without itemization of expenses or receipts. Incidentals are intended to include miscellaneous costs associated with travel such as tips for baggage handling, phone calls home, etc.

Out of Country meals are reimbursed at actual expense with receipts. If no receipts are provided, the maximum rate will be the maximum Conus rate of Out-of-State travel.

The M&I rates for out-of-state travel are the same as those for federal employees, and are available on the General Services Administration's web site. As with lodging, there is a standard rate for the continental United States

(CONUS), and a list of exceptions. Reimbursement for meals and incidentals for the day of departure shall be three-fourths of the appropriate M&I rate (either the in-state rate or CONUS rate for out-of-state travel) at the rate prescribed for the lodging location. Reimbursement for M&I for the day of return shall be three-fourths of the M&I rate applicable to the preceding calendar day. To assist in this calculation, the following table lists partial per diem rates for meals and incidentals for in-state and out-of-state travel.

Per Diem Rates – Three-fourths Calculations

$46	$34.50
$51	$38.25
$56	$42.00
$61	$45.75
$66	$49.50
$71	$53.25

The following table may be used to determine reimbursement for a single meal, when appropriate. Reimbursement for meals will not be permitted when overnight travel is not involved.

In-State and Out-of State of Tennessee

Meals and Incidental – Allocated by Meal

Per diem	$46	$51	$56	$61	$66	$71
Breakfast	7	8	9	10	11	12
Lunch	11	12	13	15	16	18
Dinner	23	26	29	31	34	36
Incidentals	5	5	5	5	5	5

Revisions to the above two tables that are required solely by changes in CONUS rates will not be subject to Board approval.

2. Official Banquets - When the expenses for an official banquet of a meeting or conference is in excess of the meal allowance, the excess will be allowed provided a receipt or proper explanation of the charge is submitted.

3. Business Meals – See Policy 4:07:00:00 for criteria on reimbursing business meals.

VII. Miscellaneous Expenses

1. Personal Expenses - Expenses for entertainment (employee or others), laundry, tips and gratuities, etc., are personal expenses and will not be reimbursed in excess of the incidental portion of the M&I rate.

2. Telephone, ~~Telegram~~ **Internet** and Fax Expenses - Charges for long distance telephone calls, ~~telegrams~~**, internet** and/or fax on official business will be allowed. Charges for necessary local calls on official business will be allowed.

3. Registration Fees - Registration fees for approved conferences, conventions, seminars, meetings, etc., will be allowed including cost of official banquets and/or luncheons, if authorized in advance by the appropriate approving authority, and provided receipts are submitted with the travel claim.

4. Handling Fees - Fees for the handling of equipment or promotional materials will be allowed up to the maximum indicated (see Addendum).

VIII. Claims

The standard form for claims for travel expenses approved by the President, director or Chancellor shall be used for reimbursement of expenses. The form must show movement and detail of expenses on a daily basis, be signed in ink by the employee, and be approved by the appropriate approving authority prior to reimbursement. All signatures on travel claims must be original or electronic in accordance with TBR policy**.** Receipts for appropriate expenses must be attached to the form. Expenses for books, supplies, postage, and other items that do not constitute actual traveling expenses should not be included in the claim form. Claims for reimbursement for travel expenses should be submitted no later than thirty (30) days after completion of the travel.

IX. Travel Advances

1. General - Normally travel expenses should be paid when incurred by an employee, with reimbursement made to the employee for actual expenses upon proper submission of a claim for travel expenses. Advances to employees for anticipated travel expenses may be made under the circumstances hereinafter described as (1) permanent travel advances and (2) temporary travel advances except as provided in Section X.3. All travel advances must be approved by the president or his or her designees for employees of the institution, the director for employees of the school, and the Chancellor for employees of the Board.

2. Permanent Travel Advances - When an employee has blanket travel authorization, and is expected to travel the major portion of each month, the employee may be placed upon permanent travel status. Upon determination of the employee's estimated monthly expenses, if such expenses exceed $100, the employee may be provided with a single advance in an amount sufficient to cover such expenses for one month, provided such amount may not exceed the semi-monthly salary of the employee. Subsequent to the initial advance, the employee shall submit appropriate claims

and be reimbursed as heretofore provided, with any unused portion of the advance to be returned upon termination of the employee's permanent travel status.

3. Temporary Travel Advances - When temporary travel is authorized for an employee, the employee may receive an advance, provided a request for the advance, including estimated expenses, is submitted to the appropriate approving authority with the request for written authorization for the travel, and is approved. An amount equal to 80% of the estimated expenditures will be allowed as an advance, however, no advance less than $100 will be made. Students traveling under individual authorizations or an employee traveling with a student or students who is responsible for disbursing all funds for the trip may be advanced 100% of the amount of the authorization.

4. Payroll Deduction Authorization - Each employee receiving a permanent or temporary travel advance for the first time must sign a payroll deduction authorization form which will allow the State to recover the advance from any salary owed the employee in the event of termination of employment or failure to submit a travel claim. This deduction from payroll should be used as a last resort only in the event all other efforts to collect the advance have failed.

5. Expense Claim - Upon return, the employee should submit an expense claim detailing his or her actual expenditures. This claim should show the total expenses incurred. The advanced amount should be subtracted from this total. A voucher should then be prepared requesting the additional amount due the employee. No advance should exceed actual expenses. If this does happen, however, the excess should be returned by the employee to the business office for deposit as a credit against the original advance with proper distribution being made of the actual expenses incurred. In the latter instance, the expense account claim should be forwarded to the business office with notification to file it with the advance request.

You are eligible for reimbursement of travel expenses if your trip was entirely business related. If your trip was primarily for business and, while at your business destination, you extended your stay, made a personal side trip, or had other personal activities, you can obtain reimbursement for only your business related travel expenses. These expenses include the travel costs of getting to and from your business destination but do not include additional lodging, parking, and per diem for the days not required for the business travel. Additional days are not considered business related unless they are necessary to provide rest or sleep required for you to properly perform your duties.

X. Corporate Credit Cards for Travel

1. General – Individual institutions and/or the Board Office may arrange for corporate credit cards to assist with travel expenses.

2. Membership - Corporate credit cards are made available to designated employees, with the employees personally responsible to the card vendor for all amounts charged to the card.

3. Advances - Travel advances, permanent or temporary, shall not be issued to:

a. any employee who is issued a corporate card, or
b. any employee who is designated but chooses not to apply for a corporate card.
c. any employee who has had his/her corporate card cancelled or was refused a card based on the vendor’s credit requirements.

Institutions may make individual exceptions to the above provisions when the circumstances are determined to warrant such exception.

4. <u>Reimbursement</u> - Reimbursement for travel expenses shall only be allowed for actual business expenses incurred, subject to the provisions of Section II, Item 6, and the maximum limitations shown on the Addendum.

5. <u>Cancellations</u> - The Tennessee Board of Regents and/or the card vendor may cancel an employee's corporate card at any time. In the event of cancellation of a corporate card, the Tennessee Board of Regents or appropriate institution shall promptly notify the employee of the cancellation and use its best efforts to obtain the canceled corporate card and return it to the card vendor.

6. <u>Termination</u> - The Tennessee Board of Regents and its institutions shall notify the card vendor if a cardholder's employment is terminated, and the effective date of such action. Each institution shall establish procedures to collect corporate cards from terminated employees and return them to the card vendor.

XI. Exceptions

<u>General</u> - The Chancellor shall have the authority to grant exceptions to any part or all of the provisions of this policy when deemed appropriate and necessary; however, any exception directly affecting the Chancellor must be approved by the Vice Chair of the Board. The Chancellor delegates to the presidents and directors the authority to grant exceptions to any part or all of the provisions of this policy in individual instances when deemed appropriate and necessary; however, any exception directly affecting presidents or directors must be approved by the Chancellor or Vice Chancellor for Technology Centers, respectively.. Two areas of standing exceptions to the policy are provided below.

<u>Exception No. 1</u>

(a) Provisions for travel contained in this Exception Number One shall be applicable only to the Chancellor and his or her immediate staff, presidents of institutions, technology center directors, and System employees traveling in their company. This exception corresponds with Exception Number Three of the Comprehensive Travel Regulations. All provisions of the Sections II through X of this policy shall be applicable unless superseded by the following.

(b) <u>Transportation</u>: First class travel on common carrier shall be allowable at the option of the above designated persons when accompanying others not employed by the State who are traveling in first class accommodations.

(c) Charges for automobile rental shall be allowed whenever it is more economical than alternative methods of transportation or whenever it is the only practical means of transportation.

<u>Exception No. 2</u>

(a) Members of the Tennessee Board of Regents shall be reimbursed for travel in the performance of their official duties in accordance with applicable provisions of the general policy unless superseded by the following, which corresponds with Exception Number Four of the Comprehensive Travel Regulations, provided that necessary approvals shall be made by the Chancellor rather than the Commissioner of Finance and Administration.

(b) Members of the Board shall be reimbursed by the Board office for all allowable travel expenses upon submission of a standard form for claims and appropriate receipts.

Source: TBR Meetings, June 25, 1976; March 3, 1978; September 29, 1978; September 26, 1980; September 30, 1983; March 23, 1984; September 21, 1984; December 13, 1985; June_26, 1987; September 18, 1987; June 30, 1989; September 21, 1990; June 28, 1991; March 20, 1992; October 22, 1993 (Interim action), February 1, 1996 (Interim Action), June 21, 1996, March 27, 1998, August 1, 1998 (Interim Action), March 26, 1999, September 17, 1999, September 1, 2001 (Interim Action), September 26, 2003, December 5, 2003, May 1, 2004 (Interim Action), September 24, 2004; December 3, 2004; June 10, 2005; December 2, 2005; March 31, 2006; March 30, 2007; June 29, 2007; September 28, 2007; March 28, 2008. October 1, 2008 (Interim Action); October 1, 2009 (Interim Action); Board Meeting September 24, 2010

Addendum

Tennessee Board of Regents General Travel Policy

This Addendum provides the specific expenses considerations cited in the general travel policy. The reimbursement rates listed below are consistent with the current Comprehensive Travel Regulations of the State of Tennessee, which may be revised from time to time. The following shall remain in effect from and after December 9, 2010, until revised by the Chancellor. The Board delegates to the Chancellor the authority to increase TBR travel rates commensurate with any rate increases approved by the State of Tennessee.

General Reimbursement Rates

Standard mileage rate	Rate approved by the Dept. of Finance and Administration
Maximum parking fees without receipt	$ 8.00 per day
Fees for handling of equipment or promotional materials	$ 20.00 per hotel

Out-of-State Reimbursement Rates

Employees are to utilize the U.S. General Services Administration CONUS (Continental United States) rates provided by the federal government. The CONUS rates are located on the U.S. Government's web page at http://www.gsa.gov/

Use the CONUS standard rates for all locations within the continental United States not specifically shown on the web page as a listed point.

In-State Travel Reimbursement Rates

Level I Counties and Cities

Day of Departure And Return	Maximum Lodging	Maximum Meals and Incidentals
75% of M&I	$110.00 + tax	$66.00

Davidson County

Level II Counties and Cities

Day of Departure And Return	Maximum Lodging	Maximum Meals and Incidentals
75% of M&I	$96.00 + tax	$46.00

Anderson County**,** Shelby County, Knox County, Hamilton County, Gatlinburg, Pigeon Forge**,** Sullivan County, Williamson County, Montgomery County, Putnam County, Rutherford County, Washington County (Includes Paris Landing, Montgomery Bell, Natchez Trace, Pickwick, Fall Creek Falls, andHenry Horton State Parks)

Level III Counties and Cities

Day of Departure And Return	Maximum Lodging	Maximum Meals and Incidentals
75% of M&I	$77.00+ tax	$46.00

All other counties and cities not listed above.

Standard Out-of-Country Rates

Day of Departure And Return	Maximum Lodging	Maximum Meals and Incidentals
Actual expense or 75% of M&I	Actual expense	Actual expense or $71.00

(per diem amount only to be used when receipts are not available)

Special Rates Under Exception One

This exception applies to the Tennessee Board of Regents' Chancellor and his or her immediate staff, presidents of institutions, area school directors, and System employees traveling in their company. This exception rate schedule corresponds with Exception Number Three of the Comprehensive Travel Regulations of the State of Tennessee.

Out-Of State Reimbursement Rates

Employees are to utilize the U.S. General Services Administration CONUS (Continental United States) rates provided by the federal government. The CONUS rates are located on the U.S. Government's web page at:http://www.gsa.gov/

Use the CONUS standard rates for all locations within the continental United States not specifically shown on the web page as a listed point.

In-State Travel Reimbursement Rate

Level I Counties and Cities

Day of Departure And Return	**Maximum Lodging**	**Maximum Meals and Incidentals**
75% of M&I	$115.00+ tax	$66.00

Davidson County

Level II Counties and Cities

Day of Departure And Return	**Maximum Lodging**	**Maximum Meals and Incidentals**
75% of M&I	$101.00+ tax	$46.00

Anderson County,Shelby County, Knox County, Hamilton County, Gatlinburg, Pigeon Forge**,** Sullivan County, Williamson County, Montgomery County, Putnam County, Rutherford County, Washington County. (Includes Paris Landing, Montgomery Bell, Natchez Trace, Pickwick, Fall Creek Falls, andHenry Horton State Parks)

Level III Counties and Cities

Day of Departure And Return	**Maximum Lodging**	**Maximum Meals and Incidentals**
75% of M&I	$82.00 + tax	$46.00

All other counties and cities not listed above.

Special Rates Under Exception Two

This exception applies to Board Members of the Tennessee Board of Regents who are reimbursed for travel in the performance of their official duties. This exception rate schedule corresponds with Exception Number Four of the Comprehensive Travel Regulations of the State of Tennessee.

Out-of State Reimbursement Rates

Employees are to utilize the U.S. General Services Administration CONUS (Continental United States) rates provided by the federal government. The CONUS rates are located on the U.S. Government's web page at http://www.gsa.gov/

Use the CONUS standard rates for all locations within the Continental United States not specifically shown on the web page as a listed point.

In-State Travel Reimbursement Rates

Level I Counties and Cities

Day of Departure And Return	Maximum Lodging	Maximum Meals and Incidentals
75% of M&I	$130.00+ tax	$66.00

Davidson County

Level II Counties and Cities

Day of Departure And Return	Maximum Lodging	Maximum Meals and Incidentals
75% of M&I	$116.00+ tax	$46.00

Anderson County, Shelby County, Knox County, Hamilton County, Gatlinburg, Pigeon Forge**,** Sullivan County, Williamson County, Montgomery County, Putnam County, Rutherford County, Washington County. (Includes Paris

Landing, Montgomery Bell, Natchez Trace, Pickwick, Fall Creek Falls, andHenry Horton State Parks)

Level III Counties and Cities

Day of Departure And Return	**Maximum Lodging**	**Maximum Meals and Incidentals**
75% of M&I	$102.00 + tax	$46.00

All other counties and cities not listed above.

NASHVILLE STATE COMMUNITY COLLEGE

Items Discussed at the Field Exit Conference
Not Addressed in the Audit Report
For the Years Ended June 30, 2009, and June 30, 2008

Cash

1. Cash was overstated by $149,225.44 on the college's June 30, 2008, Statement of Net Assets. This is the difference in the LGIP amount per annual Treasury statements and the amount shown in Banner. This difference consists of unrecorded interest, withdrawals, deposits, and an additional difference that the auditee could not explain. These transactions were recorded in Banner in 2009. An adjustment was made to the financial statements to correct both years.

   Management Comment:
   A reconciliation of LGIP statement amount and the LGIP General Ledger account controls per the books which is used in the compilation of the Statement of Net Assets will be performed annually by the Bursar's office.

Investments

2. Income on investments on the foundation's June 30, 2009, Statement of Cash Flows was understated $13,259.05 and other investing receipts (payments) were overstated by the same amount. This is the amount of dividends earned on the foundation's investment accounts. An adjustment was made to the Statement of Cash Flows to correct.

   Management Comment:
   The Foundation's investments earned dividends were properly recorded as Income on Investments for the FY2010 Foundation Statement of Cash Flows. Additional finance staff will compile and review the investments.

3. Income on investments on the foundation's June 30, 2008, Statement of Cash Flows was understated $3,451.16. This is the amount of management fees charged to the foundation's investment accounts and the return of principal. These amounts should not be included in the calculation of income on investments. It would be more appropriate to classify these amounts as other investing receipts (payments). An adjustment was made to the Statement of Cash Flows to correct.

   Management Comment:
   The Foundation investment management fees were properly recorded as Other Investing Receipts for the FY2010 Statement of Cash Flows. Additional finance staff will compile and review the investments.

NASHVILLE STATE COMMUNITY COLLEGE

Items Discussed at the Field Exit Conference
Not Addressed in the Audit Report
For the Years Ended June 30, 2009, and June 30, 2008

Receivables

4. The schedule of accounts receivable (banner report TZRARSA provided to State Audit) at June 30, 2008, did not agree to the general ledger (banner report FZRGENL). There is a ($73,699.80) unreconcilable difference between the TZRARSA report and the general ledger. The Bursar could not provide the auditor with an explanation as to why the schedule of accounts receivable would not reconcile to the general ledger.

   Management Comment:
   A reconciliation of the TZRARSA accounts receivable report and the General Ledger Accounts Receivable account controls will be performed annually by the Bursar's office. FY2009 the account receivable to general ledger was reconciled. This also remains true for the FY2010 in that the accounts receivable to general ledger have been reconciled.

Liabilities

5. Accounts payable is overstated $96,263.40 on the college's June 30, 2009, Statement of Net Assets and other liabilities-current is understated by the same amount. Account #210001 (Payroll ZBA Balance) was included in the accounts payable balance in 2009 instead of other liabilities-current as it was in prior years. An adjustment was proposed but not made due to materiality.

   Management Comment:
   The Payroll ZBA Accounts Payable balance was correctly classified as an Other Liability on FY2010 Statement of Net Assets.

6. Accrued liabilities were overstated $5,388.07 on the college's June 30, 2009, Statement of Net Assets and accrued interest payable was understated by the same amount. Accrued interest on the bonds was included in accrued liabilities in 2009; accrued interest payable had its own classification in 2008. An adjustment was made to the financial statements for consistency.

   Management Comment:
   The accrued interest on bonds was not included in Accrued Liabilities, but was correctly classified on a separate line on the FY2010 Statement of Net Assets.

Items Discussed at the Field Exit Conference
Not Addressed in the Audit Report
For the Years Ended June 30, 2009, and June 30, 2008

7. On the college's June 30, 2008, Statement of Net Assets, compensated absences-noncurrent is overstated and other liabilities-noncurrent is understated by $21,519.17. This was the result of a year-end entry that was incorrectly made. An adjustment was proposed but not made due to materiality.

   Management Comment:
   Compensated Absences were classified as a current and noncurrent and not as an Other Liability on the FY2010 Statement of Net Assets.

8. In the long-term liabilities activity schedules in the college's notes to the financial statements, the reductions amount for compensated absences was understated by $90,064.38 in 2009 and $85,208.63 in 2008. The college did not include fringe benefits when calculating the reductions amounts. The additions amounts were understated by the same amount as additions are determined by taking the ending balance, subtracting the beginning balance, and adding reductions. Adjustments were made to the schedules.

   Management Comment:
   Payroll will include back-up information to the Controller to ensure that the correct information is reported.

9. The college's contributions for the other post-employment benefit (OPEB) liability were incorrectly computes for the year ended June 30, 2008. Account 62500 "Group Insurance" was correctly used as the starting point for the calculation of the contribution. This account contains life insurance premiums which should be deducted in determining the college's contribution. Due to a keying error, the amount deducted for life insurance was incorrect. This caused the OPEB liability for 2008 to be overstated by $25,047. An adjustment was proposed but not made due to materiality.

   Management Comment:
   An additional account code has been created for the life insurance portion of the insurance. This should ensure that life insurance is not included in future calculations.

Items Discussed at the Field Exit Conference
Not Addressed in the Audit Report
For the Years Ended June 30, 2009, and June 30, 2008

10. The college's contributions for the OPEB liability were incorrectly computed for the year ended June 30, 2009. Account 62500 "Group Insurance" was correctly used as the starting point for the calculation of the contribution. This account contains life insurance premiums which should have been deducted in determining the college's contribution but was not. This error, in conjunction with the 2008 error noted above, caused the OPEB liability for 2009 to be overstated by $22,420.53. An adjustment was proposed but not made due to materiality.

    Management Comment:
    An additional account code has been created for the life insurance portion of the insurance. This should ensure that life insurance is not included in future calculations.

Revenues

11. On the foundation's June 30, 2009, Statement of Revenues, Expenses, and Changes in Net Assets, $134,334.08 was classified as sales and services of educational departments but should have been classified as other operating revenues. When preparing the financial statements, the accountant accidentally put the amount on the wrong line. An adjustment was made to the financial statements to correct.

    Management Comment:
    Foundation operating revenues were properly classified as Other Operating Revenues on the FY2010 Statement of Revenue, Expenses, and Changes in Net Assets. Additional finance staff will review the statements.

Expenses

12. On the June 30, 2009, Statement of Revenues, Expenses, and Changes in Net Assets, the college inappropriately reflected bond principal payments of $52,097.76 as bond issuance costs and inappropriately reduced operating expense-utilities, supplies, and other services by the same amount. Bond principal payments should not be recorded as an expense; they should only reduce bonds payable. An adjustment was made to the financial statements to correct.

    Management Comment:
    The bond payment in 2010 was recorded as a reduction of the bond payable not as a bond cost on the FY2010 Statement of Assets.

NASHVILLE STATE COMMUNITY COLLEGE

Items Discussed at the Field Exit Conference
Not Addressed in the Audit Report
For the Years Ended June 30, 2009, and June 30, 2008

13. On the foundation's June 30, 2008, Statement of Revenues, Expenses, and Changes in Net Assets, $87,102.85 was classified as an operating expense-utilities, supplies, and other services but should have been classified as a nonoperating expense. This is the amount of cash and investments transferred to the Upper Cumberland Educational Foundation. As a result, other investing receipts (payments) on the foundation's June 30, 2008, Statement of Cash Flows was overstated $87,102.85. An adjustment was made to the financial statements to correct.

    Management Comment:
    The Foundation transfer of investments to Upper Cumberland Education Foundation was a one-time transaction on the books. No action was necessary on the Foundation statements in FY2010.

Other

14. Critical back-up files are not stored at an off-site location. Back-up files are currently stored in the campus library. According to the Director of Computer Services, NSCC is currently in the process of evaluation potential off-site locations.

    Management Comment:
    The Computer Services Department will make a separate backup of the Banner database to store at Southeast Center. This is a temporary measure to meet the offsite goal until the mandated move of the Banner system to the State OIR data center is completed, estimated to be in 2012.

WALTERS STATE COMMUNITY COLLEGE

Responses to Items Discussed at the Audit Field Exit Conference
Relative to the Audit for Years Ended June 30, 2009, and June 30, 2008

Internal Control Weakness

1. For 2 of 6 employees who were terminated during the 2008 and 2009 fiscal years, the employees' computer applications access was not terminated on a timely basis. Per discussion with the Director of Administrative Computing, computer access for these dismissed employees was not terminated timely because either the supervisor who was responsible for completing the Checkout Procedures for Terminating Employees form to remove the employee did not submit the form or the Director of Administrative Computing or the Director of Communication Services misplaced the form.

Management's Response:

In late 2008 the management of the Information and Educational Technologies (IET) department had identified that vulnerabilities existed in the process for disabling accounts of former employees. Most departing employees would bring a paper form to the helpdesk and present it to an IET employee. The receiving IET employee was tasked with making two copies of this document and then forwarding the copies to the system administrator of the Banner system and the system administrator of Windows systems. These two administrators would then disable the accounts on their respective systems. This normally worked well with the exception of employees who were terminated. Terminated employees did not bring their form to IET, and we often received the form direct from HR or HR made verbal request to disable the account. This, at times, led to confusion, and the proper IET personnel were not notified to disable the departing employee's account. In early 2009 IET began working with the Human Resources (HR) department to develop more comprehensive and formal processes to ensure that the accounts of separated employees were disabled in a timely manner. Since that time the HR and IET staff have worked closely to modify processes as problems and concerns arose. The weaknesses that State Audit discovered were weaknesses that had occurred before or while we were modifying our processes to better handle former employee accounts. By the time we were presented this weakness IET and HR had implemented improved procedures that ensured that the required personnel were notified in a timely manner and that the entire process was documented. The current process requires HR to submit an electronic request to the IET ticket system instead of forwarding a paper request. This change ensures that the original request is fully documented and monitored until closed. The ticket system alerts IET personnel if the request is not addressed in a timely manner. When properly executed this new process ensures that each request is documented and tracked from creation to completion.

Reporting Error-Statement of Net Assets

2. On the foundation's statement of net assets at June 30, 2009, the Director of Advancement Services failed to report $1,126,137.50 of net assets as invested in net assets, net of related debt. The amount was incorrectly reported in unrestricted net assets. The statement of net assets was corrected. The Director discovered the error before the inception of our audit and communicated the deficiency to us. Therefore, we did not consider this a significant deficiency.

Management's Response:

A new checklist and review sheet are being developed to aid in preparation of the financial statements. In addition, the timeline to complete foundation statements will be adjusted to allow more time for additional review prior to submission.

Reporting Errors – Notes to the Financial Statements

3. In note 16 in the college's 2009 financial report, the Director of Advancement Services misclassified a foundation corporate bond valued at $61,399.20 and a U.S. treasury obligation valued at $106,242.00 as maturing in 1 to 5 years when they actually should have been placed in the 6 to 10 years category. In note 15 in the college's 2008 financial report, the Director of Advancement Services misclassified a foundation corporate bond valued at $46,654.20 as maturing in less than 1 year when it actually matured in from 1 to 5 years (402 days). The note in the audited statements was corrected.

Management's Response:

An investment worksheet has been modified to calculate the number of days to maturity from the fiscal year end to compare with the custodian investment report and assist in proper maturity categorization of investments. In addition, the timeline to complete foundation statements will be adjusted to allow more time for additional review prior to submission.

4. In note 16 in the college's 2009 financial report, the Director of Advancement Services incorrectly included mutual funds as comprising more than 5% of foundation investments in the concentration of credit risk portion of the note. GASB statement 40, paragraph 11, states "investments issued or explicitly guaranteed by the U. S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this [disclosure] requirement." Also, in note 15 in the college's 2008 financial report,

there was no concentration of credit risk, and it was incorrectly reported. The audited note was corrected.

Management's Response:

A review of GASB Statement 40 implementation guide will be done by the Director of Advancement Services to ensure proper reporting of investments for the concentration of credit risk portion of the component unit note.

Tennessee Board of Regents
Audit Committee
March 8, 2011
Review of Comptroller's Office Audit Reports
Financial and Compliance Audits—Finding Reported

Institution	For the Years Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Nashville State Community College	June 30, 2008 and June 30, 2009	Unqualified Opinion	One finding identified as a material weakness	No instances of noncompliance required to be reported	1

Finding – As noted in the prior audit, the college needs an improved system of internal control for the preparation of the college's financial statements. Controls were not adequate to ensure that the financial statements were prepared in accordance with generally accepted accounting principles. The report included:

Errors on the Statements of Net Assets

- NaSCC accounts for cash of the technology centers at Dickson and Nashville. The cash, $2,617,069 for 2009, and $4,751,535 for 2008, was reported as noncurrent, but should have been reported as current since it was available to satisfy current liabilities.
- Invested in capital assets, net of related debt was understated at June 30, 2009, resulting from $724,534 for energy projects not related to specific capital assets being incorrectly deducted from capital assets.
- Deferred revenue related to summer fees collected but not earned at June 30, 2008, was understated by $305,025, causing revenues for 2008 to be overstated by this amount and revenues for 2009 to be understated by the same amount.

Errors on the Statement of Revenues, Expenses, and Changes in Net Assets

- Scholarship and fellowships expenses and student tuition and fees revenue were overstated for 2008 by $251,090. Incorrect year-end entries were made on the worksheet used in preparing the financial statements.

Errors on the Statements of Cash Flows

- Numerous errors were made in the 2008 and 2009 statements, ranging from $4,094 to $12,933,604. The errors primarily resulted from bond activity included in cash flows from operating activity, errors in year-end adjusting entries, and errors in the reconciliation of operating loss to net cash used by operating activities.

Errors in the Notes to the Financial Statements

- The LGIP totals in the investment note were understated by $8,034,023 at June 30, 2009 and by $7,159,141 at June 30, 2008 because technology center totals were incorrectly left out of the note.

The financial statements and notes in the audit report reflect corrected information.

Management's Comment – Management concurred with the finding and recommendation. Management indicated a formal financial statement review plan would be developed and implemented for fiscal year 2011 that will identify the Vice President's and each manager's review responsibilities. A comprehensive review of the risk assessment completed in the Business Office in fiscal year 2009 will be conducted in fiscal year 2011 and the Vice President will review the control plans quarterly to ensure that proper monitoring has occurred and determine if additional training is needed. Business Office managers met in November 2010 to review the audit finding and the action plans for ensuring that the financial statements are prepared in accordance with generally accepted accounting principles.

Internal Audit Follow Up: A follow-up audit on this finding will be reported to the Audit Committee next quarter.

FINDING AND RECOMMENDATION

As noted in the prior audit, the college needs an improved system of internal control for the preparation of the college's financial statements

Finding

The previous audit report contained an audit finding concerning inadequate controls that resulted in errors in the financial statements of Nashville State Community College (NSCC). In the current audit, we again found that controls were not adequate to ensure that the financial statements were prepared in accordance with generally accepted accounting principles. Management concurred with the previous audit finding and stated that a notice was sent to all management personnel in the Business Office reminding them of the chain of command to follow for technical advice. Management further stated that the accounting management staff would meet twice per month to discuss accounting specific issues. Management further stated that the Vice President had stressed to Business Office management personnel the importance of good coordination in requesting, approving, executing, and reviewing accounting entries and transactions. However, errors continue to be made in financial reporting.

The Controller, with assistance from various Business Office staff, is responsible for the preparation of the financial statements. The Vice President of Finance and Administrative Services is responsible for the oversight and review of the reporting process and the financial statements.

Errors on the Statements of Net Assets

Our review of NSCC's Statements of Net Assets for the years ended June 30, 2009, and June 30, 2008, revealed errors affecting cash, net assets invested in capital assets, and deferred revenue.

- The college accounts for cash of the Tennessee Technology Centers at Dickson and Nashville. This cash, $2,617,069.23 for 2009 and $4,751,535.29 for 2008, was reported as noncurrent. It should have been reported as current cash as it was available to satisfy current liabilities. These errors were corrected in the audited financial statements.

- Invested in capital assets, net of related debt was understated on the June 30, 2009, Statement of Net Assets. The understatement resulted from total debt of $759,123.16 being deducted from capital assets, rather than just $34,588.86 related to the Chiller CFC Conversion. The total debt amount includes $724,534.30 for energy projects, which do not relate to specific capital assets and should not be included in the calculation for invested in capital assets, net of related debt. The error was corrected in the audited financial statements.

- Deferred revenue on the June 30, 2008, Statement of Net Assets was understated by $305,024.53 due to an error in NSCC's calculation of the Technology Access Fee portion of deferred revenue. NSCC reclassifies fees collected for summer terms but not earned by the fiscal year end of June 30 as deferred revenue. This calculation error, in turn, caused revenues for 2008 to be overstated and revenues for 2009 to be understated by the same amount. These errors were corrected in the audited financial statements.

Errors on the Statement of Revenues, Expenses, and Changes in Net Assets

On the college's 2008 Statement of Revenues, Expenses, and Changes in Net Assets, scholarships and fellowships expense was overstated by $251,089.72, and student tuition and fees revenue was overstated by the same amount. The reported amount for scholarships and fellowships was $1,882,554.05, whereas the correct amount should have been $1,631,464.33. The reported amount for student tuition and fees was $8,887,790.96, whereas the correct amount should have been $8,636,701.24. Incorrect year-end entries were made on the worksheet used in preparing the financial statements. An audit adjustment was made to correct both accounts.

Errors on the Statements of Cash Flows

Several errors were noted on the 2009 and 2008 NSCC cash flows statements. The errors primarily resulted from bond activity included in cash flows from operating activity, errors made in year-end adjusting entries, and changes in assets and liabilities in the reconciliation of operating loss to net cash used by operating activities not reconciling to the change in prior- and current-year amounts. Corrections were made to the audited financial statements.

2009	Unaudited	Audited
Cash flows from noncapital financing activities:		
Gifts and grants for other than capital purposes	10,077,026.59	10,942,626.59
Federal student loan receipts	9,850,367.42	12,933,603.77
Federal student loan disbursements	(9,850,367.42)	(12,933,603.77)
Reconciliation of operating loss to net cash used by operating activities:		
Change in assets and liabilities:		
Accounts payable	(354,240.75)	(119,184.07)
Accrued liabilities	735,523.07	740,808.76
Deferred revenue	1,078,641.32	(44,529.49)

Compensated absences	75,450.01	(2,339.04)
Other liabilities	0.00	(157,536.17)

2008

Cash flows from operating activities:		
Tuition and fees	7,983,585.41	8,470,454.18
Payments to suppliers and vendors	(4,711,799.96)	(5,449,758.45)
Payments for scholarships and fellowships	(1,650,253.30)	(1,399,163.58)
Reconciliation of operating loss to net cash used by operating activities:		
Other adjustments	(147,958.17)	(175,588.25)
Change in assets and liabilities:		
Receivables, net	(709,970.72)	(600,581.81)
Prepaid/deferred items	840,298.97	(13,467.79)
Accounts payable	781,532.41	25,361.41
Accrued liabilities	834,928.77	818,381.11
Deferred revenue	(1,303,053.85)	576,232.64
Compensated absences	72,964.59	55,698.50
Other long-term liabilities	0.00	4,093.54

Errors in the Notes to the Financial Statements

The Local Government Investment Pool (LGIP) totals in the investments note did not agree to LGIP totals in the cash note. The totals in the investments note only included LGIP totals for the college and excluded LGIP accounts for the technology centers. At June 30, 2009, and June 30, 2008, the college disclosed the fair value of LGIP investments as $24,589,161.18 and $19,091,929.06, respectively. The total LGIP funds that should have been disclosed were $31,748,302.11 at June 30, 2009, and $27,125,951.79 at June 30, 2008. Corrections were made in the audited notes to the financial statements.

These reporting errors were due to oversight and lack of understanding on preparation of the cash flows statement and resulted in significant misstatements in the college's unaudited financial statements. With an improved review process, the Vice President of Finance and Administrative Services could have detected and corrected these errors before the financial statements were completed.

Recommendation

More care should be taken in preparing the financial statements and notes. The Vice President of Finance and Administrative Services should give more oversight to the review of year-end journal entries and to the review of the financial statements and related notes.

Management should continue to evaluate risks and include them in documented risk assessments. Management should ensure that staff who are responsible for the design and implementation of internal controls to adequately mitigate those risks and to prevent and detect exceptions timely are continually evaluating those controls. Management should ensure that staff who are responsible for ongoing monitoring for compliance with all requirements are indeed monitoring and taking prompt action should exceptions occur. All controls and control activities, including monitoring, should be adequately documented.

Management's Comment

Management concurs with the finding and recommendation.

A formal financial statement review plan will be developed and implemented for fiscal year 2011. All Business Office managers will participate in the development and implementation of the plan. The plan will identify each manager's review responsibilities including the Vice President. Prior to implementation in fiscal year 2011, accounting personnel will participate in a pre-close session where the plan will be delineated and questions answered.

A comprehensive review of the risk assessment that was completed in the Business Office in fiscal year 2009 will be conducted in fiscal year 2011. Following that review, a training session will be held with accounting managers on the updated risk assessment to outline the changes and reinforce control responsibilities. The Vice President will review the control plans quarterly to ensure that proper monitoring has occurred and determine if additional training is needed.

A meeting with Business Office managers will be held in November 2010, to review the audit finding and the action plans for ensuring that the financial statements are prepared in accordance with generally accepted accounting principles.

Tennessee Board of Regents
Audit Committee
March 8, 2011
Review of Comptroller's Office Audit Reports
Financial and Compliance Audits—Finding Reported

Institution	For the Years Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Walters State Community College	June 30, 2008 and June 30, 2009	Unqualified Opinion	One finding identified as a material weakness	No instances of noncompliance required to be reported	1

Finding – The audit found that the college's procedures for financial statement preparation should be improved to ensure the accuracy of information presented in the financial statements.

The following significant reporting errors were noted in the college's 2009 financial statements.

- On the statement of revenues, expenses, and changes in net assets, nonoperating grants and contracts were overstated $1,025,400 and operating governmental grants and contracts were overstated by the same amount.
- ~~In note 10~~, the annual OPEB cost was reported as $1,188,985 in one schedule in the note and as $1,188,985 in another schedule in the same note.

The following significant reporting errors were noted in the foundation's 2009 financial statements.

- In note 17, a corporate bond with a market value of $127,510 was excluded from the credit risk rating schedule.
- On the statement of net assets, restricted nets assets of $2,538,982 were misclassified as unrestricted net assets, resulting in additional misstatements of sub-categories of restricted and unrestricted net assets. The amounts were classified correctly in the accounting system but were misclassified on an extract used to prepare the financial statements.

The financial statements and notes in the audit report reflect corrected information.

Management's Comment – Management concurred with the finding, noting the issues only related to the financial presentation and not the amounts reported from the accounting system. Management has already taken specific actions including performing analytical procedures to identify and explain unexpected conditions, reviewing all reclassification entries to mitigate errors, reviewing calculations for mathematical errors and statement balances for agreement with financial statements. In addition, the financial statement preparation timeline will be adjusted to allow additional review time to reduce errors and staff is working on an ARGOS report to extract the information needed for the component unit's restricted fund totals to identify any reclassification errors. Management has risks and controls related to financial statement reporting which are evaluated annually.

Internal Audit Follow Up: A follow-up audit on this finding will be reported to the Audit Committee next quarter.

FINDING AND RECOMMENDATION

As reported in the previous audit, the college needs improved review procedures to prevent errors in the preparation of the college's financial statements

Finding

Walters State Community College's procedures for financial statement preparation should be improved to ensure the accuracy of the information presented in the financial statements. A similar finding was reported in the previous audit. The current weakness resulted in several significant reporting errors:

- On the college's 2009 statement of revenues, expenses, and changes in net assets, nonoperating grants and contracts were overstated by $1,025,400, and operating governmental grants and contracts were understated by the same amount. In a year-end entry to reclassify certain operating grants and contracts to nonoperating grants and contracts, the Assistant Vice President for Business Affairs included American Recovery and Reinvestment Act (ARRA) funds in the amount of $1,025,400 in the reclassification. In error, he also individually reclassified the ARRA funds. The error was corrected on the audited financial statement.

- In note 11 to the college's 2009 financial statements, the Assistant Vice President for Business Affairs correctly reported the college's annual OPEB cost as $1,188,985.00 in one schedule in the note and incorrectly as $1,888,985.00 in another schedule in the same note. This was a typing error that was not caught by review. The audited note was corrected.

According to the Assistant Vice President for Business Affairs, these first two errors were due to oversight.

- In note 16 to the college's 2009 financial statements, a corporate bond with a market value of $127,510 was excluded from the foundation's credit risk rating schedule. The audited note was corrected.

- On the foundation's statement of net assets at June 30, 2009, the Director of Advancement Services misclassified $2,538,982.20 related to restricted net assets in the unrestricted net assets category. As a result, restricted expendable net assets - other were overstated by $1,632,472.42, restricted expendable net assets - scholarships were overstated by $178,319.31, restricted nonexpendable net assets - other were overstated by $30,073.97, restricted nonexpendable net assets - scholarships were understated by $698,116.50, and unrestricted net assets were understated by $1,142,749.20. The amounts were classified correctly in the accounting system but were misclassified on an extract used to prepare the financial statements. The Director of Advancement Services did not notice the error during the statement preparation process. The audited statement of net assets was corrected.

According to the Director of Advancement Services, the third and fourth errors occurred because there was a missing staff member in the Office of College Advancement, and financial statement review processes already in place were not properly carried out.

These reporting errors resulted in significant misstatements in the college's unaudited financial statements. With an improved review process, the Vice President for Business Affairs, the Assistant Vice President for Business Affairs, or other staff members could have detected and corrected these errors before the financial statements were completed.

Management concurred with the previous audit finding and stated:

> The Vice President for Business Affairs will ensure that appropriate staff who are involved with the preparation of the financial statements have adequate knowledge of reporting requirements to perform their responsibilities, and that they perform those duties with appropriate care and attention. . . .
>
> The formal risk assessments for the Financial Management area of the college are currently underway and scheduled to be completed in October 2008. As a result of this finding, the college will closely examine all components as we go forward. Therefore, the Vice President for Business Affairs, the President, and their staff are very cognizant of the risks involved with financial reporting and remain committed to the establishment of internal controls necessary to minimize any risks.

The results of our audit of the financial statements have indicated that, despite management's assurances, the controls over financial reporting have not operated effectively.

Recommendation

The Vice President for Business Affairs should ensure that the Assistant Vice President for Business Affairs and the Director of Advancement Services and any assisting fiscal staff have adequate knowledge of reporting requirements to perform their responsibilities, and that they perform those duties with appropriate care and attention. Year-end entries and classifications should be recorded and reported properly. The notes to the financial statements should be mathematically accurate and free from error. In addition, the Vice President for Business Affairs should develop improved review procedures to ensure that errors have not been made in the report preparation process.

Management's Comment

We concur with the finding. Although the issues noted only related to the financial presentation and not the amounts reported from the accounting system, actions have been taken to address each of the issues noted in the audit report.

The Assistant Vice President for Business Affairs, the Director of Accounting Services, the Director of Advancement Services, and other appropriate staff will review all areas of the financial statements, notes, and other financial reporting documents prior to publication of the college's annual financial statements. Specific actions already taken include the following:

> The Assistant Vice President for Business Affairs and the Director of Accounting Services performed analytical procedures on the college's financial statement line items in order to identify and explain unexpected conditions. In addition, due care was taken to review all reclassification entries to mitigate errors.
>
> The Assistant Vice President for Business Affairs, the Director of Accounting Services, the Director of Advancement Services, and other appropriate staff reviewed calculations in the notes to the financial statements for mathematical errors and statement balances for agreement with the financial statements.
>
> New checklists and review sheets are being developed to aid in the preparation of fiscal year 2011 and future financial statements. In addition, the financial statement preparation timeline will be adjusted to allow for additional review time to ensure errors are not made in the preparation process.
>
> College staff are currently working on an ARGOS report to extract the information needed for the component unit's restricted fund totals to compare to net asset classification totals extracted from Banner statement extracts. This comparison will identify any reclassification errors in the statement extracts.

The college is continually reviewing and evaluating its internal controls through risk assessments. Risks and controls related to financial statement reporting are evaluated annually. Management is responsible for monitoring internal processes for identifying risks, putting controls in place to mitigate these risks, and taking prompt action when exceptions occur. Documented risk assessments are submitted to the Tennessee Board of Regents twice a year.

V. Debt Service Fees

A. The amount of debt service fees will be approved by the Tennessee Board of Regents. Separate rates are recommended by each institution based on requirements of the institution.

B. For simplicity of administration and communication, institutions may combine debt service with maintenance fees in quoting fee rates, in fee billings and charges, and in making refunds.

C. Revenue from debt service fees will be recorded in the unrestricted current fund and then transferred to the retirement of indebtedness fund as either a mandatory transfer or a non-mandatory transfer. The portion of debt service fee revenue used for current-year debt service will be reported as a mandatory transfer. Any additional debt service fee revenue will be transferred to the retirement of indebtedness fund as a non-mandatory transfer.

D. At the conclusion of the debt retirement for a given project, the debt service fee attributed to that project will cease. Any new project requires the approval of a new debt service fee on its own merits without the reallocation of any existing fee. Any continuation of fees necessary for renewal and replacement of a project for which the debt is totally retired must be approved for that purpose by the Tennessee Board of Regents.

Tennessee Board of Regents
Summary of Stated Procedures for Livestock Activity: Prepared for Jason Conner, State Audit

The following TBR institutions have livestock:

APSU
MTSU
TSU
TTU – did not respond to email request and I did not pursue since State Audit indicated they had that information.

TBR procedures indicate that livestock is to be expensed (not capitalized) for financial statement purposes if cost is less than $5,000. The following responses were provided by the institutions based on a request to provide any policies or procedures at the institution regarding the purchase and sale of livestock.

APSU
Prior to the implementation of GASB 34/35 TBR institutions treated livestock as inventory. Any purchase that exceeded the capitalization threshold, both then and now, are capitalized in the system and tracked accordingly. However, because we did not want to capitalize and depreciate livestock with the implementation of GASB 34/35 an implementation document, please see http://www.etsu.edu/fa/documents/position_paper_Depreciation_2-22-05.pdf, was approved by state audit. All livestock purchased or gifted with a value of less than $5,000 are expensed. All supporting documentation is maintained for the appropriate length of time as specified by G-070 as either check or gift support. No inventory records have been maintained since the implementation of GASB 34/35 so as not to create an appearance of depreciable assets. The GASB subcommittee considered livestock as a collection, similar to guidance in question 7.21.3 related to zoo animals since we do breed our livestock. Thus, no inventory records have been maintained by TBR institutions, that I am aware of, since the implementation of GASB 34/35 in 2001.

MTSU
MTSU has livestock that support the Agribusiness and Agriscience programs (dairy cattle, beef cattle, swine, goats and equine). They do not have specific written disposal policies, but a copy of an exception from Chancellor Manning from September 2008 is attached. Other livestock are usually sold at auction, such as the Mid-South Livestock Center in Unionville or the TN Livestock Producers in Fayetteville.

The Department Farm Lab, which is expected to generate its own revenue to cover most of its operating expenses, has a revenue budget for the sale of livestock, grain and milk. Since livestock is not a capital asset, they are not considered surplus but rather budgeted as sale of educational activities. Each time livestock is sold, the payment is deposited into the revenue account and the livestock inventory is updated. The Department sends a livestock change form indicating sales/deaths/births to the office that maintains the inventory record. Also, an annual year-end inventory count is conducted at the end of June.

TSU
Births and herd exits via mortalities, sales, processing via research projects, etc. are all recorded in herd record books. Herd record books are maintained for a production year that runs from Sept 1 to Aug 31. I do not maintain purchase or sale values, only herd entries and exits as they are directly related to research objectives.

State Audit Recommendations

Our review resulted in the following specific recommendations:

TBR

1. TBR should develop a policy specifically related to the sale of livestock.

2. TBR should amend Guideline G-070 to specifically include records related to the sale of livestock, including verification of breed, age, condition, and weight.

TTU

1. TTU officials should ensure that a comprehensive beginning inventory is conducted prior to entering into any type of agreement involving assets, such as equipment, machinery, or livestock.

2. TTU officials should periodically compare sales of livestock to individuals (private sales) with sales at livestock auctions to determine which method provides greater benefit to the university.

3. TTU officials should verify that livestock is not sold to individuals for below-market prices, unless justified by the age and condition of the livestock.

4. TTU officials should verify and record the breed, age, condition, and weight of livestock prior to sale.

5. TTU officials should maintain records verifying breed, age, condition, and weight of livestock in accordance with TBR Guideline G-070.

6. TTU officials independent of farm operations should verify all livestock births and deaths.

7. TTU should ensure compliance with existing policies regarding the disposition of equipment.

8. TTU officials should obtain formal, written explanations for any missing items noted during the inventory process.

(Rule 0690-2-1-.18, continued)

1. All timber involved in this type of sale will be harvested by the producing facility personnel and sold at the highest price obtainable.

2. If possible, the department designated as agent shall obtain three written bids. If not possible, documentation shall be provided setting out reasons why bids could not be obtained. This documentation shall be made a part of the official records of the sale.

3. All sales shall be approved in writing by the commissioner or head of the department or agency having jurisdiction over the producing facility, and made a part of the official records of the sale.

4. The successful bidder will not be required to sign a timber sale contract or post a performance bond.

5. All checks shall be made payable to the producing facility.

6. Official records shall be maintained in the office of the producing facility in the Nashville office of the department having jurisdiction over the producing facility. Copies of the documents described in (c)2 through (c)5 above shall be forwarded to State Personal Property Utilization Division for review.

Authority: *T.C.A. §§12-235 through 12-238 and Public Acts of 1976, Chapter 821.* ***Administrative History:*** *Original rule filed April 20, 1978; effective July 14, 1978.*

0690-2-1-.19 DISPOSAL OF AGRICULTURAL PRODUCTS.

(1) The department having jurisdiction over the producing facility is designated as the agency for disposal of agricultural products and livestock. Each product must be sold according to its individual marketing characteristics in accordance with the following procedures:

(a) Cotton, soybeans, and small grains shall be sold by competitive bidding as follows:

1. Invitations to bid shall be mailed to known responsible dealers.

2. Sealed bids shall be publicly opened and recorded not less than twenty (20) days after the invitations to bid are mailed, excluding Saturdays, Sundays, and holidays.

3. The bid shall be awarded to the highest responsible bidder.

4. The successful bidder shall be required to sign a contract specifying the price, time of delivery, and the method of payment which will be acceptable.

5. A separate file shall be maintained for each contract which shall include copies of invitations to bid, copies of bids received, a copy of the contract, delivery dates, units delivered, signed delivery receipts where applicable, and market quotations for the dates of delivery.

6. Copies of the documents listed in (a)5 above will be forwarded to the accounting division of the department having jurisdiction over the producing facility to substantiate the accounting entries necessary to record the sale, and to State Personal Property Utilization Division for review.

(b) Contract for the sale of eggs shall be obtained and documented following the procedures outlined in (a)1 through (a)6 above.

(Rule 0690-2-1-.19, continued)

(c) Milk shall be sold under contract negotiated on a competitive basis as follows:

1. Invitations to submit bids shall be mailed to known milk processors and marketing agencies.

2. Contracts shall be awarded to the processors or marketing agencies submitting the highest bids net of hauling charges.

3. A file shall be maintained for documenting milk sales and should include but not be limited to the following:

(i) Copies of invitations to bid which were mailed.

(ii) Copies of bids received.

(iii) Copies of contracts.

(iv) Copies of monthly price and grade publications issued by U.S.D.A.

(v) Copies of remittance advices issued by the purchaser with payments to producer.

(vi) Copies of the documents listed in 3 (i) through 3 (v) above shall be forwarded to the accounting division of the department having jurisdiction over the producing facility to substantiate the necessary accounting to record milk sales and to State Personal Property Utilization Division for review.

(d) Spent-out hens will be sold to processors based on competitive bids. The following documentation shall be maintained:

1. Copies of bids.

2. Number of units sold and date sold.

3. Copy of payment voucher.

4. Copies of above documents shall be forwarded to the accounting division of the department having jurisdiction over the producing facility to substantiate the accounting necessary to record the sale, and to State Personal Property Utilization Division for review.

(e) Cattle and swine generally shall be sold at livestock auction markets by competitive bidding. However, where livestock auction markets are not available, cattle and swine shall be sold by soliciting bids from known responsible buyers. The following documentation shall be maintained for cattle and swine sales:

1. Confirmation of bids obtained where applicable.

2. Number of units sold and date of sale.

3. Copy of payment voucher.

4. Copy of livestock market quotations for date of sale.

(Rule 0690-2-1-.19, continued)

5. Copies of the above documents shall be forwarded to the accounting division of the department having jurisdiction over the producing facility to substantiate the accounting necessary to record the sale, and to State Surplus Personal Property Utilization Division for review.

Authority: *§§12-235 through 12-248 and Public Acts of 1976, Chapter 821.* ***Administrative History:*** *Original rule filed April 20, 1978; effective July 14, 1978.*

0690-2-1-.20 ALTERNATIVE PROCEDURES FOR THE DISPOSAL OF SPECIFIC ITEMS OF SURPLUS PERSONAL PROPERTY.

(1) The following procedures shall be followed when rules .17, .18, or .19 are considered by officials of the department having jurisdiction over the producing facility not to be applicable or practicable for the disposal of a specific product or commodity:

(a) The head of the department having jurisdiction over the producing facility shall submit in writing to the Commissioner of the Department of General Services a statement setting forth the reason or reasons why rules .17, .18, or .19 are not considered to be applicable or practicable for the disposal of the specific item of surplus personal property, and request that alternative procedures be approved.

(b) If the request is approved, the department head submitting the request shall submit to the Commissioner of the Department of General Services proposed procedures for the disposal of the specific item of personal property.

(c) The Commissioner of General Services shall review the proposed procedures, modify such procedures as he deems necessary, or propose additional alternative procedures for the disposal of the specific item. The proposed procedures shall then be submitted to the Board of Standards for approval.

(d) The alternative procedures, when approved by the Board of Standards, shall be maintained on file in the Department of General Services for use by other state agencies for disposal of the same or similar items of state surplus personal property.

(e) The alternative procedures shall be procedures authorized by Title 12, Chapter 2, Tennessee Code Annotated.

(2) The following procedures shall be followed for the disposal of objects in the collection of the Tennessee State Museum, which shall be exempt from other rules of this chapter except .08.

(a) The Chief Curator of the Museum shall recommend to the Director of the Museum objects suitable for deaccessioning and disposal. The Registrar of the Museum shall complete a Deaccession Certification form (GS-0674) for each object or lot of like objects which is to be deaccessed. This form will include an estimate of the value of each object or lot of like objects, and the source of the evaluation.

(b) The Director of the Museum shall recommend the objects to the Board of Standards for review and determination of the following:

1. Whether or not it is desirable to dispose of the recommended objects;

2. What means of disposal shall be used;

3. What minimum valuation, if any, shall be set as the price for which each object or lot of like objects shall be disposed, or whether the other possible terms of disposal not involving price are satisfactory.