

BUSINESS AFFAIRS SUB-COUNCIL

January 24, 2017

MINUTES

The meeting began at 9:00 a.m. in the TBR Board Room. Present were Ms. Deborah Becker (UOM); Ms. Cynthia Brooks (TSU); Mr. Horace Chase (JSCC); Dr. David Collins (ETSU); Ms. Beth Cooksey (VSCC); Ms. Mary Cross (NaSCC); Ms. Elaine Curtis (CoSCC); Ms. Sherry Demaray (APSU); Ms. Alisha Fox (ClSCC); Mr. Danny Gibbs (RSCC); Mr. Lowell Hoffman (DSCC); Mr. Mark Hurst (WSCC); Ms. B.J. King (ETSU); Mr. Matthew Kitzmiller (NeSCC); Ms. Anita Lockridge (STCC); Mr. Russ Longhurst (APSU); Ms. Renee Moore (PSCC); Mr. Mitch Robinson (APSU); Ms. Jeannie Smith (UOM); Ms. Sonja Stewart (APSU); Dr. Claire Stinson (TTU); Ms. Tammy Swenson (ChSCC); Mr. Alan Thomas (MTSU); Ms. Kathy Thurman (MTSU); Ms. Hilda Tunstill (MSCC); Mr. Greg Wilgocki (ETSU); Mr. Jeff Young (TTU); Mr. David Zettergren (UOM); Ms. Tammy Birchett, Ms. Angela Flynn, Ms. Alicia Gillespie, Ms. Deanna Hall, Ms. Lisa Hall, Ms. Pat Massey, Ms. April Preston, Mr. Wayne Pugh, Ms. Brooke Shelton, Mr. Dale Sims, Ms. Renee Stewart and Mr. Bob Wallace (TBR).

1. Chancellor's Remarks

The Chancellor thanked the committee for their work and said that he has enjoyed his relationship with them. He encouraged the committee to support Dr. Tydings as she begins her new role as Chancellor. The Chancellor also remarked on the retirements of Dr. David Collins, Mr. David Zettergren and Mr. Bud Hoffman.

2. Report of the Committees

A. Council of Buyers

Ms. Flynn highlighted the following issues from the January 5, 2017 Council of Buyers meeting:

- Fiscal Review Requirements

Fiscal Review has made some changes to the types of contracts that come before the Committee for review and recommendation. These requirements now include all amendments, renewals and changes to non-competitive contracts as well as those that were originally competitively procured which meet the \$250,000 total value threshold. Ms. Flynn clarified for the committee that \$250,000 is the total for the contract. So, if it is a five-year contract, that would equate to \$50,000 per year. Therefore, every yearly renewal would have to go before Fiscal Review.

A survey has been sent to the institutions to assess volume and attempt to measure the workload commitments. We will also work with UT to gather information so that discussions can take place with Fiscal Review staff in order to request some

type of alternative submission requirements and/or relief related to these additional requirements.

The Central Procurement Commission is already following these guidelines and has provided the System Office with its current process for submissions. They are using a consent agenda, which consists of a spreadsheet listing of the contracts as well as a one-page summary. This process will still be very time intensive for TBR.

- Student/Employee Behavioral Tracking Software

The Safety and Security Task Force has recommended that the TBR System procure a student/employee behavioral tracking software solution to meet the System's needs. Related to the TCATs and Community Colleges, a budget request has been sent to the State for funding of this initiative. TBR should learn if funds have been granted during early February. Once funding has been determined, the System Office will move forward with a collective procurement. TBR universities will be given the opportunity to participate, with each university funding its portion of the costs if their funding is not approved by the State.

- Board Portal Software

TBR has issued an RFP for a Board Portal Software solution. This RFP is for the System Office and universities that will have individual boards to manage the board materials for board and sub-committee meetings. Three vendors have been selected to provide presentations to the system-wide committee.

- PCard/Travel Card, ePayables Card with U.S. Bank

The system-wide agreement with U.S. Bank is moving forward. The System Office has now heard from most institutions on the products that they wish to utilize. U.S. Bank representatives will soon begin meeting with institutions to get the set-up process started.

The Council of Buyers minutes were approved.

C. Human Resource Officers

Ms. Preston highlighted the following issue from the January 11, 2017 Human Resource Officers meeting:

- PeopleAdmin/Cornerstone WebEx Demo Discussion

The PeopleAdmin contract expires at the end of 2017. Therefore, a decision needs to be made to either request an exception to keep PeopleAdmin, conduct an RFP or request to partner with an Ellucian partner company.

Cornerstone, an Ellucian partner, is a large company with lots of HRIS functionality including training, applicant tracking and performance management. There will be a WebEx at 9:00 a.m. on January 26, 2017 to demo the Cornerstone system. The WebEx will feature representatives from two institutions to show and tell about their implementation experience and the functionality of the system. After the WebEx, TBR HR will schedule a follow-up conversation to discuss the advantages and disadvantages of the system and provide a recommendation.

One feature of Cornerstone is the ability to track training, rather than having to manually track it. Additionally, Cornerstone has a ten-year contract with Ellucian. If a transition is made to Cornerstone, the data that is currently in PeopleAdmin will possibly be available via a link to archived files.

The Human Resource Officers minutes were approved.

D. Internal Audit

Ms. Birchett highlighted the following issues from the January 18, 2017 Internal Audit meeting:

- IT Audit Recommendations

Systemwide Internal Audit has completed their three-year comprehensive IT review. They have started a new cycle for this year focusing on security operations.

- Risk Assessment Process

TBR is due to look at the system's current risk assessment process, including new state guidance issued by the Department of Finance and Administration (F&A). F&A's guidance incorporates COSO 2013 principles. F&A requires state entities to incorporate COSO principles into the risk assessment process for reporting on compliance with the Financial Integrity Act at the end of calendar year 2017.

For most TBR institutions, it seems that the Crawford model, which has been in use for the past 10 years, is the preferred model. Current considerations include revising the Crawford worksheet tool to incorporate COSO principles that may not be fully addressed through the current tool or implementing the State's process. Ms. Birchett is looking for feedback on whether to continue with the Crawford model or something else.

Ms. Birchett also mentioned that other state agencies are considering Risk Assessment documents as sensitive (under the same statute that allows IT findings to be considered limited official use) and there may need to be changes to policies and procedures in place to address the handling and distribution of these documents.

The Internal Audit Directors minutes were approved.

E. IT Sub-Council

Mr. Sims gave a brief update in Mr. Vieira's absence. Mr. Sims informed the committee that Mr. Stephen Vieira has now been named the permanent CIO and is no longer an interim. The IT Sub-Council is holding their quarterly meeting in Franklin today, so a full report will be given at our next meeting.

3. Travel Policy 4:03:03:00

Since corporate cards are no longer being used, this section of the travel policy has been removed. The travel advances section was also revised to state that advances are only available under extraordinary circumstances. (Attachments A and B)

The proposed changes to the policy were approved.

4. Findings and Weaknesses

The committee was given all findings and weaknesses published since the last quarterly meeting. There were five audit reports released in the last quarter with four findings. All four findings were for lack of adequate internal controls. (Attachments C-G)

One institution wanted to make the committee aware that state audit is now focusing on bank reconciliations being completed within 30 days, instead of the previous standard of 60 days. The institution also stated that state audit is looking for verification of when the reconciliation was completed, either through a signed and dated copy or a saved and dated pdf file. It is not sufficient to keep a spreadsheet with tabs for each month because state audit cannot verify the date that the reconciliation was completed.

5. Institutional Vehicles

In the past, the System Office has coordinated the renewal of license plates for the president's vehicles for some institutions. With the increased use of the stipend instead of a vehicle, it is becoming harder to keep track of which institutions still need plate renewals. Therefore, it will now be up to each institution to process the license plate renewals. The System Office will provide instructions on the process to the institutions.

6. Limited Official Use Findings

Limited Official Use (LOU) findings are related to IT controls, and are confidential under law due to security issues. Some legislators were unhappy that they were not being made aware of these findings and wanted to repeal the statute. However, the release of these

findings could pose a significant security risk to the institutions. In response, the state's Information Systems Council (ISC) will now hear these findings during a confidential meeting. There is no TBR representation on the council.

Mr. Sims expressed concern with the way the information is being presented to the ISC. During the last meeting, there were findings from five separate TBR institutions; however, the information was presented to the ISC as one. This gives the impression that the findings were recorded at every institution, which is not the case. He stressed the need to speak with your institution CIO to ensure that they are appropriately meeting conditions, especially those that have already been discussed. As it stands now, if there is the same finding at multiple institutions over different review periods, it will appear to be a repeat finding to the ISC because they are not taking the different institutions into account, but are considering the system as a whole.

Mr. Sims requested that all institutions provide a report to Systemwide Internal Audit by February 28, 2017 stating that the known issues have been addressed or that there are plans to correct the issues.

7. Collection of Accounts Receivable

Mr. Hurst discussed a proposal for pre-collection services made to WSCC by Heartland ECSI for their RecoverySelect service. Once the institution sends an original invoice, Heartland will begin its collection efforts 30 days later. After 120 days, any open accounts will be sent to our regular collection agencies to complete that process.

Ms. Flynn asked that any interested institutions contact her.

8. Insurance Renewals

Mr. Sims informed the committee that surveys have been sent out regarding athletic insurance services with our provider, BMI. The survey is to address any service issues that institutions may have experienced. This information needs to be submitted to the System Office in a timely manner so that any issues can be addressed before the renewal date.

Mr. Sims also asked the committee to notify the System Office of any specific service issues with the international student health insurance through ISP.

9. Audit Follow-Up

Mr. Sims informed the committee that beginning with FY16 audits, universities will be responsible for audit follow-up responses to the state. In the past, TBR has coordinated those responses but due to the FOCUS Act, the responsibility will now move to the universities.

The System Office will send instructions on the process.

10. Budget Approval Policy

Mr. Sims has developed a draft budget approval policy for the universities, which is currently under review by the State Attorney General and the bond finance office. He is expecting their review to be completed by the end of the week. At that point, the draft will be forwarded to institutions for review.

The policy focuses on debt coverage as required by the financing agreement between TBR and the State School Bond Authority. The credit rating for the School Bond Authority is based on the joint pledges of all resources of the system. Part of keeping this in place is TBR approval of university budgets and verification that there are sufficient revenues available to meet the thresholds included in the financing agreement.

The policy will need to go to the March TBR Board meeting for approval.

11. TN Promise

Last fall, Academic Affairs raised an issue that some institutions' financial aid offices were having difficulty determining what to do in situations where TN Promise students do not fulfill their obligations for receiving TN Promise funds. After review of relevant policies and guidelines by business and finance personnel, it was communicated that once it has been determined that the grantor is not going to fulfill their obligation for payment, the student should either make alternate arrangements for payment or be removed from classes.

It has been brought to our attention that there may still be confusion on some campuses. Mr. Sims asked the business officers to have a discussion with their campus financial aid officers to ensure that they are in agreement on how the situation should be handled.

12. eTextbook Presentation

Representatives from Pearson, Vital Source and Follett gave a presentation on the eTextbook pilot program at NeSCC. Since this is only a pilot program, any further adoption would require Board approval because the textbook fee is being charged to the student account. The approval would have to be on a course-by-course basis.

There being no further business, the meeting was adjourned at 11:30 a.m.

~~IX. 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:
 - ~~1. Any employee who is issued a corporate card; or~~
 - ~~2. Any employee who is designated but chooses not to apply for a corporate card; or~~
 - ~~3. Any employee who has had his/her corporate card canceled or was refused a card based on the vendor's credit requirements.~~
 - ~~4. Institutions may make individual exceptions to the above provisions when the circumstances are determined to warrant such exception.~~~~
- ~~4. Reimbursement—Reimbursement for travel expenses shall only be allowed for actual business expenses incurred, subject to the provisions of Section I.F, and the maximum limitations shown on the Addendum.~~
- ~~5. Cancellations—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. Termination—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.~~

VIII. Travel Advances

A. General

1. 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.
2. Advances to employees for anticipated travel expenses may be made under the circumstances hereinafter described as
 - a. Permanent travel advances; and
 - b. ~~Temporary travel advances except as provided in Section IX.C.~~ Temporary travel advances are available only under extraordinary circumstances as determined by the approving authority.
3. All travel advances must be approved by the president or director or his or her designees for employees of the institutions, and the Chancellor for employees of the Board.

Tennessee Board of Regents

Audit Committee

November 15, 2016

Review of Comptroller's Office Audit Reports

Financial and Compliance Audits— No Findings Reported

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Dyersburg State Community College	June 30, 2015	Unmodified Opinion	No findings	No instances of noncompliance required to be reported	0

Financial and Compliance Audits—Findings Reported.

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Motlow State Community College	June 30, 2015	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 – As noted in the prior audit, the college did not provide adequate internal controls in one specific area

As noted in the prior audit, Motlow State Community College did not design and monitor proper internal controls. We observed a condition in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated additional controls were being implemented over the specific area.

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Pellissippi State Community College	June 30, 2015 and June 30, 2014	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 – The college did not provide adequate internal controls in two specific areas

Pellissippi State Community College did not design and monitor internal controls in specific areas. The finding noted conditions in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated corrective action was being taken to ensure internal controls are strengthened in the two specific areas and would be fully implemented by December 13, 2016.

**DYERSBURG STATE COMMUNITY COLLEGE
ITEMS DISCUSSED AT FIELD EXIT CONFERENCE
NOT ADDRESSED IN AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2015**

Financial Statements

1. The Director of Administrative Services made errors in the cash flows from investing activities in the foundation schedule of cash flows.

The proceeds from sales and maturities of investments and the purchase of investments did not agree with the support provided by the auditee's investment manager, Brown Advisory. Proceeds were overstated by \$794.63, and purchases understated by \$2,626.23.

In addition, the Director incorrectly reported the component unit's unrealized gain on the schedule of cash flows as \$182,172.71, instead of \$(971,049.82), an overstatement of \$1,153,222.53. The Director reported the unrealized gains and losses for the month of June instead of the entire year under audit.

Further, the income on investments amount was determined to be incorrect; two factors contributed. First, an incorrect amount of unrealized gain, \$182,172.71, was used in the calculation. The correct amount is an unrealized loss of \$ (971,049.82). Second, three cash categories were omitted by the Director from the income on investments calculation: interest received, \$18,648.4; investment manager fees, \$36,202.63; and realized gains, \$1,204,466.12.

The component unit schedule of cash flows was corrected for the audit report.

Cash

2. The Finance Manager incorrectly classified portions of current and noncurrent cash on the college statement of net position. Overall, current cash was understated while noncurrent cash was overstated by \$24,457.35. The Finance Manager stated the error was the result of accidentally omitting a liability reclassification from the current versus noncurrent cash calculation. An adjusting entry was proposed.
3. In the Deposits note, a portion of the college's bank balance, a money market deposit account, was incorrectly stated as being exposed to custodial credit risk. Under Federal Deposit Insurance Corporation (FDIC) coverage, money market deposit accounts are insured and not exposed to custodial credit risk. As the amount of the college's bank balance, \$8,754.71, is below the FDIC \$250,000 threshold, the Deposits note was not needed. This was corrected for the audit report.

In addition, the foundation's cash and cash equivalents account balances are completely insured by the FDIC, Securities Investor Protection Corporation (SIPC), or additional coverage obtained at the discretion of the financial institution holding the accounts. Of the \$388,683.95 total cash and cash equivalents, the entire amount was incorrectly reported as being exposed to custodial credit risk. This was corrected for the audit report.

**DYERSBURG STATE COMMUNITY COLLEGE
ITEMS DISCUSSED AT FIELD EXIT CONFERENCE
NOT ADDRESSED IN AUDIT FINDINGS
FOR THE YEARS ENDED JUNE 30, 2015**

Investments

4. The college misclassified the Investment Maturities of two "U.S. Government Agencies" in the Investments note. First, an investment (FFCB 3.28%) with a market value of \$10,030.00, due August 5, 2024, callable August 2, 2015, was incorrectly disclosed as having a maturity date of "Less than 1" year. A second investment (FNMA Step UP 3.0%) with a market value of \$9,905.10, due March 20, 2028, was incorrectly disclosed as having a maturity date of "6 to 10" years. Based on review of the investment statement the maturity date is "more than 10" years. The audit report was corrected.

Capital Assets

5. Current depreciation for 20 of 215 equipment assets was calculated incorrectly. This occurred due to the use of incorrect useful lives to determine current depreciation. The Finance Manager stated that TBR useful lives should have been applied to the twenty assets at the time of their Start Date, the date they were placed in use. The result is an overstatement of \$11,406.55 to current and accumulated depreciation.

Accounts Payable

6. For one of five (20%) payments made in July 2015 examined, a payment in the amount of \$115,404.84 was recorded in the incorrect fiscal year. Items ordered from a vendor were received after June 30, 2015. However, accounts payable personnel recorded the transaction in fiscal year 2015 instead of fiscal year 2016. As a result, both accounts payable and expenses were overstated. The audit report was corrected.

Net Position

7. The Director of Administrative Services accidentally included legacy campaign gifts in the amount of \$151,225.00 in restricted nonexpendable scholarships and fellowships instead of restricted nonexpendable other. This was corrected in the audit report.

Tennessee Board of Regents

Audit Committee

November 15, 2016

Review of Comptroller's Office Audit Reports

Financial and Compliance Audits— No Findings Reported

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Dyersburg State Community College	June 30, 2015	Unmodified Opinion	No findings	No instances of noncompliance required to be reported	0

Financial and Compliance Audits—Findings Reported.

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Motlow State Community College	June 30, 2015	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 – As noted in the prior audit, the college did not provide adequate internal controls in one specific area

As noted in the prior audit, Motlow State Community College did not design and monitor proper internal controls. We observed a condition in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated additional controls were being implemented over the specific area.

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Pellissippi State Community College	June 30, 2015 and June 30, 2014	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 – The college did not provide adequate internal controls in two specific areas

Pellissippi State Community College did not design and monitor internal controls in specific areas. The finding noted conditions in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated corrective action was being taken to ensure internal controls are strengthened in the two specific areas and would be fully implemented by December 13, 2016.

MOTLOW STATE COMMUNITY COLLEGE
ITEMS DISCUSSED AT THE FIELD EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2015

Financial Statements and Notes to the Financial Statements

1. The notes to the financial statements, as prepared by management, contained several errors as noted below:

Note 1 - Summary of Significant Accounting Policies - The Vice President for Finance and Administration did not correctly present the accounting policy for inventory. In addition, the Basis of Presentation included a statement that the foundation's financial statements were prepared in accordance with GASB standards when the foundation is subject to FASB standards.

Note 2 - Cash - the Vice President for Finance and Administration overstated the amount of cash being held by the LGIP by \$610,423.39 and understated the LGIP-Capital Projects by the same amount.

Note 7 - Long Term Liabilities - the Vice President for Finance and Administration did not correctly present the ending balance of total long-term liabilities. A \$100,000 math error was corrected.

All issues were corrected for the audit report.

2. The Vice President for Finance and Administration did not include the ratings on debt issued for general obligation bonds at June 30, 2015 in the college's Management's Discussion and Analysis, as required by GASB. A correction was made for the audit report.

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Board of Regents
Motlow State Community College
For the Year Ended June 30, 2015

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

As Noted in the Prior Audit, Motlow State Community College Did Not Provide Adequate Internal Controls in One Specific Area *

The college did not design and monitor internal controls in one specific area. We observed conditions in violation of Tennessee Board of Regents policies and/or industry-accepted best practices. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 51).

* This finding is repeated from the prior audit.

Tennessee Board of Regents

Audit Committee

November 15, 2016

Review of Comptroller's Office Audit Reports

Financial and Compliance Audits— No Findings Reported

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Dyersburg State Community College	June 30, 2015	Unmodified Opinion	No findings	No instances of noncompliance required to be reported	0

Financial and Compliance Audits—Findings Reported.

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Motlow State Community College	June 30, 2015	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 – As noted in the prior audit, the college did not provide adequate internal controls in one specific area

As noted in the prior audit, Motlow State Community College did not design and monitor proper internal controls. We observed a condition in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated additional controls were being implemented over the specific area.

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Pellissippi State Community College	June 30, 2015 and June 30, 2014	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 – The college did not provide adequate internal controls in two specific areas

Pellissippi State Community College did not design and monitor internal controls in specific areas. The finding noted conditions in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated corrective action was being taken to ensure internal controls are strengthened in the two specific areas and would be fully implemented by December 13, 2016.

**PELLISSIPPI STATE COMMUNITY COLLEGE
LIST OF ITEMS DISCUSSED AT THE FIELD EXIT CONFERENCE
NOT ADDRESSED IN THE AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2015, AND JUNE 30, 2014**

Reporting Errors – Notes to the Financial Statements

1. In Note 17 of the college's 2015 financial report, foundation investments were reported incorrectly. As to cost, mutual bond funds were overstated by \$9,406.45, mutual equity funds were overstated by \$24,985.55, corporate stock was overstated by \$2,212.65, hedge funds were understated by \$6,666.27, and other mutual funds were understated by \$29,938.38. As to fair value, mutual bond funds were overstated by \$8,080.05, mutual equity funds were overstated by \$21,510.95, and other mutual funds were understated by \$29,591.00. The audited note to the financial statements was corrected.
2. In Note 16 of the college's 2014 financial report, foundation investments were reported incorrectly. As to cost, mutual bond funds were overstated by \$380.10, mutual equity funds were understated by \$191,392.48, corporate stock was overstated by \$191,376.44, and hedge funds were understated by \$364.06. As to fair value, mutual bond funds were understated by \$188,825.54, mutual equity funds were understated by \$399.75, corporate stock was overstated by \$196,946.29, and money market funds were understated by \$7,721.00. The audited note to the financial statements was corrected.
3. In Note 13 in the college's 2014 financial report, the amount reported as reallocated from academic support to other categories was \$3,649,047.75. The actual amount reallocated per the general ledger was \$3,450,729.75. The audited note to the financial statements was corrected.

Reporting Error – Supplementary Information

4. In the 2015 and 2014 supplementary schedules of cash flows, presented as supplementary information in the college's 2015 and 2014 financial reports, foundation principal and interest paid on noncapital debt were incorrectly classified as principal and interest paid on capital debt. The foundation borrowed the funds to purchase the college's Strawberry Plains campus, not its own capital assets. The schedules were corrected in the audit report.

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Tennessee Board of Regents

Pellissippi State Community College

For the Years Ended June 30, 2015, and June 30, 2014

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

Pellissippi State Community College Did Not Provide Adequate Internal Controls in Two Specific Areas

The college did not design and monitor internal controls in two specific areas. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 61).

Tennessee Board of Regents
 Audit Committee
 November 15, 2016
 Review of Comptroller's Office Audit Reports

Financial and Compliance Audits—Findings Reported (continued)

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Roane State Community College	June 30, 2015 and June 30, 2014	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 – The college did not provide adequate internal controls in three specific areas
 Roane State Community College did not design and monitor internal controls in specific areas. The report noted conditions in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated policies and procedures would be reviewed to implement additional controls over the specific areas.

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Walters State Community College	June 30, 2015 and June 30, 2014	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1

Finding 1 –The college did not provide adequate internal controls in two specific areas
 Walters State Community College did not design and monitor proper internal controls. The audit report noted a condition in violation of college policies and/or industry-accepted best practices.

Management's Comment – Management concurred with the audit finding and recommendation and indicated effective controls were being implemented to ensure compliance with requirements including ongoing monitoring of risk and controls over the specific areas.

Internal Audit Follow-Up: An internal audit follow-up report on reports with findings and will be presented to the Audit Committee at a subsequent meeting.

Roane State Community College
List of Audit Exceptions
Audit Period: July 1, 2013 through June 30, 2015

1. Salaries and benefits (services provided by the college to the foundation) were reported as utilities, supplies, and other expenses on the foundation's Statement of Revenues, Expenses, Changes in Net Position for fiscal year 2014 and fiscal year 2015. Utilities, supplies, and other expenses were overstated by \$214,242.84, salaries were understated by \$174,890.82, and benefits were understated by \$39,352.02 for FY 2014. Utilities, supplies, and other expenses were overstated by \$216,795.98 salaries were understated by \$173,292.45, and benefits were understated by \$43,503.53 for FY 2015. The financial statements were adjusted.

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Tennessee Board of Regents

Roane State Community College

For the Years Ended June 30, 2015, and June 30, 2014

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

Roane State Community College did not provide adequate internal controls in three specific areas

Roane State Community College did not design and monitor internal controls in specific areas. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 61).

Tennessee Board of Regents
 Audit Committee
 November 15, 2016
 Review of Comptroller's Office Audit Reports

Financial and Compliance Audits—Findings Reported (continued)

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Roane State Community College	June 30, 2015 and June 30, 2014	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1
<p>Finding 1 – The college did not provide adequate internal controls in three specific areas Roane State Community College did not design and monitor internal controls in specific areas. The report noted conditions in violation of college policies and/or industry-accepted best practices.</p> <p>Management's Comment – Management concurred with the audit finding and recommendation and indicated policies and procedures would be reviewed to implement additional controls over the specific areas.</p>					

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Walters State Community College	June 30, 2015 and June 30, 2014	Unmodified Opinion	One finding was identified as a significant deficiency	No instances of noncompliance required to be reported	1
<p>Finding 1 –The college did not provide adequate internal controls in two specific areas Walters State Community College did not design and monitor proper internal controls. The audit report noted a condition in violation of college policies and/or industry-accepted best practices.</p> <p>Management's Comment – Management concurred with the audit finding and recommendation and indicated effective controls were being implemented to ensure compliance with requirements including ongoing monitoring of risk and controls over the specific areas.</p>					

Internal Audit Follow-Up: An internal audit follow-up report on reports with findings and will be presented to the Audit Committee at a subsequent meeting.

WALTERS STATE COMMUNITY COLLEGE
LIST OF ITEMS DISCUSSED AT THE FIELD EXIT CONFERENCE
NOT ADDRESSED IN THE AUDIT REPORT
FOR THE YEARS ENDED JUNE 30, 2015, AND JUNE 30, 2014

Reporting Errors – Notes to the Financial Statements

1. In note 16 in the college's 2015 financial report and note 18 in the college's 2014 financial report, the component unit notes, available bond ratings were not disclosed in the credit risk portion of the note. In 2015, all bond mutual funds were listed as unrated. Instead, they should have been categorized as to the credit quality of the underlying securities. As a result, the unrated category was overstated by \$1,181,246.39, and the total of credit categories AAA, AA, A, BBB, and BB and lower were understated by the same amount. In addition, the credit quality ratings of \$86,152.26 of debt instruments explicitly guaranteed by the U.S. government were disclosed as unrated in the note, which is contrary to GASB guidance. The same errors were noted in 2014, as the unrated category was overstated by \$1,182,030.04, and instruments explicitly guaranteed by the U.S. government of \$49,685.91 were incorrectly disclosed as unrated. The audited notes were corrected.

2. In note 16 in the college's 2015 financial report, in a schedule disclosing long-term liability activity for the college's foundation, a split interest trust liability totaling \$50,000 was shown as being paid during the year ended June 30, 2015, when it was actually paid on August 10, 2015. The note was corrected in the audited statements.

Reporting Error – Supplementary Schedule of Cash Flows

3. On the foundation's 2015 schedule of cash flows, included as supplementary information accompanying the college's 2015 financial statements, cash used by operating activities was understated by \$50,000 and cash used by investing activities was overstated by the same amount. The foundation's Treasurer incorrectly factored a \$50,000 change in liabilities from noncurrent to current as an adjusting item in operating activities. This adjustment was incorrect because a change in classification of a liability from noncurrent to current does not affect cash flow. To compensate, he increased cash used by investing activities to obtain the desired bottom line result. The schedule in the audit report was corrected.

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit

Tennessee Board of Regents

Walters State Community College

For the Years Ended June 30, 2015, and June 30, 2014

Opinions on the Financial Statements

The opinions on the financial statements are unmodified.

Audit Finding

Walters State Community College Did Not Provide Adequate Internal Controls in Two Specific Areas

The college did not design and monitor internal controls in two specific areas. The details of this finding are confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated* (page 62).

Business Proposal | December 2016

Walters State Community College



**Delinquent Account
Receivable Management**

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Heartland
ECSI

Section 1: Heartland ECSI Introduction

Heartland Campus Solutions ECSI (Heartland ECSI) delivers forward-thinking solutions, service excellence, and over 40 years of experience to the Higher Education community. We take our role as an industry leader seriously and we want you to know that. How can we prove it? Just ask our 2,000+ college and university partners.

Heartland ECSI is about providing value to colleges and universities, not just providing a product or service. Our SelectSM solutions work in-sync to provide the highest quality with the most value and include student loan servicing, delinquent account receivable management, tuition payment plans, refund disbursements, payment processing, tax document services, and call center services.

Let's not forget why Heartland ECSI is the leader in the industry. Our knowledgeable staff will always make sure that you have the information you need. Our Client Support and Customer Service Teams, rated highest in the industry, are focused on answering your questions as well as those from your students, borrowers, and parents.

About Our Parent Company

Global Payments Inc. (NYSE: GPN) is a leading worldwide provider of payment technology services that delivers innovative solutions driven by customer needs globally. Our technologies, partnerships, and employee expertise enable us to provide a broad range of products and services that allow our customers to accept all payment types across a variety of distribution channels in many markets around the world.

Headquartered in Atlanta, Georgia with more than 8,500 employees worldwide, Global Payments is a member of the S&P 500 with merchants and partners in 29 countries throughout North America, Europe, the Asia-Pacific region, and Brazil.

The Heartland ECSI Mission

Heartland ECSI is dedicated to being your trusted partner, delivering the best possible service and technology for our clients, their customers, and the education industry. Our proud history, passionate commitment, and expertise are what drive our company and staff to be an asset for your business. With our "Service Never Rests" attitude, we provide the highest level of customer service letting your organization focus on the relationships that matter most.

Section 2: Service Overview

Timely and consistent communications are crucial to collecting on your delinquent accounts. However, with staffing and budget cuts, you don't have the right resources to deliver these communications. Sound familiar?

If so, our RecoverySelect Solution is the right fit for your school. We know the keys to delinquent account recovery are timing and consistency along with having the right tools and resources. Using this business model, our solution will help to optimize your revenue, minimize your costs, and help your students meet their financial obligations.



Our solutions provide time-tested, customer service focused activities that increase payment rates allowing your school to increase cash flow. We offer a variety of convenient payment options to help students settle their accounts quickly, and we leverage a comprehensive suite of account recovery tools to maximize results for your school, such as live agent calls and skip tracing.

Our RecoverySelect Specialists are efficient, effective, and caring. We'll diligently pursue delinquent accounts and, if a collection agency becomes necessary, we provide the only automated and managed agency placement solution in the industry.

We continuously outperform the national average with recovery communications that work. We are performance and data driven which improves results and increases your cash flow. With Heartland ECSI, you get:



Seamless Transfer of Information from and to your Student Information System

Access to your Student Information System allows us to obtain your delinquent account data as soon as you set the account to a delinquent status. Since we can send payment data for you to post directly back to your student information system, you'll no longer need to manually enter payment data. It couldn't be easier.



Timely and Consistent Communications

Timing is everything in life, including recovery on delinquent receivables. Our recommended schedule of receiving delinquent accounts and our communications are not only timely and consistent -- they are proven to provide one of the highest recovery percentages, adding revenue to your bottom line.

From the introduction letter to our live agent interaction, our communication processes are built to ensure the highest level of return. Using the right mix of letters and calls, consistently and at the right times, lets the student know that we are diligent about them meeting their financial obligations.

Our RecoverySelect live agents are responsible for managing delinquent accounts. Using our state-of-the-art call center technology, we can maximize the number of call attempts and focus on right-party contacts. Through our comprehensive training programs, we ensure that our agents are fully trained and that your school is represented in a manner that is respectful to your students and former students.



Convenient Payment Options

Our RecoverySelect Solution provides convenient, client-approved payment options, from payment plans to discounts that provide the student with options to settle their delinquent accounts. We can work with your school to establish the payment options that suit your needs or you can use our standard.

Our interactive website allows delinquent students to access their account information, make one-time check or credit/debit card payments, or set up recurring payments without the need to call a live agent or a payment service center.



Comprehensive Recovery and Compliance Tools

Throughout the delinquent account recovery process, we utilize a comprehensive toolkit to help analyze and manage the delinquent receivable account with your student or former student.

Third Party Influence. Using a third party service escalates the collection process and yields increased cash flow.

Data Validation and Analytics. Upon receipt of the account, we will run several data validations to ensure that recovery of the delinquent account is in compliance with applicable regulations and the account is collectible. Data validation will allow us to

ensure that the student has not filed for bankruptcy and there are not certain circumstances that may make the delinquent account unrecoverable.

Convenient Online and Other Payment Options. We know that owing on a delinquent account may be embarrassing for some individuals. This is why we offer them the ability to make payments online. If they don't have online access, they can also pay by phone or mail a paper check.

Bankruptcy Monitoring. Since you cannot solicit a student for payment while they are in bankruptcy, we monitor each account for bankruptcy which reduces financial liability and legal exposure.

"Alphabet Soup Compliance". Heartland has dedicated legal staff to help navigate and manage compliance risks related to FERPA, PCI, NACHA, TCPA, etc.

Red Flag Rules. All of our RecoverySelect Agents strictly adhere to Red Flag guidelines to protect personally identifiable information.



Collection Agency Placement and Management

We will diligently pursue recovery on your delinquent accounts receivable. However, in some instances, it may be necessary to involve collection agencies for those students that do not respond to initial outreach attempts. In these instances, we provide the only automated and managed collection agency placement solution in the industry.

We work with over 200 collection agencies using our automated placement process. This means that your designated collection agencies are already familiar with our systems and processes. If you do not have designated collection agencies, we can utilize the most effective companies for further collection activities for your delinquent accounts. Since agencies have online access to our systems, they can immediately access the data they need to offer the most effective collection services.

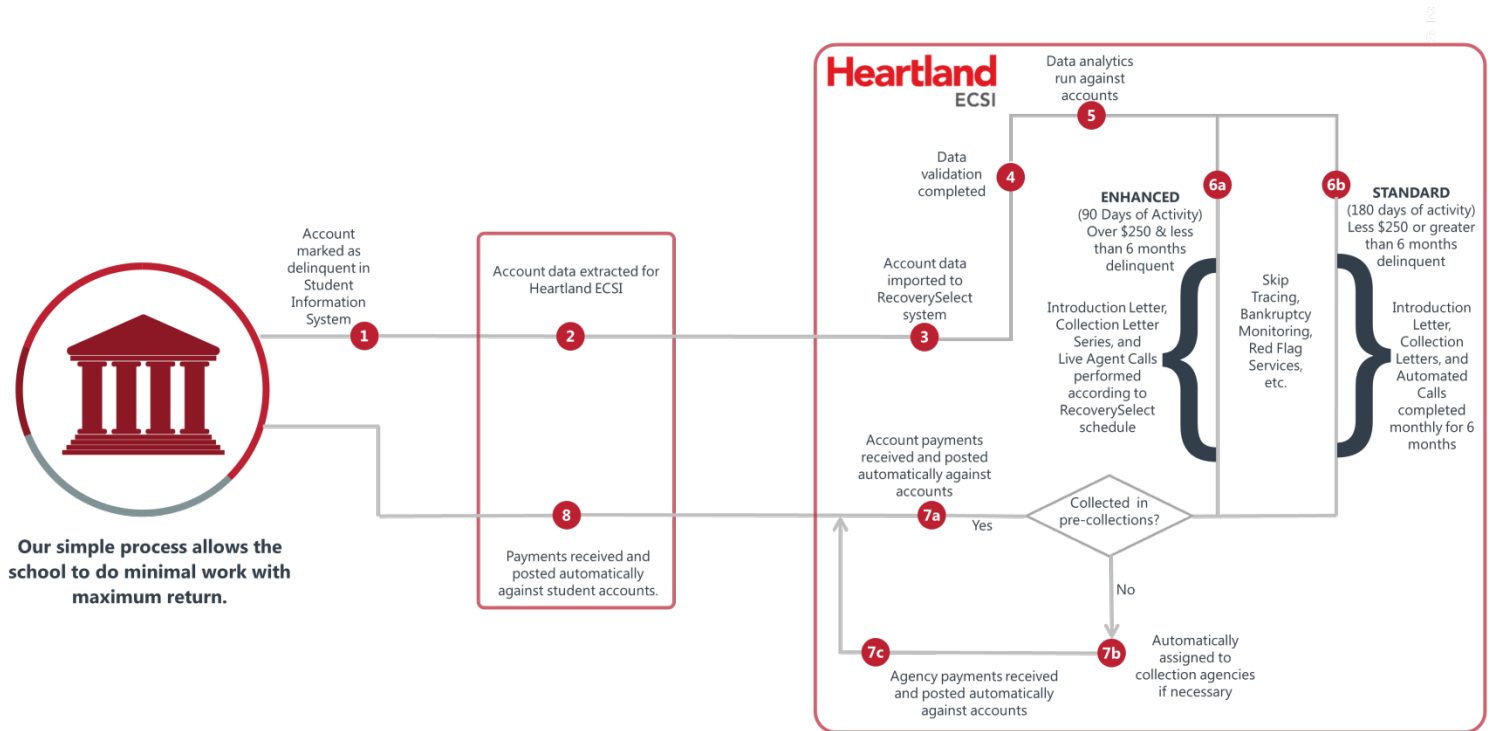


Data and Reports

Don't get caught not understanding your delinquent accounts performance. Our solution is not only built to recover delinquent receivables, it also provides tools and analytics that will help measure the recoverability of the accounts. With our comprehensive reporting, you will know the status of your delinquent accounts at every step in the process.

We offer a comprehensive list of standard reports that will provide you the insight into your delinquent account portfolio.

Section 3: How It Works.



Section 3: Recovery Schedule

Managing delinquent accounts is time-consuming and uses a lot of resources. It takes a strategy to get the best cash flow results without over utilizing your staffing and putting your student relationships and your school’s reputation at risk.

Our **Enhanced RecoverySelect Process** ensures a proactive approach to managing any delinquent accounts less than 6-months old with a balance greater than \$250.00. This unique service begins early in the delinquency phase by using a consistent approach to collecting on your school’s delinquent accounts. Using the right mix of letters and live agent interaction, along with necessary collection tools, we’ll make continued efforts over a 90-day period, to get your school the highest rate of return.

For delinquent accounts greater than 6-months old or with a balance less than \$250.00, our **Standard RecoverySelect Process** provides a more traditional approach of monthly student contacts based on a schedule and length of time that you're most comfortable with to help optimize your cash flow.

With either process, our collection letters and call scripts are firm, but professional, and are structured in a way that, as we need to continue recovery efforts, the collection message accelerates, which lets students know that we're diligent about them meeting their financial obligations.

Section 4: Pricing Schedule

The items listed below reflect our RecoverySelect Services as described in this business proposal.

Item	Enhanced	Standard	With Agency
Activity Fees	\$75.00 one-time upon file load	\$3.75 per account per month	\$0.00
Monthly Servicing Fee	\$1.25 per account per month	\$1.25 per account per month	\$1.25 per account per month
Annual Maintenance Fee	\$ 9,500.00 annually		

** All pricing provided in this proposal is valid for 30 days upon receipt.*