BUSINESS AFFAIRS SUB-COUNCIL

October 17, 2012

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); Mr. John Cothern (MTSU); Ms. Mary Cross (NaSCC); Ms. Shirley Eldredge (ClSCC); 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. Kathy Johnson (VSCC); Mr. Ron Kesterson (PSCC); Mr. Ron Parr (STCC); Mr. Mitch Robinson (APSU); Ms. Jeannie Smith (UOM); Dr. Claire Stinson (TTU); Ms. Tammy Swenson (ChSCC); Ms. Hilda Tunstill (MSCC); Mr. Jeff Young (TTU); Mr. David Zettergren (UOM); Chancellor John Morgan, Mr. Blayne Clements, Mr. Tom Danford, Ms. Angela Gregory Flynn, Ms. Alicia Gillespie, Mr. David Gregory, Ms. Deanna Hall, Ms. Lisa Hall, Mr. Carl Manka, Ms. Pat Massey, Ms. Mary Moody, Ms. April Preston, Ms. Brooke Shelton, Mr. Dale Sims, Ms. Renee Stewart, Ms. Wendy Thompson, Mr. Dick Tracy, and Mr. Bob Wallace (TBR).

1. Chancellor's Remarks

Chancellor Morgan updated the committee on seven round table discussions held by the governor to discuss the skills-gap and workforce training issues. The general consensus is that people are happy with our product. There are just not enough qualified people to fill the positions.

Governor Haslam is still exploring how to handle higher education issues going forward. The governor understands the need to invest in higher education, but he wants to invest strategically. We need to consider what internal reallocations can be made to achieve desired outcomes. We should also consider what we can eliminate in order to invest in more successful initiatives.

2. E&G Space Calculation

Two years ago, THEC generated a new space formula with the goal of receiving more consistent information on the use of space. Last year, the old PFI system was eliminated and a new system was enacted. During the process, facilities found inconsistencies in the interpretations. UT is also trying to improve their system. UT and THEC have requested that we participate in developing definitions for reporting more consistently. There is no change in policy, just refinement of definitions.

The main problem areas seem to be determining what should be reported as auxiliary and E&G for rec centers, and separating physical education from athletics. There was a concern that moving space from E&G to auxiliary can result in a significant reduction of funding. THEC is working on a schedule to isolate the impact of this change. Arenas and horse barns are another area of inconsistency; however, there is no intent to address them this year.

It was decided that the group needed to be expanded to include business personnel to help develop the definitions. Dr. Collins volunteered to be the university representative, and a community college representative will be selected.

3. $500,000 Contracts

The State Building Commission (SBC) now allows contracts of $500,000 to be processed without SBC approval. However, TBR policy states that presidents cannot sign contracts over $250,000 without approval. Facilities has asked for further definition from SBC, but we still have not received anything.

4. Report of the Committees

A. Finance Committee

Ms. Shelton highlighted the following issues from the Finance Committee:

- Policy 4:02:20:00 Disposal of Surplus Property

  The committee discussed revisions to Policy 4:02:20:00 Disposal of Surplus Property. The number of days that institutions are to make surplus property available to other TBR institutions and state agencies is inconsistent in the policy. The number of days was revised from 30 days to 7 days. (Attachment A)

- Guideline B-080 Property Loss

  The committee discussed the revisions to Guideline B-080 Reporting and Resolution of Institutional Losses. The changes are listed below: (Attachment B)

  - In the first paragraph, the word “personnel” was removed.
  - Under Reporting, Section A, Losses Due to Cash Shortages, the dollar amount of reporting a cash shortage has been increased from $250 to $500.
  - Under Reporting, Section C, Losses of Physical Property, the first paragraph was revised to identify sensitive property as that between $1,500 and $4,999.
  - In the Addendum, the matrix was revised to clarify sensitive property and footnote (e) was added to clarify that other assets or resources include intellectual property and data, including data that may be stored on electronic devices.
  - For Attachment B, the word “equipment” was replaced with “property”.
  - For Attachment C, Case Resolution Report, item 5 was amended to allow for reporting any recovery of the loss. In item 6, the word “dishonesty” was replaced with “misconduct”.

  The committee also discussed the reporting of property losses. It was determined to report property losses on a quarterly basis to Brooke Shelton. A template will be sent quarterly to be submitted by institutions that have incurred property losses.

- Findings and Weaknesses

  The committee was given all findings and weaknesses published since the last quarterly Finance Committee meeting. There were three audit reports released in the last quarter, with a total of one finding. The finding disclosed that the college did not have adequate control over two areas of Information Technology security, resulting in the increased risk of loss of data. (Attachments C & D)

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

B. Council of Buyers

Ms. Flynn highlighted the following issues from the September 26, 2012 Council of Buyers meeting:

- Update on Bid Limit Changes / State Statutes

  Although the State passed some legislation this past Spring to move the formal bid limit from $25,000 to $50,000, the State realized that all the necessary legislative changes had not been submitted. Therefore, the State will submit a new packet to legislators in the upcoming 2013 legislative session. In addition to proposing that the informal bid limit go from $25,000 to $50,000, and the minimum bid limit move from $5,000 to $10,000, a re-work of Title 12, Chapters 3 and 4 will also be presented. TBR will be updated upon notification from the State. Until then, institutions should continue to operate under current TBR policies and guidelines.

- RFP Updates

  - <u>Janitorial Supplies</u> – American Paper and Twine was the successful proposer and the contract has been executed. The Council will be contacted by American Paper and Twine to set up a meeting to discuss the transition.

  - <u>Business Process Modeling</u> – This RFP covers the standardizing of business processes for the 13 community colleges. The RFP is currently in process and the pre-proposal conference was held, with responses being sent back to the proposers.

- Furniture RFP

  It has been decided that UT will take the lead in bidding the furniture RFP, with TBR participating as a minority partner. At this time, it has not been decided by TBR Facilities if capital projects will be allowed under the resulting contract. It is Ms. Flynn's understanding that if capital projects are not allowed to be procured under the resulting contract, TBR Facilities will handle the bidding of the furniture for those projects. Any concerns should be addressed to Mr. Gregory or Mr. Sims.

The Council of Buyers minutes were approved.

C. Internal Audit

Mr. Clements highlighted the following issues from the October 4, 2012 Internal Auditors meeting.

- Funding Formula Data Definitions and Audit Planning

  The committee was informed that THEC has added operational definitions to the basic definitions previously provided. THEC will be presenting the operational definitions to institutional research directors. After receiving feedback from the institutions, THEC plans to have the final funding formula data definitions out in December. The Audit Programs and Reports subcommittee plans to begin work on the audit program for funding formula audits at our campuses, using this preliminary information. The audits are planned for Spring 2013.

- President's Expense Templates and Instructions

  Systemwide Internal Audit has collected input from various auditors and others and is in the process of revising the templates for reporting chief executive officers expenses, beginning with FY 2013. The revised templates and instructions will be sent out in the near future for comment.

The Internal Audit minutes were approved.

5. Proposed Guideline G-130 Limited English Proficiency

Ms. Thompson presented the proposed Guideline G-130 Limited English Proficiency. The guideline advises TBR and its' institutions of the obligation under Title VI of the Civil Rights Act of 1964 to provide reasonable services to persons with limited English proficiency.

The committee approved the proposed guideline. (Attachment E)

6. Guideline B-060 Payment of Program Service Fees

The committee discussed the payment of program service fees by students who are enrolled in regular undergraduate courses and take all courses online. The president has the authority to waive these fees, but only for classes or groups, not on an individual student basis. If these fees were waived for online students, it would require a fee increase for other students. No changes to our current practice were proposed at this time.

7. Salary and Benefits Data Collection

We have received a salary and benefits data request from F&A Budget. Below are some of the issues discussed by the committee pertaining to the collection of this information:

- Is this for E&G only or does this include all (unrestricted, restricted and auxiliary) expenses?
- Since this request is for 10 years of information, there may be a problem accessing some of the older data. The information for the years before Banner implementation has been archived, and may be difficult to obtain.
- Payroll data is based on the calendar year and the information being requested is based on fiscal year. Therefore, this will not be a direct extraction and will require some calculations and estimates.
- We do not keep up with the dollar value of our sick leave bank. Therefore, we would need to report the amount of benefits paid.
- We need to get clarification on the "Housing and Subsistence" benefit category.

Subsequent to this meeting, F&A requested that TBR provide as much information as currently available without surveying the campuses. This request was fulfilled and TBR staff are awaiting further instructions from F&A budget.

The meeting was adjourned at 11:30 a.m.

3. General Disposal Procedures

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.

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.

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;

2. Transfer to other institutions within the Tennessee Board of Regents system;

3. Transfer to other state agencies;

4. Sale to eligible political subdivisions of the state and other governmental entities;

5. Public auction, publicly advertised and held;

6. Sale under sealed bids, publicly advertised, opened and recorded;

7. 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;

8. Disposition through the Department of General Services as provided in the Department Rules and Regulations.

9. Donations to a public school or public school system.

10. Sale by Internet auction.

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.

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.

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).

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.

TBR Guideline No. B-080

SUBJECT: Reporting and Resolution of Institutional Losses

It is the responsibility of each institution to establish a system to report losses of state or institutional funds, property or other resources, whether by malfeasance or misfeasance (TCA 8-19-501). When fraud, waste or abuse is suspected, the appropriate authorities as designated by the institution's president/director should be informed in accordance with the Tennessee Board of Regents (TBR) Policy 4:01:05:50, *Preventing and Reporting Fraud, Waste or Abuse*. Administrators at all levels of management should be aware of the risks and exposures inherent in their areas of responsibility, and should establish and maintain proper internal controls to provide for the security and accountability of all assets and other resources entrusted to them. "Resources," as used herein, shall refer to supplies, ~~personnel,~~ equipment, real property, intellectual property, data, and financial resources.

Reporting

The procedure for reporting property losses to the appropriate officials is divided into three categories: (A) losses due to cash shortages, (B) losses involving acknowledged or suspected misconduct, and (C) losses of physical property. TBR reports the suspected fraud items, cash shortages and property losses to the Comptroller of the State of Tennessee, Division of State Audit. The institution reports property losses to the State of Tennessee, Department of Treasury, Office of Risk Management. Losses must be reported to the State immediately upon discovery and the institutional procedures should address timely reporting.

Reporting Losses – For each reportable situation, the institution must complete a "Notification of Loss Report" (see Attachment A) or "Property Loss Report" (see Attachment B). Losses should generally be reported on the Notification of Loss Report, but losses involving property may be reported on the Property Loss Report.

Reporting Resolution – The investigation unit identified on the notification report will file a "Case Resolution Report" (see Attachment C) at the conclusion of the investigation. Depending upon the nature and extent of the investigation, an Internal Audit Report may be issued in lieu of a Case Resolution Report.

Distribution of Reports – Each required report should be submitted to the following:

1. Vice President for Business and Finance
2. Internal Audit Director
3. Office of Safety and Security/Campus Police
4. TBR Vice Chancellor for Business and Finance
5. TBR Director of System-wide Internal Audit

A. <u>Losses Due to Cash Shortages</u>

Each institution is required to report cash shortages equal to or greater than ~~$250~~ **$500** **immediately** to TBR. Some cash shortages result from human error and are the cost associated with doing business. However, objective reviews must be completed to eliminate misconduct and provide assurance that controls are effective. Regardless of amount, management should routinely review shortages to identify any unusual items, recurring issues or a pattern of financial shortfalls. If suspected fraud or misconduct is identified in any area or unit, the matter should be reported **immediately** to TBR and handled as a reportable situation as noted in this guideline.

B. Losses Involving Acknowledged or Suspected Fraud, Waste or Abuse

Losses of institutional assets or other resources as the result of acknowledged or suspected misconduct by either an employee or a non-employee (for example, a vendor, contractor, or student) may include, but are not limited to: lost, stolen or altered checks, shortages of cash, operational supplies, physical property, intellectual property, data and any other instance where assets or other resources may have been misappropriated, e.g., travel claim abuse, long distance telephone abuse, theft of athletic tickets, reporting or approval of hours not worked, etc. Such losses should be reported **immediately** to TBR and handled as a reportable situation as noted in this guideline.

C. Losses of Physical Property

Property Records – Institutions maintain property inventory records for capitalized property (property with a cost of $5,000 or more) and sensitive property (property ~~with a cost of less than $5,000 but~~ vulnerable to theft or misuse **with a cost between $1,500 and $4,999).**

Property Losses Due to Misconduct – Institutional losses of physical property from thefts or other suspected fraudulent activities should be reported **immediately** to TBR and handled as a reportable situation as noted in this guideline.

Other Property Losses – Other losses of physical property due to inventory shrinkage, vandalism, unexplained events, natural disasters, or acts of God should be reported to TBR on a ~~monthly~~ **quarterly** basis on the Property Loss Report (see Attachment B). A Case Resolution report is not required to be submitted for these losses. However, unexplained losses and those due to shrinkage or vandalism should be routinely reviewed by management to identify any unusual events, recurring issues or a pattern of losses. If suspected fraud or misconduct is identified in any area or unit, the matter should be handled as a reportable situation as noted in this guideline.

Occurrences that are potentially serious situations that would create public concern regardless of amount must be reported to the TBR and the Office of Risk Management **immediately,** followed by a written report.

Claims Process – Individual occurrences exceeding **$25,000** must be reported to the TBR and the Office of Risk Management immediately, followed by a written report. The Office of Risk Management website at http://www.treasury.state.tn.us/risk/index.htm contains contact information under the "Contact Us" link and details of the insurance claim process under the "Claims Process" link.

Property Loss Report – This report (see Attachment B) should list equipment items individually and should include all related data as reflected on the equipment inventory list. This information may be forwarded to TBR on an Excel spreadsheet with a brief narrative explaining how the loss occurred. Each property damage report should include a detailed description of the loss and the estimated cost. In addition to the reporting requirements noted above, the department where the loss occurred should also receive a copy of this report.

Refer to the Addendum to this Guideline for reporting requirements for situations discussed in this guidance.

Actions

The TBR will evaluate the information provided and make a determination concerning external reporting obligations, if any, and the feasibility of pursuing available legal remedies in cases of misconduct or fraudulent activities.

Source: November 6, 2002, Presidents Meeting; February 28, 2008, Presidents Meeting; February 29, 2008, TTC Directors Meeting.

Tennessee Board of Regents
Reporting Matrix for Institutional Losses

Type of Loss		**Immediate Notification to TBR**	**Attachment A Notification of Loss Report**	**Attachment C Property Loss Report (b)**	**Attachment B Case Resolution Report (c)**	**TBR Reports to Comptroller of the Treasury**	**Report to Office of Risk Management (d)**
Any Loss	**FWA**	**Yes**	**Yes**	**Physical Property Only**	**Yes**	**Yes**	**Physical Property Only**
Non-FWA							
Cash (a)	< $500 ~~250~~	No	No	No	No	No	No
Cash	≥ $500 ~~250~~	Yes	Yes	No	Yes	Yes	No
Physical Property	Capitalized	Quarterly ~~No~~	Yes	Yes	Yes	Yes	Yes (d)
Physical Property	Sensitive **≥$1,500**	Quarterly ~~No~~	Yes	Yes	Yes	Yes	Yes (d)
Physical Property	~~Not Capitalized and Not Sensitive~~ **< $1,500**	No	No	No	No	No	No
Other Assets or Resources **(e)**	Any value	Yes	Yes	No	Yes	Yes	No

Notes:

FWA - Fraud, Waste or Abuse (Misconduct by an employee, student, vendor, contractor or other).

(a) These losses should be reviewed by management to identify any patterns of losses; matters involving misconduct should be reported.

(b) For property losses, either Notification of Loss Report or Property Loss Report should be submitted; both are not required.

(c) An Internal Audit Report may be issued in lieu of a Case Resolution Report.

(d) Events resulting in losses of $25,000 or greater should be reported to the Office of Risk Management.

(e) Other assets or resources may include items such as intellectual property or data, including data that may be stored on electronic devices.

Attachment A

NOTIFICATION OF LOSS REPORT

(Date)

__________________, Vice Chancellor for Business and Finance
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, TN 37217

Dear _____________:

Please be advised that the following loss has occurred in _(Department Name)______ at ____________(Institution)____

Below is a brief description of the loss:

(Include individual's name, approximate amount in question, and the nature of the loss)____
____
____
____
____

The situation is currently being investigated by ___(investigating unit)____. A case resolution report will be issued to you by ____(name, title, phone number)____ at the conclusion of the investigation.

Sincerely,

_______________(Name)________________

_______________(Title)_________________

INSTITUTION
PROPERTY LOSS REPORT
QUARTER ENDING ___________

Location of Loss	Item Description	Decal #	Serial #	Date of Loss	Cost/Value	Cause of Loss

Note for Preparer: *The Property Loss Report should list* ***property*** *~~equipment~~ items individually and should include all related data as reflected on the property inventory list. This information may be forwarded to TBR on an Excel spreadsheet with a brief narrative explaining how the loss occurred. Each property damage report should include a detailed description of the loss and the estimated cost.*

Attachment C

INSTITUTION
CASE RESOLUTION REPORT
DATE

Department:_________________________________ Unit:_____________________________

1. Date of the loss:____

2. Reported by:____

3. Investigation unit: ____

4. Description of the loss:____
____
____

5. Total amount of loss: ___________ Total amount of recovery: ______________

6. Was employee misconduct ~~dishonesty~~ discovered? Yes_______ No_________

7. Name(s) of employee(s) involved:______________________________________
____
____

8. Action taken:____
____
____

9. Methodology used to determine loss:___________________________________
____
____

10. Internal control weaknesses found:____________________________________
____
____

11. Actions taken to resolve weaknesses:__________________________________
____
____

Note: An internal audit report may be issued in lieu of a case resolution report.

Tennessee Board of Regents
Audit Committee
September 5, 2012
Review of Comptroller's Office Audit Reports
Financial and Compliance Audits—Findings Reported

Institution	For the Year Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Tennessee Tech University	June 30, 2011	Unqualified Opinion	No findings identified as material weaknesses	No instances of noncompliance required to be reported	1

Finding – Tennessee Tech University did not have adequate control over two areas of Information Technology security, resulting in the increased risk of loss of data

The auditors observed significant conditions that violated best practices for information security controls during an examination of the Information Technology system at the university.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the university's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated.*

Management should implement effective controls to ensure compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks, and take action if deficiencies occur. Management should also reassess controls to include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the President.

Management's Comment – Management concurred and established a plan to ensure that control over information security complies with best practices. Management's risk assessment will be revised to address risks noted in this finding and the mitigating controls related to those risks; the resulting risk assessment will be reviewed by university management, including the President.

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

Finding and Recommendation

Tennessee Technological University did not have adequate control over two areas of Information Technology security, resulting in the increased risk of loss of data

Finding

Tennessee Technological University did not have adequate control over information security in two specific areas, resulting in an increased risk of loss of data. The auditors observed significant conditions that violated best practices for information security controls during an examination of the Information Technology system at the university.

The wording of this finding does not identify specific vulnerabilities that could allow someone to exploit the university's systems. Disclosing those vulnerabilities could present a potential security risk by providing readers with information that might be confidential pursuant to Section 10-7-504(i), *Tennessee Code Annotated.* We provided department management with detailed information regarding the specific vulnerabilities we identified as well as our recommendations for improvement.

Recommendation

Management should ensure that these conditions are remedied through planning that encompasses all aspects of effective Information Technology controls over the two deficient areas identified in the finding. Management should implement effective controls to ensure compliance with applicable requirements, assign staff to be responsible for ongoing monitoring of the risks, and take action if deficiencies occur. Management should also reassess controls to include the risks noted in this finding in management's documented risk assessment. The risk assessment and the mitigating controls should be adequately documented and approved by the President.

Management's Comment

We concur with the finding. A plan has been established to ensure that control over information security complies with best practices. Management's risk assessment will be revised to address risks noted in this finding and the mitigating controls related to those risks; the resulting risk assessment will be reviewed by university management, including the President.

Tennessee Technological University
Responses to Items Discussed at Field Exit Conference
Not Addressed in Audit Findings
For The Year Ended June 30, 2011

Accounts Payable

1. For one of the six subsequent disbursements (17%) tested, a payable of $177,220 was not recorded in the appropriate period. The university received software valued at $177,220 from SunGard Higher Education Inc. on June 29, 2011; however, according to the accounting records, the transaction was not recorded until July 19, 2011. Because the software was valued in excess of $100,000, the purchase met TTU's capitalization threshold. As a result, accounts payable and capital assets were understated by $177,220. An adjusting entry was proposed and the error was corrected for the audit report.

   We concur. Departments are requested to inform Accounts Payable each year if an item is received on or before June 30, and payment has not been processed. In addition, the Accountant supervising Accounts Payable will review all payments made in July and make inquiries regarding the date that the items were received to confirm whether or not an accounts payable entry should be recorded. Beginning July 1, 2012, Central Receiving will tag equipment prior to delivery to the department and before payment is processed. Tag information sheets will then be sent to accounting. Items tagged but not paid at year end will be reviewed and a liability recorded if appropriate.

Payroll

2. The university was penalized $22,749.95 in fiscal year 2011 by the Internal Revenue Service (IRS) for late payment of taxes for the period ended September 30, 2010. According to TTU staff, the employee who was responsible for the timely payment of taxes developed health problems and was absent for an extended period of time; therefore, she missed the payment deadline on September 30, 2010. Payroll personnel were not able to catch the late payment in time. As TTU's Internal Audit has already reviewed the problems leading up to this error and the Payroll Department has already implemented additional procedures to ensure that this does not happen again in the future, we did not consider this matter a significant deficiency. However, we will monitor this area closely in the future.

   We concur. In order to reduce the risk of the error reoccurring, Management has put in place an additional procedure. The Assistant Payroll Manager has a monthly automatic reminder to review and ensure the timeliness of the tax deposits. She logs into Electronic Federal Tax Payment System (EFTPS) to confirm that the deposit was made on time and the correct amount was deposited, prints the screen, and files the printed confirmation.

Schedule of Expenditures of Federal Awards

3. Several errors were noted in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2011. TTU personnel corrected each of the errors and submitted revised schedules to the Department of Finance and Administration for inclusion in the State's Single Audit Report. (The specific issues are not included in this response.)

   We concur. We understand the importance of accuracy in preparing the SEFA. To help alleviate errors, a SEFA review binder will be established with copies of all active contracts. This will be used during review to ensure the information downloaded from Banner is accurate. In addition, the "Other Identifying Numbers" will be verified by the Office of Research to ensure that Grant Accounting has the latest Contract Modification numbers for each award. The SEFA will continue to be reviewed by two additional staff in addition to the person preparing the document to help ensure accuracy.

NCAA

4. The value of non-cash related contracts were not reported as revenue from Royalties, Licensing, Advertisements and Sponsorships. An adjustment was not made for the year ended June 30, 2011 due to materiality; however, university staff have indicated they will record revenue and expenses related to these contracts in future years.

   We concur. The Director of Accounting will review all TTU Athletic Association sponsorship contracts to determine if non-cash items are being received. All Royalties, Licensing, Advertisements, and Sponsorships revenue and an offsetting appropriate expense will be recorded once the items are received. The Assistant Athletic Director for Business and Personnel will submit a report to the Director of Accounting of all non-cash items that were actually received during the fiscal year.

5. A foundation transfer of $15,585.45 was incorrectly classified as Football Other Operating Expenses. However, it should have been classified as Non-Program Specific Other Operating Expenses. This was adjusted on the statement.

   We concur. An error was made in manually entering the transaction amount into the spreadsheet used to prepare the statement. The Director of Accounting became aware after year end that the Foundation's revenues and expenses related to Athletics should be included in the NCAA Statement of Revenues. The Director used spreadsheets maintained by Athletics to categorize the transactions manually. Detailed accounts were established for FY 2012 to categorize each transaction into the appropriate categories which should help to eliminate this type of error. Efforts are also being made to automate the NCAA Statement of Revenues and Expenses so that errors such as these do not occur in the future.

Tennessee Board of Regents
Audit Committee
September 5, 2012
Review of Comptroller's Office Audit Reports
Financial and Compliance Audits—No Findings Reported

Institution	For the Years Ended	Fairness of Financial Statement Presentation	Report on Internal Control	Report on Compliance	Findings
Pellissippi State Community College	June 30, 2011 and June 30, 2010	Unqualified Opinion	No material weaknesses identified	No instances of noncompliance required to be reported	0
Tennessee Board of Regents	June 30, 2011 and June 30, 2010	Unqualified Opinion	No material weaknesses identified	No instances of noncompliance required to be reported	0

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, 2011, AND JUNE 30, 2010

Reporting Error – Statement of Revenues, Expenses, and Changes in Net Assets

1. On the college's 2010 statement of revenues, expenses, and changes in net assets, the Assistant Vice President of Business and Finance incorrectly reported $644,158 of Direct Loan receipts as nonoperating grants and contracts and the amounts posted to student accounts as scholarships and fellowships expense. No revenues or expenses should have been reported. In addition, scholarship discounts and allowances were miscalculated and overstated by $290,224.29, as Direct Loans in the amount of $644,158 were included in the institutional resources provided as financial aid category instead of the financial aid not recognized as revenue by the college category. Related errors were made on the college's statement of cash flows. The audited statements were corrected.

Reporting Error – Foundation Schedule of Cash Flows

2. On the Pellissippi State Community College Foundation's schedule of cash flows for the year ended June 30, 2011, presented as supplementary information, unrealized gains on investments were reported at $420,300, rather than $946,203.45. The amount for the year ended June 30, 2010, was reported in error. Management should improve review procedures. The schedule, as included in the audited statements, was corrected.

Reporting Errors – Notes to the Financial Statements

3. In note 4 in the college's 2011 Financial Report, $2,963,635.69 of Local Government Investment Pool assets held by the college for the Tennessee Technology Center at Knoxville were not included in the reported investments amount. Management should improve review procedures. The audited note was corrected.

4. In note 17 in the college's 2010 Financial Report, the cost of the foundation's investment in the Commonfund Realty Investor's Fund was reported at $76,207.39, rather than $250,345.72. The Financial Analyst who prepared the note included only part of the investment's cost in the note. The audited note was corrected.

Responses to Items Discussed at the Field Exit not Addressed in Audit Report
For Years Ended June 30, 2011, and June 30, 2010

FINANCIAL STATEMENTS

1. The final printed version of the fiscal year 2010 Statement of Cash Flows was not free of errors. The Reconciliation of Operating Loss to Net Cash Used by Operating Activities did not include $5,159 in Other Adjustments causing the reconciliation to be off by that amount.

   The Director of Fiscal Services stated that the $5,159 adjustment was included in all of the financial statement support until the final printed copy. Amounts are entered into a separate spreadsheet to be printed. Due to a keying error, this amount was not included on the printed version.

   Response: We will make every attempt to avoid keying errors in future reports. When time permits, additional reviews will be performed in an attempt to identify errors.

2. In the Defined Contribution Plan portion of the Pension Note for fiscal year 2010, the contributions for two of the plans [ING Life Insurance and Annuity Company plan and the Variable Annuity Life Insurance Company (VALIC) plan] were not included in the calculation. This omission caused the contributions to the defined contribution plans to be understated by $67,248.36. The note was corrected for the audit report.

   Response: We have noted this error and corrected for subsequent years. When time permits, additional reviews will be performed in an attempt to identify omissions.

3. The Voluntary Buyout Note reported total expenses from the plan as $294,937.74; however, this calculation contained three errors, resulting in an overstatement of $88,328.99. The base severance payment for the four employees was included in the calculation twice (an error of $85,328.85). Other minor calculation errors caused the calculation to be overstated by an additional $3,000.14. The note was corrected for the audit report.

   Response: We have noted this error and corrected for subsequent years. When time permits, additional reviews will be performed in an attempt to identify errors.

4. Although we do not audit the Management's Discussion and Analysis (MD&A), we did note two errors within this document.

   The errors on the MD&A were as follows:

   - In the Changes in Net Assets table, the FY 2011 Grants and contracts amount was understated by $288,000 and State appropriations was overstated by $288,000.

- Operating expenses were not consistently rounded in the MD&A for fiscal year 2011. In the Changes in Net Assets table, operating expenses was reported as $31,480,000. However, in the Natural Classification Expenses chart and the Program Classification Expenses chart, operating expenses were reported as $31,481,000.

All errors were corrected for the audit report.

Response: We have noted these errors and corrected for subsequent years. When time permits, additional reviews will be performed in an attempt to identify errors.

CASH

5. Cash was not properly classified between current and noncurrent on the June 30, 2010 Statement of Net Assets. Current cash was understated by $100,000, while noncurrent cash was overstated by $100,000. A late journal entry made but not reflected in the financial statements was the cause for this error according to the Director of Fiscal Services. The error will be corrected for the audit report.

   Response: We have noted this error and corrected for subsequent years. When time permits, additional reviews will be performed to ensure the effect of error corrections on cash balance classifications are considered.

INFORMATION SYSTEMS

6. For 10 of 11 (91%) employees with Banner access terminated during the audit period, Central Office personnel were not able to show written documentation of the employees' access to the Banner accounting system being terminated in a timely manner. When the Central Office transitioned to a new server in November 2011, all information from the previous server did not transfer. As a result, Information Technology (IT) personnel were unable to show the dates of the termination of each employee's access or the date that the employee last logged into the system. We were able to determine that the employees' Banner accounts are currently locked.

   The Assistant Vice Chancellor for Human Resources confirmed that there is a process currently in place to ensure that there is written documentation of the locking of the account of all future terminated employees with Banner access. She also stated that the employee exiting process that is in place currently includes a meeting between the exiting employee and an HR representative, verification between the supervisor and HR that all equipment and keys have been returned, notification to Payroll, and notification to IT to terminate any access.

   Response: We have noted this error and corrected for subsequent years. We will ensure all documentation is maintained when making a transition between servers.

6. Transfers totaling $71,532.82 were not originally included on the Notes to the Statement of Revenues and Expenses for the year ended June 30, 2011. The notes were corrected for this error.

   We concur. The Director of Accounting will inquire with the Associate V.P. for Business and Fiscal Affairs regarding any gifts-in-kind transferred from the Foundation to the University at year end that are related to Athletics. The Director of Accounting failed to do this for the fiscal year ending June 30, 2011.

Proposed Guideline G-130

Subject: Limited English Proficiency

This guideline advises the Tennessee Board of Regents (TBR) Central Office and its constituent institutions, as recipients of federal funds, of the obligation under Title VI of the Civil Rights Act of 1964 to take reasonable steps to provide meaningful access to persons with Limited English Proficiency (LEP).
The Department of Justice defines persons with LEP as "those individuals who have a limited ability to read, write, speak or understand English." Because English is not the primary language of these individuals, they may have a limited ability to function in a setting where English is the primary language spoken, such as a TBR institution. TBR and its institutions may encounter LEP persons in the form of international students, faculty, staff and other individuals seeking services and access to programs.

TBR Central Office and campus staff will post services available to LEP persons in highly visible areas and also provide trained personnel to provide meaningful services and access to programs for these persons. TBR Central Office and campus staff will promptly identify the language and communication needs of the LEP person who makes himself or herself known to the institution. TBR staff will then have options to address the LEP person's needs.
These options may include but are not limited to:

- **a)** Using language identification cards (or "I speak cards") or posters to determine the language
- **b)** Maintaining an accurate and current list showing the name, language, phone number and hours of availability of a staff interpreter, if applicable
- **c)** Contacting the appropriate staff member to interpret, in the event that an interpreter is needed and/or if an employee who speaks the needed language is available and is qualified to interpret;
- **d)** If necessary, obtaining an outside interpreter if a staff interpreter is not available or does not speak the needed language.

When translation of vital documents is needed, the appropriate Title VI Coordinator will submit documents for translation into frequently-encountered languages to the responsible staff person or interpreter. Documents being submitted for translation must be in final, approved form.

TBR Title VI coordinators will regularly assess the efficacy of these procedures, including but not limited to mechanisms for securing interpreter services, equipment used for the delivery of language assistance, complaints filed by LEP persons, and feedback from the public and community organizations.

Individuals who believe they have not been provided reasonable access to LEP services may file a complaint with the appropriate Title VI Officer within 180 days after the last incident of denial.