

**Agenda Item:** II.D.

**DATE:** July 23, 2015

**SUBJECT:** Audit Update

**ACTION RECOMMENDED:** Information

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**BACKGROUND INFORMATION:** The creation of an audit committee was required under Public Chapter 310, known as the “State of Tennessee Audit Committee Act of 2005.” The Commission approved the merging of the THEC and TSAC audit committees on July 24, 2008.

**THEC/TSAC Audit Committee:** A meeting of the THEC/TSAC Audit Committee was held on May 27, 2015 prior to the TSAC Board meeting. Members of THEC and TSAC staff attended. The meeting was chaired by Dr. Claude Pressnell. Other members included Keri McInnis (TSAC) and Sharon Hayes (THEC).

The committee discussed and approved the FY16 internal audit plan.

TSAC: The committee discussed prior audits and action taken on noted issues. Financial information related to the loans division of TSAC was discussed.

THEC: The committee received an internal audit report earlier in the year prepared in conjunction with the Division of State Audit regarding the state’s Contract Education program. The committee was provided an update on the current administration of the program.

This long-standing program involving state appropriations included contracts administered by the Southern Regional Education Board with Meharry Medical College (Meharry) and the Southern College of Optometry (SCO), some THEC direct contracts with Meharry and other smaller contracts with other private colleges. THEC determined that only portions of the funds administered by SREB with Meharry and SCO were being applied directly to student accounts. The review revealed issues with the SREB contracting process and lack of monitoring. As a result, starting with FY15, THEC contracted directly with all the institutions making substantial changes in contract terms and improving accountability.