



AUDIT & BUSINESS COMMITTEE

March 6, 2025

Roaden University Center, Room 282

AGENDA

- I. Call to Order
- II. Approval of Minutes
- III. Update on Governor's Budget
- IV. Compensation Plan
- V. Non-Mandatory Fees
- VI. Tuition & Mandatory Fees
- VII. Disclosed Project
- VIII. FY2024 State Audit
- IX. Notice of Responsibilities for Preventing, Detecting, and Reporting Fraud, Waste, and Abuse
- X. Annual Internal Audit Report
- XI. Approval of Internal Audit Charter
- XII. Adjournment of Open Session and Call to Order of Non-Public Executive Session to Discuss Audits, Investigations, Litigation, and Matters Deemed Not Subject to Public Inspection Pursuant to T.C.A. § 4-35-108(b)(1)-(3)
- XIII. Adjournment



AUDIT & BUSINESS COMMITTEE

December 5, 2024

Roaden University Center, Room 282

MINUTES

Meeting was streamed live via link found on this web page:

<https://www.tntech.edu/board/meetings/>

AGENDA ITEM 1 – Call to Order

The Tennessee Tech Board of Trustees Audit & Business Committee met on December 5, 2024, in Roaden University Center Room 282. Chair Johnny Stites called the meeting to order at 9:57 a.m.

Chair Stites asked Mr. Lee Wray, Secretary, to call the roll. The following members were present:

- Johnny Stites
- Tom Jones
- Thomas Lynn

Other board members also in attendance were Fred Lowery (via TEAMS at 10:30 a.m.), Jeannette Luna, Rhedona Rose, Camron Rudd, Trudy Harper, and Claire Meyers. Barry Wilmore was absent. A quorum was physically present. Tennessee Tech faculty, staff and members of the public were also in attendance.

AGENDA ITEM 2 – Approval of Minutes

Chair Stites asked for approval of the minutes of the September 26, 2024, Audit & Business Committee meeting. Chair Stites asked if there were questions or comments regarding the minutes. There being none, Thomas Lynn moved to recommend approval of the September 26, 2024, Audit & Business Committee minutes. Tom Jones seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 3 – Financial Update & Composite Financial Index

Emily Wheeler presented information for the FY23-24 unaudited statement of revenues, expenses, and changes in net position along with FY23-24 capital asset and debt. Also presented was the major metrics and ratios used to measure and monitor financial health.

This was an informational item therefore no action was required.

AGENDA ITEM 4 – FY2024-25 Revised Budget/Organizational Chart

Dr. Stinson presented information on the reconciliation of changes in E & G revenues and reconciliation of change in natural expenses (Attachment A). The organizational chart was provided in Diligent.

Mr. Lynn moved to send the FY2024-25 Revised Budget and Organizational Chart to the Board for approval and to place on the Board's regular agenda. Mr. Jones seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 5 – Tuition Transparency Act Report (T.C.A § 49-7-1604)

By February 1st of each year, the Board is required to provide a report to the General Assembly with information regarding the expenditures of revenues derived from any tuition and fee increase in the previous full academic year. The report must include how revenues were used, the effect on student financial aid, and the effect on the average total cost of attendance per student. This report is for tuition and mandatory fee rates effective Fall 2023. The report stated 2.92% tuition increase which resulted in \$2,435,932 revenues was used for university's 45% match of 5% salary pool, software/technology escalation, accessible education and operations. The mandatory fee increase of 2.96% resulted in \$319,480 to help fund development of student centric facilities.

Mr. Jones moved to send the Tuition Transparency Act Report for FY23-24 to the Board for approval and to place it on the Board's regular agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 6 – Disclosed Projects

Dr. Stinson advised the disclosed projects were for the Crossville Facility Roof Replacement and Window repairs with an estimated project cost of \$4,040,000, Whitney Avenue Parking Lot installation with an estimated project cost of \$1,120,000 and to construct a Track and Field Facility with an estimated cost of \$5,440,000.

Mr. Lynn moved to send the disclosed project for the Crossville Facility Roof & Window repairs, Whitney Ave. parking lot and the track and field facility to the Board for approval and to place it on the Board's regular agenda.

AGENDA ITEM 7 – Internal Audit Standards Update

Amy Wilegus provided an overview of the newly released Institute of Internal Auditor's Global Internal Audit Standards that will take effect on January 9, 2025. Formal guidance was provided in Diligent.

This was an informational item therefore no action was required.

AGENDA ITEM 8 – Approval of 2025 Audit Plan

Amy Wilegus advised the plan was provided in Diligent. The plan includes audit and consulting projects reflective of the current risk environment, compliance topics, and engagements required by policy, state statute, or regulation.

Mr. Jones moved to approve the 2025 Audit plan as presented and required by Tennessee Tech University Audit Committee Charter. Mr. Lynn seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

AGENDA ITEM 9 – Adjournment of Open Session & Call to Order on Non-Public Executive Session

There being no further business, the meeting adjourned at 11:04 a.m. After a short break, the Non-Public Executive Session began at 11:20 a.m. Trustees and Administration were present for the meeting.

AGENDA ITEM 10 – Adjournment

There being no further business, the Non-Public Executive Session adjourned at 12:21 p.m.

Approved,

Lee Wray, Secretary

Attachment A

Reconciliation of Changes in E&G Revenues

	Proposed Budget FY2024-25	Revised Budget FY2024-25	Difference	% Change
Tuition and Fees	\$108,325,500	\$112,805,000	\$4,479,500	4.14%
State Appropriations	\$86,834,100	\$88,164,900	\$1,330,800	1.53%
Other Activities	\$14,067,500	\$14,270,400	\$202,900	1.44%
Total Revenues	\$209,227,100	\$215,240,300	\$6,013,200	2.87%



Attachment A

Proposed vs Revised E&G Reconciliation of Changes in Revenues FY2024-25

- Tuition and Fees \$4,479,500
 - Tuition enrollment changes based on Fall census \$1,023,000
 - Tuition 5% increase \$3,739,500
 - Summer Revenue (\$22,750)
 - Out-of-state tuition decrease (\$249,500) based on actual fall enrollment in international students
 - Out-of-state tuition decrease (\$46,250) based on actual fall enrollment in domestic students
 - Fee increases \$35,500

- State Appropriations \$1,330,800
 - Adjustments for OPEB (Other Post-Employment Benefits), TCRS (Tennessee Consolidated Retirement System), Risk Management, and Health Insurance (\$669,200)
 - Crossville Wind Tunnel (non-recurring) \$1,000,000
 - Rural Reimagined (non-recurring) \$1,000,000

- Other Revenue \$202,900
 - Other Misc. \$100,150
 - Athletics \$102,750



Change in Natural Classification Expenses

	Proposed Budget FY2024-25	Revised Budget FY2024-25	Difference	% Change
Salary and Wages	\$95,485,300	\$99,575,300	\$4,090,000	4.28%
Fringe Benefits	\$38,773,600	\$38,955,300	\$181,700	0.47%
Travel	\$2,073,000	\$2,793,300	\$720,300	34.75%
Operating & Utilities	\$36,709,500	\$59,980,600	\$23,271,100	63.39%
Scholarships & Fellowships	\$23,169,200	\$25,070,600	\$1,901,400	8.21%
Capital	<u>\$186,500</u>	<u>\$296,000</u>	<u>\$109,500</u>	58.71%
Total E&G	\$196,397,100	\$226,671,100	\$30,274,000	15.41%



Attachment A

Proposed vs Revised Reconciliation of Change in Natural Expenses FY2024-25

- **Salary and Wages**
 - Merit Raise, Phase 2 Comp Adjustments, FLSA Adjustments, Degree & Other Adjustments of \$1,864,400 (*beyond the State-funded portion budgeted in June*)
 - 8 new positions in 7 College/VP Units \$749,300
 - Faculty Promotions \$51,000 (*beyond what was budgeted in June*)
 - Departments transfer funds from operating to salary & wages \$1,425,000

- **Fringe Benefits**
 - Decrease of state funding-TCRS (Tennessee Consolidated Retirement System), Risk Mgmt. insurance, OPEB (Other Post-Employment Benefits) - (\$686,000)
 - Benefits budgeted for 8 new positions \$214,000
 - Benefits added for raise increases \$655,000

- **Travel**
 - Departments transfer funds from operating \$600,000
 - Athletics \$114,000

- **Operating & Utilities**
 - Re-budget of carryforward amounts \$22,849,434
 - Revenue Generating \$1,065,731
 - Faculty Research & Indirect Cost \$3,352,813
 - CEROC & Rural Reimagined Appropriations \$1,112,216
 - SAF \$472,391
 - TAF \$1,789,766
 - Engr State Appropriation funds \$2,764,337
 - Online & Alternate Delivery Fee \$4,459,885
 - Student Activity Fee \$531,913
 - Other department requests \$718,958
 - Purchase Orders \$368,596
 - Summer School \$171,084
 - University Future Commitments \$2,296,415
 - Lapse Pool \$1,420,951
 - Crossville TAP Property \$2,252,586
 - Governor's School \$71,792
 - FY23 Indirect Cost Distribution increase \$580,495
 - Contracts and Insurance increases \$845,000
 - Marketing, New Student Outreach and Student Engagement \$929,950
 - Athletics \$414,000
 - Departments transfer funds from operating to salaries, travel, capital, and transfers (\$2,350,000)

- **Scholarships**
 - Departmental Carryover \$21,530
 - Community College Transfer \$583,000
 - State Mandated Scholarships \$630,000
 - Athletic Scholarships \$667,000

- **Capital**
 - Units transfer funds from operating to Capital \$110,000





Agenda Item Summary

Date: March 6, 2025

Agenda Item: Update on Governor's Budget

Review

Action

No action required

PRESENTERS: Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS:

Governor Lee released his recommended budget for FY 2025-26 on February 10, 2025. The Governor's budget included \$52.8 million for higher education to fund the outcomes budget and a 2.6% salary pool (state funded at 55%). Tennessee Tech's portion of the recommended new operating funds is approximately \$2.6 million.

Governor's budget included \$537.4 million of capital funding for higher education. The Governor's budget does include incremental \$25 million for Advanced Construction & Manufacturing Engineering (ACME) inflationary costs. However, Tennessee Tech's request for a new classroom building is not included in the Governor's budget.

In the Governor's budget Tennessee Tech is recommended to receive \$2.52 million for capital maintenance. This includes multiple building air handler replacements (\$1,080,000) and multiple building roof replacements (\$1,440,000).

Tennessee Tech staff will continue to monitor the budget recommendations as the Governor's budget moves through the legislative process.



Analysis of 2025-2026 State Appropriations - Governor's Budget

Reconciliation of Governor's Higher Education Budget for All Institutions Operating Costs Increase (Funding Formula):

Governor's Budget - Outcomes & Salary Pool Combined	\$	52,842,900	
Governor's Budget - Outcomes	\$	17,014,900	
Distribution:			Percent of Total
TBR	\$	5,177,000	30.43%
APSU	\$	803,600	4.72%
ETSU	\$	1,064,300	6.26%
MTSU	\$	1,527,000	8.97%
TSU	\$	559,700	3.29%
TTU	\$	839,000	4.93%
UM	\$	1,892,900	11.12%
UT	\$	5,151,400	30.28%
	\$	17,014,900	100.00%
Governor's Budget - Salary Pool	\$	35,828,000	
Distribution:			Percent of Total
TBR	\$	10,901,000	30.43%
APSU	\$	1,692,100	4.72%
ETSU	\$	2,241,000	6.25%
MTSU	\$	3,215,500	8.97%
TSU	\$	1,178,600	3.29%
TTU	\$	1,766,700	4.93%
UM	\$	3,985,900	11.13%
UT	\$	10,847,200	30.28%
	\$	35,828,000	100.00%

Reconciliation of Governor's Budget to THEC Recommendation on Outcomes Formula:

	THEC Recommend New Funding	Governor's Budget Recommendation	Percentage Funded
APSU	\$ 1,889,200	\$ 803,600	42.54%
ETSU	\$ 2,501,900	\$ 1,064,300	42.54%
MTSU	\$ 3,589,800	\$ 1,527,000	42.54%
TSU	\$ 1,315,900	\$ 559,700	42.53%
TTU	\$ 1,972,400	\$ 839,000	42.54%
UM	\$ 4,450,000	\$ 1,892,900	42.54%
CC	\$ 9,677,200	\$ 4,116,400	42.54%
TCAT	\$ 2,493,400	\$ 1,060,600	42.54%
UTK	\$ 8,907,400	\$ 3,789,000	42.54%
UTC	\$ 2,031,700	\$ 864,200	42.54%
UTM	\$ 1,171,100	\$ 498,200	42.54%
	\$ 40,000,000	\$ 17,014,900	42.54%

STATE OF TENNESSEE

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The Budget

FISCAL YEAR 2025-2026



Bill Lee, Governor

**Proposed Capital Appropriations
from Bonds, Current Funds, and Other Revenues
Fiscal Year 2025-2026**

PROJECT	COUNTY	TOTAL	STATE	BONDS	FEDERAL	OTHER
Children's Services						
New Woodland Hills and Wilder Secure Facilities	Statewide	\$ 81,100,000	\$ 0	\$ 81,100,000	\$ 0	\$ 0
Correction						
Maintenance	Statewide	\$ 28,230,000	\$ 0	\$ 0	\$ 0	\$ 28,230,000
DJRC Health Services Renovations and Addition	Davidson	4,372,000	0	0	0	4,372,000
Sub-Total Correction		\$ 32,602,000	\$ 0	\$ 0	\$ 0	\$ 32,602,000
Education						
Maintenance	Statewide	\$ 15,360,000	\$ 0	\$ 0	\$ 0	\$ 15,360,000
Environment and Conservation						
Maintenance	Statewide	\$ 40,460,000	\$ 0	\$ 0	\$ 0	\$ 40,460,000
Clinch River Blueway State Park VC and Maintenance Facility	Anderson	6,550,000	6,550,000	0	0	0
Devil's Backbone SP VC, Maint Facility, & Campground	Lewis	21,350,000	21,350,000	0	0	0
Dry Branch State Park Contact Station and Maintenance Facility	Lewis	16,500,000	16,500,000	0	0	0
Hixson Confluence/Cherokee Memorial State Park Amenities	Meigs	4,100,000	4,100,000	0	0	0
Sub-Total Environment and Conservation		\$ 88,960,000	\$ 48,500,000	\$ 0	\$ 0	\$ 40,460,000
General Services						
Maintenance	Statewide	\$ 1,000,000	\$ 0	\$ 0	\$ 0	\$ 1,000,000
Mental Health and Substance Abuse Services						
Maintenance	Statewide	\$ 3,360,000	\$ 0	\$ 0	\$ 0	\$ 3,360,000
Military						
Maintenance	Statewide	\$ 15,980,000	\$ 0	\$ 0	\$ 8,930,000	\$ 7,050,000
Dickson RC Parking and Vault Improvements	Dickson	1,192,000	298,000	0	894,000	0
Lexington RC Parking and Vault Improvements	Henderson	1,540,000	385,000	0	1,155,000	0
Smyrna Airport Land Purchase and Demolition	Rutherford	7,630,000	7,630,000	0	0	0
Statewide Force Protection Improvements	Statewide	5,500,000	5,500,000	0	0	0
TEMA New EOC and Admin Building	Davidson	275,360,000	3,460,000	271,900,000	0	0
Sub-Total Military		\$ 307,202,000	\$ 17,273,000	\$ 271,900,000	\$ 10,979,000	\$ 7,050,000
Safety						
Maintenance	Statewide	\$ 5,920,000	\$ 0	\$ 0	\$ 0	\$ 5,920,000
Locally Governed Higher Education Institutions						
Austin Peay State University						
Maintenance	Statewide	\$ 2,000,000	\$ 0	\$ 0	\$ 0	\$ 2,000,000
East Tennessee State University						
Maintenance	Statewide	\$ 3,500,000	\$ 0	\$ 0	\$ 0	\$ 3,500,000
Brown Hall Renovation Phase 2	Washington	53,441,000	0	51,325,000	0	2,116,000
Sub-Total East Tennessee State University		\$ 56,941,000	\$ 0	\$ 51,325,000	\$ 0	\$ 5,616,000
Middle Tennessee State University						
Maintenance	Statewide	\$ 3,500,000	\$ 0	\$ 0	\$ 0	\$ 3,500,000
Addition and Renovation to the Murphy Center *	Rutherford	119,000,000	0	53,000,000	0	66,000,000
Sub-Total Tennessee Technological University		\$ 122,500,000	\$ 0	\$ 53,000,000	\$ 0	\$ 69,500,000
Tennessee State University						
Maintenance	Statewide	\$ 2,320,000	\$ 0	\$ 0	\$ 0	\$ 2,320,000
Tennessee Technological University						
Maintenance	Statewide	\$ 2,520,000	\$ 0	\$ 0	\$ 0	\$ 2,520,000
Advanced Construction & Manufacturing Engineering	Putnam	27,200,000	0	25,024,000	0	2,176,000
Sub-Total Tennessee Technological University		\$ 29,720,000	\$ 0	\$ 25,024,000	\$ 0	\$ 4,696,000
University of Memphis						
Maintenance	Statewide	\$ 5,880,000	\$ 0	\$ 0	\$ 0	\$ 5,880,000
Research Modernization	Shelby	75,000,000	0	70,500,000	0	4,500,000
Sub-Total University of Memphis		\$ 80,880,000	\$ 0	\$ 70,500,000	\$ 0	\$ 10,380,000
Sub-Total Locally Governed Higher Education Institutions		\$ 294,361,000	\$ 0	\$ 199,849,000	\$ 0	\$ 94,512,000
Tennessee Board of Regents						
Maintenance	Statewide	\$ 11,770,000	\$ 0	\$ 0	\$ 0	\$ 11,770,000
TCAT Nashville Sumner County Campus Replacement	Sumner	45,000,000	45,000,000	0	0	0
TCAT Memphis Aviation Campus Replacement	Shelby	20,000,000	0	20,000,000	0	0
Sub-Total Tennessee Board of Regents		\$ 76,770,000	\$ 45,000,000	\$ 20,000,000	\$ 0	\$ 11,770,000

**Proposed Capital Maintenance Appropriations
from Bonds, Current Funds, and Other Revenues
Fiscal Year 2025-2026**

PROJECT	COUNTY	TOTAL	STATE	BONDS	FEDERAL	OTHER
Correction						
MLTC Primary Generator Replacement	Shelby	\$ 8,790,000	\$ 0	\$ 0	\$ 0	\$ 8,790,000
WTSP New Controls and Generators	Lauderdale	19,440,000	0	0	0	19,440,000
Sub-Total Correction		\$ 28,230,000	\$ 0	\$ 0	\$ 0	\$ 28,230,000
Education						
Alvin C. York Campus Roof Replacements	Fentress	\$ 13,400,000	\$ 0	\$ 0	\$ 0	\$ 13,400,000
TSB Lobby Security Upgrades	Davidson	1,060,000	0	0	0	1,060,000
WTSD Sprinkler System Upgrades	Madison	900,000	0	0	0	900,000
Sub-Total Education		\$ 15,360,000	\$ 0	\$ 0	\$ 0	\$ 15,360,000
Environment and Conservation						
Booker T Washington SP Shoreline Stabilization	Hamilton	\$ 10,760,000	\$ 0	\$ 0	\$ 0	\$ 10,760,000
Harrison Bay SP Shoreline Stabilization	Hamilton	16,340,000	0	0	0	16,340,000
Paris Landing SP Shoreline Stabilization	Henry	9,760,000	0	0	0	9,760,000
SCSP Denny Cove Roadway Repairs	Grundy	3,600,000	0	0	0	3,600,000
Sub-Total Environment and Conservation		\$ 40,460,000	\$ 0	\$ 0	\$ 0	\$ 40,460,000
General Services						
Environmental Consultant	Statewide	\$ 1,000,000	\$ 0	\$ 0	\$ 0	\$ 1,000,000
Mental Health and Substance Abuse Services						
Moccasin Bend Roofing Repairs	Hamilton	\$ 1,240,000	\$ 0	\$ 0	\$ 0	\$ 1,240,000
MTMHI Canopy Replacement	Davidson	2,120,000	0	0	0	2,120,000
Sub-Total Mental Health and Substance Abuse Services		\$ 3,360,000	\$ 0	\$ 0	\$ 0	\$ 3,360,000
Military						
Chattanooga Bldg. 5 Re-Roof, HVAC, & Facility Update	Hamilton	\$ 2,600,000	\$ 0	\$ 0	\$ 1,300,000	\$ 1,300,000
Columbia RC Re-Roof and Facility Update	Maury	1,980,000	0	0	990,000	990,000
Crossville RC Re-Roof and Facility Update	Cumberland	1,480,000	0	0	740,000	740,000
Greeneville RC HVAC and Energy Update	Greene	2,050,000	0	0	1,025,000	1,025,000
Jackson AASF RC Re-Roof, HVAC, & Facility Update	Madison	1,340,000	0	0	670,000	670,000
Louisville RC Re-Roof and Facility Update	Blount	1,980,000	0	0	1,485,000	495,000
Millington RC Re-Roof and Facility Update	Shelby	1,780,000	0	0	1,335,000	445,000
Sparta RC Re-Roof and Facility Update	White	1,670,000	0	0	835,000	835,000
Statewide Paving	Statewide	1,100,000	0	0	550,000	550,000
Sub-Total Military		\$ 15,980,000	\$ 0	\$ 0	\$ 8,930,000	\$ 7,050,000
Safety						
THP Harrison Hall Renovations	Davidson	\$ 5,920,000	\$ 0	\$ 0	\$ 0	\$ 5,920,000
Locally Governed Higher Education Institutions						
Austin Peay State University						
Dunn Center HVAC and Electrical Modernization Phase 5	Montgomery	\$ 1,710,000	\$ 0	\$ 0	\$ 0	\$ 1,710,000
Dunn Center HVAC and Electrical Modernization Phase 6	Montgomery	290,000	0	0	0	290,000
Sub-Total Austin Peay State University		\$ 2,000,000	\$ 0	\$ 0	\$ 0	\$ 2,000,000
East Tennessee State University						
Safety Steam Line Repairs and Replacements	Washington	\$ 3,500,000	\$ 0	\$ 0	\$ 0	\$ 3,500,000
Middle Tennessee State University						
Multiple Buildings Envelope & Structural Repairs Phase 1	Rutherford	\$ 3,500,000	\$ 0	\$ 0	\$ 0	\$ 3,500,000
Tennessee State University						
Chiller Replacement-Avon Williams	Davidson	\$ 2,320,000	\$ 0	\$ 0	\$ 0	\$ 2,320,000
Tennessee Technological University						
Multiple Buildings Air Handler Replacement	Putnam	\$ 1,080,000	\$ 0	\$ 0	\$ 0	\$ 1,080,000
Multiple Buildings Roof Replacements	Putnam	1,440,000	0	0	0	1,440,000
Sub-Total Tennessee Technological University		\$ 2,520,000	\$ 0	\$ 0	\$ 0	\$ 2,520,000
University of Memphis						
Boilers and Coil Replacement Phase 3	Shelby	\$ 5,880,000	\$ 0	\$ 0	\$ 0	\$ 5,880,000
Sub-Total Locally Governed Higher Education Institutions		\$ 19,720,000	\$ 0	\$ 0	\$ 0	\$ 19,720,000

**Capital Outlay Project Descriptions
Fiscal Year 2025-2026**

	Total Project Cost
Tennessee State University	
Maintenance	\$ 2,320,000
Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	
Tennessee Technological University	
Maintenance	\$ 2,520,000
Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	
Advanced Construction and Manufacturing Engineering	27,200,000
Funds are provided to construct an advanced construction and manufacturing engineering facility, demolish Lewis Hall and the Foundry, reroute existing utilities, and return the site to green space.	
Sub-Total Tennessee Technological University	<u>\$ 29,720,000</u>
University of Memphis	
Maintenance	\$ 5,880,000
Funds are provided to repair, maintain, and update campus facilities. See Capital Maintenance Project Descriptions for additional details.	
Research Modernization	75,000,000
Funds are provided to modernize space in 15 buildings to support research, including lab renovations and infrastructure improvements.	
Sub-Total University of Memphis	<u>\$ 80,880,000</u>
Sub-Total Locally Governed Higher Education Institutions	<u>\$ 294,361,000</u>
Tennessee Board of Regents	
Objective: Expand and enhance facilities for student and faculty needs.	
Maintenance	\$ 11,770,000
Funds are provided to repair, maintain, and update higher education institution facilities statewide. See Capital Maintenance Project Descriptions for additional details.	
TCAT Nashville Sumner County Campus Replacement	45,000,000
Funds are provided to provided to construct a new TCAT Nashville facility located in Sumner County.	
TCAT Memphis Aviation Campus Replacement	20,000,000
Funds are provided to construct new facilities to replace the existing Aviation Maintenance Technology and Avionics Maintenance Technician programs at TCAT Memphis.	
Sub-Total Tennessee Board of Regents	<u>\$ 76,770,000</u>
University of Tennessee	
Objective: Expand and enhance facilities for students and faculty needs.	
Maintenance	\$ 18,350,000
Funds are provided to repair, maintain, and update higher education institution facilities statewide. See Capital Maintenance Project Descriptions for additional details.	
UTK Chemistry Building	199,000,000
Funds are provided to construct a new Chemistry Building.	
UTM College of Business and Global Affairs	61,200,000
Funds are provided to construct the College of Business and Global Affairs building, including demolition of the existing Business Administration Building.	
Sub-Total University of Tennessee	<u>\$ 278,550,000</u>
Grand Total	<u>\$ 1,185,185,000</u>

**Capital Maintenance Project Descriptions
Fiscal Year 2025-2026**

	<u>Total Project Cost</u>
East Tennessee State University	
Safety Steam Line Repairs and Replacement	\$ 3,500,000
Funds are provided for replacement of steam piping, condensate lines, steam traps, associated systems in the campus steam distribution system to include direct bury and steam tunnel piping, and all related work.	
Middle Tennessee State University	
Multiple Buildings Envelope and Structural Repairs 1	\$ 3,500,000
Funds are provided for replacement of building envelope components, structural repairs on multiple buildings, and all related work.	
Tennessee State University	
Chiller Replacement at Avon Williams	\$ 2,320,000
Funds are provided for updating building system equipment at Avon Williams including chiller, cooling tower, pumps, and all related work.	
Tennessee Technological University	
Multiple Buildings Air Handler Replacement	\$ 1,080,000
Funds are provided for replacement of the air handlers at Henderson Hall, T.J. Farr Building, and all related work.	
Multiple Buildings Roof Replacements	1,440,000
Funds are provided for replacement of the roofs on the Maintenance Office Building, Bell Hall, Ray Morris Hall, and all related work.	
Sub-Total Tennessee Technological University	<u>\$ 2,520,000</u>
University of Memphis	
Boilers and Coil Replacement Phase Three	\$ 5,880,000
Funds are provided for installation of hot water heating boilers for seven building on campus, to replace steam coils where necessary, and all related work.	
Sub-Total Locally Governed Higher Education Institutions	<u>\$ 19,720,000</u>
Tennessee Board of Regents	
JSCC Multiple Building Roofing Phase Two	\$ 2,130,000
Funds are provided for replacement of the roofing systems including the roof membrane, insulation, flashings, drainage and all related work.	
MSCC Backup Power and Utilities Upgrades Phase Two	1,650,000
Funds are provided for installation of backup power and utilities in Marcum IT department, Ingram Administration Building, power plant operations building, and all related work.	
NaSCC HVAC and Cooling Tower Repairs Phase Four	3,000,000
Funds are provided for updates to HVAC systems at the Southeast campus and all related work.	
NeSCC Hamilton Hall HVAC Replacement	1,800,000
Funds are provided for replacement of the HVAC equipment, piping, ductwork, controls, and all related work.	
PSCC HVAC Equipment Replacement	850,000
Funds are provided for replacement of the chiller and cooling tower at the Strawberry Plains Campus, for replacement of cooling towers at the Hardin Valley Campus, and all related work.	
PSCC Magnolia Campus ADA Corrections	640,000
Funds are provided for updates to accessible parking, sidewalks, interior circulation spaces, interior courtyard, and all related work.	
VSCC Domestic Water Improvements Phase Two	900,000
Funds are provided for replacement of all domestic underground water lines entering structures, some degraded lines within buildings, and all related work.	

**Projected First-Year Operating Costs for New Facilities
Recommended as Projects for Fiscal Year 2025-2026**

3

	COUNTY	TOTAL	UTILITIES	MAINTENANCE	PROGRAM *	ADDITIONAL PERSONNEL
Environment and Conservation						
Devil's Backbone SP VC, Maint Facility, & Campground	Lewis	\$ 255,000	\$ 15,000	\$ 7,000	\$ 233,000	4
Military						
TEMA New EOC and Admin Building	Davidson	\$ 95,000	\$ 35,000	\$ 50,000	\$ 10,000	0
Middle Tennessee State University						
Addition and Renovation to the Murphy Center	Rutherford	\$ 57,600	\$ 48,000	\$ 9,600	\$ 0	0
Tennessee Technological University						
Advanced Construction & Manufacturing Engineering	Putnam	\$ 479,400	\$ 418,100	\$ 61,300	\$ 0	0
Tennessee Board of Regents						
TCAT Nashville Sumner County Campus Replacement	Sumner	\$ 1,223,400	\$ 210,200	\$ 155,300	\$ 857,900	4
TCAT Memphis Aviation Campus Replacement	Shelby	988,700	99,200	189,300	700,200	1
Sub-Total Tennessee Board of Regents		\$ 2,212,100	\$ 309,400	\$ 344,600	\$ 1,558,100	5
University of Tennessee						
UTK Chemistry Building	Knox	\$ 3,060,700	\$ 795,300	\$ 1,152,900	\$ 1,112,500	4
UTM College of Business and Global Affairs	Weakley	479,800	157,800	134,500	187,500	2
Sub-Total University of Tennessee		\$ 3,540,500	\$ 953,100	\$ 1,287,400	\$ 1,300,000	6
Grand Total		\$ 6,639,600	\$ 1,778,600	\$ 1,759,900	\$ 3,101,100	15

* Operating costs are defined as new or increased costs associated with the work tasks anticipated to be performed within the new facility. The salary costs of any new employees anticipated to be hired for the new facility are considered part of these costs.



Education

Cost Increases for Fiscal Year 2025-2026

	State	Federal	Other	Total	Positions
<ul style="list-style-type: none"> Tennessee State University - Annualize January 1, 2025 Rate Increase To provide recurring funding to annualize the state share of a 5.5 percent group health insurance premium increase on January 1, 2025. 					
332.77 Tennessee State University	\$293,800	\$0	\$0	\$293,800	0
Sub-total	\$293,800	\$0	\$0	\$293,800	0
Total Tennessee State University	\$2,451,300	\$0	\$0	\$2,451,300	0
Tennessee Technological University					
<ul style="list-style-type: none"> Tennessee Technological University Outcome Growth To provide recurring funding associated with greater institutional outcomes, such as increases in student progression, degree production, and other outcome measures related to the institutional mission for formula units. This appropriation also includes funds for each institution to provide salary increases. 					
332.78 Tennessee Technological University	\$2,605,700	\$0	\$0	\$2,605,700	0
Sub-total	\$2,605,700	\$0	\$0	\$2,605,700	0
<ul style="list-style-type: none"> Tennessee Technological University Health Insurance - January 1, 2026 Rate Increase To provide recurring funding for the state share of a 6.0 percent group health insurance premium increase on January 1, 2026. This is funded for six months in the Recommended Budget. 					
332.78 Tennessee Technological University	\$413,400	\$0	\$0	\$413,400	0
Sub-total	\$413,400	\$0	\$0	\$413,400	0
<ul style="list-style-type: none"> Tennessee Technological University - Annualize January 1, 2025 Rate Increase To provide recurring funding to annualize the state share of a 5.5 percent group health insurance premium increase on January 1, 2025. 					
332.78 Tennessee Technological University	\$349,200	\$0	\$0	\$349,200	0
Sub-total	\$349,200	\$0	\$0	\$349,200	0
Total Tennessee Technological University	\$3,368,300	\$0	\$0	\$3,368,300	0
Total Education	\$739,563,300	\$0	\$12,690,900	\$752,254,200	3

Tennessee Technological University

Tennessee Technological University is a comprehensive university located in Cookeville. While the university's strength is in technology and engineering, other academic divisions include agriculture and human sciences, arts and sciences, business, education, interdisciplinary studies, and graduate studies. The university's three centers of excellence are energy systems research, manufacturing, and water resources.

	Actual 2023-2024	Estimated 2024-2025	Base 2025-2026	Cost Increase 2025-2026	Recommended 2025-2026
332.78 Tennessee Technological University					
Full-Time Administrative	36	39	39	0	39
Professional	445	444	444	0	444
Faculty	463	468	468	0	468
Clerical Support	275	299	299	0	299
TOTAL	1,219	1,250	1,250	0	1,250
Headcount	10,117	10,511	10,511	0	10,511
State Appropriations	\$106,140,600	\$88,865,800	\$86,627,900	\$3,368,300	\$89,996,200
Federal	2,917,700	2,069,700	2,069,700	0	2,069,700
Other	45,779,000	32,875,700	32,875,700	0	32,875,700
Tuition and Fees	107,853,200	112,805,000	112,805,000	0	112,805,000
TOTAL	\$262,690,500	\$236,616,200	\$234,378,300	\$3,368,300	\$237,746,600



Agenda Item Summary

Date: March 6, 2025

Agenda Item: Compensation Plan

Review

Action

No action required

PRESENTERS: Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS: Recommend Approval

President Oldham is recommending a 2.6 % salary pool for FY2025-26. This recommendation is subject to approval of the Governor’s budget which includes funding for 55% of the cost of the recommended 2.6% increase. The university would provide the additional 45% of cost. The adjustment to salaries would be effective July 1, 2025 for staff and August 2025 for faculty (beginning of their new academic year contract).



Agenda Item Summary

Date: March 6, 2025

Agenda Item: Non-Mandatory Fees

Review

Action

No action required

PRESENTERS: Dr. Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS:

The only increase in non-mandatory fees being proposed is rental rates for residential halls and apartments on campus. The Residential Hall operations is an auxiliary operation and must cover all costs associated with its operations including construction of new halls/apartments and performing major maintenance on the existing buildings.

The Business Office has worked closely with Residential Life personnel to develop a 5-year financial plan for the residential life operations. The objective of the 5-year plan was to ensure our budget was sufficient to cover costs of operations at a quality level reflective of the University. This includes proper staffing both for administrative and day-to-day building maintenance. The plan also took into consideration the current level of deferred maintenance on existing buildings and the level of annual investment necessary to maintain existing buildings going forward. The plan also considered our current requirements for servicing our debt, and the projected debt service requirement for the new residential hall that will open in fall 2027.

Working together, Residential Life and the Business Office analyzed historical data comparing occupancy rates to total capacity. The result of this analysis shows that we have more upper-class students that would like to live on-campus than what we have capacity to offer these students. This is supported by the housing study completed by Brailsford & Dunlavey in 2020. Although the new residential hall will provide additional capacity of approximately 400 beds, this will only net approximately 200 additional beds as one residence hall (Crawford) is scheduled for demolition shortly after opening of the new hall. The 5-year financial plan is the first step in assisting with identifying and planning for new and replacement housing to facilitate a consistent and common first-year experience and grow the residential population to support vibrant campus experiences for all students.



The 5-year plan for Residential Life includes estimated inflationary costs for operations – salaries, fringe benefits, programing, utilities, and day-to-day maintenance. Based on historical data, we estimated \$5 million annually dedicated to major maintenance projects. This will allow us to bring deferred maintenance up-to-date and continue to plan for major maintenance needs prior to getting to a critical stage.

We are recommending a 5% annual increase in housing rates over the next 5-years starting in fall 2025. Currently our rates are comparable to the local housing market. Our rates include utilities such as electric, water, sewer, internet, and cable services which is not the case for most of the local rental properties. We also looked at rental rates for other LGIs and UT campuses and our rates are reasonable in comparison.

Tennessee Tech University
Non-Mandatory Fee Proposal Summary
FY2025-2026 Through FY 2029-2030

Proposed Increase in Non-Mandatory Fees for Housing:

		2025-26	2026-27	2027-28	2028-29	2029-30
Traditional Housing (Dormitories)	5% Annually	\$ 729,286	\$ 765,751	\$ 804,038	\$ 1,037,134	\$ 1,088,991
Tech Village	5% Annually	\$ 118,622	\$ 124,553	\$ 130,781	\$ 137,320	\$ 144,186
Total Housing per year		\$ 847,908	\$ 890,304	\$ 934,819	\$ 1,174,454	\$ 1,233,177
Total Increase 5 Year Plan						<u>\$ 5,080,662</u>

TENNESSEE TECH UNIVERSITY
PROPOSED Housing FEE CHANGES
2025-26 Through 2029-30

Description	Rates (5 Year Plan)							Prior Fee Increase	Objectives and Considerations	
	Current 2024-25	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29	Proposed 2029-30	%			
HOUSING:										
Residence Halls:										
Traditional Double/Triple	\$3,177/sem	\$3,336/sem	\$3,503/sem	\$3,678/sem	\$3,862/sem	\$4,055/sem	5% Annually	2024-25 \$93/3%	*Offset of inflationary costs and fund backlog of deferred maintenance projects.	
Traditional Double/Triple - Summer Session*	\$909/sem	\$954/sem	\$1,002/sem	\$1,052/sem	\$1,105/sem	\$1,160/sem	5% Annually	2024-25 \$26/3%		
<i>(Browning/Evins, Cooper/Dunn, Ellington/Warf, Ms Cooper/Pinkerton, Jobe/Murphy)</i>										
Traditional Single	\$3,378/sem	\$4,170/sem	\$4,378/sem	\$4,597/sem	\$4,827/sem	\$5,068/sem	5% Annually	2024-25 \$98/3%		
Traditional Single - Summer Session*	\$982/sem	\$1193/sem	\$1,253/sem	\$1,315/sem	\$1,381/sem	\$1,450/sem	5% Annually	2024-25 \$29/3%		
<i>(Browning/Evins, Cooper/Dunn, Ellington/Warf, Ms Cooper/Pinkerton, Jobe/Murphy)</i>										
Traditional Double as Single - Summer Session*	\$1,108/sem	\$1,163/sem	\$1,222/sem	\$1,283/sem	\$1,347/sem	\$1,414/sem	5% Annually	2024-25 \$32/3%		
<i>(Browning/Evins, Cooper/Dunn, Ellington/Warf, Ms Cooper/Pinkerton, Jobe/Murphy)</i>										
Murphy Super Single	\$3,777/sem	\$4,170/sem	\$4,164/sem	\$4,372/sem	\$4,591/sem	\$4,821/sem	5% Annually	2024-25 \$110/3%		
<i>(Murphy Super Single Rooms Only)</i>										
Crawford Double/Triple	\$2,711/sem	\$2,847/sem	\$2,989/sem	Offline	Offline	Offline	5% Annually	2024-25 \$79/3%		
<i>(Crawford)</i>										
Crawford Single	\$2,872/sem	\$3,436/sem	\$3,603/sem	Offline	Offline	Offline	5% Annually	2024-25 \$84/3%		
<i>(Crawford)</i>										
Engineering Village Double/Triple	\$3,277/sem	\$3,441/sem	\$3,613/sem	\$3,794/sem	\$3,983/sem	\$4,182/sem	5% Annually	2024-25 \$93/3%		
<i>(Maddux/McCord)</i>										
Engineering Village Single	\$3,478/sem	\$4,270/sem	\$4,478/sem	\$4,697/sem	\$4,927/sem	\$5,168/sem	5% Annually	2024-25 \$98/3%		
<i>(Maddux/McCord)</i>										
New Halls Double	\$4,192/sem	\$4,402/sem	\$4,622/sem	\$4,8253/sem	\$5,095/sem	\$5,350/sem	5% Annually	2024-25 \$122/3%		
<i>(New Hall North/New Hall South)</i>										
New Halls Single	\$4,656/sem	\$5,502/sem	\$5,777/sem	\$6,066/sem	\$6,369/sem	\$6,688/sem	5% Annually	2024-25 \$136/3%		
<i>(New Hall North/New Hall South)</i>										
Innovation Hall - Traditional Double	Offline	Offline	Offline	\$4,853/sem	\$5,096/sem	\$5,350/sem		Initial		
Innovation Hall - Hotel Style	Offline	Offline	Offline	\$5,484/sem	\$5,758/sem	\$6,046/sem		Initial		
Traditional Housing (Dormitories) Annual Revenue Impact of Fee Change		\$ 729,286	\$ 765,751	\$ 804,038	\$ 1,037,134	\$ 1,088,991				
Tech Village Apartments:										
One Bedroom (Small 528 sq ft) Single**	\$4,687/sem	\$4,921/sem	\$5,167/sem	\$5,426/sem	\$5,697/sem	\$5,982/sem	5% Annually	2024-25 \$137/3%	*Offset of inflationary costs and fund backlog of deferred maintenance projects.	
Summer Semester**	\$1,875/sem	\$1,969/sem	\$2,067/sem	\$2,171/sem	\$2,279/sem	\$2,393/sem	5% Annually	2024-25 \$55/3%		
One Bedroom (Large 543 sq ft) Single **	\$4,841/sem	\$5,083/sem	\$5,337/sem	\$5,604/sem	\$5,884/sem	\$6,178/sem	5% Annually	2024-25 \$141/3%		
Summer Semester**	\$1,936/sem	\$2,033/sem	\$2,134/sem	\$2,241/sem	\$2,353/sem	\$2,471/sem	5% Annually	2024-25 \$56/3%		
Two Bedroom (Small 572 sq ft) Single**	\$5,222/sem	\$5,483/sem	\$5,757/sem	\$6,045/sem	\$6,347/sem	\$6,665/sem	5% Annually	2024-25 \$152/3%		
Summer Semester**	\$2,089/sem	\$2,193/sem	\$2,303/sem	\$2,418/sem	\$2,539/sem	\$2,666/sem	5% Annually	2024-25 \$61/3%		
Two Bedroom (Large 660 sq ft) Single**	\$5,526/sem	\$5,802/sem	\$6,092/sem	\$6,397/sem	\$6,717/sem	\$7,053/sem	5% Annually	2024-25 \$161/3%		
Summer Semester**	\$2,210/sem	\$2,321/sem	\$2,437/sem	\$2,558/sem	\$2,686/sem	\$2,821/sem	5% Annually	2024-25 \$64/3%		
Two Bedroom (4 Person Suite 1100 sq ft) Single***	\$6,448/sem	\$6,770/sem	\$7,109/sem	\$7,464/sem	\$7,838/sem	\$8,229/sem	5% Annually	2024-25 \$188/3%		
Summer Semester***	\$2,579/sem	\$2,708/sem	\$2,843/sem	\$2,986/sem	\$3,135/sem	\$3,292/sem	5% Annually	2024-25 \$75/3%		

TENNESSEE TECH UNIVERSITY
PROPOSED Housing FEE CHANGES
2025-26 Through 2029-30

Description	Rates (5 Year Plan)							Prior Fee Increase	Objectives and Considerations
	Current 2024-25	Proposed 2025-26	Proposed 2026-27	Proposed 2027-28	Proposed 2028-29	Proposed 2029-30	%		
Tech Village Annual Revenue Impact of Fee Change		\$ 118,622	\$ 124,553	\$ 130,781	\$ 137,320	\$ 144,186			
Total Housing Annual Revenue Impact of Fee Change		\$ 847,908	\$ 890,304	\$ 934,819	\$ 1,174,454	\$ 1,233,177			

Notes:
** Resident hall full summer rates are equal to summer semester rates x 2.*
*** Tech Village Apartments single rate:
 divided by 2 gives the double rate.*
**** Tech Village Apartments single rate:
 divided by 2 gives the double rate.
 divided by 3 gives the triple rate.
 divided by 4 gives the quad rate.*



Agenda Item Summary

Date: March 6, 2025

Agenda Item: Tuition & Mandatory Fees

Review

Action

No action required

PRESENTERS: Dr. Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS:

At its November 2024 meeting, THEC recommended a preliminary tuition and mandatory fee range of 0-4% for academic year 2025-26. However, discussions are occurring to request an expansion of the range based on the Governor’s recommended budget. Data showing the impact of tuition and mandatory fees increases over a range of 1-5% is being provided as an information item. The potential impact is presented both in terms of revenues generated and cost to students for each percentage increase.

THEC will set a tuition and mandatory fees binding range at a special called meeting on March 19, 2025. The university anticipates recommending up to a 5% increase for tuition and mandatory fees. Requests to increase fees within THEC’s binding range will be presented to the Board of Trustees for approval to be effective fall 2025 semester.



Agenda Item Summary

Date: March 6, 2025

Agenda Item: Disclosed Project

Review

Action

No action required

PRESENTER(S): Dr. Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS: Review and approval of disclosed project for sound system in Hooper Eblen Center.

Capital Disclosure: FY2024-25

	Governing Board	Institution	Project Name	Project Description	New Sq. Ft.	Funding Source	Project Cost	Funding Source						
								TSSBA	Gifts	Grants	Auxiliary	Gift-in-Place	Plant Funds	Other
1	TTU	TTU	Hooper Eblen Center Sound System Replacement	Replace the sound system in Hooper Eblen Center, including acoustic wall panels and acoustic ceiling elements, and all related work.		Plant Funds	\$ 2,620,000						\$ 2,620,000	



Agenda Item Summary

Date: March 6, 2025

Agenda Item: FY2024 State Audit

Review

Action

No action required

PRESENTERS: Claire Stinson, Vice President for Planning & Finance

PURPOSE & KEY POINTS:

Tennessee Tech University and its Component Unit (Tennessee Tech University Foundation) financial and compliance audit for FY2024 has been released. The independent auditor's report notes unmodified opinions were given on the fairness of the presentation of the financial statements. Consideration of the internal control over financial reporting and tests of compliance resulted in no audit findings. The audit report can be found [here](#).



Agenda Item Summary

Date: March 6, 2025

Agenda Item: Notice of Responsibilities for Preventing, Detecting, and Reporting Fraud, Waste, and Abuse

Review

Action

No action required

PRESENTERS: Johnny Stites, Chair of Audit & Business Committee

PURPOSE & KEY POINTS:

One of the duties of the Audit and Business Committee is to regularly, formally reiterate to the Board, Management, and Staff their responsibilities for preventing, detecting, and reporting fraud, waste, and abuse.

Notice of Responsibilities

Per [Tenn. Code Ann. § 4-35-105](#), one of the duties of the Audit Committee is to regularly, formally reiterate to the Board, Management, and Staff their responsibilities for preventing, detecting, and reporting fraud, waste, and abuse.

Detailed definitions and examples of fraud, waste, and abuse, various individual's responsibility for preventing and detecting fraud, waste, and abuse, and methods for reporting fraud, waste, and abuse can be found in [Tennessee Tech Policy 131—Preventing and Reporting Fraud, Waste, or Abuse](#).

Individuals have varying responsibilities for preventing and reporting fraud, waste, or abuse.

Board Members - All

Generally, the Board and Audit Committee should consider the risk of fraudulent financial reporting and fraud due to misappropriation and abuse of university assets as they govern and guide the University.

Individually, board members should abide by [Tennessee Tech Policy 001—Board Code of Ethics and Conduct and Conflict of Interest](#).

Audit Committee

The Audit Committee shall establish a process by which employees, taxpayers, or others may confidentially report illegal, improper, wasteful, or fraudulent activity.

The Audit Committee chair must inform the Comptroller of the Treasury of any illegal, improper, wasteful, or fraudulent activity that he/she believes has occurred.

Management

Management shall not engage in fraud, waste, or abuse and is responsible for developing and implementing internal controls to help prevent and detect fraud, waste, and abuse.

Executives and administrators with reasonable basis for believing fraud, waste, or abuse has occurred are required to report those incidents.

Employees

Employees shall not engage in fraud, waste, or abuse.

Employees with reasonable basis for believing fraud, waste, or abuse has occurred are strongly encouraged to report those incidents.

Students and Citizens

All students and citizens of the state of Tennessee are encouraged to report known or suspected acts of fraud, waste, or abuse.

Fraud, waste, or abuse can be reported confidentially and should be reported to a supervisor, institutional executive, Tennessee Tech Internal Audit, or the Tennessee Comptroller of the Treasury.

Specific methods for reporting fraud, waste, or abuse can be found on Tennessee Tech Internal Audit's website and in Tennessee Tech Policy 131—Preventing and Reporting Fraud, Waste, or Abuse.



Agenda Item Summary

Date: March 6, 2025

Agenda Item: Annual Internal Audit Report

Review

Action

No action required

10

PRESENTERS: Amy Wilegus, Chief Audit Executive

PURPOSE & KEY POINTS: As required in Tennessee Code Annotated § 49-14-102, an annual report on Internal Audit's work for January 2024 through December 2024 is provided to the Audit and Business Committee for review.

Reports on audits, investigations, and selected reviews are provided to the Audit and Business Committee as completed throughout the year.



Agenda Item Summary

Date: March 6, 2025

Agenda Item: Approval of Internal Audit Charter

Review Action No action required

11

PRESENTERS: Amy Wilegus, Chief Audit Executive

PURPOSE & KEY POINTS:

The proposed draft of the Tennessee Tech Internal Audit Charter (IA Charter) is presented to the Audit and Business Committee for review and approval as required by the Tennessee Tech Audit Committee Charter.

The IA Charter was revised to comply with the Institute of Internal Auditors’ most recent version of the Global Internal Audit Standards that became effective January 9, 2025. Tennessee state law requires Internal Audit to comply with these standards.

The IA Charter Mapping document and the existing IA Charter were added in Diligent to summarize the changes from the existing IA Charter to the Proposed IA Charter.



Internal Audit

TENNESSEE TECH

Internal Audit Charter

Purpose

The purpose of the Tennessee Tech Internal Audit function is to strengthen the university's ability to create, protect, and sustain value by providing the Audit and Business Committee of the Board of Trustees (Audit and Business Committee) and management with independent, risk-based, and objective assurance, advice, insight, and foresight. The Internal Audit function enhances Tennessee Tech's:

- successful achievement of its objectives,
- governance, risk management, and control processes,
- decision-making and oversight,
- reputation and credibility with its stakeholders, and
- ability to serve the public interest.

Mandate

Tennessee Tech's Internal Audit function mandate is set forth by laws of the State of Tennessee. *The Higher Education Accountability Act of 2004* found in Tennessee Code Annotated § 49-14-102(b) states that "Each audit committee shall employ a person qualified by training and experience to serve as the chief internal auditor...[who] shall report directly to the audit committee and respective board." Additionally, Tenn. Code Ann. § 4-3-304 states that "No...institution...shall cause internal auditing to be performed by persons who do not meet the job specifications for internal auditors.....and (9) ...minimum standards for the performance of audits by the internal audit staffs of ...institutions... or other entities of the state...shall include "Standards for the Professional Practice of Internal Auditing" published by the Institute of Internal Auditors, Inc., or such other standards as may be approved by the comptroller of the treasury."

Independence, Organizational Position, and Reporting Relationships

The Chief Audit Executive (CAE) is positioned at a level within Tennessee Tech that enables internal audit services and responsibilities to be performed without influence from management, thereby establishing the independence of the Internal Audit function.

The CAE reports functionally to the Chair of the Audit and Business Committee and administratively to the President of Tennessee Tech for day-to-day operations. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit and Business Committee, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.

Authority

The Internal Audit function's authority established by its organizational position and direct reporting relationships allows for unrestricted access to the Audit and Business Committee.

The Audit and Business Committee authorizes the Internal Audit function to:

- have full and unrestricted access to all Tennessee Tech functions, data, records, information, systems, physical property, and personnel pertinent to executing internal audit responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives.
- obtain assistance from the necessary personnel of Tennessee Tech and other specialized services from within or outside the University to complete internal audit services.

Commitment to Adhering to the Global Internal Audit Standards

Tennessee Tech's Internal Audit function is most effective when performed by competent professionals in conformance with The Institute of Internal Auditors' (IIA) International Professional Practices Framework, which comprise Global Internal Audit Standards™ and Topical Requirements (Standards). Tennessee Tech's Internal Audit function adheres to the mandatory elements of the Standards.

The CAE reports the following at least annually to the Audit and Business Committee and senior management:

- the Internal Audit function's conformance with the Standards, assessed through a quality assurance and improvement program (QAIP);
- positive confirmation of the department's organizational independence or the disclosure of any safeguards needed or implemented to achieve the principle of independence; and
- any interference related to the scope, performance, or communication of internal audit work and results, if applicable.

Changes to the Mandate and Internal Audit Charter

The CAE periodically assesses whether the charter's provisions continue to enable the Internal Audit function to accomplish its objectives. The results of this periodic assessment are communicated to senior management and the Tennessee Tech Audit and Business Committee for review and approval or reaffirmation.

Circumstances that may justify a revision of the internal audit mandate or other aspects of the Internal Audit Charter include but are not limited to:

- a significant change in the Standards,
- a significant reorganization within the organization,
- significant changes in the CAE, the Audit and Business Committee, and/or senior management,
- significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates, or
- new laws or regulations that may affect the nature and/or scope of internal audit services.

Audit and Business Committee Oversight

In accordance with the State of Tennessee Audit Committee Act of 2005 found in Tenn. Code Ann. § 4-35, the Audit and Business Committee has a separate Committee Charter that outlines its responsibilities in relation to the Internal Audit function. Additionally, Tennessee Tech is a public sector organization. Therefore, the Internal Audit function budget is part of the University's overall budget that is dependent on the State of Tennessee budget and is approved by senior management in conjunction with the Board of Trustees. Instead of direct approval, the Audit and Business Committee discusses with the CAE and senior management the appropriate authority, role, responsibilities, scope, and services of the Internal Audit function and ensures adequate resources to allow the Internal Audit function to fulfill its mandate and accomplish its audit plan.

Chief Audit Executive Roles and Responsibilities

Ethics and Professionalism

The CAE ensures that internal auditors:

- conform with the Standards, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality,
- understand, respect, meet, and contribute to the legitimate and ethical expectations of the university and recognize conduct that is contrary to those expectations,
- encourage and promote an ethics-based culture in the organization, and
- report organizational behavior that is inconsistent with the organization's ethical expectations, as described in applicable policies and procedures.

Objectivity

The CAE ensures that the Internal Audit function remains free from all conditions that threaten the ability of internal auditors to perform their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CAE determines that objectivity may be impaired in fact or appearance, the details of the impairment are disclosed to appropriate parties.

Internal auditors maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance. Internal auditors have no direct operational responsibility or authority over any of the activities they review.

Accordingly, internal auditors do not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- assessing specific operations for which they had responsibility within the previous year,
- performing operational duties for Tennessee Tech or its affiliates,
- initiating or approving transactions external to the Internal Audit function; or

- directing the activities of any Tennessee Tech employee that is not employed by the Internal Audit function, except to the extent that such employees have been appropriately assigned to internal audit teams or to assist internal auditors.

Internal auditors:

- disclose impairments of independence or objectivity, in fact or appearance, at least annually to the CAE, who reports these disclosures to the Audit and Business Committee, management, or others as deemed necessary,
- exhibit professional objectivity in gathering, evaluating, and communicating information,
- make balanced assessments of available and relevant facts and circumstances, and
- take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The CAE has the responsibility to:

- at least annually, develop a risk-based internal audit plan that considers the input of the Audit and Business Committee and senior management. Discuss the plan with the Audit and Business Committee and senior management and submit the plan to the Audit and Business Committee for review and approval.
- communicate the impact of resource limitations on the internal audit plan to the Audit and Business Committee and senior management.
- review and adjust the internal audit plan, as necessary, in response to changes in Tennessee Tech's business, risks, operations, programs, systems, and controls.
- communicate with the Audit and Business Committee and senior management if there are significant interim changes to the internal audit plan.
- communicate the results of internal audit services to the Audit and Business Committee, senior management, and the state comptroller's office or others as may be required. Follow up on engagement findings and confirm the implementation of recommendations or action plans as appropriate.
- ensure the Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the Standards and fulfill the internal audit mandate.
- identify and consider trends and emerging issues that could impact Tennessee Tech and communicate to the Audit and Business Committee and senior management as appropriate.
- consider emerging trends and successful practices in internal auditing.
- establish and ensure adherence to methodologies designed to guide the Internal Audit function.
- ensure adherence to Tennessee Tech's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter or the Standards. Any such conflicts will be resolved or documented and communicated to the Audit and Business Committee and senior management.
- coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CAE cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the Audit and Business Committee.

Quality Assurance and Improvement Program (QAIP)

The CAE develops, implements, and maintains a QAIP that covers all aspects of the Internal Audit function. The program includes external and internal assessments of the Internal Audit function's conformance with the Standards, as well as performance measurement to assess the Internal Audit function's progress toward the achievement of its objectives and promotion of continuous improvement. The program also assesses, if applicable, compliance with laws and/or regulations relevant to internal auditing. Also, if applicable, the assessment includes plans to address the Internal Audit function's deficiencies and opportunities for improvement.

Annually, the CAE communicates with the Audit and Business Committee and senior management about the Internal Audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments are conducted at least once every five years by a qualified, independent assessor or assessment team from outside Tennessee Tech; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential. Public sector competencies and knowledge as well as knowledge of the Standards are considered when selecting external assessors.

Communication with the Audit and Business Committee and Senior Management

The CAE reports at least annually, and sometimes quarterly, to the Audit and Business Committee and senior management regarding:

- the Internal Audit function's mandate,
- the internal audit plan, performance relative to the plan, and required resources,
- significant revisions to the internal audit plan and resources,
- potential impairments to independence, including relevant disclosures as applicable,
- results from the QAIP, both internal and external when applicable,
- significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the Audit and Business Committee that could interfere with the achievement of Tennessee Tech's strategic objectives,
- results of assurance and advisory services,
- management's responses to risk that the Internal Audit function determines may be unacceptable or acceptance of a risk that is beyond Tennessee Tech's risk appetite or control, such as potential funding restrictions impacting management's ability to respond to risks toward strategic objectives.

Scope and Types of Internal Audit Services

The scope of internal audit services covers the entire breadth of the organization, including all of Tennessee Tech's activities, programs, assets, personnel, and auxiliary operations. The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Audit and Business Committee and senior management on the adequacy and effectiveness of governance, risk management, and control processes for Tennessee Tech.

The nature and scope of advisory services may be agreed to with the party requesting the service, provided the Internal Audit function does not assume management responsibility. Opportunities for

Internal Audit Charter

improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements and communicated to the appropriate level of management.

Examples of internal audit engagements include, but are not limited to, evaluating or advising whether:

- risks relating to the achievement of Tennessee Tech’s strategic objectives are appropriately identified and managed,
- the actions of Tennessee Tech’s officers, directors, management, employees, and contractors or other relevant parties comply with university policies, procedures, applicable laws, regulations, and/or governance standards,
- the results of operations and programs are consistent with established goals and objectives,
- operations and programs are effective and/or efficient,
- established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Tennessee Tech,
- allegations of potential fraud, waste, or abuse are appropriately reviewed and addressed,
- the integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable,
- resources and assets are economically acquired, efficiently and sustainably used, and/or adequately protected.

[Approved by the Audit and Business Committee on March 6, 2025.]

Internal Audit Charter Mapping Summary March 2025

Current IA Charter	New IA Charter
6 sections	5 sections with 8 subsections
Followed 2017 IIA Standards	Follows 2024 IIA Standards & template

Current IA Charter Sections	Summary of Changes	New IA Charter Sections
1 - Purpose	Shortened and revised with new definition from Domain I of the IIA Standards	1 - Purpose
2 - Authority and Scope	Section split – authority included under new Mandate section and scope covered in last section	2 - Mandate
4 – Organizational Status/Reporting Structure	Combined under new Mandate section 2	<i>Independence, Organizational Position, and Authority</i>
5 – Audit Standards and Ethics	Section 5 split with standards combined under Mandate section 2 & ethics moved to subsection of section 4	<i>Commitment to Adhering to the Standards</i>
6 – Periodic Review of Internal Audit Charter	Combined under new Mandate section 2	<i>Changes to the Mandate and Charter</i>
N/A	New section defining the Audit & Business Committee requirements	3 - Audit and Business Committee Oversight
3 - Responsibility and Role	Slightly revised wording and expanded section	4 - Chief Audit Executive Roles & Responsibilities
	Previously in section 5	<i>Ethics & Professionalism</i>
	Revised wording with more formal requirements	<i>Objectivity</i>
	Revised wording and added new requirements	<i>Managing the Internal Audit Function</i>
	New more periodic and formal reporting requirement	<i>Quality Assurance and Improvement Program</i>
	New more formal and required communication	<i>Communication with the A&B Committee & Senior Management</i>
See above	Types of Internal Audit services previously covered in Purpose section 1 and scope was included in section 2	5 - Scope and Types of Internal Audit Services
Manual Approval Signatures	Approval documented in the Audit & Business Committee meeting minutes.	N/A

Tennessee Tech University

Internal Audit Charter

Purpose

Tennessee Tech Internal Audit is an independent objective assurance and consulting activity designed to add value and improve Tennessee Tech University management systems. Internal Audit helps Tennessee Tech University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal Audit assists Tennessee Tech University's management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements and providing other information designed to promote effective controls.

Assurance services involve the internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system, or other subject matter. The nature and scope of the assurance engagement are determined by the internal auditor. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter – the process owner, (2) the person or group making the assessment – the internal auditor, and (3) the person or group using the assessment – the user.

Consulting services are advisory in nature, and are generally performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice – the internal auditor, and (2) the person or group seeking and receiving the advice – the engagement client. When performing consulting services the internal auditor should maintain objectivity and not assume management responsibility.

Tennessee Tech University's management has the primary responsibility for establishing and maintaining a sufficient system of internal controls.

Authority and Scope

Internal Audit's review of operations may include the examination and evaluation of the effectiveness of all aspects of institutional operations at Tennessee Tech University. In the course of its work, Internal Audit has full and complete direct access to all Tennessee Tech University books, electronic and manual records, physical properties, and personnel information relative to the performance of duties and responsibilities. All documents and information given to Internal Audit

Existing Internal Audit Charter - proposed replacement version included in the materials

during their work will be handled in the same prudent manner that Tennessee Tech University expects of the employees normally accountable for them.

Internal Audit has neither direct responsibility for, nor authority over, any of the activities, functions, or tasks it reviews nor shall their review relieve others of their responsibilities. The internal auditors must maintain a high degree of independence and not be assigned duties or engage in any operations or decision making in any activities that they would normally be expected to review or evaluate as part of the normal audit function.

Responsibility and Role

The role of Internal Audit is to assist members of the organization in the effective discharge of their responsibilities. Meaningful internal auditing requires cooperation among Internal Audit, Tennessee Tech University's administration, and the department under audit. In fulfilling their responsibilities, Internal Audit will:

- Comply with auditing standards established by the Institute of Internal Auditors to ensure the effectiveness and quality of the internal audit effort.
- Develop and implement audit plans and programs that respond to both risk and cost effectiveness criteria.
- Review the reliability and integrity of information, and the information technology processes that produce that information.
- Verify compliance with applicable policies, guidelines, laws, and regulations.
- Suggest policies and procedures or improvements to existing policies and procedures where appropriate.
- Provide audit reports that identify internal control issues and make cost-effective recommendations to strengthen control.
- Facilitate the resolution of audit issues with administrators who have the most direct involvement and accountability.
- Review institutional operations (financial and other) on an advisory basis to inform and assist management in the successful execution of their duties.
- Assist with audits or perform certain agreed upon procedures for external parties. External parties include but are not limited to audit offices of federal and state governments and related agencies.
- Review management's risk assessment process and advise management on the reasonableness and propriety of the assessment.
- Promote and evaluate fraud prevention and identification programs and investigate allegations involving fraud, waste, and abuse.
- Demonstrate and promote appropriate ethics and values within the organization.

Existing Internal Audit Charter - proposed replacement version included in the materials

- Communicate activities and information among the board, internal auditors, external auditors and the administration.

Organizational Status/Reporting Structure

The Tennessee Tech Director of Internal Audit reports directly to the Tennessee Tech Audit Committee and is administratively attached to the President’s office. The budget for Internal Audit is approved by the Tennessee Tech Audit Committee.

Audit Standards and Ethics

The Internal Audit function adheres to The Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, the Core Principles for the Professional Practice of Internal Auditing, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

Periodic Review of Internal Audit Charter

This charter will be periodically assessed by the Tennessee Tech Director of Internal Audit to determine whether the purpose, authority, and responsibilities defined in this charter are adequate to enable the internal auditing activity to accomplish its objectives. The results of the periodic assessment will be communicated to senior management and the Tennessee Tech Audit Committee.

Approvals

Approved by:  Date: 6-15-17
Teresa Vanhooser
Chair of the Audit & Business Committee

Approved by:  Date: 6-15-17
Deanna Metts
Director of Internal Audit