

Agenda Item: I. I.

DATE: November 18, 2010

SUBJECT: THEC/TSAC Audit Committee Report

ACTION RECOMMENDED: Approval

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 audit committee has authority to conduct or authorize investigations into any matter within its scope of responsibility. The Commission approved the merging of the THEC and TSAC audit committees on July 24, 2008.

Minutes from April 29, 2010 Audit Committee meeting

Audit Committee Charter – Status of Charter Revision

The Commission approved revisions to the charter at the July 29, 2010 meeting. At the TSAC Board meeting an amendment was made for the following sentence to read “The Audit Committee shall consist of five members **with representation from both organizations** who are generally knowledgeable in financial, management, and auditing matters.” The TSAC board approved the charter revision. Dr. Rhoda on behalf of the Commission approved the amendment to the revision through interim action. The revised charter was submitted to the Comptroller’s office for approval.

Annual Risk Assessment Required Under the Financial Integrity Act

The Financial Integrity Act (FIA) TCA 9-8-101, amended in 2008, requires an annual risk assessment to be submitted by December 31st of each year to the Department of Finance and Administration and the Comptroller of the Treasury. The assessment due December 31, 2010 was prepared by management and submitted to the audit committee for review, discussion and approval at the Audit Committee Meeting November 18, 2010.

TSAC Federal Family Education Loan Program – Status of Averted Claims Reviews

TSAC received approval of the request to the U.S. Department of Education to transfer \$3,782,145.43 for FY09 from the Federal Fund to the Operating Fund as a result of the accounting for averted claims in the federal loan program. The reviews of FY08 and FY10 are complete. TSAC submitted documentation to USDOE requesting permission to transfer a

total of \$4,270,174.18 for those two years. Staff are working with NGS to obtain the information needed to complete the reviews of FY05 through FY07.

Division of State Audit – Status of TSAC Financial and Compliance Audits

The printed FY09 report is expected to be released soon. Auditors are currently performing the FY10 audit.