

Tennessee Higher Education Commission

**For the Years Ended
June 30, 2000, and June 30, 1999**

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STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY

State Capitol
Nashville, Tennessee 37243-0260
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John G. Morgan
Comptroller

April 24, 2001

The Honorable Don Sundquist, Governor
and
Members of the General Assembly
State Capitol
Nashville, Tennessee 37243
and

Dr. Richard G. Rhoda, Executive Director
Tennessee Higher Education Commission
Suite 1900, Parkway Towers
404 James Robertson Parkway
Nashville, Tennessee 37243

Ladies and Gentlemen:

Transmitted herewith is the financial and compliance audit of the Tennessee Higher Education Commission for the years ended June 30, 2000, and June 30, 1999.

The review of management's controls and compliance with policies, procedures, laws, and regulations resulted in no audit findings.

Sincerely,

A handwritten signature in black ink that reads "John G. Morgan".

John G. Morgan
Comptroller of the Treasury

JGM/mb
01/063



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February 8, 2001

The Honorable John G. Morgan
Comptroller of the Treasury
State Capitol
Nashville, Tennessee 37243

Dear Mr. Morgan:

We have conducted a financial and compliance audit of selected programs and activities of the Tennessee Higher Education Commission for the years ended June 30, 2000, and June 30, 1999.

We conducted our audit in accordance with generally accepted government auditing standards. These standards require that we obtain an understanding of management controls relevant to the audit and that we design the audit to provide reasonable assurance of the Tennessee Higher Education Commission's compliance with the provisions of policies, procedures, laws, and regulations significant to the audit. Management of the Tennessee Higher Education Commission is responsible for establishing and maintaining internal control and for complying with applicable laws and regulations.

Our audit resulted in no audit findings.

We have reported less significant matters involving the department's internal controls and/or instances of noncompliance to the Tennessee Higher Education Commission's management in a separate letter.

Sincerely,

A handwritten signature in black ink that reads "Arthur A. Hayes, Jr." in a cursive script.

Arthur A. Hayes, Jr., CPA, Director
Director

AAH/mb

State of Tennessee

Audit Highlights

Comptroller of the Treasury

Division of State Audit

Financial and Compliance Audit
Tennessee Higher Education Commission
For the Years Ended June 30, 2000, and June 30, 1999

AUDIT SCOPE

We have audited the Tennessee Higher Education Commission for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of financial related issues and computer access controls. The audit was conducted in accordance with generally accepted government auditing standards.

AUDIT FINDINGS

The audit report contains no findings.

"Audit Highlights" is a summary of the audit report. To obtain the complete audit report, which contains all findings, recommendations, and management comments, please contact

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Audit Report
Tennessee Higher Education Commission
For the Years Ended June 30, 2000, and June 30, 1999

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Tennessee Higher Education Commission For the Years Ended June 30, 2000, and June 30, 1999

INTRODUCTION

POST-AUDIT AUTHORITY

This is the report on the financial and compliance audit of the Tennessee Higher Education Commission. The audit was conducted pursuant to Section 4-3-304, *Tennessee Code Annotated*, which authorizes the Department of Audit to “perform currently a post-audit of all accounts and other financial records of the state government, and of any department, institution, office, or agency thereof in accordance with generally accepted auditing standards and in accordance with such procedures as may be established by the comptroller.”

Section 8-4-109, *Tennessee Code Annotated*, authorizes the Comptroller of the Treasury to audit any books and records of any governmental entity that handles public funds when the Comptroller considers an audit to be necessary or appropriate.

BACKGROUND

The Tennessee Higher Education Commission was created in 1967 by the General Assembly. The purpose of the coordinating board is to create cooperation and unity among the state institutions of higher education. The commission coordinates two systems of higher education: the University of Tennessee campuses, governed by the University of Tennessee Board of Trustees; and the state universities, community colleges, technical institutes, and technology centers, governed by the Tennessee Board of Regents.

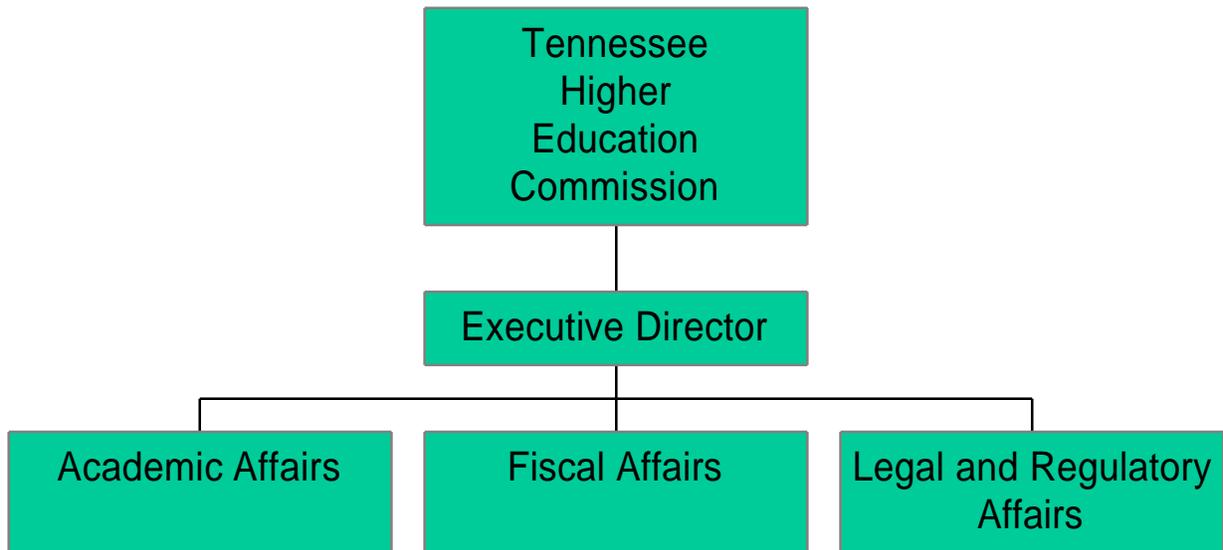
The commission’s mission is to carry out the statutory responsibilities through a board consisting of nine lay members representing Tennessee’s congressional districts and appointed by the Governor, as well as the State Comptroller, State Treasurer, Secretary of State, Executive Director of the Board of Education, and two student members as ex-officio members.

The statutory responsibilities mandate that the commission develop a master plan for Tennessee postsecondary education, public and private; develop formulae and recommend the operating and capital budgets for public higher education; review and approve new academic programs; provide data and information to the public, institutions, legislature, and state government; and license and regulate private vocational postsecondary institutions operating within the state.

The underlying principles of the policies developed by the commission are equity, excellence, accessibility, and accountability.

An organization chart of the department is on the following page.

Tennessee Higher Education Commission Organization Chart



AUDIT SCOPE

We have audited the Tennessee Higher Education Commission for the period July 1, 1998, through June 30, 2000. Our audit scope included a review of management's controls and compliance with policies, procedures, laws, and regulations in the areas of financial related issues and computer access controls. The audit was conducted in accordance with generally accepted government auditing standards.

PRIOR AUDIT FINDINGS

Section 8-4-109, *Tennessee Code Annotated*, requires that each state department, agency, or institution report to the Comptroller of the Treasury the action taken to implement the recommendations in the prior audit report. The Tennessee Higher Education Commission filed its report with the Department of Audit on March 31, 2000. A follow-up of all prior audit findings was conducted as part of the current audit.

RESOLVED AUDIT FINDINGS

The current audit disclosed that the Tennessee Higher Education Commission has corrected previous audit findings concerning the improvement of security access controls and the lack of written personnel policies and procedures.

OBJECTIVES, METHODOLOGIES, AND CONCLUSIONS

FINANCIAL RELATED ISSUES

Our objectives in reviewing financial related issues were to determine whether

- revenue and expenditure transactions were properly recorded,
- unusual transactions were recorded, and
- transactions in the Tuition Guaranty Fund were properly recorded.

We interviewed key commission personnel and obtained extracts of the commission's revenue and expenditure transactions from the State of Tennessee Accounting and Reporting System's history tapes. We analyzed the transactions for unusual activity. We obtained documentation for particular transactions for detailed review.

Based on our interviews and reviews of transactions, revenue and expenditure transactions were properly recorded, no unusual transactions were recorded, and no transactions were recorded in the Tuition Guaranty Fund. Although we had no findings related to financial related issues, minor weaknesses were reported to management in a separate letter.

COMPUTER ACCESS CONTROLS

Our objectives in reviewing computer access controls were to determine whether

- access was initiated by a written request from management,
- security maintenance forms were properly approved,
- written requests specified the type of access given to each user,
- the user's access agreed with written requests,
- the user's access appeared reasonable, and
- access to information systems and electronic mail accounts was removed when employees terminated employment with the commission.

We interviewed key commission personnel, reviewed security maintenance forms, and reviewed user access listings for each significant system to determine whether access was initiated by a written request, security maintenance forms were properly approved, written requests specified the type of access given to each user, the user's access agreed with written requests, the user's access appeared reasonable, and access to information systems and electronic mail accounts was removed when employees terminated employment with the commission.

Based on our interviews, reviews of security maintenance forms, and reviews of user access listings, we determined that access was initiated by a written request, security maintenance forms were properly approved, written requests specified the type of access given to each user, the user's access agreed with written requests, the user's access appeared reasonable, and access to information systems and electronic mail accounts was removed when employees terminated employment with the commission. Although we had no findings related to computer access controls, minor weaknesses were reported to management in a separate letter.

OBSERVATIONS AND COMMENTS

TITLE VI OF THE CIVIL RIGHTS ACT OF 1964

Section 4-21-901, *Tennessee Code Annotated*, requires each state governmental entity subject to the requirements of Title VI of the Civil Rights Act of 1964 to submit an annual Title VI compliance report and implementation plan to the Department of Audit by June 30, 1994, and each June 30 thereafter. The Tennessee Higher Education Commission filed its compliance reports and implementation plans on June 30, 2000, and July 1, 1999.

Title VI of the Civil Rights Act of 1964 is a federal law. The act requires all state agencies receiving federal money to develop and implement plans to ensure that no person shall, on the grounds of race, color, or origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving federal funds.

On October 15, 1998, the commissioner of Finance and Administration notified all cabinet officers and agency heads that the Human Rights Commission is the coordinating state agency for the monitoring and enforcement of Title VI.

A summary of the dates state agencies filed their annual Title VI compliance reports and implementation plans is presented in the special report *Submission of Title VI Implementation Plans*, issued annually by the Comptroller of the Treasury.

APPENDIX

Tennessee Higher Education Commission divisions and allotment codes:

332.01	Higher Education Commission
332.02	Contract Educational Program
332.09	THEC Grants