

**DATE:** July 24, 2008

**SUBJECT:** Audit Committee Status 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.

**Risk Assessment**

The last meeting of the THEC Audit Committee was held on April 24, 2008, where the members considered and approved staff recommendations regarding the proposed process for the 2008 THEC Risk Assessment. This is the second year a risk assessment has been performed at THEC under the referenced law. A timeline for the 2008 risk assessment process was established by the Committee and staff began the process April 28, 2008. The risk assessment was performed as planned and a draft report sent to the Audit Committee Members on June 13th for their review and comment. The 2008 Risk Assessment Report was approved by the Audit Committee. In addition, the Committee approved the staff recommendation to create a comprehensive THEC Fraud, Waste, and Abuse Policy. A draft of this policy has been shared with the Audit Committee for review and comment.

**New Appointments**

Two members of the Audit Committee, Ransom Jones and General Wendell Gilbert, have rotated off the Commission. Commission members Jack Murrah and Robert White have been recommended for appointment to the THEC Audit Committee.

**Merging THEC and TSAC Audit Committees**

Legislation contained in Section 29, Item 22 of 2008 Public Chapter 1203 indicates “The Tennessee Higher Education Commission staff is directed to work with the Tennessee Student Assistance Corporation staff, and other appropriate state entities, to achieve cost savings resulting from a consolidation of administrative functions and other measures. This shall include, but not be limited to benefits to be derived from consolidation of divisions and activities within each agency.” As a result of the legislation indicated above it is the recommendation of the THEC Executive Director and the Audit Committee Chair that THEC and TSAC Audit Committees become a joint committee with both operating under the same rules, provisions, and principles. A similar recommendation will be made to the TSAC Board of Directors.