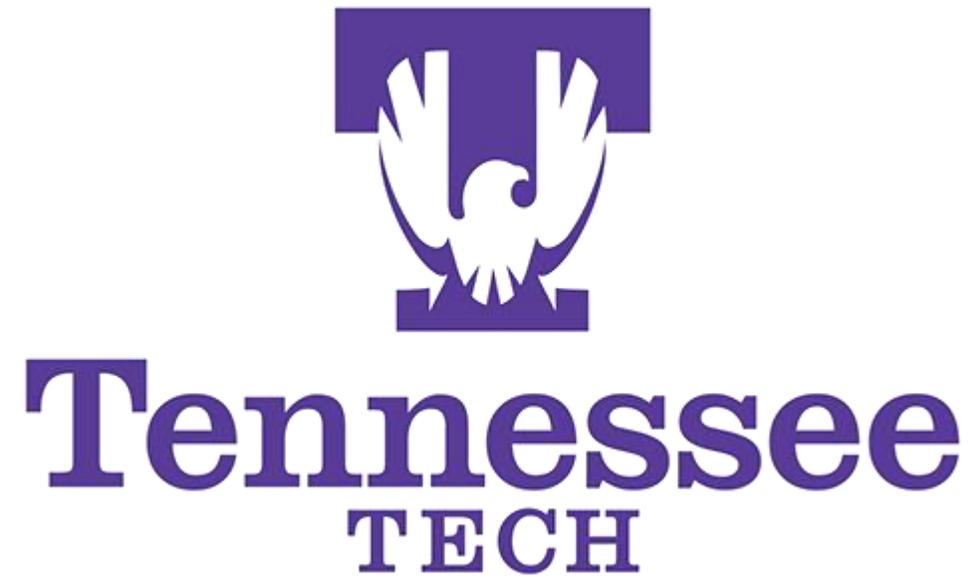


Presentation to Audit & Business Committee
Board of Trustees
March 12, 2026





Update on Governor's Budget



2026-27 Capital Outlay

Academic Formula Units Locally Governed Institutions	Project	2026-27 THEC Recommendation			2026-27 Governor's Budget Recommendation			2026-27 Gov Budget vs THEC
		Request for State Funding	Institution Match/Resources	Total	Request for State Funding	Institution Match/Resources	Total	Not funded
East Tennessee	Engineering Science Building	\$135,102,000	\$11,748,000	\$146,850,000	-	-	-	(\$146,850,000)
East Tennessee	Main Campus Utility Infrastructure	\$18,048,000	\$1,172,000	\$19,220,000	\$18,048,000	\$1,172,000	\$19,220,000	\$0
Middle Tennessee	Civil Leadership and Applied Humanities	\$117,195,000	\$9,805,000	\$127,000,000	-	-	-	(\$127,000,000)
Middle Tennessee	Aerospace Campus Phase 2	\$126,960,000	\$11,040,000	\$138,000,000	-	-	-	(\$138,000,000)
Tennessee Tech	Life Science Building	\$193,016,000	\$16,784,000	\$209,800,000	-	-	-	(\$209,800,000)
Tennessee Tech	Social Science Building	\$106,683,200	\$9,276,800	\$115,960,000	-	-	-	(\$115,960,000)
University of Memphis	Business and Economics Addition	\$30,000,000	\$30,000,000	\$60,000,000	\$30,000,000	\$30,000,000	\$60,000,000	\$0
University of Memphis	Academic Building Replacement	\$84,660,000	\$17,340,000	\$102,000,000	-	-	-	(\$102,000,000)
Subtotal - LGIs		\$811,664,200	\$107,165,800	\$918,830,000	\$48,048,000	\$31,172,000	\$79,220,000	(\$839,610,000)
<hr/>								
University of TN (Systems)		\$320,870,000	\$39,630,000	\$360,500,000	\$315,230,000	\$39,270,000	\$354,500,000	(\$6,000,000)
TBR System		\$437,876,434	\$18,723,566	\$456,600,000	\$0	\$0	\$0	(\$456,600,000)



2026-27 Capital Maintenance

Academic Formula Units Locally Governed Institutions	2026-27 THEC Recommendation		2026-27 Governor's Budget Recommendation		2026-27 Gov Budget vs THEC
	Maintenance	Total Request for State Funding	Maintenance	Total Recommended State Funding	Not funded
Austin Peay	\$12,330,000	\$12,330,000	\$3,000,000	\$3,000,000	(\$9,330,000)
East Tennessee	\$27,140,000	\$27,140,000	\$7,000,000	\$7,000,000	(\$20,140,000)
Middle Tennessee	\$24,300,000	\$24,300,000	\$4,000,000	\$4,000,000	(\$20,300,000)
Tennessee State	\$18,740,000	\$18,740,000	\$2,400,000	\$2,400,000	(\$16,340,000)
Tennessee Tech	\$18,030,000	\$18,030,000	\$4,210,000	\$4,210,000	(\$13,820,000)
University of Memphis	\$41,120,000	\$41,120,000	\$5,740,000	\$5,740,000	(\$35,380,000)
Subtotal - LGIs	\$141,660,000	\$141,660,000	\$26,350,000	\$26,350,000	(\$115,310,000)
University of TN (Systems)	\$135,570,000	\$135,570,000	\$27,070,000	\$27,070,000	(\$108,500,000)
TBR System	\$80,310,000	\$80,310,000	\$18,320,000	\$18,320,000	(\$61,990,000)



Governor's Capital Budget Recommendations – Tennessee Tech Specific Projects FY2026-27

- **Capital Maintenance** **\$ 4,210,000**
 - Utility Infrastructure Upgrades Phase 1 \$2,520,000
 - Multiple Buildings Elevator Upgrades Phase 2 \$ 1,690,000

**These amounts could be subject to change until the Legislature passes the Governor's recommended budget.*



2026-27 Governor's Budget vs. THEC Recommendation Comparison - Operating

	2025-26	2026-27 THEC Recommendation			2026-27 Governor's Budget Recommendation				2026-27 Gov Budget vs THEC
Academic Formula Units	Recurring Appropriations	Outcomes Adjustment	Share of New funding	Recommended Recurring Appropriations	Outcomes Adjustments	Salary Pool & Outcomes	Health Ins Increases	Total Recurring Appropriations	New Funding Difference
Locally Governed Institutions									
Austin Peay	\$78,773,300	(\$3,466,900)	\$3,311,100	\$78,617,500	(\$3,466,900)	\$1,767,700	\$1,105,200	\$78,179,300	(\$438,200)
East Tennessee	\$104,539,700	(\$3,115,800)	\$4,459,500	\$105,883,400	(\$3,115,800)	\$2,380,800	\$2,049,900	\$105,854,600	(\$28,800)
Middle Tennessee	\$151,133,300	(\$4,739,900)	\$6,436,700	\$152,830,100	(\$4,739,900)	\$3,436,400	\$2,390,400	\$152,220,200	(\$609,900)
Tennessee State	\$54,983,100	(\$1,174,100)	\$2,365,900	\$56,174,900	(\$1,174,100)	\$1,263,100	\$957,700	\$56,029,800	(\$145,100)
Tennessee Tech	\$81,199,300	(\$465,000)	\$3,549,800	\$84,284,100	(\$465,000)	\$1,895,100	\$1,306,300	\$83,935,700	(\$348,400)
University of Memphis	\$185,641,900	(\$1,095,400)	\$8,114,200	\$192,660,700	(\$1,095,400)	\$4,332,000	\$2,504,500	\$191,383,000	(\$1,277,700)
LGI Total	\$656,270,600	(\$14,057,100)	\$28,237,200	\$670,450,700	(\$14,057,100)	\$15,075,100	\$10,314,000	\$667,602,600	(\$2,848,100)
University of TN – System	\$513,163,900	\$11,089,900	\$23,050,600	\$547,304,400	\$11,089,900	\$12,306,200	\$8,084,100	\$544,644,100	(\$2,660,300)
TBR System	\$403,099,700	\$2,967,200	\$17,854,300	\$423,921,200	\$2,967,200	\$9,532,100	\$3,438,500	\$419,037,500	(\$4,883,700)



Governor's Operating Budget Recommendations – Tennessee Tech FY2026-27

Outcomes Funding, Inflationary Cost, & Salary Pool (new funding)	\$1,895,100
Group Health Insurance	<u>\$1,306,300</u>
Total recommended <u>new</u> operating appropriations	\$3,201,400
THEC's Reallocation of Base Outcomes	<u>(\$465,000)</u>
Net increase in operating appropriations (recurring)	\$2,736,400
Governor's Academies for Next-Gen Nuclear & Cybersecurity Education (Non-recurring)	<u>\$3,000,000</u>

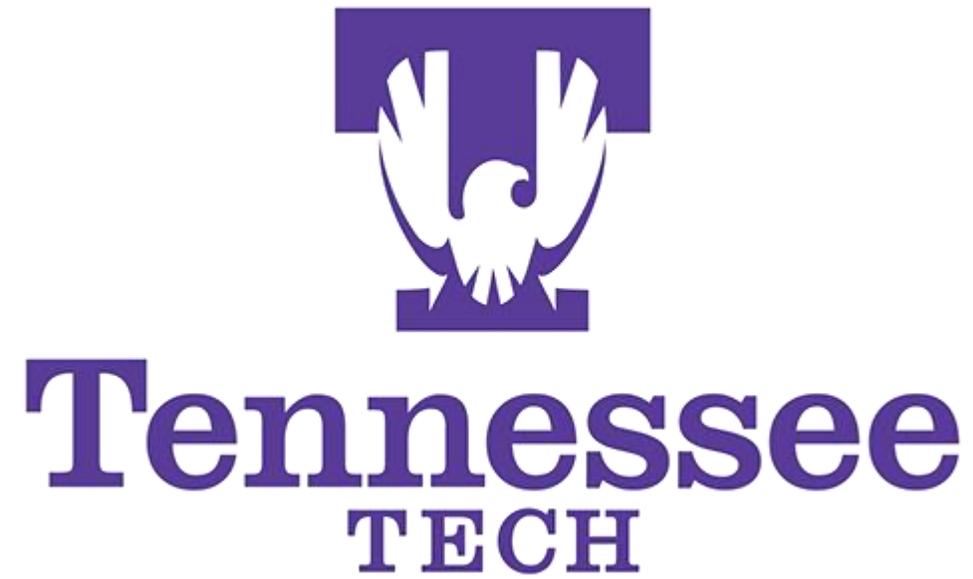
Note: These amounts could be subject to change until Legislature passes the Governor's recommended budget.



TTU Estimated Cost Increases FY2026-27

1.5% Salary Pool w/Fringe Benefits	\$1,742,771
Scholarships –Presidential Scholars & State Mandated	\$1,070,000
Utilities & Software Contracts	\$600,000
Group Health Increases	\$1,306,300
New Program	\$1,245,540
Faculty Promotions	\$400,000
Strategic Investments	\$1,465,800
Student Campus Integration	\$298,260
Athletics	\$690,960
Other Inflationary Cost	<u>\$260,000</u>
Total estimated cost increases	\$9,079,631
State recommended increase in operating funding	<u>\$2,736,400</u>
To be addressed with tuition and other resources	\$6,343,231
Governor's Academies for Next-Gen Nuclear & Cybersecurity Education (Non-recurring)	\$3,000,000





Tuition & Mandatory Fees



Tuition and Mandatory Fees Anticipated Recommendation

- Undergraduate Tuition
 - Up to a 6.5% increase
 - Stay within THEC binding range (not yet set)
 - Will be used to address matching on 1.5% salary pool, inflationary costs, new program costs, and scholarships
- Mandatory Fee
 - Up to a 6.5% increase



Tuition and Mandatory Fees Anticipated Recommendation

- Graduate Tuition
 - Up to a 6.5% increase
 - Not subject to THEC binding range
 - Will be used to address matching on 1.5% salary pool, inflationary costs, new program costs, and scholarships



Tuition Increase Estimates

Potential cost to students per semester

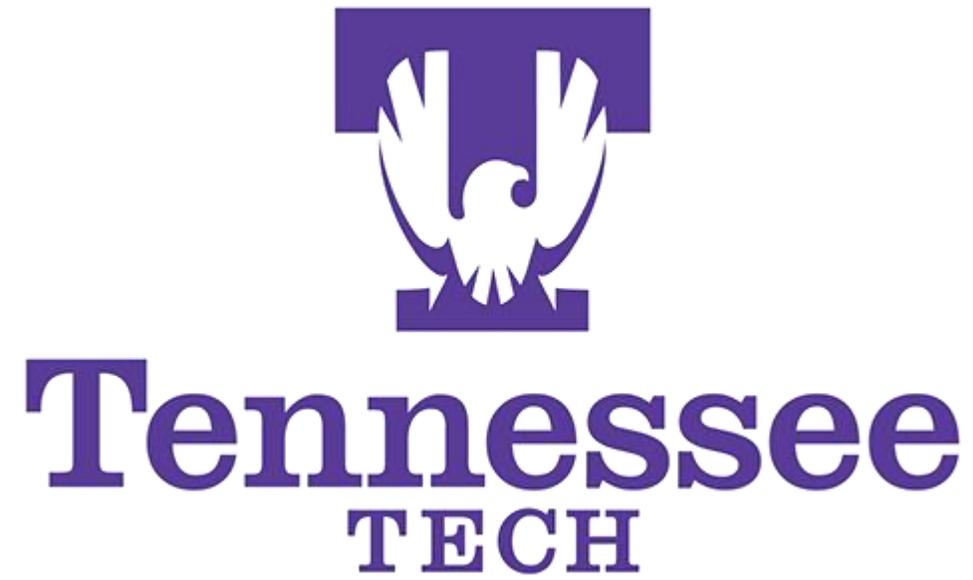
Undergraduate (UG)			
Increase	UG Tuition	Mandatory Fees	Total
2.5%	\$131.00	\$18.00	\$149.00
3.0%	\$157.00	\$22.00	\$179.00
4.0%	\$209.00	\$29.00	\$238.00
5.0%	\$262.00	\$36.00	\$298.00
6.0%	\$314.00	\$44.00	\$358.00
6.5%	\$340.00	\$47.00	\$387.00
Graduate (GR)			
Increase	GR Tuition	Mandatory Fees	Total
2.5%	\$150.00	\$18.00	\$168.00
3.0%	\$180.00	\$22.00	\$202.00
4.0%	\$240.00	\$29.00	\$269.00
5.0%	\$300.00	\$36.00	\$336.00
6.0%	\$360.00	\$44.00	\$404.00
6.5%	\$390.00	\$47.00	\$437.00



Revenue Increase Estimates FY2026-27

Increase	UG Tuition	GR Tuition	Mandatory Fees	Total
2.5%	\$2,034,645.63	\$211,204.99	\$324,104.03	\$2,569,954.65
3.0%	\$2,438,468.42	\$253,445.99	\$396,127.14	\$3,088,041.56
4.0%	\$3,246,114.02	\$337,927.99	\$522,167.60	\$4,106,209.61
5.0%	\$4,069,291.25	\$422,409.99	\$648,208.06	\$5,139,909.30
6.0%	\$4,876,936.85	\$506,891.99	\$792,254.29	\$6,176,083.12
6.5%	\$5,280,759.64	\$549,132.99	\$846,271.63	\$6,676,164.26





Compensation Plan

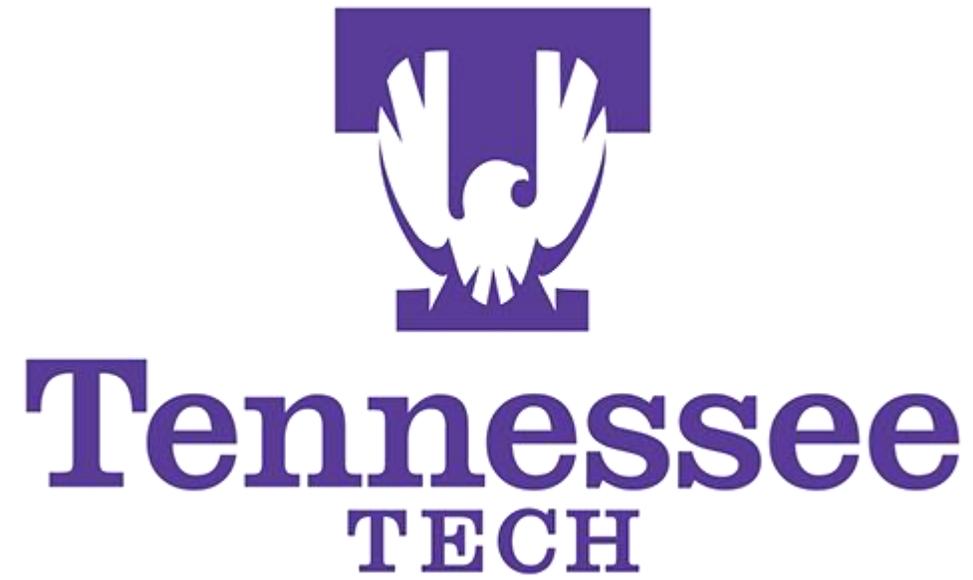


FY 2026 Compensation

Pending approval of Governor's FY 2026-27 budget

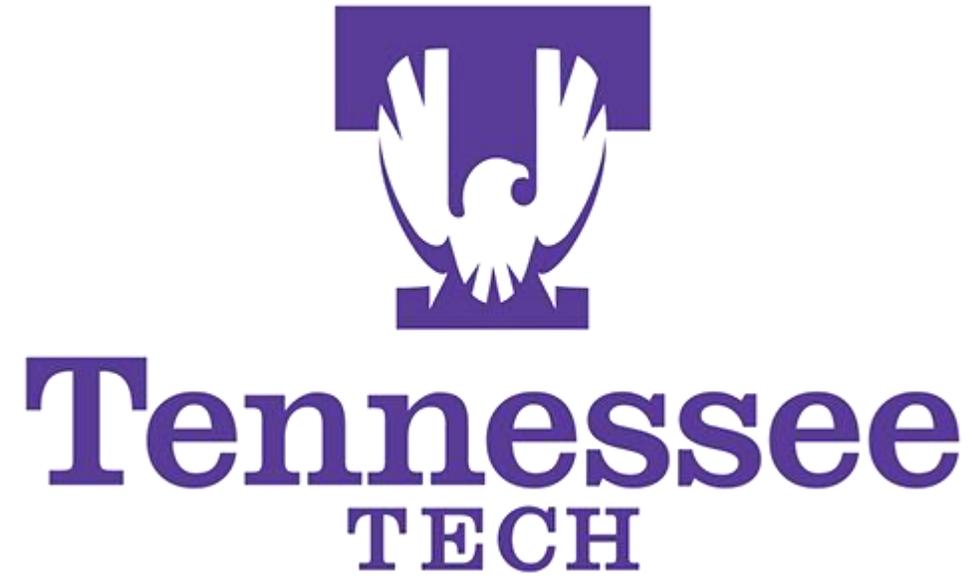
- 1.5% to 2% for recurring salary increases
 - Employees with satisfactory or better evaluation are eligible for raise
 - Employees who are on or were on a Performance Improvement Plan (PIP) for FY 2026 are ineligible.
 - Employees hired on or before 3/1/2026 and still employed on 9/1/2026 are eligible
 - Minimum award of 1% to Maximum award of 5%
- Faculty promotions, job reclassifications and new-hire salaries handled outside of this proposal
- *Fringe benefits will be incremental cost of the salary increases





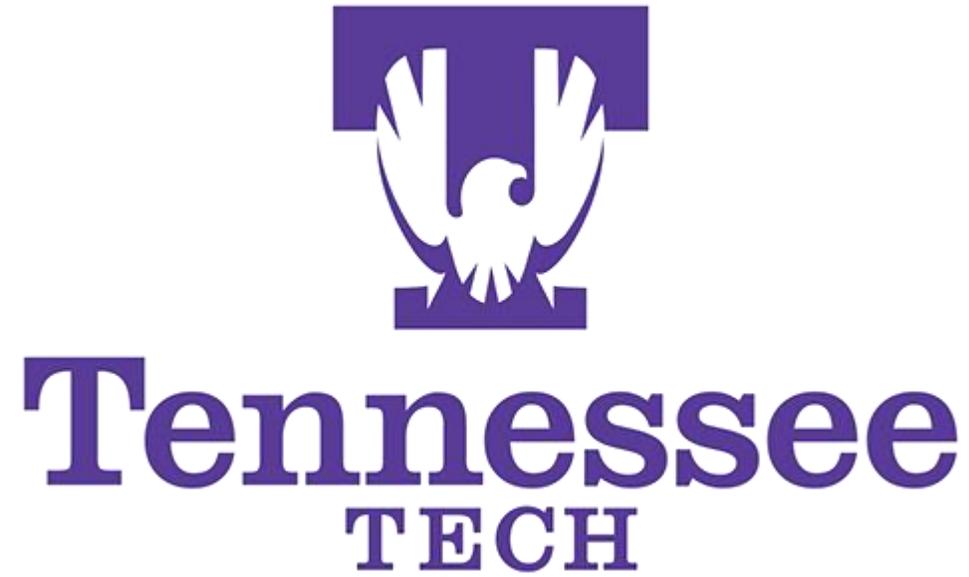
FY2025 State Audit





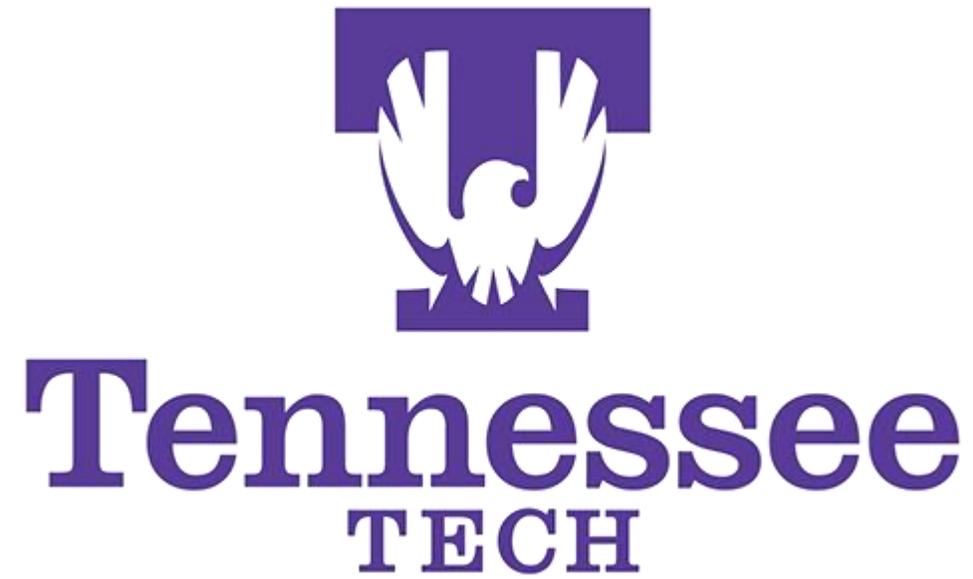
Talon Demonstration





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





Internal Audit Plan Review



2026 Audit Plan

as of February 10, 2026

Audits			Status
1	R	President's Office Expenses	Planned
2	R	OVC Student Assistance Funds	Planned
3	R	Inventory Controls	Planned
4	R	Cash Controls	Planned
5	RI	Research Security Audit Assessment	Planned
6	RI	Policy Compliance Audit	In progress
7	RI	Talon System Implementation Review (co-source)	Planned
8	RI	Chemical Inventory/Lab Safety	Planned
9	RI	Evidence Room Controls	Planned
Advisory Work			Status
1	RI	Procard Controls Assessment	Planned
2	RI	IT Security - Ransomware Assessment	In progress
3	RI	Student Fee Process*	In progress
4	RI	Management Controls Advisory Training	In progress
5	RI	Campus Safety & Security Readiness Assessment	Planned
6	RI	Management Assessment of Controls	Planned
7	RI	ADA Compliance & Accessibility Assessment	Planned

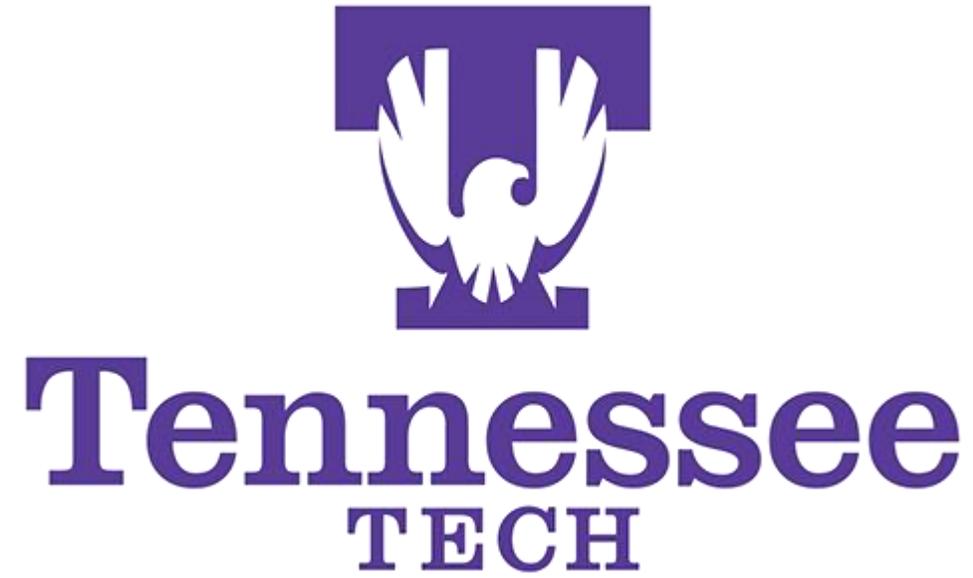
Reviews			Status
1	R	IA Quality Assessment Improvement Program	In progress
2	R	Enterprise-wide Risk Assessment	Planned
3	RI	Conflict of Interest Reviews	Planned
4	RI	Data Analytics Program and Reviews	Planned
Investigations			Status
1	R	Investigation I-25-04	In progress
2	R	Investigation I-26-01	Completed
3	R	Investigation I-26-02	In progress

Tier 2 Projects		
1	RI	IT Security
2	RI	Minors on Campus
3	RI	NCAA Compliance
4	RI	Succession Planning Assessment*
5	RI	Construction Contracts
6	RI	Policy Compliance Audits
7	RI	Performance Management Controls

R Required RI Risk-based

* Swapped between Tiers 1 & 2 to address emerging risks and management requests



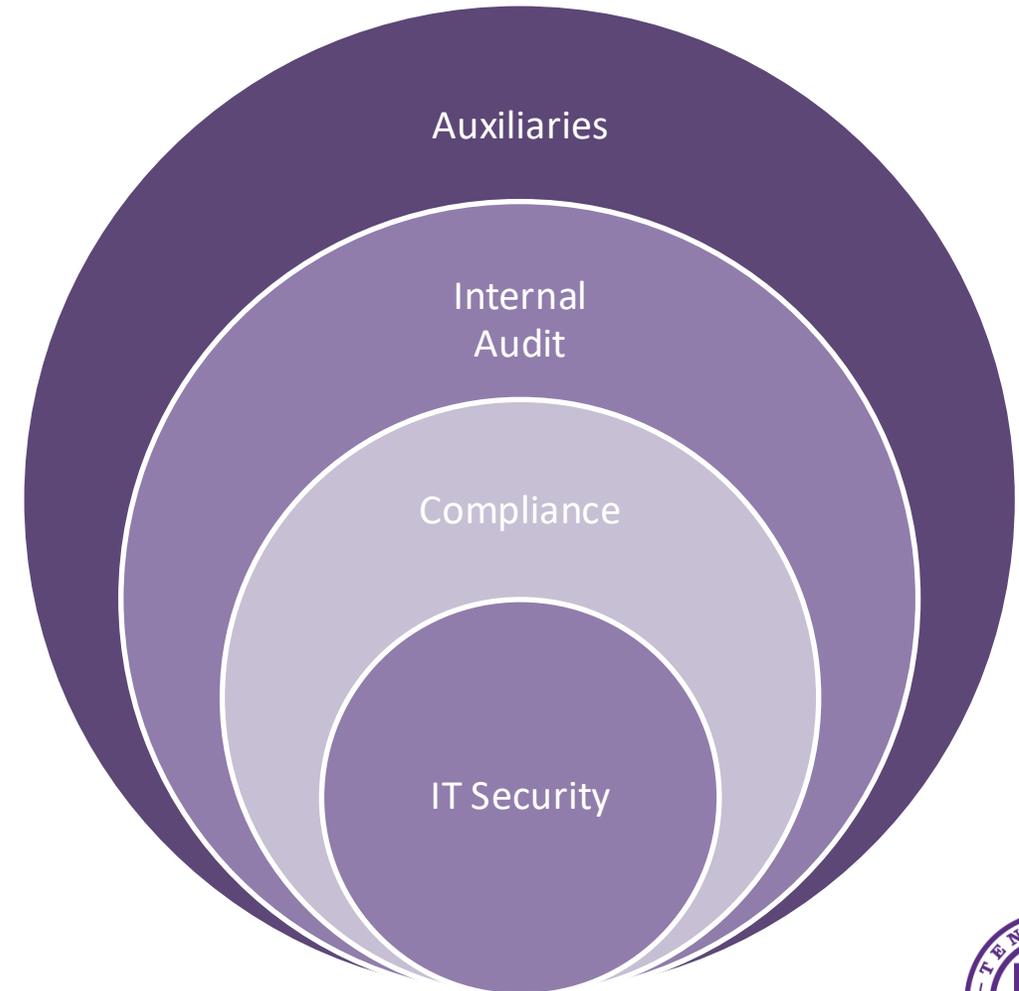


Enterprise Risk Management

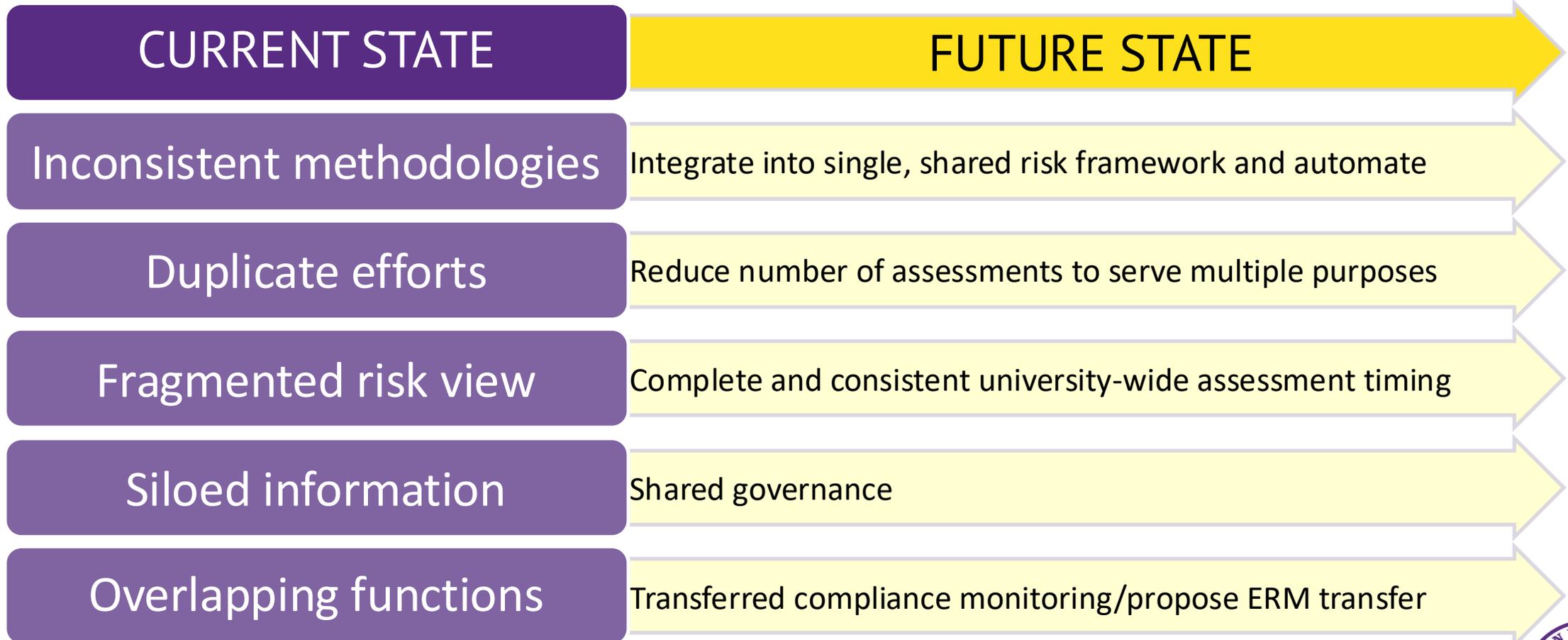


Risk Landscape

- Periodic risk assessments for different purposes:
 - Financial Integrity Act of Tennessee – annual enterprise risk management (ERM) and assessment of controls
 - IIA Global Standards – enterprise risk assessment to develop audit plan
 - IT Security, Compliance, & Research guidelines require additional risk assessments
- Combined Auxiliaries function vs dedicated ERM department



Risk Assessment Overview



Independence Requirements



IIA Global Standard 7.1 Organizational Independence

Must discuss with Audit Committee:

- current or proposed roles and responsibilities that could impair Internal Audit independence
- safeguards to manage actual, potential, or perceived impairments



Audit Committee Charter Independence Responsibilities

- Ensure Internal Audit independence
- Review and evaluate risk assessments performed by institutional management & report results to the Comptroller of the Treasury



Internal Audit Charter Objectivity Requirements

Prevents internal auditors from:

- implementing internal controls
- developing procedures
- installing entity systems
- performing operational duties
- initiating or approving transactions external to the Internal Audit function, or
- other activities that could impair independence

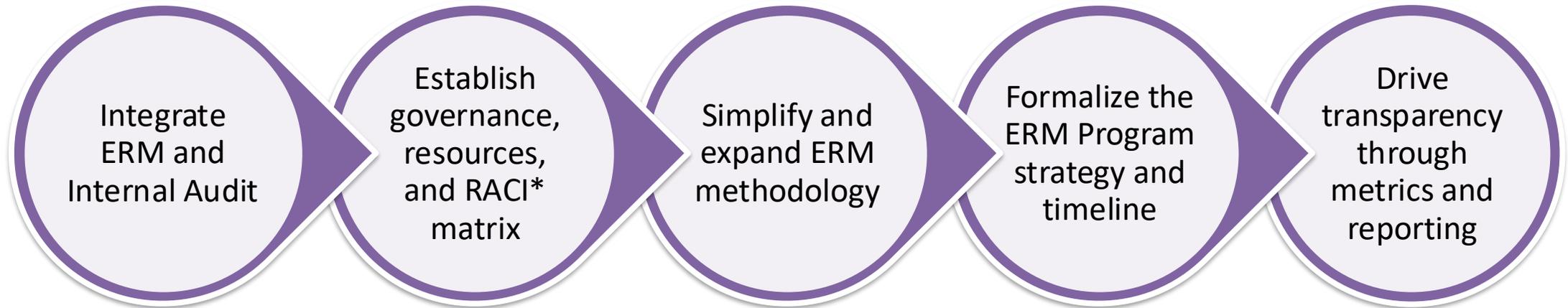


Peer Analysis

	Institution	Formal ERM Department?	Integrated with Internal Audit	Owner of Enterprise Risk Management
1	Tennessee Tech	No	No	Planning & Finance/Auxiliaries
2	MTSU	Yes	No	Compliance & Enterprise Risk Management
3	UoM	Yes	No	Chief Operating & Financial Officer/Executive Director RM
4	ETSU	Yes	No	Business and Finance
5	Austin Peay	Yes	No	Environmental Health, Safety, & Risk Management
6	TSU	Yes	No	Business and Finance/Risk & Financial Compliance
7	UT System	Yes	Yes	Audit and Compliance/Enterprise Risk Management
8	Virginia Tech	Yes	Yes	Audit, Risk, and Compliance
9	Emory Riddle	Yes	Yes	Audit, Risk, and Compliance
10	Vanderbilt	Yes	Yes	General Counsel/Internal Audit/ERM/Compliance
11	MSU	Yes	No	Compliance and Risk Management
12	UoKY	Yes	No	Finance and Administration/Risk Management



Proposed Integrated ERM Plan



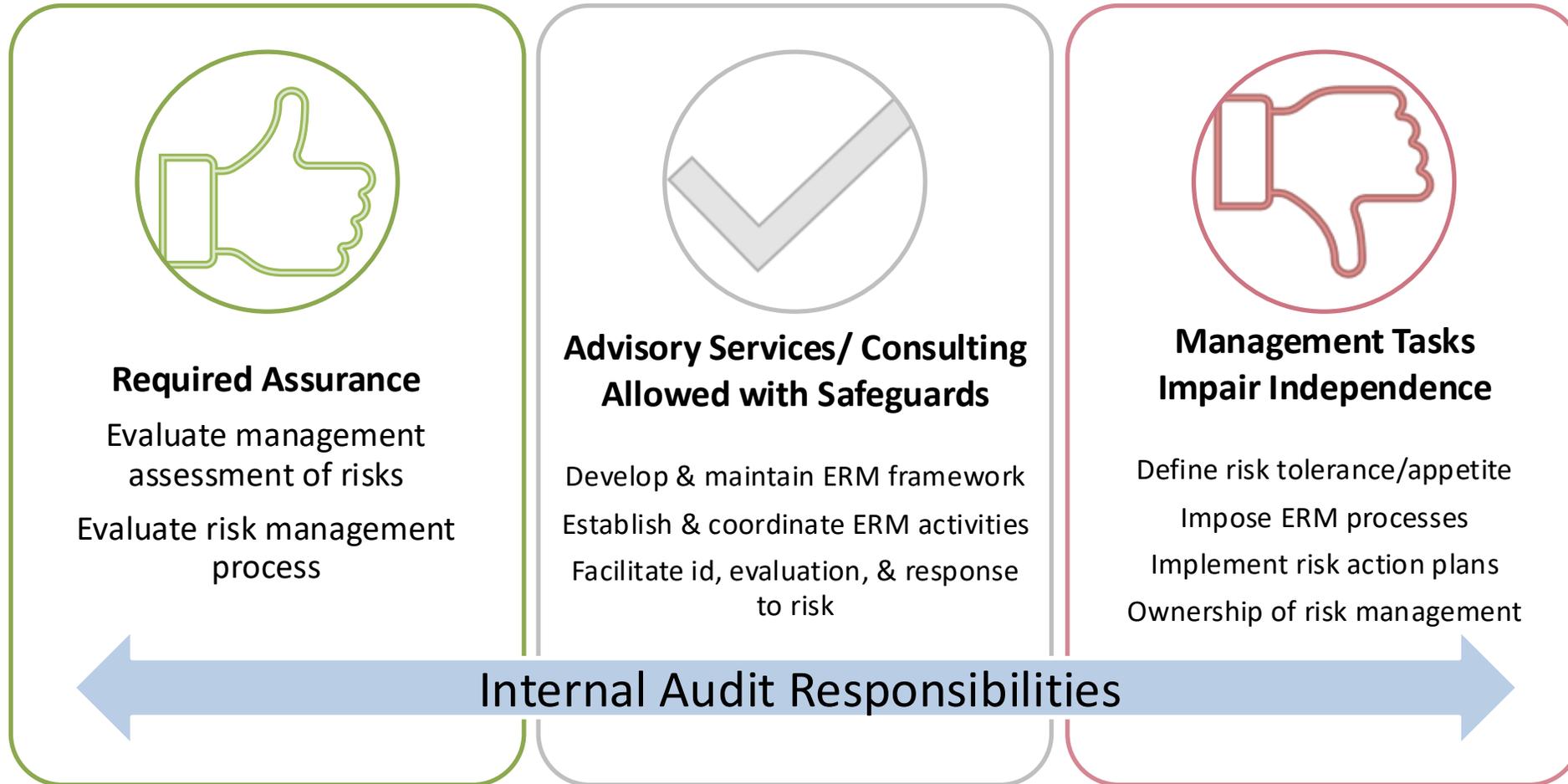
**Responsible, Accountable, Consulted, Informed*

Safeguards to maintain Internal Audit independence

- Define responsibilities to keep management functions separate from Internal Audit
- Add resources to ensure risk assessments not performed by internal auditors



Independence Considerations



Source: The Institute of Internal Auditors, Inc., 2009, January, "IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management, [chrome-extension://efaidnbmnnnibpcjpcqlclefindmkaj/https://www.theiia.org/globalassets/documents/resources/the-role-of-internal-auditing-in-enterprise-wide-risk-management-january-2009/pp-the-role-of-internal-auditing-in-enterprise-risk-management.pdf](https://www.theiia.org/globalassets/documents/resources/the-role-of-internal-auditing-in-enterprise-wide-risk-management-january-2009/pp-the-role-of-internal-auditing-in-enterprise-risk-management.pdf)



APPENDIX: REFERENCE MATERIALS

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- 2.The Institute of Internal Auditors, Inc., 2019, “Public Sector Knowledge Brief: Internal Audit’s Role in Enterprise Risk Management – Achieving strategic risk alignment without impairing independence,” provided in Diligent and at www.theiia.org members-only resources link: https://www.theiia.org/en/content/articles/industry-knowledge-brief/2019/internal-audits-role-in-enterprise-risk-management/?utm_source=google&utm_medium=cpc&utm_campaign=20253036447&utm_content=&utm_term=&gad_source=1&gad_campaignid=20262062845&gbraid=0AAAAADsnbmyExUqT9GsUq90SKXEmw80ML&gclid=EAlaIQobChMI2drhquexkgMVnTQIBR1CBB8AEAYAiAAEgLIMPD_BwE.
- 3.The Institute of Internal Auditors, Inc., 2009, January, “IIA Position Paper: The Role of Internal Auditing in Enterprise-Wide Risk Management,” www.theiia.org, <https://www.theiia.org/en/content/position-papers/2009/the-role-of-internal-auditing-in-enterprise-wide-risk-management/>.
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- 10.The Change Leader, Inc., n.d., “Enterprise Risk Management In Higher Ed Part 3: Risk Oversight and the Board’s Role in Higher Education Risk Management,” www.changinghighered.com, <https://changinghighered.com/enterprise-risk-management-in-higher-ed-part3/>.

