



COMPTROLLER'S SPECIAL REPORT
EXECUTIVE SUMMARY

Tennessee State University
February 2023

Jason E. Mumpower
Comptroller of the Treasury



OFFICE OF RESEARCH &
EDUCATION ACCOUNTABILITY

DIVISION OF STATE AUDIT

Enrollment at Tennessee State University (TSU) has reached record highs in recent years, leading to an increased need for off-campus housing. Concerns from state officials about TSU's increasing reliance on off-campus housing, coupled with the university's history of poor fiscal practices, led the Comptroller's Office to begin a review of TSU on September 6, 2022. The purpose of the review was to answer state officials' questions about the university's housing shortage and to support the General Assembly and TSU in identifying what is needed in the future for student success as well as the university's overall success. Student satisfaction, student amenities, staffing, classroom instruction, food services, and capital maintenance were outside the scope of this special report.

Key Conclusions

TSU management has repeatedly fallen short of sound fiscal practices, adequate documentation, and responsive communications to concerned parents and students. In addition, there have been repeated inconsistencies between testimony given by TSU officials to state officials and actions later carried out.

Lack of sound fiscal practices and adequate documentation

The Comptroller's most recent financial and compliance audit of TSU noted multiple uncorrected prior audit findings, which stemmed from TSU management's disregard of basic financial controls and fiscal management. Errors in financial reporting for seven consecutive years were identified in the audit, as well as a lack of processes to record significant financial transactions, perform routine bank reconciliations, and carry out other basic and fundamentally important financial practices.

Among the questions posed to TSU by state officials in 2022 when considering the university's emergency housing request were how much funding TSU had available in plant funding and whether the university had sufficient funding to cover the cost of the hotel leases. TSU presented notably different figures to state officials in 2022 of how much plant funding was available for use. On December 22, 2022, TSU's Vice President of Business and Finance stated TSU did not ultimately use plant funds to cover a portion of the cost of leasing off-campus properties for the 2022-23 academic year. However, since TSU proposed using plant funds to pay for a portion of the leasing costs, the Comptroller's Office reviewed the university's plant fund balances. Based on information recorded in TSU's accounting system and budgetary documents, the Comptroller's Office has concluded TSU had sufficient funding to cover the approximately \$7.2 million cost of the six off-campus leases for the 2022-23 academic year. The exact amount of plant funds TSU has available cannot be determined by the Comptroller's Office absent a full audit of the university's finances, however.

One remaining question is how long TSU can commit to this volume of hotel leasing while waiting for new housing to be constructed. For the purposes of a conservative calculation, this analysis assumes that \$7.195 million is the continuing need each year. Taking the lowest total that Douglas Allen, TSU's Chief Financial Officer (CFO) and Vice President of Business and Finance, attested to as available, \$18.025 million, the university could run out of available plant funds in Fall 2024. Of course, the funds could stretch further if:

- hotel use is less than what was needed in Fall 2022;
- auxiliary revenues are generated and/or transferred to plant funds; or
- the university is able to fund the hotel payments with housing revenues or some other allowable source.

There was inadequate documentation that students qualified for scholarships based on a random sample of TSU student files reviewed by the Comptroller's Office. Approximately one-third of all freshmen who received scholarships for the 2022-23 academic year did not meet the scholarship's minimum GPA requirement. To qualify for certain TSU scholarships, students must meet a minimum GPA requirement or, if the minimum GPA is not met, demonstrate financial need. While conducting the research for this special report, the Comptroller's Office reviewed a random sample of student files provided by TSU. Students who received a

scholarship but did not meet the minimum GPA requirement may have qualified based on financial need, but the student files reviewed contained no documentation to that effect. TSU management is responsible for the operations of the university, including implementing the controls necessary to operate effectively, report accurate information, and comply with laws and regulations. The TSU Board of Trustees is responsible for overseeing management and ensuring management takes corrective action when deficiencies occur. For years, management has included in their response to the findings that staffing shortages and lack of training have created the problems and that new policies, programs, and staff would correct the issues, but these issues have continued to persist, and neither management nor the board has taken sufficient remedial action.

For years, TSU management's response to audit findings from the Comptroller's Office has been that . . . new policies, programs, and staff would correct the issues, but these issues have continued to persist, and neither TSU management nor the TSU Board of Trustees has taken sufficient remedial action.

Lack of responsive communications

Beginning on July 27, 2022, multiple parents and students contacted the Comptroller's Higher Education Resource Officer (HERO) regarding concerns about scholarship and housing-related matters at TSU. Complaints filed with the HERO concerned unfulfilled scholarships, including complaints about the university's lack of responsiveness and unclear communications to parents and students. In some cases, TSU ultimately resolved the concerns raised by parents and students, but numerous complaints filed with the HERO indicated repeated efforts by parents and students to get TSU to respond to their concerns, indicating a lack of responsiveness and poor communications on the university's part. TSU officials identified the need to improve communication among internal departments responsible for housing, enrollment, scholarships, and other operations, according to an October 31, 2022, document provided to state officials. Timely and clear responses and communications to parents and students should be part of the university's efforts to improve communication among internal departments.

In a response provided to the Senate Ad Hoc Committee on November 26, 2022, TSU officials stated that they recognize and own their failure to communicate and resolve internal operation matters, including enrollment, financial aid, and housing issues. To address this area of concern, TSU plans to establish a customer relations and service unit devoted exclusively to effectively communicating, addressing, and resolving student-related operations issues. TSU also has new enrollment management software.

The HERO has continued to receive complaints from TSU students regarding scholarships, account balances, and housing. From December 1, 2022, through February 3, 2023, 15 TSU students contacted the HERO seeking assistance. Fourteen of the 15 students had concerns about their student account balance. Many of these requests were time sensitive since a new semester (Spring 2023) was beginning and student schedules were being purged by TSU due to the students' outstanding balances. The remaining student had a problem with housing.

Repeated inconsistencies in testimony to state officials

At an August 2021 meeting of the State Building Commission (SBC), the Commissioner of the Tennessee Department of Finance and Administration asked TSU officials to confirm that their request to lease one hotel was a one-time request for one semester (the Fall 2021 semester). In response, a TSU official confirmed that it was a one-time request and that the leasing agreement was an emergency, one-time leasing agreement since the university would have fewer students to house in the Spring 2022 semester and because TSU would open a new 700-bed residence hall the following fall semester (Fall 2022 semester). In 2022, TSU again came before the SBC, this time with a request to lease 12 properties, including 11 hotels. At the August 11, 2022, meeting of the SBC, Lt. Governor McNally called attention to the fact that a TSU official testified that the request made in 2021 was a one-time request and noted that the commission was again being asked to approve leases for off-campus housing at TSU.

Testifying before state officials in August 2022, TSU's Dean of Students stated TSU would not house freshman in off-campus housing for the Fall 2022 semester. However, based on information provided by TSU, 250 of the 881 students housed in off-campus hotels for Fall 2022 were freshmen, and additional freshmen were housed in the private apartment complex leased by TSU.

Repeated inconsistencies between statements made by TSU representatives to state officials and actions later carried out erode the credibility of TSU management.

Repeated inconsistencies between statements made by TSU representatives to state officials and actions later carried out erode the credibility of TSU management.

TSU management's lack of planning and management, especially regarding scholarship practices, exacerbated the university's existing housing problem.

In August 2021, TSU sought state approval of an emergency request to lease one hotel and an apartment complex to house students for the Fall 2021 semester. TSU officials attributed the need for off-campus housing to a high number of freshman, which was at that time the largest incoming class in the history of the university, and an unprecedented surge in requests for housing.

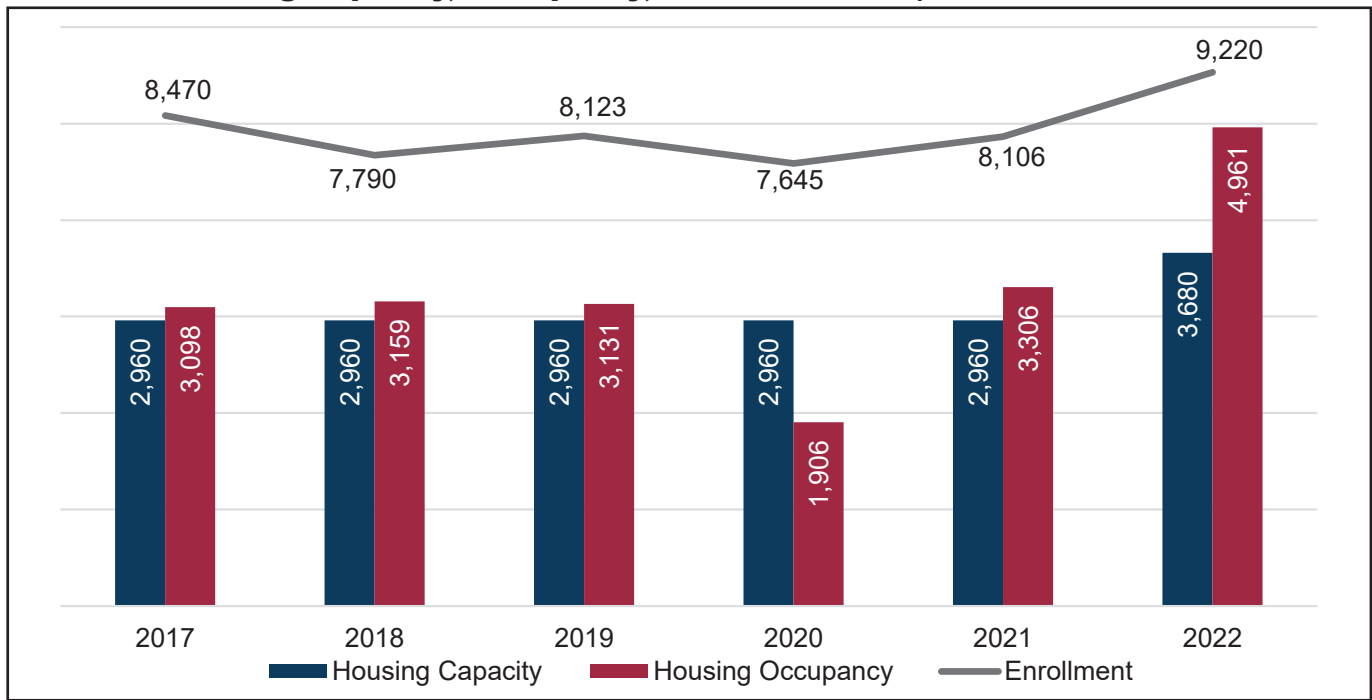
Approximately one year later, in July 2022, TSU officials requested state approval to lease 12 properties, including 11 hotels, at a cost of approximately \$40 million to provide emergency housing for TSU students. State officials declined to approve this request in July 2022 and scheduled a special meeting for early August. University officials presented a revised request at the August 2022 meeting, reducing the number of hotels requested by six. The university ultimately received state approval in August 2022 to lease six properties, including five hotels, to provide emergency housing to students.

Several factors have contributed to record enrollment at TSU and the housing shortage. In testimony before the Tennessee State School Bond Authority in 2022, the TSU president cited the national attention received by TSU, good publicity, and the development of strategic corporate partnerships as contributing factors to the significant increase in enrollment. Another factor is what has been referred to as a renaissance at historically black colleges and universities (HBCUs), which refers to increased interest in, and higher enrollment at, HBCUs in recent years. High rental prices in the Nashville housing market have also played a role. TSU administrators have cited the real estate market in Nashville as the reason for increasing numbers of TSU upperclassmen requesting on-campus housing. TSU officials have also cited an increase in the university's yield rate (i.e., the percentage of students who accept offers of admission.)

TSU's record enrollment is commendable, but the housing problems that have accompanied the record enrollment have led TSU to repeatedly seek state approval to lease off-campus housing, including hotels. TSU is not alone among public universities in Tennessee with on-campus housing challenges. For example, the University of Memphis received state approval to lease 108 beds for the 2021-22 academic year. On August 11, 2022, the university appeared before the SBC and requested a three-year lease of 300 beds at an apartment complex adjacent to the University of Memphis campus. The University of Tennessee has also received state approval in recent years to lease off-campus housing. TSU's situation, however, was a cause for concern in the Comptroller's Office because of the university's history of systemic deficiencies in accounting and fiscal management identified by state audits; the nature of the complaints the Comptroller's Office has received from students and parents regarding enrollment, scholarships, and housing; and the nature of the emergency requests for housing made to key state oversight agencies.

Student demand for housing at TSU has exceeded the university's supply of housing almost every year since at least 2017, as shown in Exhibit 1.

Exhibit 1: Housing Capacity, Occupancy, and Enrollment | Fall Terms 2017-22



Given this trend and TSU’s 2021 request for state approval of emergency housing, careful planning and management of the drivers of increased enrollment under the university’s control have grown increasingly important.

But at a time when record enrollment and student demand for housing had already created a housing shortage at the university, TSU management conducted an extensive recruiting campaign and more than quadrupled the scholarship budget, raising the total amount budgeted for scholarships from \$6.4 million to \$28.3 million for the 2022-23 academic year. The amount budgeted for scholarships that year was equivalent to the total amount budgeted for scholarships for the previous four years combined. TSU began making these scholarship offers in September 2021 at a time when the university was leasing one hotel and an apartment complex to cope with its existing housing shortage. Approximately three-quarters (1,280 out of 1,722) were full-cost scholarships that guaranteed housing.

At a time when record enrollment and student demand for housing had already created a housing shortage at the university, TSU management conducted an extensive recruiting campaign and more than quadrupled the scholarship budget, raising the total amount budgeted for scholarships from \$6.4 million to \$28.3 million for the 2022-23 academic year.

In addition, TSU management did not inform the TSU Board of Trustees of the significant increase in the scholarship budget in a timely manner, giving the board insufficient time to evaluate the effects of an increase of this magnitude on enrollment and the university’s existing housing problem. TSU management did not present the significant increase in the university’s scholarship budget to the TSU board until almost one year after the scholarships were offered to students. The figure for scholarships included in the 2022-23 budget presented to the board in July 2022 was \$6.4 million. The \$28.3 million budgeted for scholarships was not presented to the board until October 2022, and the board approved the \$28.3 million in November 2022, a month before the completion of the Fall 2022 semester.

TSU’s recruitment of students from West Tennessee, as well as out-of-state students, further added to existing housing pressures since such students were more likely to require on-campus housing. These scholarship and recruitment decisions contributed to record enrollment for the 2022-23 academic year. The resulting influx of students led TSU officials to again seek state approval to lease off-campus properties, with the size of the emergency housing request made in 2022 far larger than for 2021.

By March 2022, there were indicators of a significant increase in enrollment for Fall 2022. By April 2022, the number of housing applications received for the coming fall semester was 217 percent higher than the previous year, a signal that student demands for housing would be at an unprecedented level. At the end of May 2022, a TSU official began seeking overflow housing. The lease agreement between TSU and a Best Western hotel from the previous year was used as a baseline for the university's 2022 lease agreements with hotels. Comptroller's Office staff received conflicting answers to questions about who at TSU negotiated the leases. TSU management did not provide evidence of a documented approval process for leasing or clearly designated responsibilities for lease negotiation, review, and approval.

TSU's Dean of Students testified in August 2022 that leasing hotels was the most expensive and least desirable solution to the university's housing problem.

In July 2022, TSU officials requested state approval to lease 12 properties, including 11 hotels, to provide emergency housing for TSU students at a cost of approximately \$40 million. TSU's CFO stated that this request represented the "worst-case scenario" for housing. State officials declined to approve this request at the July 2022 meeting and scheduled a special meeting for early August.

University officials presented a revised request at the August 2022 meeting, reducing the number of hotels requested by six. TSU's Dean of Students testified in August 2022 that leasing hotels was the most expensive and least desirable solution to the university's housing problem. The university ultimately received state approval in August 2022 to lease six properties, including five hotels.

Based on the typical reduction in enrollment that occurs between the fall and spring semesters of each academic year, TSU leased three fewer hotels for the Spring 2023 semester, reducing the number of hotel leases from five to two. The university's current lease with an off-campus apartment complex, the House of God Apartments, runs for three years (August 2022 to May 2025).

TSU's housing problem is likely to continue for the foreseeable future.

As of October 31, 2022, the university's on-campus housing capacity was 3,680 beds, below the estimated need of 4,800 beds for Fall 2023. TSU board members acknowledged at a November 2022 meeting that the university's current supply of on-campus beds is insufficient to support student demand for housing. Members of the board have stated leasing hotels is not the ideal option for student housing, but they believe leasing some number of hotels will continue in the future, at least through the Fall 2023 semester.

TSU officials plan to construct two new residence halls in the future, which would raise TSU's inventory of on-campus beds to 4,680. (The two new residence halls will add a total of 1,000 beds.) University officials indicate they are working closely with the Tennessee Board of Regents (TBR) to accelerate construction of the two residence halls. It is unclear at this time when these two new halls will open, though TSU anticipates completion no later than Fall 2025. TSU officials provided varying answers to questions from Comptroller staff about the university's housing plans over the time period between the Fall 2023 semester and the opening of the two new residence halls.

The university's existing supply of housing must also be assessed, however. TBR and TSU have identified three existing residence halls for demolition rather than renovation. A fourth residence hall that may also be at the end of its useful life was identified during a November 2022 meeting of the TSU Board of Trustees. One of the four residence halls dates back to 1951. The other three were constructed in the 1960s.

Exhibit 2: Housing Requiring Demolition

Residence Hall	# of Beds	Year Opened	Classification	Room Type
Boyd	364	1951	Male	Double
Eppse	274	1968	Female	Double
Wilson	550	1964	Female	Double
Watson	318	1966	Male	Double
Total	1,506			

These four residence halls contain approximately 1,500 beds, roughly 41 percent of TSU’s current on-campus bed inventory. Demolishing these four residence halls while building two new residence halls yields a net *reduction* of roughly 500 on-campus beds. Assuming student demand for housing at least holds steady, TSU will likely require off-campus leases to house students for the foreseeable future.

TSU’s current housing problem leaves the university with limited ability to adequately respond to unforeseen events, such as a fire at a residence hall, that could reduce the university’s on-campus housing capacity. Other factors could also worsen the university’s housing problem. For example, TSU anticipates a 43 percent reduction in returning student scholarship dollars for the 2023-24 academic year, assuming a certain number of students will either fail to qualify for future awards or will leave the university. If a higher number of students than anticipated remain enrolled at the university, however, demand for student housing could be higher than expected and TSU’s housing problem could worsen.

Assuming student demand for on-campus housing at least holds steady, TSU will likely require off-campus leases to house students for the foreseeable future.

TSU is taking some steps to respond to the current housing problem. The university has indicated it plans to limit the number of new students to 2,600 for the Fall 2023 semester. By comparison, the university admitted 3,567 new students for the Fall 2022 semester. TSU officials plan to provide housing for 1,600 of the 2,600 new students; the assumption is the remaining 1,000 students will not require university-provided housing for the Fall 2023 semester.

TSU plans to award fewer full-cost scholarships (which include guaranteed housing) in the future. One of the drivers behind record enrollment for the 2022-23 academic year and an intensification of the university’s housing problem was the substantial increase in the scholarship budget. TSU plans to significantly reduce its scholarship budget for new students in the coming years, budgeting \$5 million for the next two academic years as compared to the \$28.3 million budgeted for scholarships for the 2022-23 academic year.

Can TSU use the \$250 million appropriation from the state to address their housing problem?

No, the \$250 million TSU received from the state in 2022 because of historical underfunding cannot be used for facilities that generate revenues, including residence halls. This funding must be used to improve academic buildings on campus, to replace vital infrastructure such as utility systems, and to repair and replace roofs, windows, and sidewalks.

Further, TSU plans to start accepting student housing applications one month earlier and stop processing applications earlier in the year. Students who submit housing applications after the stop date will be placed on a waitlist. The hope is that these changes will incentivize students to pursue on-campus housing earlier in the year and give officials more time to forecast how many students will need university-provided housing each fall semester. TSU also plans to expand and enhance its housing referral program, which provides students with a list of private off-campus housing options that meet a predetermined set of conditions, to help students find housing off-campus.

TSU also plans to ease housing pressures by increasing enrollment from students less likely to require on-campus housing, such as veterans, city commuters, and online learners. City commuters may not necessarily opt out of seeking university-provided housing, however. When advising TSU to address their housing shortage before the Fall 2022 semester, TBR's Executive Director of Facilities Development cited increased traffic around the Greater Nashville area making it more difficult for students to commute to campus.

The TSU Board of Trustees has formed a Housing Committee to address the university's housing problem, with a particular focus on easing housing pressures ahead of the opening of two new residence halls on the TSU campus.

Policy Considerations

The Comptroller's Office presents the following policy considerations:

1. ***The General Assembly could place TSU under the authority of the Tennessee Board of Regents (TBR).*** The General Assembly could vacate the current TSU Board of Trustees and place all TSU operations under the authority of TBR. Alternatively, the General Assembly could assign authority over all TSU operations to TBR while retaining a TSU Board of Trustees, either the current TSU board or a new board. Under this arrangement, the TSU Board of Trustees would serve in an advisory capacity. Authority over TSU operations could be returned to the TSU Board of Trustees once certain conditions are met or after a specified period of time.

Of all the state's locally governed institutions (i.e., public universities that are not part of the University of Tennessee system), only TSU remains under TBR oversight for capital projects because the university does not have sufficient personnel to handle capital projects on its own. In addition, TBR is responsible for ensuring TSU can meet the university's debt covenants.

2. ***The General Assembly could vacate and restructure the TSU Board of Trustees.*** Since 2017, a 10-member local governing board of trustees has been responsible for overseeing the university's management and governance, including budgeting and other important areas of operations. The board has not exercised effective oversight over TSU management regarding the university's ongoing housing problem and fiscal practices.
3. ***The General Assembly should consider mandating that TSU submit an annual scholarship plan and monthly reports regarding the number and value of all scholarships offered and the number of signed scholarship acceptance offers.*** Prior to recruitment commencing for the next academic year, TSU management would submit the university's scholarship plan to the Chairs of the Finance Committees in the General Assembly, the Chairs of the Education Committees in the General Assembly, the Tennessee State School Bond Authority, the Tennessee Higher Education Commission, the Tennessee Board of Regents, the State Architect's office, and the Housing Committee and the Finance and Budget Committee of the TSU Board of Trustees. The scholarship plan would detail the scholarship budget, funding sources, where students will be recruited from, and the number and types of scholarship offers. After recruitment has commenced, TSU management would submit a report each month to the same parties specifying the number and dollar value of all scholarships offered and the number of signed scholarship acceptance offers.

Regular reporting by TSU will keep state officials and others apprised of scholarship trends at the university.

4. ***The General Assembly should consider mandating that TSU submit housing application data and enrollment application data on a monthly basis between March and September of each year.*** On the first day of each month starting March 1 and ending September 1, TSU management would provide enrollment application data to the Chairs of the Finance Committees in the General Assembly,

the Chairs of the Education Committees in the General Assembly, the Tennessee State School Bond Authority, the Tennessee Higher Education Commission, the Tennessee Board of Regents, the State Architect's office, and the Housing Committee and the Finance and Budget Committee of the TSU Board of Trustees. The data provided could be for the current year and the previous four academic years and include:

- admitted students
- net admitted students
- denied students
- incomplete applications
- withdrawn/cancelled students
- students who have completed their intent to enroll
- housing deposits received
- returning student applications received
- transfer student applications received
- new student applications received

Regular reporting by TSU will keep state officials and others apprised of enrollment and housing trends at the university.

5. ***The General Assembly should consider mandating that TSU provide projected enrollment classification data for the coming fall semester on November 1 of each year.*** The enrollment data would be provided to the Chairs of the Finance Committees in the General Assembly, the Chairs of the Education Committees in the General Assembly, the Tennessee State School Bond Authority, the Tennessee Higher Education Commission, the Tennessee Board of Regents, the State Architect's office, and the Housing Committee and the Finance and Budget Committee of the TSU Board of Trustees and could include:

- number of freshmen, sophomores, juniors, and seniors
- number of in-state students
- number of out-of-state students
- number of 250-mile radius students
- number of commuter students
- number of students living on campus
- number of students living off campus in TSU-provided housing (e.g., hotels, private apartment complexes, other types of off-campus housing)
- number of online-only students

Annual reporting by TSU will keep state officials and others apprised of enrollment and housing trends at the university.

6. ***The TSU Board of Trustees could replace current TSU management.*** The lack of planning and management on the part of TSU management has exacerbated the university's existing housing problem, and TSU has repeatedly fallen short of sound fiscal practices, adequate documentation, and responsive communications to concerned parents and students.

The board provides direct oversight of the TSU president, who serves as the administrative head of the university and is responsible for TSU's operations and programs.

- 7. *The TSU Board of Trustees should consider implementing a policy requiring the board's prior approval of financial and budget changes, especially concerning scholarships.*** The policy could include a percentage change threshold that triggers the need for prior approval by the board before TSU management can increase or reduce funding.

TSU management did not inform the board of the significant increase in the scholarship budget for the 2022-23 academic year in a timely manner, giving the board insufficient time to evaluate the effects of an increase of this magnitude on enrollment and the university's existing housing problem. TSU management did not present the significant increase in the university's scholarship budget to the TSU Board of Trustees until almost one year after the scholarships were offered to students. The figure for scholarships included in the 2022-23 budget presented to the board in July 2022 was \$6.4 million. The \$28.3 million budgeted for scholarships was not presented to the board until October 2022, and the board approved the \$28.3 million in November 2022, a month before the completion of the Fall 2022 semester.

- 8. *TSU management should consider the recruitment and retention of a candidate to fill the university's vacant capital projects manager position to be a top priority.*** Given the university's current housing problem, filling this position is vitally important. For TSU to possibly gain independence from TBR oversight of the university's capital projects, hiring someone with experience in this type of position is essential, according to a September 2022 interview with TBR officials.
- 9. *TSU management should consider adding an additional new residence hall to its plans to construct two new residence halls.*** As of October 31, 2022, the university's on-campus housing capacity was 3,680 beds, below the estimated need of 4,800 beds for Fall 2023. TSU board members acknowledged at a November 2022 meeting that the university's current supply of on-campus beds is insufficient to support student demand for close to 5,000 beds.

University officials plan to construct two new residence halls in the future, which would raise TSU's inventory of on-campus beds to 4,680. (The two new residence halls will add a total of 1,000 beds.) It is unclear at this time when these two new halls will open, though TSU anticipates completion no later than Fall 2025.

TBR and TSU have identified three existing residence halls that need to be demolished rather than renovated. A fourth residence hall that may also be at the end of its useful life was identified during a November 2022 meeting of the TSU Board of Trustees. These four residence halls contain approximately 1,500 beds, roughly 41 percent of TSU's current on-campus bed inventory. Demolishing these four residence halls while building two new residence halls yields a net *reduction* of roughly 500 on-campus beds. Constructing a third new residence hall would likely reduce or eliminate the expected deficit of on-campus beds if enrollment holds steady.

- 10. *TSU management should consider improving its responsiveness to communications received from parents and students.*** Beginning on July 27, 2022, multiple parents and students contacted the Comptroller's Higher Education Resource Officer (HERO) regarding concerns about scholarship and housing-related matters at TSU. Complaints filed with the HERO concerned unfulfilled scholarships, including complaints about the university's lack of responsiveness and unclear communications to parents and students. In some cases, TSU ultimately resolved the concerns raised by parents and students, but numerous complaints filed with the HERO reflect repeated efforts by parents and students to get TSU to respond to their concerns, indicating a lack of responsiveness and poor communications on the university's part. TSU officials identified the need to improve communication among internal departments responsible for housing, enrollment, scholarships, and other operations, according to an

October 31, 2022, document provided to state officials. Timely and clear responses and communications to parents and students should be part of the university's efforts to improve communication among internal departments.

11. *TSU management should consider revisiting what approvals are needed for transfers of funds from any of the university's accounts to the plant funds and ensure that documentation is attached to any accounting entries.* In the past, TSU approvals for transfers were tied to the budgetary process, but the approvals for transfers have become less clear as the university has started to deviate from making regular comprehensive auxiliary transfers to making only a partial transfer. The same applies for movements within the plant funds, particularly when some transfers are from educational and general funds while other transfers are from auxiliary funds. TSU should consider whether their accounting practices meet the spirit of their policy regarding transfers and whether they are tied to specific projects.

12. *TSU management should consider properly documenting scholarship award decisions and including a multiple-step approval process.* While conducting the research for this special report, the Comptroller's Office reviewed a random sample of student files provided by TSU. Students who received a scholarship but did not meet the minimum GPA requirement may have qualified based on financial need, but the student files reviewed contained no documentation to that effect.

The Comptroller's Office reviewed all feedback from TSU, TBR, and THEC before publishing this special report. See page 57 of the full report for an additional response from TSU.



**OFFICE OF THE PRESIDENT
3500 JOHN A. MERRITT BLVD. NASHVILLE, TN 37209**

**GLENDA BASKIN GLOVER
PRESIDENT**

**(615) 963-7401
gglover@tnstate.edu**

February 10, 2023

The Honorable Jason E. Mumpower
Comptroller of the Treasury
Tennessee State Capitol
Nashville, TN 37243

Dear Comptroller Mumpower:

We appreciate the efforts of the Comptroller's staff in assembling this report. We take seriously the matters addressed in the report and thank you for conducting the review. We are resolute in our ongoing commitment to be effective stewards of the State's resources and ensure that Tennessee State University provides a quality, life-changing education to its students.

We will work closely with the TSU Board of Trustees to continue and further enhance the momentum we have developed to improve the university's operational effectiveness. As you know from the official records made from TSU's response to previous inquiries, we have already taken substantive measures and are taking additional measures to address the items of focus contained in your report, including in the areas of housing, enrollment, fiscal practices, and communications. These items will be reflected in TSU's Action Plan. We are also committed to working more closely with the Comptroller's Office to address other operational efficiencies. For example, we recently met with the Comptroller's Office's Higher Education Resource Office (HERO) and provided a demonstration of TSU's new game-changing enrollment management software.

We note a key fact that is not included in your report:

No funds were missing or misappropriated as your office has confirmed.

Respectfully, we do not concur with all the policy considerations contained in the Comptroller's Report. We view some of the considerations to be significantly disruptive and unfair to students who have come to expect and benefit from having their own governing board – a governing board that is focused on meeting the needs of TSU students. Moreover, some of the policy considerations are unprecedented, unwarranted, inappropriate, unnecessary, too far reaching, and inequitable. We are, however, firmly committed to taking substantive actions to address the concerns reflected in the Comptroller's Report.

Accordingly, we will implement the following actions or enhancements immediately:

- We will share copies of the Comptroller's report with the TSU Board of Trustees and engage in a public discussion about the report with the Board at its next meeting on March 16, 2023.

- We will work with the TSU Board of Trustees to ensure that our policies governing fiscal and budget changes are followed, and we will make additional policy modifications as deemed appropriate, including those in the scholarships area.
- We will move expeditiously to ensure that we have appropriate staffing in our operational areas, including the capital projects manager position and additional staff in our housing department.
- We will enhance our overall documentation practices, including the documentation of scholarship award decisions, with an appropriate multiple-step approval process. We also will provide an annual scholarship plan to the TSU Board of Trustees.
- We will ensure that the University is more responsive to communications from students and parents. Upon a directive from our Board of Trustees, we have established the Office of Customer Relations, and our recent roll out of new software pertaining to enrollment and financial aid matters, will aid tremendously in this effort.
- We will work with the Board to elevate our efforts to address our housing challenges, including pursuing additional on-campus housing, as you noted in your report, accelerate housing related decisions and deadlines, and enhance our housing referral program. This effort will include direct and substantive involvement by the Board, including the Board's Special Committee on Housing.
- We will continue to provide housing and enrollment application data to the TSU Board of Trustees, including at its March, June, and September meetings. TSU will also provide a copy of such data to THEC.
- The Board Chair will schedule and engage the Board in regular planning sessions on enrollment, housing, and financial aid, commencing with the March 16, 2023, Board or Board Committee meeting.
- The Board will continue its plans to undergo a self-assessment, commencing at its March 16, 2023, meeting, and engage in efforts to further strengthen its effectiveness consistent with governance principles. These plans include ongoing utilization of a governance consultant from the Association of Governing Boards of Universities and Colleges (AGB). AGB is the premier university governance organization in the country and the consultant was previously retained by THEC for governance related consultation.

In addition to the action items referenced in this letter, we plan to utilize the Comptroller's report, in a comprehensive manner, to address the operational issues more effectively and ensure student success.

Sincerely,



Dr. Deborah Cole
Chair, TSU Board of Trustees



Dr. Glenda Glover
President, Tennessee State University



Office of the Chancellor

1 Bridgestone Park, Third Floor
Nashville, Tennessee 37214
615-366-4403 OFFICE 615-366-3922 FAX

tbr.edu

February 9, 2023

Dear Mr. Moore

I appreciate the opportunity to review and provide comments on your office's very thorough report on Tennessee State University. The Tennessee Board of Regents (TBR) would like to continue to contribute to the future success of Tennessee State University (TSU) and its students. Over the last few years, we have invested much additional time and effort in assisting TSU with planning for their \$250 million capital improvements.

The previously published recurring deficiencies in financial management and housing, as well as the issues identified in your draft report, such as budget management, overspending on scholarships, and deficiencies in housing and enrollment management illustrate the imperative for competent oversight that has been lacking. The students that TSU serves are the ones most impacted by the current deficiencies. It would be most unfortunate for TSU to not only forfeit its reputation, but for current and prospective students to become disillusioned with the mismanagement of this great university, resulting in declines in enrollment and further financial hardship.

As noted in your report and based upon our experience working with the current administration at TSU, the most expedient opportunity for a reversal of the issues identified in your report would result from the replacement of much of TSU's administration. If that action did not produce significant improvement, replacement of the governing board may be necessary.

We are willing to accept any initiative or responsibility that the Tennessee General Assembly deems necessary to ensure that TSU's legacy continues. If that assistance includes bringing TSU and its governance back into the Tennessee Board of Regents, we will provide the oversight and governance structure to ensure TSU's success. Of course, this would entail a complex and perhaps controversial transition requiring collaboration between the General Assembly, TSU, TBR, and other entities.

We would like to provide the following clarifications for information contained in the report:

- On page 15, the account of Mr. Allen's statement is accurate; however, to clarify TBR's role, we were working to help TSU expedite getting a project to the State Building Commission that was disclosed in the July budget for fiscal year 2023-2024.
- On pages 48 and 69, please remove the title of doctor for Alisha Fox.
- On page 69, Exhibit 29, Ms. Angela Scott is now an employee of TBR and is no longer with Finance and Administration.

We look forward to working with the Comptroller's Office, the General Assembly, and TSU to continue TSU's success.

Sincerely,

Flora W. Tydings, Ed. D.




DR. ROBERT M. SMITH
INTERIM EXECUTIVE DIRECTOR

BILL LEE
Governor

STATE OF TENNESSEE
HIGHER EDUCATION COMMISSION
Rosa L. Parks Ave., 9th Floor
NASHVILLE, TENNESSEE 37243-0830
(615) 741-3605

MEMORANDUM

TO: Hon. Jason Mumpower, TN Comptroller of the Treasury
FROM: Lou Hanemann, THEC 
Subject: THEC Review of proposed report re: TSU policies and practices
Date: February 10, 2023

The leadership staff of the TN Higher Education Commission have reviewed the proposed executive summary and report content of the proposed report on TSU. The THEC staff have no particular comment relative to the content or direction of the narrative for the background components of the report.

As to the structural and policy recommendations included in the report we have two comments:

1. *Relative to Recommendation #1: The General Assembly could place TSU under the authority of the Tennessee Board of Regents (TBR):* THEC Staff would note that there are substantial structural and policy implications to moving a locally governed institution under the purview of a governing board whose point of focus is strictly the technical and community college space.
2. *Relative to the presentations of the recommendations as a whole:* THEC staff would suggest that the recommendations be presented in a framework that distinguished between those recommendations related to systemic/structural change and those recommendations pertaining to minor adjustments in policy or practices.

If there are any questions or follow up necessary for further context, please reach out to Lou Hanemann, Chief of Staff at lou.hanemann@tn.gov or directly at 615-806-0296.

