








# September 2023 Audit Committee Meeting



<b>Schedule</b>	Wednesday, September 6, 2023 9:15 AM — 10:00 AM CDT
<b>Venue</b>	Maxine A. Smith University Center - Bluff Room (304)
<b>Organizer</b>	Sparkle Burns

## Agenda



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# 1. Call to Order and Opening Remarks

Presented by David McKinney



## 2. Roll Call and Declaration of Quorum

Presented by David McKinney



### 3. Approval of Meeting Minutes for June 14, 2023

For Approval

Presented by David McKinney

**THE UNIVERSITY OF MEMPHIS  
AUDIT COMMITTEE MEETING MINUTES  
JUNE 14, 2023**

**I. CALL TO ORDER AND OPENING REMARKS**

Trustee McKinney called the meeting to order and welcomed members of the community, trustees, and administration.

**II. ROLL CALL AND DECLARATION OF QUORUM**

Trustee McKinney recognized Board Secretary Melanie Murry.

Secretary Murry called the roll. The following trustees were in attendance:

Trustee Roberts (attended the meeting virtually and verified she was alone and could hear her.)

Trustee McKinney  
Trustee Springfield  
Trustee Carter

Secretary Murry announced the presence of a quorum.

Secretary Murry acknowledged additional trustees in attendance:

Trustee North  
Chairman Edwards

**III. APPROVAL OF MEETING MINUTES FROM DECEMBER 9, 2022**

Trustee McKinney called for a motion to approve the meeting minutes for December 9, 2022. The motion was made by Trustee Springfield and properly seconded. A roll call vote was taken and unanimously approved.

Secretary Murry acknowledged Trustee Marchetta was present in the meeting.

**IV. SUMMARY OF AUDIT REPORTS ISSUED**

Trustee McKinney recognized Senior Internal Auditor, Emily Bridges to present agenda items four (4) through seven (7).



Ms. Bridges stated two (2) audits were completed and two (2) reports were issued since the last meeting. Ms. Bridges informed the Committee that both audit report opinions were effective with the opportunity for improvement. Ms. Bridges provided an overview of each audit report and its issues.

#### **V. SUMMARY OF INTERNAL AUDIT INVESTIGATIONS COMPLETED**

Ms. Bridges stated two (2) Office of Internal Audit and Consulting investigations were completed since the last meeting. Ms. Bridges informed the Committee that investigative memos were provided to management and were also included in the Board meeting materials.

#### **VI. FY2024 AUDIT PLAN**

Ms. Bridges explained that the Committee's approval of the audit plan is required by the Audit Committee Charter, Office of Internal Audit and Consulting Charter, and state regulations. Ms. Bridges highlighted the three (3) functional areas at the University of Memphis that include 28 audit entities. Ms. Bridges provided an overview of what Chief Audit Executive, Vicki Deaton considers and reviews to develop the annual audit plan.

Ms. Bridges provided a list of external agencies that conduct audits and similar projects at the University. Ms. Bridges provided a chart of all audits and similar projects conducted over the last 5 years by both Internal Audit and Consulting and multiple external auditors. Ms. Bridges also provided a chart to the Committee that shows how Internal Audit and Consulting's resources have been utilized the past few years.

Ms. Bridges concluded and presented the FY2024 Audit Plan for approval, and opened for questions, if the Committee had any.

Trustee McKinney offered his appreciation for the audit work completed since the last Audit Committee meeting and stated non-eventful audit reports are sought.

Trustee McKinney called for a motion to approve the FY2024 Audit Plan. The motion was made by Trustee Springfield and properly seconded. Trustee McKinney asked was there any discussion, none was provided. A roll call vote was taken and unanimously approved.

#### **VII. ANNUAL REPORT OF GRIEVANCE ACTIVITIES – SUPPORT STAFF ONLY**

Ms. Bridges provided an overview of statute T.C.A. 49-80-117 and informed the Committee that the grievance activity reports included in the meeting materials cover the periods of FY2022 (from July 1, 2021 through June 30, 2022) and FY2023 to date (from July 1, 2022 through May 31, 2023).

Ms. Bridges concluded her presentation. Trustee McKinney asked was there any discussion, none was provided. Trustee McKinney verified with Secretary Murry that a vote was not needed for this item and Secretary Murry acknowledged that a vote was not needed.

#### **VIII. INFORMATIONAL SECURITY PROGRAM UPDATE**

Trustee McKinney recognized Chief Information Officer, Dr. Robert Jackson.

Dr. Jackson informed the Committee that Information Technology Services (ITS) continues to make progress on the Network Access Control for the University. Dr. Jackson also stated ITS continues to make progress on the CMMC Level 1 Certification which will strengthen the University's support for research. Dr. Jackson informed the Committee that ITS recently completed the Annual Cyber Incident Tabletop Exercise and the External PCI Assessment.

Dr. Jackson provided an overview of the IT Security Engagements for the last 4 quarters. Dr. Jackson informed the Committee that the spike of 11 was due to sophisticated phishing attempts that gained access to the system but now that number has returned to the normal level. Dr. Jackson added that he reviewed all the reports from the last 4 quarters and all the reports were considered minor issues and no further action was required. Dr. Jackson stated ITS continues to proactively deactivate accounts when malicious or suspicious activity is detected. Dr. Jackson reiterated that the spike on the deactivation chart showed the number of accounts deactivated due to the phishing attempt.

Dr. Jackson discussed the next steps of ITS.

Dr. Jackson concluded his presentation. Trustee McKinney asked was there any discussion, none was provided.

#### **IX. ADDITIONAL BUSINESS**

No additional business.

#### **X. ADJOURNMENT**

Trustee McKinney adjourned the meeting to Executive Session.

## 4. Summary of Audit Reports Issued

Presentation

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 6, 2023  
**Committee:** Audit Committee  
**Presentation:** Summary of Internal Audit Reports Issued  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

**Background:**

Three audit reports were issued since the last meeting. Summarized information is included in the attached table.

Name of Audit Report	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Recommendations for Consideration by University Management	Issues Outstanding from Prior Audit
College of Health Sciences Financial and Compliance Audit	7/6/2023	Effective with the Opportunity for Improvement	0	5	3	1	0	1	0
Inventory Observation Audit Report	7/31/2023	Effective	0	0	0	0	0	0	0
Cash Balances Audit Report	7/31/2023	Effective	1	0	0	0	0	0	0



# 5. Summary of Audit Issue Follow Up

Presentation

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 6, 2023

**Committee:** Audit Committee

**Presentation:** Summary of Audit Issue Follow Up

**Presented by:** Vicki D. Deaton, Chief Audit Executive

**Background:**

Attached is a summarized list of audit issues with action plans that were evaluated for completion this quarter.



Action Plan Estimated Completion Date	Name of Audit	Date of Audit Report	Audit Engagement Opinion	Issue #	Issue Description	Issue Rating	Party Responsible for Action Plan Completion	Current Status (as of August 2023)	New Action Plan Estimated Completion Date
1/31/2023	School of Hospitality and Resort Management Financial & Compliance Audit	1/6/2023	Effective with the Opportunity for Improvement	KWS 1	Improvements Needed to Controls over Professional Service Agreements	Minor = Effective with Opportunity for Improvement	Erica Boyce, KWS Hospitality & Resort Management Business Officer II	Complete	
2/28/2023	School of Hospitality and Resort Management Financial & Compliance Audit	1/6/2023	Effective with the Opportunity for Improvement	KWS 2	Annual Financial Responsibility Certification Compliance	Minor = Effective with Opportunity for Improvement	Radesh Palakurthi, Dean, KWS Hospitality & Resort Management	Complete	
2/28/2023	School of Hospitality and Resort Management Financial & Compliance Audit	1/6/2023	Effective with the Opportunity for Improvement	KWS 3	Security Awareness Training Compliance	Minor = Effective with Opportunity for Improvement	Radesh Palakurthi, Dean, KWS Hospitality & Resort Management	Complete	
1/31/2023	School of Hospitality and Resort Management Financial & Compliance Audit	1/6/2023	Effective with the Opportunity for Improvement	KWS 4	Misclassification of Expenses	Minor = Effective with Opportunity for Improvement	Erica Boyce, KWS Hospitality & Resort Management Business Officer II	Complete	
3/31/2023	School of Hospitality and Resort Management Financial & Compliance Audit	1/6/2023	Effective with the Opportunity for Improvement	KWS 5	Insufficient Controls over Fixed Assets	Minor = Effective with Opportunity for Improvement	Erica Boyce, KWS Hospitality & Resort Management Business Officer II	Partially Complete	8/31/2023
10/31/2022	Lambuth Campus Financial & Compliance Audit	10/26/2022	Effective with the Opportunity for Improvement	FY23 Lambuth 1	Compliance with Minors on Campus Policy	Minor = Effective with Opportunity for Improvement	Niles Reddick, Lambuth Campus Dean and Chief Operating Officer	Complete	
10/31/2022	Lambuth Campus Financial & Compliance Audit	10/26/2022	Effective with the Opportunity for Improvement	FY23 Lambuth 2	Access Device Inventory Compliance	Minor = Effective with Opportunity for Improvement	Colonel Preston Morton, Police Services	Complete	
2/15/2023	School of Communication Sciences & Disorders Financial and Compliance Audit	8/24/2022	Effective with the Opportunity for Improvement	CSD 1	Security Awareness Training Compliance	Moderate = Insufficient and Requires Improvement	Linda Jarmulowicz, Dean of School of Communication Sciences and Disorders	Complete	
2/1/2022	University Libraries Financial and Compliance Audit	11/18/2021	Insufficient and Requires Improvement	UL 3	Annual Financial Responsibility Certification Compliance	Minor = Effective with Opportunity for Improvement	John Evans, Executive Director & Associate Dean of University Libraries	Complete	

7/31/2022	Payment Card Industry Data Security Standards Compliance Audit Limited Official Use Only Report	8/10/2021	Insufficient and Requires Improvement	PCI 3	Improvements Needed to PCI Compliance Monitoring	Moderate = Insufficient and Requires Improvement	Henry Robbins PCI-DSS Analyst, Jennifer Perry, Director of Revenue & Bursar	Deferred to <i>CampusGuard</i> Assessment Report Finding & Action Status Tracking	This issue should be fully addressed by working with CampusGuard to implement the assessor's recommendations and associated action plans.
7/31/2022	Payment Card Industry Data Security Standards Compliance Audit Limited Official Use Only Report	8/10/2021	Insufficient and Requires Improvement	PCI 7	Merchant Level Review Needed	Minor = Effective with Opportunity for Improvement	Henry Robbins PCI-DSS Analyst, Jennifer Perry, Director of Revenue & Bursar	Deferred to <i>CampusGuard</i> Assessment Report Finding & Action Status Tracking	This issue should be fully addressed by working with CampusGuard to implement the assessor's recommendations and associated action plans.
7/31/2022	Payment Card Industry Data Security Standards Compliance Audit Limited Official Use Only Report	8/10/2021	Insufficient and Requires Improvement	PCI 8	PCI Self-Assessment Questionnaire (SAQ) C is not Appropriate for UofM Operations	Minor = Effective with Opportunity for Improvement	Henry Robbins PCI-DSS Analyst, Jennifer Perry, Director of Revenue & Bursar	Deferred to <i>CampusGuard</i> Assessment Report Finding & Action Status Tracking	This issue should be fully addressed by working with CampusGuard to implement the assessor's recommendations and associated action plans.
7/31/2022	Payment Card Industry Data Security Standards Compliance Audit Limited Official Use Only Report	8/10/2021	Insufficient and Requires Improvement	PCI 9	Lack of Staff Training on PCI Compliance	Minor = Effective with Opportunity for Improvement	Henry Robbins PCI-DSS Analyst, Jennifer Perry, Director of Revenue & Bursar	Deferred to <i>CampusGuard</i> Assessment Report Finding & Action Status Tracking	This issue should be fully addressed by working with CampusGuard to implement the assessor's recommendations and associated action plans.

7/31/2022	Payment Card Industry Data Security Standards Compliance Audit Limited Official Use Only Report	8/10/2021	Insufficient and Requires Improvement	PCI 10	PCI Responsibility Acknowledgement	Minor = Effective with Opportunity for Improvement	Henry Robbins PCI-DSS Analyst, Jennifer Perry, Director of Revenue & Bursar	Deferred to <i>CampusGuard Assessment Report</i> Finding & Action Status Tracking	This issue should be fully addressed by working with CampusGuard to implement the assessor's recommendations and associated action plans.
12/31/2022	Risk Assessment - Research Internal Control Footprint Audit	2/23/2021	Effective with the Opportunity for Improvement	RA-Research 3	Controls Need Improvement - Screening Int'l Travel	Minor = Effective with Opportunity for Improvement	Jasbir Dhaliwal, Executive Vice President for Research & Innovation, Raajkumar Kurapati, Executive Vice President, Chief Operating Officer and Chief Financial Officer	Complete	



# 6. Summary of Internal Audit Investigations Completed

Presentation

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 6, 2023  
**Committee:** Audit Committee  
**Presentation:** Summary of Internal Audit Investigations Completed  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

## **Background:**

One investigation assigned to the Office of Internal Audit and Consulting by the Complaint Triage Team was completed this quarter. An Internal Audit Investigation Memo was issued to University management. Attached is a summary of the investigation information.

**Restrictions on Report Use:** Investigation reports are intended solely for the internal use of the University of Memphis Board of Trustees and the management of the University of Memphis. It is not intended to be, and should not be, used for any other purpose. The distribution of the report to external parties must be approved by the University of Memphis Office of Internal Audit and Consulting, and handled in accordance with institutional policies; however, this report is a matter of public record.

# CONFIDENTIAL AUDIT INFORMATION

Allegation Received by	Date Allegation Received	Description of Allegation	Date Assigned to Internal Audit by Complaint Triage Team	Internal Audit Investigation Number	Investigation Status	Investigation Outcome	Date of Final Action by Internal Audit
Internal Audit Fraud Waste Abuse Online Reporting Form	6/16/2023	Wasteful Expenditures for Facility Renovation, Expenditures Not Appropriately Approved	6/27/2023	23-004	Investigation Complete - Internal Audit Investigation Memo Issued	No Evidence of Mismanagement of Funds, Renovation and Transactions Appropriately Approved	8/4/2023





# 7. FY23 Internal Audit Year End Report

Presentation

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 6, 2023  
**Committee:** Audit Committee  
**Presentation:** FY2023 Office of Internal Audit and Consulting Year End Report  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

## **Background:**

According to the Audit Committee Charter, the Audit Committee must “review the result of the year’s work with the Chief Audit Executive.”

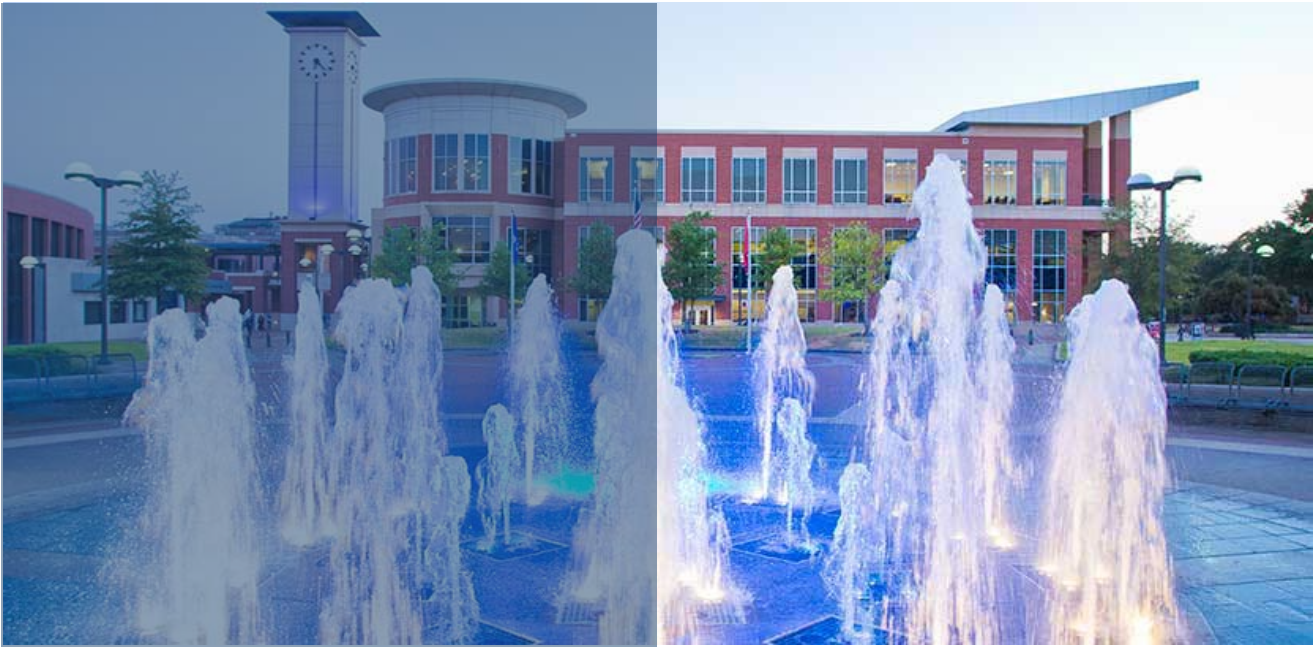
The Office of Internal Audit and Consulting FY2023 Year End Report explains Internal Audit’s purpose and the services provided and summarizes audit hours by functional area; audit issues and recommendations; fraud, waste, and abuse investigations; consulting and advisory work; and other projects completed during the year. Please see the attached University of Memphis Office of Internal Audit and Consulting Year End Report for the Fiscal Year Ended June 30, 2023.

# UNIVERSITY OF MEMPHIS OFFICE OF INTERNAL AUDIT AND CONSULTING

Year End Report  
For the Fiscal Year  
Ended June 30, 2023



Office of Internal Audit & Consulting  
271 Administration Building  
Memphis, TN 38152



## **INTERNAL AUDIT PURPOSE AND SERVICES**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the University of Memphis' operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit performs assurance services by assessing evidence to provide an independent opinion or conclusion regarding a University entity, operation, function, process, system, or other subject matter. The nature and scope of assurance engagements are determined by the approved internal audit plan and staff of Internal Audit.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of consulting engagements are subject to agreement with the engagement client. When performing consulting services, the Internal Auditor strives to maintain objectivity and not assume management responsibilities.

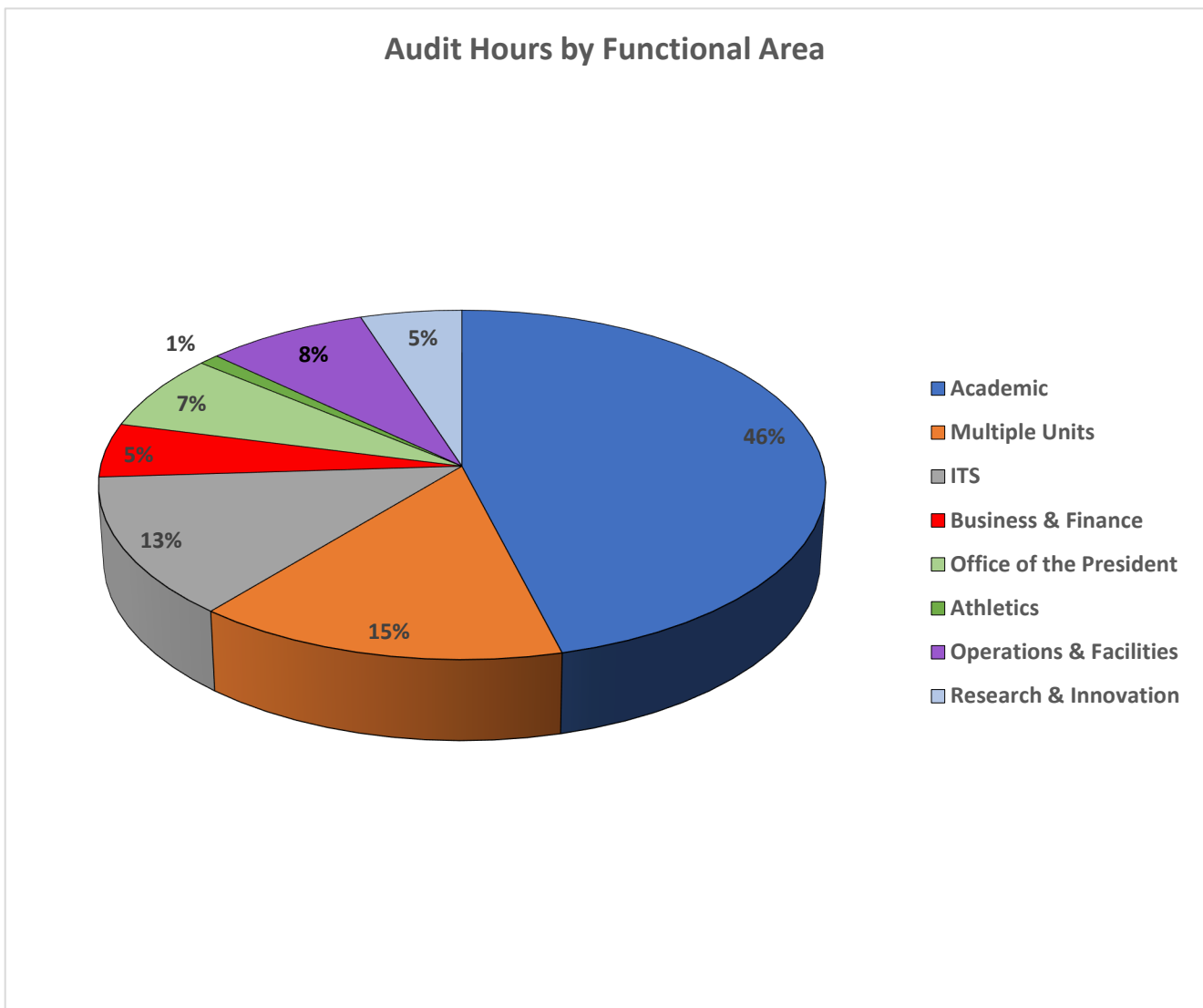
Internal Audit performs confidential investigations of allegation reports assigned by the Complaint Triage Team, a team created by the Audit Committee and University management to evaluate allegation reports and complaints so that the appropriate office investigates and reviews allegations received.

Results of all Internal Audit projects are communicated to the Audit Committee, the Tennessee Comptroller of the Treasury, and University of Memphis upper management.

## DISTRIBUTION OF AUDIT HOURS

The Office of Internal Audit and Consulting classifies audits by functional area. This allows us to report to the Board of Trustees and management the segments of the University community we are serving. Below is a chart showing the distribution of audit hours by functional area:

### ***FY2023 Audit Hours by Functional Area***







## **AUDIT ISSUES TRACKED BY INTERNAL AUDIT**

Audits and other projects performed by the Office of Internal Audit and Consulting often reveal opportunities for management to improve operations. Significant opportunities are generally included in the audit report as recommendations. Less significant opportunities may not be included in the audit report but discussed with the appropriate staff.

By University policy, the Office of Internal Audit and Consulting is also tasked with collecting audits, reviews, examinations, assessments, or investigations performed by an agency, company, consultant, or other organization or individual outside of the University for the purpose of assessing operational or financial effectiveness, legal or regulatory compliance, and/or conformance with contractual obligations. Internal Audit is then responsible for reporting this information to the Audit Committee, Division of State Audit and others as the circumstances may dictate.

### ***Audit Recommendation Summary for FY2023***



## INVESTIGATION INFORMATION

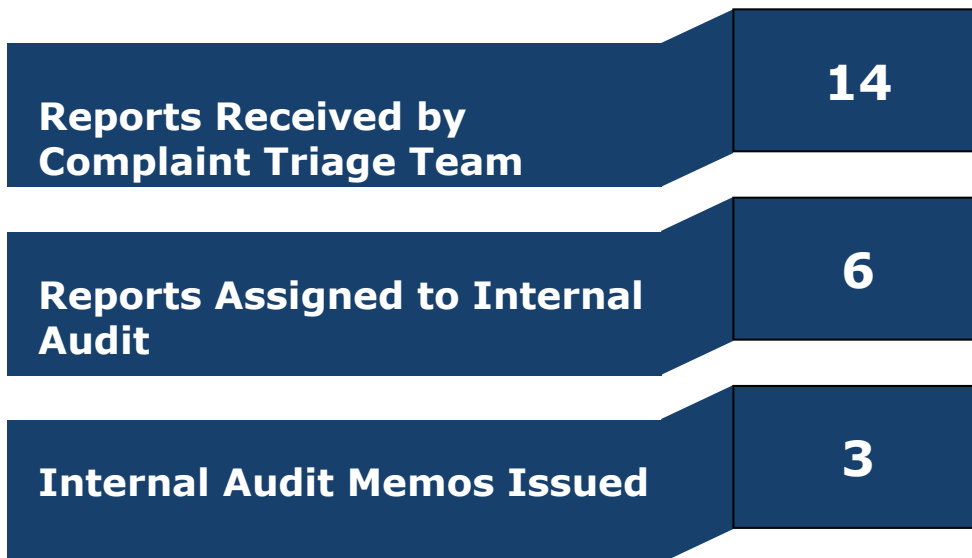
By Charter, the Audit Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility. The Audit Committee employs the Chief Audit Executive to report directly to the Committee and to ensure there is a confidential process for receiving and investigating reports of illegal, improper, wasteful, or fraudulent activity at the University.

The Audit Committee and University management created the Complaint Triage Team, a team including the Chief Compliance Officer, University Counsel, Chief Audit Executive, and Chief Human Resources Officer, to evaluate allegation reports and complaints received by Internal Audit and others so that the appropriate University office investigates and reviews allegations received. Internal Audit does not conduct criminal investigations, get involved in personnel complaints, personnel actions, matters related to tenure, or investigate reports of discrimination or sexual assault.

During FY2023, Internal Audit investigation reports were provided to the Audit Committee, the Tennessee Comptroller of the Treasury, and University of Memphis upper management. When useful, management letters related to the investigations were also distributed to provide recommendations and other matters for management's consideration.

Below is a summary of investigative activity for fiscal year 2023:

### ***Investigation Summary for FY2023***





One of the responsibilities of the Complaint Triage Team is to educate the campus community about fraud, waste, and abuse; illegal activities; conflicts of interest; noncompliance with policies, laws, or regulations; and how to report suspected cases of each. The education initiative also includes informing employees of their protections when reporting these types of activities.

Annually, the Complaint Triage Team sends a University wide email to all faculty and staff stressing the responsibility of all University employees to ensure our resources are properly managed and safeguarded against inappropriate use by reporting activities that could be fraud, waste, or abuse. The email is normally distributed at the beginning of each fall semester.

The Office of Internal Audit and Consulting promotes reporting of fraud, waste, or abuse by meeting with employee and student groups across campus. An Internal Audit brochure titled *Reporting Fraud, Waste and Abuse* is provided to groups during presentations. The brochure is also posted on the Office of Internal Audit and Consulting's website, which contains a page devoted to reporting fraud, waste, and abuse of University resources. A link to submit a report online is provided, as well as other reporting options. Also, Tennessee Comptroller of the Treasury fraud, waste, or abuse hotline posters are displayed in multiple locations across campus.



## OTHER SIGNIFICANT ACCOMPLISHMENTS

Since the formation of the University of Memphis Board of Trustees and the oversight and guidance of a local Audit Committee, the Office of Internal Audit and Consulting has worked to become more relevant and valuable to the University community. Some of our accomplishments are listed below.

- ✓ Identification of Opportunities for Management to Improve Operations
- ✓ Increased Communications with All Stakeholders
- ✓ Valuable Audit Committee Communications
- ✓ Promoting Fraud Awareness and Investigating Reports of Fraud, Waste, or Abuse
- ✓ Increasing Compliance Role by Managing External Audit Reports and Issue Follow Up
- ✓ Assistance with the TN Comptroller's Financial and Compliance Audit
- ✓ Maintaining Compliance with The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics

Additionally, Internal Audit staff has performed consulting services by participating on the following committees and advisory boards.

- ✓ Complaint Triage Team
- ✓ Compliance Council
- ✓ Conflict of Interest Committee
- ✓ Information Security Advisory Committee
- ✓ Payment Card Industry Data Security Standards (PCI DSS) Compliance Committee
- ✓ Policy Review Board

## OTHER CHALLENGES

Internal Audit faces the following challenges during FY2024:

- Hiring and maintaining competent, qualified staff
- Completing the approved audit plan in the current environment
- Identifying current priorities while being relevant and flexible
- Identifying new risks associated with changes occurring each year
- Providing effective and efficient audit services in a virtual meeting environment
- Continuing to provide not only required but useful communications to the Audit Committee
- Providing audit coverage for growing University assets
- Monitoring external audits and reviews of the University and affiliates



# 8. Annual Review and Approval of Internal Audit Charter

For Approval

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

## Report For Approval

**Date:** September 6, 2023  
**Committee:** Audit Committee  
**Report Title:** Review and Approval of Office of Internal Audit and Consulting Charter  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

### Background:

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics. The internal audit charter establishes the internal audit activity's position within the organization, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

According to the University of Memphis Audit Committee Charter, the Audit Committee must "review, approve, and update the Internal Audit charter annually or more frequent if necessary." The University of Memphis Office of Internal Audit and Consulting Charter was last reviewed and approved at the June 1, 2022 Board of Trustees meeting. At that meeting, several revisions proposed in response to the Quality Self-Assessment Review's observations for improvement were reviewed and approved.

To comply with requirements of State of Tennessee statutes and the University of Memphis Audit Committee Charter, the attached University of Memphis Office of Internal Audit and Consulting Charter is presented to the Audit Committee. There are no proposed changes recommended from the Office of Internal Audit and Consulting this year.

**University of Memphis**  
**Office of Internal Audit & Consulting Charter**  
June 1, 2022

**Introduction**

The University of Memphis is within the state university system in Tennessee. The University is governed by an independent board, the Board of Trustees (Board), established by state statutes. The University of Memphis Audit Committee is a standing committee of the Board. In accordance with state statutes, the Office of Internal Audit and Consulting (Internal Audit) reports directly to the Audit Committee. All Internal Audit activities are conducted per all state statutes relative to Internal Audit and Audit Committees. In addition, the state statutes require that Internal Audit activities are governed by adherence to The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics. This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the internal audit activity's performance.

**Purpose**

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the University of Memphis' operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

University of Memphis management has responsibility for risk management, control, and governance. Therefore, University management has the primary responsibility for risk assessment, compliance oversight, and establishing and maintaining a sufficient system of internal controls. Internal Audit serves in an advisory role and assists University management in the effective discharge of their duties and responsibilities by evaluating activities, recommending improvements, and providing other information designed to promote effective controls.

**Internal Audit Plan**

Annually, the Chief Audit Executive (CAE) develops an internal audit plan based on the University's management prepared risk assessment, state statute requirements, current higher education risk and audit guidance, past audit projects at the University, and input from University management. The plan is submitted to the Audit Committee for review and approval. The CAE reviews and adjusts the plan as necessary in response to changes in Internal Audit's resource levels or changes to the University's risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan is communicated to and approved by the Audit Committee.

**Services**

Internal Audit performs assurance services by assessing evidence to provide an independent opinion or conclusion regarding a University entity, operation, function, process, system, or other subject matter. The nature and scope of assurance engagements are determined by the approved internal audit plan and staff of Internal Audit. There are generally three parties involved in assurance services: (1) the person or group directly involved with the entity, operation, function, process, system, or other subject matter — the process owner, (2) the person or group making the assessment — Internal Audit, and (3) the person or group using the assessment — the user.

Consulting services are advisory in nature and are usually performed at the specific request of an engagement client. The nature and scope of the consulting engagement are subject to agreement with the engagement client. Consulting services generally involve two parties: (1) the person or group offering the advice — Internal Audit, and (2) the person or group seeking and receiving the advice — the engagement client. When performing consulting services, the Internal Auditor should maintain objectivity and not assume management responsibility.

Investigations are conducted under the authority of the Audit Committee, who through the State of Tennessee Audit Committee Act and the University of Memphis Audit Committee Charter, has the authority to conduct or authorize investigations into any matter within its scope of responsibility. Internal auditors perform administrative investigations to provide information regarding allegations of illegal, improper, wasteful, or fraudulent activity to the Audit Committee, the Board, University management, and state and federal agencies as required. Internal auditors do not have statutory authority in Tennessee state government to perform criminal investigations.

### **Authority, Responsibility, and Scope**

Internal Audit's performance of assurance and consulting services may include the examination and evaluation of the effectiveness of all aspects of University operations. Internal Audit has full and direct access to all University records, which includes electronic and manual records, personnel relative to their performance of duties and responsibilities, and access to all University physical properties. All documents and information obtained by Internal Audit will be treated in a confidential manner to comply with all policies, laws, and regulations regarding protection of University information.

Internal Audit does not have direct responsibility for, or authority over, any of the activities, functions, or tasks it reviews. Internal Audit's review does not relieve others of their responsibilities. The University's Internal Auditors must maintain a high degree of independence. They must not be assigned duties or be involved in activities that are the responsibility of University management. Internal Audit should only engage in activities that they would normally be expected to review or evaluate as part of the normal Internal Audit function.

Internal Audit is not independent for the purpose of issuing an opinion on the University's annual financial statements per the requirements for an external auditor under Tennessee Board of Accountancy regulations. The Tennessee Comptroller of the Treasury's Division of State Audit serves as the external auditors for the University based upon state statutes.

### **Organizational Structure**

The Office Internal Audit and Consulting reports directly to the Audit Committee but reports administratively to the University President for internal accounting purposes. However, to provide independence and to comply with state statutes and Tennessee Comptroller of the Treasury's requirements, Internal Audit has direct reporting responsibility to the Board of Trustee's Audit Committee. Internal Audit employees have organizational independence and strive to fulfill their responsibilities with professional objectivity.

### **Reporting and Monitoring**

All audit work is summarized in written reports distributed to University management to ensure that significant issues noted in audits and other projects are properly addressed by University management. In addition, summaries of all internal audit activities are distributed to the Audit

Committee and all significant issues are emphasized to the Audit Committee. Internal Audit will answer questions and provide additional details for any Internal Audit activity when requested by the Audit Committee. Internal Audit is responsible for following up on issues noted in audits or other projects conducted by Internal Audit to ensure issues are addressed by University management. Any issues not properly addressed by University management will be reported to the Audit Committee.

All Internal Audit reports are provided to the Tennessee Comptroller of the Treasury's Division of State Audit in their role as external auditors for the University. All investigation reports are provided to the Tennessee Comptroller of the Treasury's Division of State Audit and the Division of Investigations.

**Periodic Review of Office of Internal Audit & Consulting Charter**

The Chief Audit Executive will periodically assess this charter to determine whether the purpose, authority, and responsibilities defined in this charter are adequate to enable the Office of Internal Audit and Consulting to accomplish objectives under the IIA Standards and state statutes. The results of the periodic assessment of this charter will be communicated to University management and the Audit Committee.





# 9. Annual Review of Audit Committee Charter

For Review

Presented by Vicki Deaton

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 6, 2023  
**Committee:** Audit Committee  
**Presentation:** Review and Assessment of Audit Committee Charter  
**Presented by:** Vicki D. Deaton, Chief Audit Executive

## **Background:**

The Audit Committee Charter, which is based on State of Tennessee Comptroller of the Treasury guidelines and approved by the Tennessee Comptroller of the Treasury, lists various responsibilities of the Audit Committee.

One responsibility of the Audit Committee as listed in the Audit Committee Charter is to review and assess the adequacy of the Audit Committee's Charter annually, requesting Board approval for proposed changes. To comply with the requirements of the Audit Committee Charter, the current version of the Audit Committee Charter is attached for your review and assessment.

# Audit Committee Charter

## **Purpose**

The Audit Committee (AC) is responsible for assuring that the University of Memphis' (University) organizational culture, capabilities, systems and processes are appropriate to protect the financial health and the reputation of the University in all of the areas enumerated below. More particularly, the AC will review the financial reporting processes, the system of internal controls, the audit activities (external and internal), management's risk assessment, and the University's process for monitoring and ensuring compliance with laws and regulations. The AC will regularly update the full Board of Trustees (Board) about AC activities and key issues presided over by the Committee.

## **Roles and Responsibilities**

### ***Financial Reporting***

- Review audited financial statements with state auditors, and determine whether the statements are complete and consistent with the information known to committee members.
- Review with the University's general counsel any legal matters that could have a significant impact on the University's financial statements.
- Review with management and state auditors any significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the University's financial statements

### ***External Audit***

- Meet, as needed, with external auditors to discuss any matters that the AC or auditors deem appropriate.
- Ensure that any findings and recommendations made by the external auditors are received, discussed, and acted upon in an appropriate and timely manner.
- Review the results of the external auditors' examinations and any other matters related to the conduct of the audits, and report to the Board the auditors' findings and recommendations.

### ***Internal Audit***

- Review and approve the annual audit plan for the University, including management's request for unplanned audits.
- Review the result of the year's work with the Chief Audit Executive, and receive and review any other work prepared by the Chief Audit Executive for the University.
- Receive and review reports, the results of internal audits performed, and any other work prepared by Internal Audit.

- Ensure that the University has the appropriate structure, staffing and capability to carry out its internal audit responsibilities.
- Ensure that the internal audit department has direct and unrestricted access to the chair and other committee members.
- Appoint, replace, or dismiss the Chief Audit Executive.
- Review, approve, and update the Internal Audit charter annually or more frequent if necessary.

### ***Internal Controls, Risk, and Compliance***

- Ensure that a system is in place, and being followed, to review and maintain compliance with the University’s internal control structure.
- Ensure that a process exists for assessing, reporting, and investigating illegal, fraudulent, wasteful, or improper activity at the University, including a confidential reporting mechanism.
- Determine whether internal control recommendations made by internal and external auditors have been implemented by management.
- Review University policies and procedures regarding employee conduct to ensure that it:
  - is easy to access,
  - is widely communicated,
  - is easy to understand and implement,
  - includes a confidential mechanism for reporting code violations,
  - is enforced, and
  - includes conflict of interest policy and guidelines.
- Review the University’s conflict of interest policy to ensure that the guidelines are comprehensive, that the term “conflict of interest” is clearly defined, that annual signoff is required, and that it contains procedures for adequate resolution and documentation of potential conflicts.
- Review the University’s process for monitoring compliance with laws and regulations.
- Review the University’s risk assessment plan.
- Regularly obtain updates from management, General Counsel, and Internal Audit regarding significant changes in legal and compliance issues.
- Review and assess the adequacy of the AC’s charter annually, requesting Board approval for proposed changes.

### **Membership**

The AC shall be composed of no less than three members who shall be appointed by the Board according to Board Bylaws. The Board shall appoint the AC chair. The Board may select one certified public accountant or other qualified citizen who is not a member of the Board to serve on the AC. The external member must have extensive accounting, auditing, or financial management expertise, and may not serve as the chair. The term of appointment is two years, and the chair may not serve more than two consecutive two-year terms as chair. All members of the AC shall be generally knowledgeable of financial management and auditing matters. At all

times, the AC shall have at least one member with extensive accounting, financial, or management expertise.

Each member of the AC shall be free from relationship that would give the appearance of a conflict or that would interfere with his or her exercise of independent judgment.

## **Education**

The University's senior management and internal audit department are responsible for providing the AC with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the AC to maintain appropriate financial and compliance literacy.

## **Meetings**

The AC shall meet at least once quarterly, in conjunction with regular meetings of the Board, or at any other time upon the call of the AC chair. The AC will invite members of management, auditors, or others to attend and provide pertinent information. Meeting agendas will be provided to members in advance along with proper briefing materials. Minutes will be prepared. The AC shall also meet at the request of the Comptroller of the Treasury.

A majority of the members of the AC shall constitute a quorum for the transaction of business.

Revised June 5, 2019



# 10. Information Security Program Update

Presentation

Presented by Karen Bell

# The University of Memphis Board of Trustees

Presentation  
For Information

**Date:** September 6, 2023

**Committee:** Audit Committee

**Presentation:** Information Security Program Update

**Presented by:** Karen Bell, Interim Chief Information Officer

**Background:**

Quarterly update on the Information Security Program.



# Information Security Program Update

*Audit Committee*

Karen Bell  
Interim Chief Information Officer

September 6, 2023

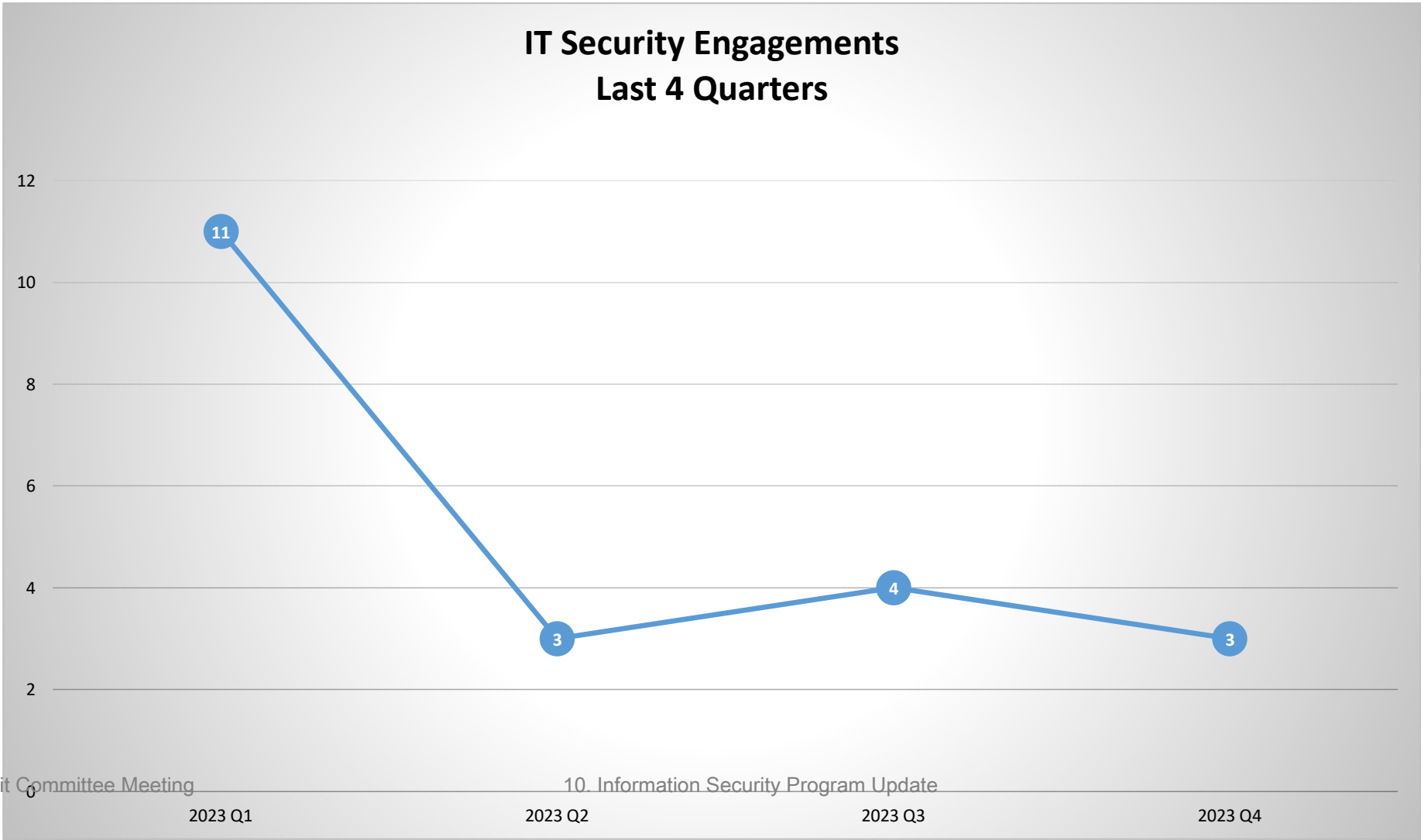
Maxine A. Smith University Center



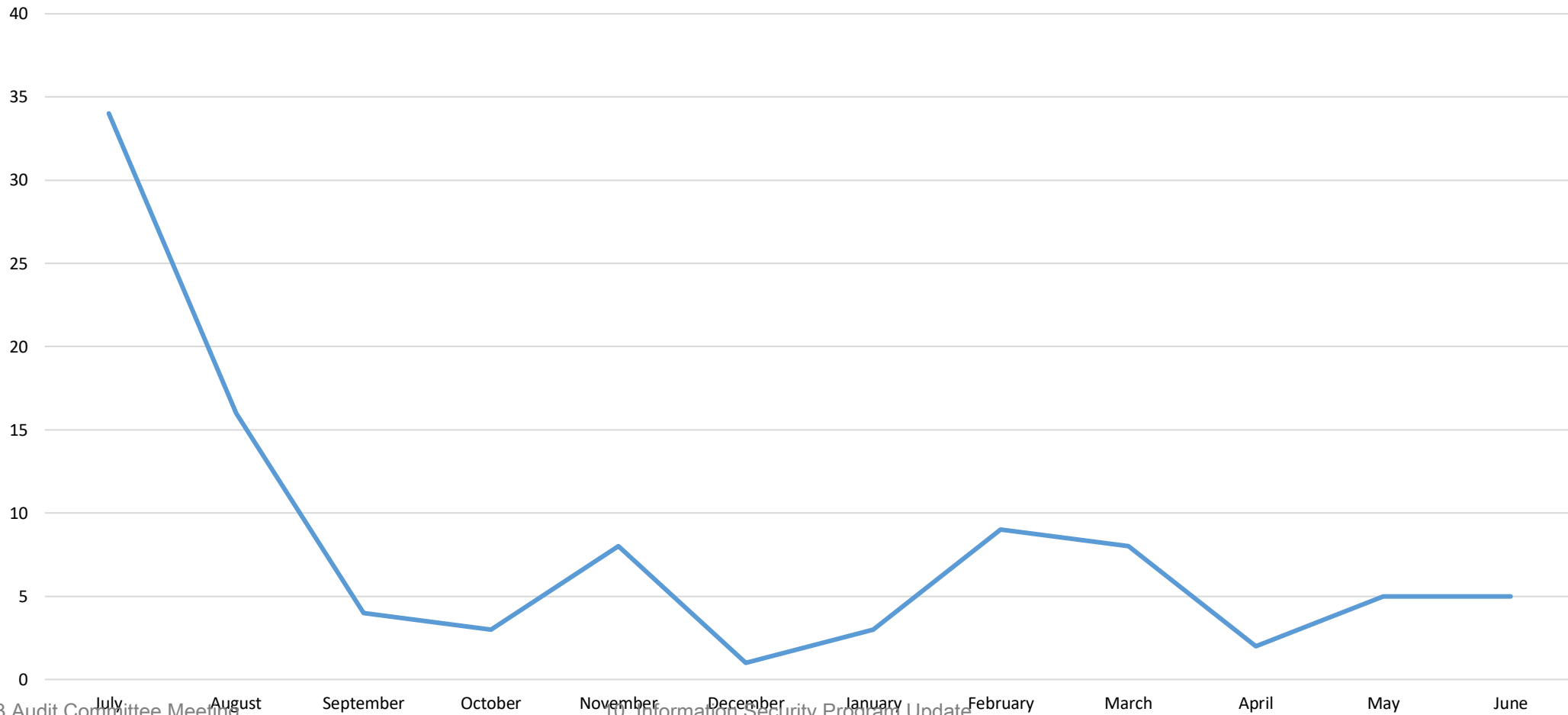
**Board of  
Trustees**

- Network Access Control
  - Completing work in academic buildings
- CMMC Level 1 recommendations received from external partner
  - Policy/procedures ready for review by DoD
  - DoD process to certify is changing
- Security Awareness training enforcement
- Addressing compliance gaps

# IT Security Engagements



## Account Deactivations, Last 4 Quarters



- Network Access Control
  - Deploy additional switches in academic buildings
- Collaborate on GLBA state audit
- Anticipate cyber liability insurance review with state Division of Claim and Risk Management
- Implement Microsoft A5 features
- **GDPR gap analysis is scheduled in Spring 2024**

# Thank You

# 11. Additional Business

Presented by David McKinney





# 12. Adjournment

Presented by David McKinney