

June 2018 UofM Audit Committee Meeting

Schedule	Wednesday, June 06, 2018, 11:00 AM — 11:45 AM CDT
Venue	University Center Fountain View Suite - UC 350
Organizer	Chelsea Connor

Agenda

1. Call to Order	1
Presented by Carol Roberts	
2. Roll Call	2
Presented by Melanie Murry	
3. Approval of Minutes - March 7, 2018	3
For Approval - Presented by Carol Roberts	
 2018.03.07 Audit Committee Meeting Minutes.docx	4
4. Audit Committee Responsibilities for Internal Audit	8
Presented by Vicki Deaton	
 Audit Comm Mtg Slides 6.5.18 Final.ppt	9
 1 Report Cover.docx	30
 2 Audit Committee Responsibilities for Internal Audit.xlsx	31
5. Internal Audit Charter	32
For Approval - Presented by Vicki Deaton	
 1 Report Cover.docx	33
 2 Internal Audit Charter 6.2018.docx	34
6. FY2019 Audit Plan	37
For Approval - Presented by Vicki Deaton	
 1 Report Cover.docx	38
 3 Background Information.docx	39
 2 Proposed FY2019 Audit Plan.xlsx	42

7. FY2019 Internal Audit Budget	43
For Approval - Presented by Vicki Deaton	
 1 Report Cover.docx	44
 2 Internal Audit Budget Chart.xlsx	45
 3 Internal Audit Budget Detail.xlsx	46
 4 Challenges for University of Memphis Office of Internal Audit.docx	47
8. Consulting Project Reports Issued	48
Presented by Vicki Deaton	
 1 Report Cover.docx	49
 2 Consulting Project Reports Issued.docx	50
9. Summary of Investigations - 4Q FY2018	51
Presented by Vicki Deaton	
 1 Report Cover.docx	52
 2 Summary of Investigations 4 qu 2018.xlsx	53
10. Audit Issue Follow-Up - 4Q FY2018	54
Presented by Vicki Deaton	
 1 Report Cover.docx	55
 2 Audit Issue Follow Up 4 qu FY2018.xlsx	56
11. External Project Summary - Donor Pledge Process	68
Presented by Vicki Deaton	
 1 Report Cover.docx	69
 2 External Project Summary.xlsx	70
12. BoT President Expenditure Policy	71
For Approval - Presented by Melanie Murry	
 Agenda Item BoT Presidential Expenditure Policy.docx	72
 BoT President Expenditure Policy.docx	73
13. Additional Committee Business	74
14. Adjournment	75

1. Call to Order

Presented by Carol Roberts

2. Roll Call

Presented by Melanie Murry

3. Approval of Minutes - March 7, 2018

For Approval

Presented by Carol Roberts

THE UNIVERSITY OF MEMPHIS
BOARD OF TRUSTEES

MINUTES OF THE AUDIT COMMITTEE
MARCH 7, 2018
Memphis, TN

The Audit Committee of The University of Memphis Board of Trustees met at 9:50 a.m. CDT, on Wednesday, March 7, 2018, on the University of Memphis main campus in Memphis, Tennessee.

I. CALL TO ORDER

Chair Carol Roberts called the meeting to order.

II. ROLL CALL AND DECLARATION OF QUORUM

Melanie Murry, Legal Counsel and Secretary of the Board, called the roll, and confirmed the following Audit Committee members were present, either in person or via telephone:

Trustee Alan Graf*
Trustee Cato Johnson*
Trustee Carol Roberts*
Trustee Susan Springfield*

*Voting members

Secretary Murry announced the presence of a quorum. Trustee Schaffzin, Trustee Mayberry, administrative staff and members of the media were also in attendance.

III. APPROVAL OF MINUTES – OCTOBER 4, 2017

Trustee Graf made the motion to approve the minutes. The motion was properly seconded. There being no discussion, a voice vote was taken and the motion carried with unanimous approval of the committee members that were present.

IV. SUMMARY OF AUDIT REPORTS ISSUED

Chair Roberts asked Vicki Deaton, Chief Audit Executive, to discuss the Audit Reports issued.

Ms. Deaton introduced members of the Audit staff present at the meeting: Emily Bridges, Chelon Wilson and Jesse Pierce. The department is now fully staffed. Chair Roberts welcomed the members of the staff present at the meeting.

Secretary Murray noted that Trustee Doug Edwards* had entered and was now present in the room.

Ms. Deaton reported that the first item was a report of third-quarter internal audit reports that were issued. The Department of Biological Sciences' financial and compliance audit was issued with an opinion of effective with opportunity for improvement. There were six minor issues and five moderate issues (that included security awareness training completion, university purchasing card documentation, building access and key control, overtime calculation, and employee debt to the University). Action plans were established to address. A question was posed regarding whether the overtime calculation was automated. Ms. Deaton indicated that it is not automated in all departments and, in the Biology Department, it was a manual process.

V. EXTERNAL AUDIT REPORTS

The next item reported by Ms. Deaton is the external audit reports for third-quarter fiscal year 2018. By University policy, internal audit receives reports of external audits or reviews. During the third quarter, a report was received from the Tennessee Comptroller of the Treasury's Division of State Audit regarding the intercollegiate athletics program statement of revenues and expenses. No opinion was expressed on compliance with NCAA requirements/procedures, and there were no exceptions noted with the procedures performed. A question was posed regarding the frequency of the audit. Ms. Deaton indicated that the audit is completed annually. When queried about the history of these annual audits, Athletic Director Tom Bowen indicated that there have been no issues during his tenure, which began in 2012. There were issues related to inconsistent reporting in the past, and the Vice President of Business and Finance assisted in the redesign of financials to be compliant.

VI. SUMMARY OF INVESTIGATIONS COMPLETED

The next item reported by Ms. Deaton is a summary of investigations completed for the third quarter 2018. The department received three reports during the quarter. Two were investigated, and reports were issued. One investigation for the current quarter is ongoing, and one that carried forward from the previous quarter was closed. Trustee Roberts reiterated the importance that the UofM promote a "speak up" culture, have multiple channels to report, that their concerns are taken seriously and that, if concerns are identified, corrective action is taken. Ms. Deaton reported that since the materials were submitted for the meeting, five additional reports have been received.

VII. ISSUE FOLLOW UP

The third-quarter fiscal year 2018 issue follow up included a few issues from the Center for Information Assurance Financial and Compliance Audit. All of the issues were minor and related to meal expenses for a particular event, all of which have been resolved. Chair Roberts queried Ms. Deaton regarding her comfort level with the systems that are currently in place to address issues. Ms. Deaton indicated that Internal Audit is looking at software to aid in communication and follow up with outstanding issues on a timelier basis.

VIII. AUDIT PLAN UPDATE

The final issue from Internal Audit relates to the FY 2018 audit plan. Based on the original budget, the audit staff had a budget of 5,300 hours. With variance in staffing over the past year, the department will have approximately 75% of the budgeted hours with which to work. Originally, the department was scheduled to spend over 75% on audits; however, the department has had to spend less time on audits and more time on issue follow up, investigations and general administration. Ms. Deaton anticipates that the amount spent on audits will increase before the end of the year, as will the percentage of time spent on investigations.

Ms. Deaton discussed audits that have been completed and those that are outstanding. Ten audits have been completed and roughly four are still to be completed or have already been started. Internal Audit anticipates deferring the audit of Intermodal Freight and Transportation and Animal Care Facilities. The department anticipates beginning the Athletics Team Travel Expenses Audit, the NACHA FY 2018 Audit, Disaster Recovery Audit, and State Audit prior to the beginning of the end of the fiscal year.

IX. FINANCIAL AUDIT REPORT

Chair Roberts recognized Jeannie Smith, Interim Vice President of Finance, who invited George Ninan, Controller, to present the audit results. The audit was conducted by the Tennessee State Comptroller's Office, Division of State Audit. The financial statements, along with the federal financial aid audit, received a favorable unmodified audit opinion with no findings. Mr. Ninan discussed the components of the financial statements which included: net position, composition of assets, composition of liabilities, sources of revenues, and operating expenses. Jeannie Smith commented that 2017 is in alignment with 2016.

The financial indicators were discussed: Composite Financial Index as compared with LGI average and University of Tennessee system. The UofM CFI for the UofM was 2.59 as compared with the LGI average of 2.51. Dr. Rudd indicated that he believed the index to be useful, especially the LGI peer comparisons. Trustee Johnson asked Dr. Rudd to identify the items of concern to the state legislature – based on his testimony to various committees. Dr. Rudd indicated that they are primarily concerned with administrative costs, delivery costs and tuition. They seem to be less concerned with core infrastructure cost. Trustee Edwards commented that revenues are up \$17 million and expenses are up by \$8 million, which is a favorable trend. Dr. Rudd indicated that the UofM needs to bring to the committee information about differential funding rates between the UofM and the UT system. Jeannie Smith indicated that the main focus of the index should be the trend line. The CFI weights the primary reserves ratio, the viability ratio, the return on net assets ratio and the net operating revenues ratio to provide an asset-based look at the organization's financial health.

As an alternative way to view the financial health of the organization, information was presented about the University's credit rating from Moody's, which compares the financial health of the UofM with other higher education institutions. The UofM has an implied rating of Aa2, which has improved over the prior year.

X. ADDITIONAL COMMITTEE BUSINESS

Trustee Edwards expressed concern over the level of staffing to complete the work. Trustee Roberts indicated that there was staffing shortages throughout the year and now that the department is fully staffed, will be able to better assess staffing issues going forward.

Trustee Roberts asked when the committee will see the audit plan for FY 2019. Ms. Deaton indicated that the plan will be brought to the committee during the June meeting.

XI. ADJOURNMENT

Trustee Roberts adjourned the Audit Committee Meeting at 10:20 am CDT.

XII. EXECUTIVE SESSION

Board of Trustees convened in Executive Session.

Respectfully Submitted,

Jeanine H. Rakow
Coordinator of the Board Office

4. Audit Committee Responsibilities for Internal Audit

Presented by Vicki Deaton



Audit Committee Meeting

Vicki D. Deaton
Chief Audit Executive

June 6, 2018
University Center



JUNE 2018

Report: Responsibilities of Audit Committee for Internal Audit Activity

The UofM Board of Trustees approved the formation of the Audit Committee in March 2017. The responsibilities of the Audit Committee are detailed in the Board of Trustees Audit Committee Charter, which requires that the Audit Committee review the internal audit activities of the University.

Audit Charter Required Responsibilities of Audit Committee for Internal Audit Activities

	Quarterly Audit Committee Meeting			
To Be Performed Annually by the Audit Committee	September	December	March	June
Review & Approve Annual Audit Plan (to be approved by BOT)				X
Approve Internal Audit Budget				X
Review, Approve, and Update the Internal Audit Charter (to be approved by BOT)				X
Review Fiscal Year Internal Audit Results	X			
To Be Performed by the Audit Committee, But No Schedule Specified				
Receive and Review Work Prepared by Internal Audit	X	X	X	X
Review & Approve Management's Requests for Unplanned Audits	As Needed			
Appoint, Replace, or Dismiss Chief Audit Executive	As Needed			
Review Internal Audit's Structure and Staffing	As Needed			

Report: UofM Office of Internal Audit & Consulting Charter for Approval

Internal audit activities will be conducted in accordance with all state statutes relative to internal audit and audit committees, and in accordance with standards established by the Institute of Internal Auditors.

- The purpose, authority, and responsibility of the internal audit activity must be formally defined.
- The internal audit activity's position within the University must be established.
- Access to records, personnel, and properties to complete engagements must be authorized.

- The scope of internal audit activities must be defined.

Report: FY2019 Audit Plan for Approval

In higher education, the audit universe is normally categorized by the following functional areas:

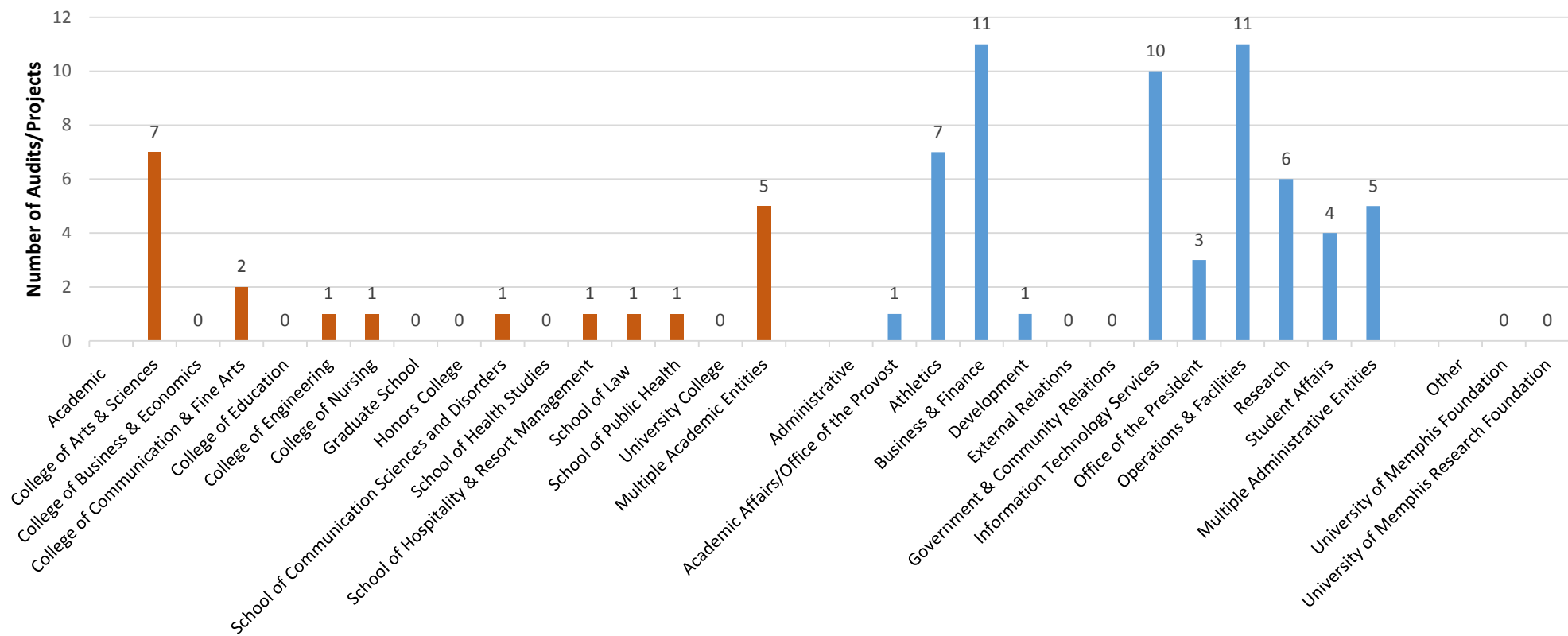
- Academic
- Administrative
- Other

At the University of Memphis, the 3 functional areas include the following 27 audit entities:

Academic	Administrative	Other
•College of Arts & Sciences •College of Business & Economics •College of Communication & Fine Arts •College of Education •College of Engineering •College of Nursing •Graduate School •Honors College •School of Communication Sciences and Disorders •School of Health Studies •School of Hospitality & Resort Management •School of Law •School of Public Health •University College	•Academic Affairs/Office of the Provost •Athletics •Business & Finance •Development •External Relations •Government & Community Relations •Information Technology Services •Office of the President •Operations & Facilities •Research •Student Affairs	•University of Memphis Foundation •University of Memphis Research Foundation (including the wholly-owned subsidiary, UMRF Ventures Inc.)

In the last 5 years, the UofM Office of Internal Audit and Consulting has performed audits in 17 (63%) of the 27 audit entities.

NUMBER OF AUDITS/PROJECTS PERFORMED BY INTERNAL AUDIT IN LAST 5 YEARS BY FUNCTIONAL AREA



Other entities that perform audits and reviews at the UofM:

TN Comptroller of the Treasury Division of State Audit
TN Comptroller of the Treasury Division of Investigations
TN Comptroller of the Treasury Information Systems Audits
External Certified Public Accounting Firms
External Environmental Auditors
Various State of TN Departments for Sponsored Program Review
Various Federal Agencies for Sponsored Program Review
Internal Revenue Service
TN Department of Labor
External Legal Experts

Budgeted Allocation of Internal Audit Resources			
	FY2017	FY2018	FY2019
Audits	75%	78%	55%
Follow Up of Audit Issues	5%	3%	15%
Investigations	5%	5%	20%
Consulting/Advisory Role	15%	14%	6%
Audit Committee Projects & Administration	0%	0%	4%
	100%	100%	100%

In Tennessee governmental entities, internal audit plans are comprised of risk based audits, required audits, special requests, and investigations. The risk based portion of the FY2019 Proposed Audit Plan (about 65%) is in part derived from the University’s risk assessment process that management prepares and consideration of the University’s goals, vision, and mission.

- Risk based audits
- Required audits and projects
- FY2018 deferred audits
- Investigations
- Audit issue follow up
- Consulting

University of Memphis

PROPOSED Audit Plan & Allocation of Audit Resources- FY2019

55%	<u>Audits</u> <u>Risk Based Audits</u> Intermodal Freight Transportation Institute (IFTI) (departmental audit - scope includes compliance and financial controls) Department of Economics (departmental audit - scope includes compliance and financial controls) Animal Care Facilities (research compliance and financial controls) Admissions Operations Compliance Audit Clery Act (co-sourced with external firm) Athletics - Team Travel Expenses (including bowl games) <u>Risk Based Information Technology Projects</u> Disaster Recovery Audit Sponsored Agreement NIST 800.171 Compliance Readiness (when compliance required by agreement) <u>Audits Required by Statutes</u> Annual audit of President's expenses TCA 49-7-3001 TCA 49-14-106 <u>Audits Requested by Management</u> NACHA - Per First TN Bank Contract (ACH electronic transactions) State Audit FY2018 Year End Work (cash and inventory work for State Auditors at year end for external audit per Management request)
15%	<u>Follow-up of Past Audit Issues</u> Internal Audit issues identified in past audits and as required by state statute
20%	<u>Investigations/Manage Hotline System</u>
6%	<u>Consulting and Advisory Role</u> Special Audit Requests, Consulting Projects, Assistance to Legal Counsel, Attorney Client Projects (as requested by Management) Advisory Role (advisory role on various committees and miscellaneous inquiries for assistance during the year)
4%	<u>Audit Committee Projects & Administration</u>
100%	

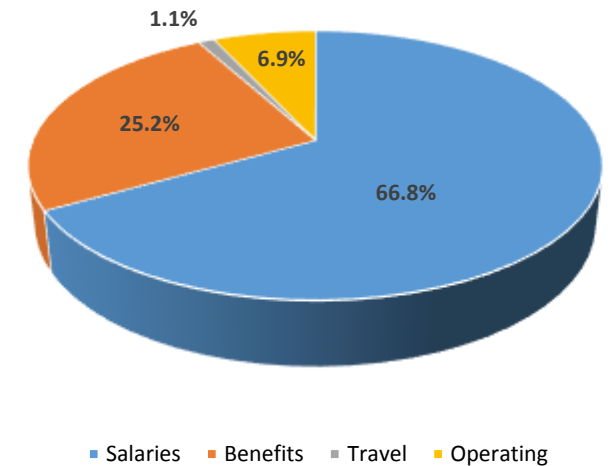
Challenges for UofM Office of Internal Audit & Consulting

- Providing audit coverage for growing University assets and expanding risk areas
- Rapidly changing risk environment
- Managing increasing number of fraud, waste, and abuse reports with current resources
- Fulfilling directives of Audit Committee: increased communications, revised audit issue action plan follow up procedures, tracking of externally identified audit issues
- Obtaining competent audit staff with skill sets needed for current University risk environment

Report: Proposed FY2019 Internal Audit Budget for Approval

	FY15	FY16	FY17	FY18				FY19
Account Type Description	Actuals	Actuals	Actuals	YTD	Encumbrance	YTD & Encumb	Available	Proposed Base Budget
Total Salaries	311,104	285,767	282,632	183,565	47,250	230,816	20,043	302,201
Total Employee Benefits	110,737	101,176	102,878	68,103	17,530	85,633	67	114,000
Total Travel	4,154	6,822	3,307	4,415	119	4,534	466	5,000
Total Operating Expenses	8,696	6,694	8,163	5,880	1,351	7,231	66,657	31,151
Total Internal Audit Expenses	434,692	400,459	396,980	261,964	66,250	328,214	87,233	452,352

FY2019 Proposed Base Budget



The proposed budget includes 4 positions in the Office of Internal Audit & Consulting. A request has been made to increase the base budget to partially fund a Staff Auditor position. Some funding is

Report: Consulting Project Completed

Consulting Project Report Issued - 4th Quarter FY2018					
Name of Consulting Project	Requested By	Date of Report	Department	Description of Project Purpose	Project Outcome
Institute of Egyptian Art & Archaeology Center of Excellence Special Request - Physical Verification of Assets	UofM Foundation Management, 6/1/2017	4/2/2018	Institute of Egyptian Art & Archaeology Center of Excellence	Physical Verification of Egyptian Art Collection/Clarification of Asset Ownership and Use	No Exceptions Noted

Additional Information:

The University's Institute of Egyptian Art & Archaeology Center of Excellence owned Egyptian artwork with a book value of \$340,017 as of June 30, 2017. The UofM Foundation, which is a legally separate, tax-exempt organization supporting the University of Memphis, has received donations to the Egyptian Art Collection in the past. As of June 30, 2017, the Foundation owned Egyptian artwork with a book value of \$496,768. All of the Egyptian Art Collection held by the Foundation is on loan from the UofM Foundation to the UofM Institute of Egyptian Art & Archaeology Center of Excellence.

Report: Summary of Investigations 4th Quarter FY2018

Summary information is provided for the reports of possible fraud, waste, or abuse, noncompliance with law, and conflict of interest received by Internal Audit this quarter.

Investigations

UOM Investigation Summary Qu 4 FY2018

Case Number	Date Received	Allegation Received by	Description of Allegation	Status	Investigation Outcome	\$ Loss	Date of Final Action by Internal Audit	Additional Information
18-017	1/18/2018	Phone Call to College Dean	Misuse of Funds	Memo Issued-Case Closed	No Evidence of Misuse of Funds, Policy Violation Identified	NA	4/2/2018	College and HR to Address Policy Violation
18-019	2/13/18	Internal Audit FWA Report	International Student Complaint Concerning Inaccurate Information	Referred to Vice Provost for Graduate Programs	Per Vice Provost for Graduate Programs-No Evidence of False Statements or Inaccurate Information	NA	2/15/18	
18-020	2/15/18	Allegation Letter to Dr. Rudd	Inadequate P-card Monitoring	Memo Issued-Case Closed	P-cards are Adequately Monitored by Procurement & Contract Services	NA	4/20/18	
18-021	2/15/18	Allegation Letter to Dr. Rudd	Privacy Violation	Referred to Police Services	Per Police Services-Case Solved	NA	2/19/18	
18-022	2/19/18	Allegation Letter to Audit Committee	Athlete Friendly Curriculum	ongoing				
18-023/TN Comp #17-0472	2/20/18	TN Comp Hotline (allegations reported on 2/15/2018)	Fraudulent Employee Leave Reporting	ongoing				Working with HR on this Investigation
18-024	3/7/18	Allegation Email to Internal Audit	Fraudulent Reimbursement Documentation Presented to Foundation	Memo Issued-Case Closed	No Evidence of Fraud	NA	4/20/18	
18-025	3/13/18	Telephone Call to Internal Audit	Forgery of Signature on Patient Release Form	Memo Issued-Case Closed	Personnel Issue Resolved by HR and Department Management, Patient Release Form Issue Resolved by Department Management	NA	4/4/18	
18-026	3/27/18	Internal Audit FWA Report	Questionable Meal Reimbursement	Memo Issued-Case Closed	No Evidence of Mismanagement or Waste of Funds	NA	5/10/18	
		Internal Audit FWA Report	Employee Interest	Closed		NA	5/10/18	
18-028	5/3/18	Phone Call from College Dean	Duplicate Travel Reimbursement Requests Presented and Paid	ongoing				

Report: 4th Quarter FY2018

Audit Issue Follow Up

All of the action plans addressing audit issues from the Department of Psychology Financial and Compliance Audit and the Department of Theatre and Dance Financial and Compliance Audit have been completed. Eight of the 10 action plans addressing audit issues from the School of Public Health Financial and Compliance Audit have been completed. The 2 outstanding issues require policy revisions which are in progress.

Audit Issue Follow Up

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 (June 2018)
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 1a	Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Human Resources Management	Complete
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 1b	Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Psychology Department Management	Complete
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 2	Procurement Policy Noncompliance	NA - No Rating with Prior Internal Audit Procedures	Psychology Department Management	Complete
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 3	Insufficient Controls over Sponsored Agreement Effort Reporting	NA - No Rating with Prior Internal Audit Procedures	Psychology Department Management	Complete
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit		Insufficient Controls over Laboratory	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Psychology Department Management	Complete

Audit Issue Follow Up

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 (June 2018)
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 1/31/2018)	Department of Theatre and Dance Financial and Compliance Audit	2/28/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Theatre Dance 1a	Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Human Resources Management	Complete
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 1/31/2018)	Department of Theatre and Dance Financial and Compliance Audit	2/28/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Theatre Dance 1b	Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Theatre & Dance Department Management	Complete

Audit Issue Follow Up

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 (June 2018)	Action Plan to Completely Resolve Issue (if current status not complete)	Estimated Completion Date	Responsible Party
6/19/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 1a	Security Awareness Training Compliance	Moderate = Insufficient and Requires Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
8/15/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 1b	Security Awareness Training Compliance	Moderate = Insufficient and Requires Improvement	Robert Jackson, CIO, and Jon Weber, Director of IT Security	Complete			
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 2a	Insufficient Controls over Changes to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
11/15/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 2b	Insufficient Controls over Changes to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	Heather Winters, Director – Office of Sponsored Programs and Linda Heide, Manager - Grants and Contracts Accounting	Partially Complete	Policy Revision In Progress	7/31/2018	George Ninan, Controller
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 3a	Insufficient Controls over Cost Transfers to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
6/13/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 3b	Insufficient Controls over Cost Transfers to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	Linda Heide, Manager - Grants and Contracts Accounting	Complete			
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 4a	Insufficient Controls over Sponsored Agreement Effort Reporting	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 4b	Insufficient Controls over Sponsored Agreement Effort Reporting	Minor = Effective with Opportunity for Improvement	Linda Heide, Manager - Grants and Contracts Accounting and Ora Taylor-Strowder, Provost Office Director, Academic Affairs-Finance	Complete			
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 5	Insufficient Controls over Sponsored Agreement Subrecipient Payments	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
12/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 6	Insufficient Controls over Sponsored Agreement Subrecipient Monitoring	Minor = Effective with Opportunity for Improvement	Heather Winters, Director – Office of Sponsored Programs	Partially Complete	Policy Revision In Progress	8/31/2018	Heather Winters, Director – Office of Sponsored Programs
9/30/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 7	Noncompliance with State Approval Requirement for Outside Attorney	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
9/30/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 8	Insufficient Controls over Purchasing Cards	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
8/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 9a	Insufficient Travel Controls - No Prior Approval for Travel PO	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
June 2018 UofM Audit Committee Meeting	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 9b	Insufficient Travel Controls - No Prior Approval for Travel PO	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 10a	Insufficient Controls over Meal Expenses	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete			
	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement		Insufficient Controls over Meal Expenses	Minor = Effective with Opportunity for Improvement					

Report: External Project Report Received - University of Memphis Foundation Special Project- Internal Controls Over Pledges Receivable and Collection of Donations

The Foundation engaged an independent external CPA firm to perform a special project to review internal controls over pledges and donations to identify potential internal control weaknesses and to issue recommendations to help ensure pledge receivable data provided by the University to the Foundation is accurate and fairly stated.

- No significant internal control weaknesses were identified.
- Multiple observations were noted and recommendations were made to management of both the Foundation and the University.
- Both Foundation and University management have committed to addressing the observations in the report.

External Project Report Issued - 4th quarter FY2018						
Name of Project	Special Project Performed By	Date of Report	Special Project Conclusion	Summary of Recommendations		
University of Memphis Foundation Special Project - Internal Controls Over Pledges Receivable and Collection of Donations	Mayer Hoffman McCann P.C. (Independent External CPA Firm)	4/12/2018	No Opinion Expressed (No Significant Internal Control Weaknesses Noted)		Number of Recommendations to UofM Alumni Development Advancement Services Management	Number of Recommendations to UofM Foundation Management
				Process Area Reviewed		
				Policies and Procedures	7	0
				Supporting Documentation	0	0
				Bank Deposits	0	0
				Tax Receipts and IRS Compliance	8	0
				Changes to Pledges	2	0
				Pledge Refunds	0	0
				Reporting of Pledge Balances to Foundation	4	0
				Foundation Accounting Process for Pledge Receivables	0	2
				Total Recommendations	21	2

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
Report
For Information

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Audit Charter Required Responsibilities of Audit Committee for Internal Audit Activities

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

In March of 2017, the University of Memphis Board of Trustees approved the formation of the Audit Committee and the Audit Committee Charter. A modification of the Charter was approved by the Board of Trustees in October of 2017. According to the Charter, the Audit Committee will review the internal audit activities of the University.

Attached is a listing of the Audit Committee's responsibilities for Internal Audit activities that are detailed in the Audit Committee Charter. The projected quarterly Committee meeting to attend to each responsibility is also included.

Audit Charter Required Responsibilities of Audit Committee for Internal Audit Activities				
	Quarterly Audit Committee Meeting			
To Be Performed Annually by the Audit Committee	September	December	March	June
Review & Approve Annual Audit Plan (to be approved by BOT)				X
Approve Internal Audit Budget				X
Review, Approve, and Update the Internal Audit Charter (to be approved by BOT)				X
Review Fiscal Year Internal Audit Results	X			
To Be Performed by the Audit Committee, But No Schedule Specified				
Receive and Review Work Prepared by Internal Audit	X	X	X	X
Review & Approve Management's Requests for Unplanned Audits	As Needed			
Appoint, Replace, or Dismiss Chief Audit Executive	As Needed			
Review Internal Audit's Structure and Staffing	As Needed			

5. Internal Audit Charter

For Approval

Presented by Vicki Deaton

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
For Approval

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Approval of University of Memphis Office of Internal Audit and Consulting Charter

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

To comply with the requirements of the State of Tennessee statutes and the Audit Committee Charter, which was based on State of Tennessee Comptroller of the Treasury guidelines and approved by the University of Memphis Board of Trustees and the Tennessee Comptroller of the Treasury, the attached University of Memphis Office of Internal Audit and Consulting Charter is presented for approval by the Audit Committee of the Board of Trustees.

All internal audit activities will be conducted in accordance with all state statutes relative to internal audit and audit committees. In addition, the state statutes require that internal audit activities be conducted in accordance with standards established by The Institute of Internal Auditors (IIA).

The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the IIA's Definition of Internal Auditing, the Code of Ethics, and the Standards. 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. The Chief Audit Executive must periodically review the internal audit charter and present it to senior management and the Board of Trustees for approval. Final approval of the internal audit charter resides with the Board of Trustees.

Committee Recommendation:

The Audit Committee recommends approval of the University of Memphis Office of Internal Audit and Consulting Charter.

University of Memphis
Office of Internal Audit & Consulting Charter
June 6, 2018

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 in accordance with 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) mandatory guidance, which includes the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. 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 risk assessment, state statute requirements, 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 will be 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 generally 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.

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 carry out 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 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

This charter will be periodically assessed by the Chief Audit Executive 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.

6. FY2019 Audit Plan

For Approval

Presented by Vicki Deaton

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
For Approval

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Proposed FY2019 Audit Plan

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

To comply with the requirements of state statutes relative to internal audit activities and the UofM Audit Committee Charter, the Proposed FY2019 Audit Plan for the University is presented for review and approval by the Audit Committee.

Committee Recommendations:

The Audit Committee recommends approval of the Proposed FY2019 Audit Plan.

Background Information – Proposed FY2019 Audit Plan

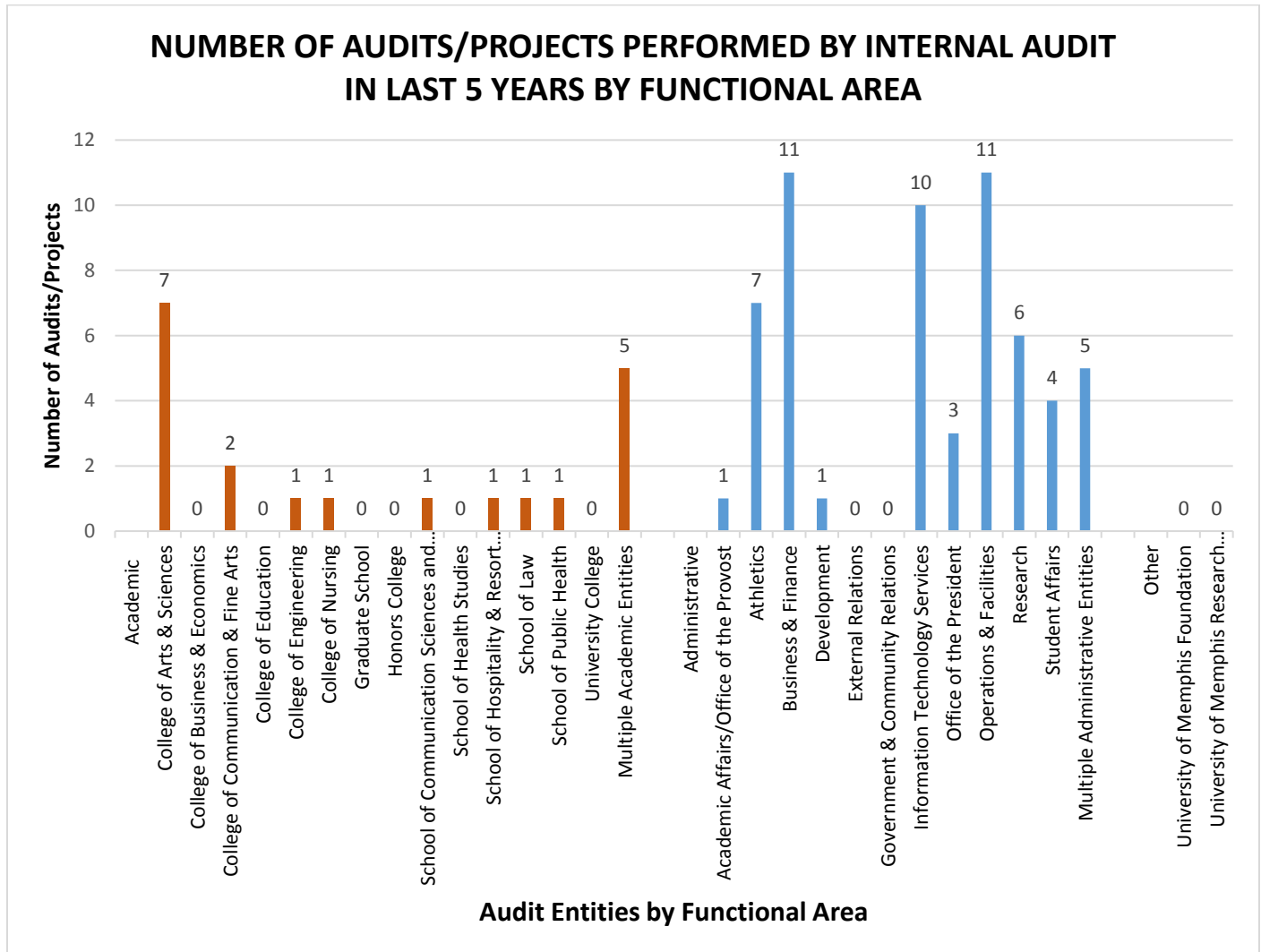
In higher education, the audit universe is normally categorized by the following functional areas:

- Academic
- Administrative
- Other

At the University of Memphis, the 3 functional areas include the following 27 audit entities:

Academic	Administrative	Other
•College of Arts & Sciences •College of Business & Economics •College of Communication & Fine Arts •College of Education •College of Engineering •College of Nursing •Graduate School •Honors College •School of Communication Sciences and Disorders •School of Health Studies •School of Hospitality & Resort Management •School of Law •School of Public Health •University College	•Academic Affairs/Office of the Provost •Athletics •Business & Finance •Development •External Relations •Government & Community Relations •Information Technology Services •Office of the President •Operations & Facilities •Research •Student Affairs	•University of Memphis Foundation •University of Memphis Research Foundation (including the wholly-owned subsidiary, UMRF Ventures Inc.)

In the last 5 years, the UofM Office of Internal Audit and Consulting has performed audits in 17 (63%) of the 27 audit entities.



Besides the University of Memphis Office of Internal Audit and Consulting, the following entities perform audits and reviews at the UofM.

TN Comptroller of the Treasury Division of State Audit
TN Comptroller of the Treasury Division of Investigations
TN Comptroller of the Treasury Information Systems Audits
External Certified Public Accounting Firms
External Environmental Auditors
Various State of TN Departments for Sponsored Program Review
Various Federal Agencies for Sponsored Program Review
Internal Revenue Service
TN Department of Labor
External Legal Experts

In Tennessee governmental entities, internal audit plans are comprised of risk based audits, required audits, special requests, and investigations. The risk based portion (about 65%) of the FY2019 Proposed Audit Plan is in part derived from the University's risk assessment process that Management prepares to comply with the Tennessee Financial Integrity Act, and consideration of the University's goals, vision, and mission. The plan also includes required projects and activities, deferred projects from FY2018, and time for investigations, consulting, and follow up of past audit issues. University management were given the opportunity to provide additional input into the plan, and details of the Proposed FY2019 Audit Plan were shared with executive management.

The plan may be impacted and revised during the year due to changing risk factors and special requests from management. Any updates to the plan will be reviewed and approved by the Audit Committee.

Below is the budgeted resource allocation by type of activity for the last 3 years.

Budgeted Allocation of Internal Audit Resources			
	FY2017	FY2018	FY2019
Audits	75%	78%	55%
Follow Up of Audit Issues	5%	3%	15%
Investigations	5%	5%	20%
Consulting/Advisory Role	15%	14%	6%
Audit Committee Projects & Administration	0%	0%	4%
	100%	100%	100%

As indicated in the information above, less time is budgeted for audits due to a change in audit issue follow up procedures and an increase in investigation work.

University of Memphis

PROPOSED Audit Plan & Allocation of Audit Resources- FY2019

55%	<u>Audits</u> <u>Risk Based Audits</u> Intermodal Freight Transportation Institute (IFTI) (departmental audit - scope includes compliance and financial controls) Department of Economics (departmental audit - scope includes compliance and financial controls) Animal Care Facilities (research compliance and financial controls) Admissions Operations Compliance Audit Clery Act (co-sourced with external firm) Athletics - Team Travel Expenses (including bowl games) <u>Risk Based Information Technology Projects</u> Disaster Recovery Audit Sponsored Agreement NIST 800.171 Compliance Readiness (when compliance required by agreement) <u>Audits Required by Statutes</u> Annual audit of President's expenses TCA 49-7-3001 TCA 49-14-106 <u>Audits Requested by Management</u> NACHA - Per First TN Bank Contract (ACH electronic transactions) State Audit FY2018 Year End Work (cash and inventory work for State Auditors at year end for external audit per Management request)
15%	<u>Follow-up of Past Audit Issues</u> Internal Audit issues identified in past audits and as required by state statute
20%	<u>Investigations/Manage Hotline System</u>
6%	<u>Consulting and Advisory Role</u> Special Audit Requests, Consulting Projects, Assistance to Legal Counsel, Attorney Client Projects (as requested by Management) Advisory Role (advisory role on various committees and miscellaneous inquiries for assistance during the year)
4%	<u>Audit Committee Projects & Administration</u>
100%	

7. FY2019 Internal Audit Budget

For Approval

Presented by Vicki Deaton

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
For Approval

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Proposed FY2019 Internal Audit Budget

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

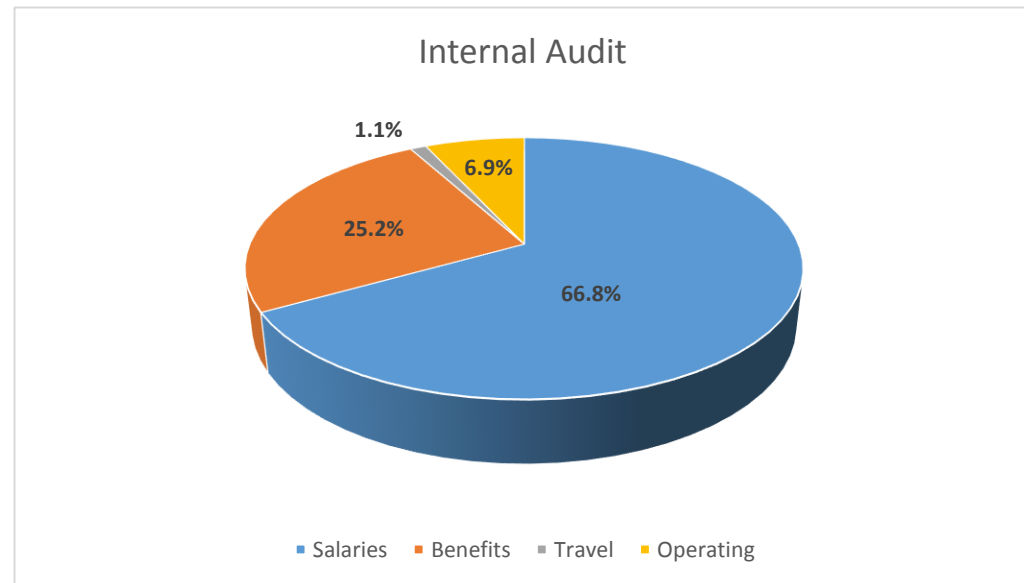
To comply with the requirements of the Audit Committee Charter, which was based on State of Tennessee Comptroller of the Treasury guidelines and approved by the Tennessee Comptroller of the Treasury, the Proposed FY2019 Internal Audit Budget is presented for review and approval of the Audit Committee.

Committee Recommendation:

The Audit Committee recommends approval of the Proposed FY2019 Internal Audit Budget.

Office of Internal Audit & Consulting FY2019 Proposed Budget

University of Memphis Internal Audit FY19 Proposed Budget		
Salaries	66.8%	\$ 302,200
Benefits	25.2%	114,000
Travel	1.1%	5,000
Operating	6.9%	31,150
Total Proposed Budget	100.0%	\$ 452,350



The University of Memphis
Internal Audit
Budget Snapshot

	FY15	FY16	FY17	FY18					FY19
Atype Desc	Actuals	Actuals	Actuals	YTD	Encumbrance	YTD & Encumb	Available		Proposed Base Budget
Total Salaries	311,104	285,767	282,632	183,565	47,250	230,816	20,043		302,201
Total Employee Benefits	110,737	101,176	102,878	68,103	17,530	85,633	67		114,000
Total Travel	4,154	6,822	3,307	4,415	119	4,534	466		5,000
Total Operating Expenses	8,696	6,694	8,163	5,880	1,351	7,231	66,657		31,151
Total Internal Audit Expenses	434,692	400,459	396,980	261,964	66,250	328,214	87,233		452,352

Challenges for University of Memphis Office of Internal Audit & Consulting

- Providing audit coverage for growing University assets and expanding risk areas
- Rapidly changing risk environment
- Managing increasing number of fraud, waste, and abuse reports with current resources
- Fulfilling directives of Audit Committee: increased communications, revised audit issue action plan follow up procedures, tracking of externally identified audit issues
- Obtaining competent audit staff with skill sets needed for current University risk environment

Due to the challenges facing the Office of Internal Audit and Consulting, a request was made to increase the FY2019 base budget to partially fund a Staff Auditor position. Some funds are currently available in an Internal Audit undistributed salary budget account, but the difference is needed to fully fund a Staff Auditor position.

8. Consulting Project Reports Issued

Presented by Vicki Deaton

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
Report
For Information

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Consulting Project Completed 4th Quarter FY2018

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

During FY2017, UofM Foundation management requested that the Office of Internal Audit and Consulting perform a special project to physically verify the Egyptian Art Collection of the Institute of Egyptian Art & Archaeology Center of Excellence, and to clarify past transfer of some Egyptian Art Collection assets from the UofM Foundation to the UofM. The project was completed and a report was issued this quarter.

Consulting Project Reports Issued - 4th Quarter FY2018					
Name of Consulting Project	Requested By	Date of Report	Department	Description of Project Purpose	Project Outcome
Institute of Egyptian Art & Archaeology Center of Excellence Special Request - Physical Verification of Assets	UofM Foundation Management, 6/1/2017	4/2/2018	Institute of Egyptian Art & Archaeology Center of Excellence	Physical Verification of Egyptian Art Collection/Clarification of Asset Ownership and Use	No Exceptions Noted

Additional Information:

The University's Institute of Egyptian Art & Archaeology Center of Excellence owned Egyptian artwork with a book value of \$340,017 as of June 30, 2017. The UofM Foundation, which is a legally separate, tax-exempt organization supporting the University of Memphis, has received donations to the Egyptian Art Collection in the past. As of June 30, 2017, the Foundation owned Egyptian artwork with a book value of \$496,768. All of the Egyptian Art Collection held by the Foundation is on loan from the UofM Foundation to the UofM Institute of Egyptian Art & Archaeology Center of Excellence.

9. Summary of Investigations - 4Q FY2018

Presented by Vicki Deaton

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
Report
For Information

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Summary of Investigations & Consulting Projects Completed 4th Quarter FY2018

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

Ten new reports of fraud, waste, or abuse, noncompliance with law, or conflict of interest were received by the Office of Internal Audit and Consulting this quarter. Two reports were referred to other University Offices for resolution. Five of the allegation reports received were investigated and resulted in reports issued by Internal Audit. Three of the allegation reports are under investigation, and one investigation initiated in the 3rd quarter of FY2018 was completed and a report issued this quarter.

Attached is a summarized list of reports received by the UofM Office of Internal Audit and Consulting, with additional information regarding investigations completed by Internal Audit.

Pursuant to the protection afforded by Tennessee Code Annotated §§ 10-7-504(i) and 10-7-508(a), this information shall be used for Limited Official Use purposes only. Because this document has been designated **“Limited Official Use Only”**, it may only be made available to those who have a need to know the information in the performance of their official duties for the University. This information must be safeguarded and protected from unauthorized disclosure. This information and any referenced materials are considered part of our confidential working papers not open to public inspection pursuant to state law. Our sharing of this information with you is pursuant to the internal processes of this engagement and is not intended as a publication or distribution of this information. Therefore, you are requested to appropriately safeguard its confidentiality and appropriately restrict its further disclosure. Please notify us of any requests for this information as it is under restricted access.

You may share and distribute within the University to those that have a need to have this information.

CONFIDENTIAL AUDIT INFORMATION

UOM Investigation Summary Qu 4 FY2018								
Case Number	Date Received	Allegation Received by	Description of Allegation	Status	Investigation Outcome	\$ Loss	Date of Final Action by Internal Audit	Additional Information
18-017	1/18/2018	Phone Call to College Dean	Misuse of Funds	Memo Issued-Case Closed	No Evidence of Misuse of Funds, Policy Violation Identified	NA	4/2/2018	College and HR to Address Policy Violation
18-019	2/13/18	Internal Audit FWA Report	International Student Complaint Concerning Inaccurate Information	Referred to Vice Provost for Graduate Programs	Per Vice Provost for Graduate Programs-No Evidence of False Statements or Inaccurate Information	NA	2/15/18	
18-020	2/15/18	Allegation Letter to Dr. Rudd	Inadequate P-card Monitoring	Memo Issued-Case Closed	P-cards are Adequately Monitored by Procurement & Contract Services	NA	4/20/18	
18-021	2/15/18	Allegation Letter to Dr. Rudd	Privacy Violation	Referred to Police Services	Per Police Services-Case Solved	NA	2/19/18	
18-022	2/19/18	Allegation Letter to Audit Committee	Athlete Friendly Curriculum	ongoing				
18-023/TN Comp #17-0472	2/20/18	TN Comp Hotline (allegations reported on 2/15/2018)	Fraudulent Employee Leave Reporting	ongoing				Working with HR on this Investigation
18-024	3/7/18	Allegation Email to Internal Audit	Fraudulent Reimbursement Documentation Presented to Foundation	Memo Issued-Case Closed	No Evidence of Fraud	NA	4/20/18	
18-025	3/13/18	Telephone Call to Internal Audit	Forgery of Signature on Patient Release Form	Memo Issued-Case Closed	Personnel Issue Resolved by HR and Department Management, Patient Release Form Issue Resolved by Department Management	NA	4/4/18	
18-026	3/27/18	Internal Audit FWA Report	Questionable Meal Reimbursement	Memo Issued-Case Closed	No Evidence of Mismanagement or Waste of Funds	NA	5/10/18	
18-027	3/27/18	Internal Audit FWA Report	Employee Conflict of Interest	Memo Issued-Case Closed	No Evidence of Conflict of Interest	NA	5/10/18	
18-028	5/3/18	Phone Call from College Dean	Duplicate Travel Reimbursement Requests Presented and Paid	ongoing				

10. Audit Issue Follow-Up - 4Q FY2018

Presented by Vicki Deaton

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
Report
For Information

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Audit Issue Follow Up

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

Attached is a summarized list of audit issues that were evaluated for completion this quarter. All of the action plans addressing audit issues from the Department of Psychology Financial and Compliance Audit and the Department of Theatre and Dance Financial and Compliance Audit have been completed. Eight of the 10 action plans addressing audit issues from the School of Public Health Financial and Compliance Audit have been completed. The 2 outstanding issues require policy revisions, which are in progress.

Follow Up on Audit Issues - 4th Quarter FY2018				
Action Plan Estimated Completion Date	Name of Audit	Date of Audit Report	Audit Engagement Opinion	Issue #
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 1a
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 1b
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 2
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 3
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 2/28/2018)	Department of Psychology Financial and Compliance Audit	3/20/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Psychology 4

NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 1/31/2018)	Department of Theatre and Dance Financial and Compliance Audit	2/28/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Theatre Dance 1a
NA - No Specific Date Required with Prior Internal Audit Procedures (action plan estimated completion date by planned audit follow up of 1/31/2018)	Department of Theatre and Dance Financial and Compliance Audit	2/28/2017	NA - No Engagement Opinion Assigned with Prior Internal Audit Procedures	Theatre Dance 1b
6/19/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 1a
8/15/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 1b
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 2a
11/15/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 2b
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 3a
6/13/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 3b

7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 4a
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 4b
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 5
12/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 6
9/30/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 7
9/30/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 8
8/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 9a
8/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 9b
7/31/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 10a

6/15/2017	School of Public Health Financial and Compliance Audit	9/7/2017	Effective with Opportunity for Improvement	SPH 10b

Issue Description	Issue Rating	Party Responsible for Action Plan Completion	Current Status (June 2018)	Action Plan to Completely Resolve Issue (if current status not complete)
Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Human Resources Management	Complete	
Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Psychology Department Management	Complete	
Procurement Policy Noncompliance	NA - No Rating with Prior Internal Audit Procedures	Psychology Department Management	Complete	
Insufficient Controls over Sponsored Agreement Effort Reporting	NA - No Rating with Prior Internal Audit Procedures	Psychology Department Management	Complete	
Insufficient Controls over Laboratory Decommissioning	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Psychology Department Management	Complete	

Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Human Resources Management	Complete	
Insufficient Controls over Sick Leave Accrual Adjustments	No Rating with Prior Internal Audit Procedures, But Considered a Significant Issue	Theatre & Dance Department Management	Complete	
Security Awareness Training Compliance	Moderate = Insufficient and Requires Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Security Awareness Training Compliance	Moderate = Insufficient and Requires Improvement	Robert Jackson, CIO, and Jon Weber, Director of IT Security	Complete	
Insufficient Controls over Changes to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Controls over Changes to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	Heather Winters, Director – Office of Sponsored Programs and Linda Heide, Manager - Grants and Contracts Accounting	Partially Complete	Policy Revision In Progress
Insufficient Controls over Cost Transfers to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Controls over Cost Transfers to Sponsored Agreements	Minor = Effective with Opportunity for Improvement	Linda Heide, Manager - Grants and Contracts Accounting	Complete	

Insufficient Controls over Sponsored Agreement Effort Reporting	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Controls over Sponsored Agreement Effort Reporting	Minor = Effective with Opportunity for Improvement	Linda Heide, Manager - Grants and Contracts Accounting and Ora Taylor-Strowder, Provost Office Director, Academic Affairs-Finance	Complete	
Insufficient Controls over Sponsored Agreement Subrecipient Payments	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Controls over Sponsored Agreement Subrecipient Monitoring	Minor = Effective with Opportunity for Improvement	Heather Winters, Director – Office of Sponsored Programs	Partially Complete	Policy Revision In Progress
Noncompliance with State Approval Requirement for Outside Attorney	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Controls over Purchasing Cards	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Travel Controls - No Prior Approval for Travel PO	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Travel Controls - Reconciliation of Travel Expenses Not Timely	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	
Insufficient Controls over Meal Expenses	Minor = Effective with Opportunity for Improvement	James G. Gurney, Interim Dean – School of Public Health	Complete	

Insufficient Controls over Meal Expenses	Minor = Effective with Opportunity for Improvement	George Ninan, Controller	Complete	

Estimated Completion Date	Responsible Party

7/31/2018	George Ninan, Controller

8/31/2017	Heather Winters, Director – Office of Sponsored Programs

11. External Project Summary - Donor Pledge Process

Presented by Vicki Deaton

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
Report
For Information

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: External Project Report Received - University of Memphis Foundation Special Project- Internal Controls Over Pledges Receivable and Collection of Donations

Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

The University is subject to external audits, program reviews, and similar activities by various agencies and other organizations. According to Policy GE2016 Notification of External Audits and Reviews, it is the responsibility of the primary contact person for the program or activity being reviewed to notify Internal Audit of an external audit or review as early in the process as possible. After the audit or review is complete, the primary contact will usually receive notice of the results in writing. The primary contact (or designee) should forward a copy of the results to Internal Audit. The responsibility for Internal Audit under this policy includes reporting occurrences of external reviews and audits to the Audit Committee, Division of State Audit and others as the circumstances may dictate. Also, T.C.A. § 4-4-113 requires notification of federal award noncompliance or any deficiency related to compliance with federal statutes, regulations, or the terms and conditions of a federal award, to the Tennessee Comptroller of the Treasury and the Commissioner of Finance and Administration.

This quarter, Internal Audit received a report from the University of Memphis Foundation (Foundation) management. The Foundation engaged an independent external CPA firm to perform a special project to review internal controls over pledges and donations to identify potential internal control weaknesses and to issue recommendations to help ensure pledge receivable data provided by the University to the Foundation is accurate and fairly stated. No opinion was expressed, but the report does not identify any significant internal control weaknesses. Quite a few observations were noted and recommendations were made to management of both the Foundation and the University. Both Foundation and University management have committed to addressing the observations in the report.

External Project Report Issued - 4th qu FY2018						
Name of Project	Special Project Performed By	Date of Report	Special Project Conclusion	Summary of Recommendations		
University of Memphis Foundation Special Project - Internal Controls Over Pledges Receivable and Collection of Donations	Mayer Hoffman McCann P.C. (Independent External CPA Firm)	4/12/2018	No Opinion Expressed (No Significant Internal Control Weaknesses Noted)		Number of Recommendations to UofM Alumni Development Advancement Services Management	Number of Recommendations to UofM Foundation Management
				Process Area Reviewed		
				Policies and Procedures	7	0
				Supporting Documentation	0	0
				Bank Deposits	0	0
				Tax Receipts and IRS Compliance	8	0
				Changes to Pledges	2	0
				Pledge Refunds	0	0
				Reporting of Pledge Balances to Foundation	4	0
				Foundation Accounting Process for Pledge Receivables	0	2
				Total Recommendations	21	2

12. BoT President Expenditure Policy

For Approval

Presented by Melanie Murry

Presentation to the Board of Trustees

The University of Memphis Board of Trustees
For Approval

Date: June 6, 2018

Committee: Audit Committee

Presentation Title: Board of Trustees President Expenditure Policy

Presented by: Melanie Murry, University Counsel and Secretary to the Board

Background:

Under T.C.A. § 49-14-104, the University of Memphis Board of Trustees is tasked with creating a policy requiring that annual reports detailing expenditures made by, at the direction of, or for the benefit of a system head or chief executive of an institution are to be filed with the Board.

Committee Recommendation:

The Audit Committee recommends approval of the Board of Trustees President Expenditure Policy as contained in the meeting materials.

University of Memphis Board of Trustees – Expenditure Reports

I. Purpose

Under T.C.A. § 49-14-104, the University of Memphis Board of Trustees is tasked with creating a policy requiring that annual reports detailing expenditures made by, at the direction of, or for the benefit of the President of the University are to be filed with the Board.

II. Definition

Discretionary Expenditures. T.C.A. § 49-14-104 states: “It is the legislative intent that the policy require the report of discretionary expenditures, which shall include, but not be limited to, unrestricted gifts, foundation funds, athletic funds, sponsorship fees, licenses and royalty funds, and other such funds that would not be included in the operating budget for the system head’s or chief executive’s office.”

III. No Expenditure Exceptions

Per Tennessee state law, system heads or chief executives shall not have the authority to grant themselves an exception to fiscal, spending, or travel policies by their boards.

III. Policy

- a. The President shall provide a quarterly report of the expenditures made by, at the direction of, or for the benefit of the President.
- b. The report shall include expenditures from any source of fund that would not be included in the operating budget for the President, including, but not limited to, unrestricted gifts, foundation funds, athletic funds, sponsorship fees, licenses and royalty funds, and other such funds.
- c. The report shall be submitted to the Office of Internal Audit and Consulting at the end of each quarter.
- d. An annual report of expenditures made by, at the direction of, or for the benefit of the President shall be presented to the Audit Committee of the Board of Trustees.

Effective Date/Revisions: June 6, 2018

13. Additional Committee Business

14. Adjournment