

August 2021 Audit Committee Meeting

Schedule	Wednesday, August 25, 2021 11:00 AM — 12:00 PM CDT
Venue	Senate Chamber (UC 261) and Zoom Video Conference
Organizer	Sparkle Burns

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1. Call to Order and Opening Remarks

Presented by Susan Springfield

2. Roll Call and Declaration of Quorum

Presented by Melanie Murry

3. Approval of Meeting Minutes for June 2, 2021

For Approval

Presented by Susan Springfield

**THE UNIVERSITY OF MEMPHIS
BOARD OF TRUSTEES
AUDIT COMMITTEE MEETING MINUTES
June 2, 2021**

The Audit Committee of the University of Memphis Board of Trustees met at 9:45 a.m. CST, on Wednesday, June 2, 2021, in-person and virtually using the video conferencing system Zoom.

I. CALL TO ORDER AND OPENING REMARKS

Trustee Springfield called the meeting to order.

Trustee Springfield recognized those that attended in-person and virtually via Zoom Video Conference. She expressed her appreciation to the faculty and staff for the great work they have done in the challenging environment. Trustee Springfield stated that it has been a lot of great work done under the circumstances including the works of the presenters presenting in the committee meeting.

II. ROLL CALL

Trustee Springfield recognized Board Secretary Melanie Murry.

Secretary Murry called the roll. The following Trustees were present,

Committee Members:

Trustee Edwards

Trustee Graf (attended virtually via Zoom and verified that he could hear her, and he was alone)

Trustee Johnson

Trustee Roberts

Trustee Springfield

Secretary Murry announced the presence of a quorum.

Additional Trustees present:

Secretary Murry acknowledged Trustee Fong re-joined the committee meeting after the approval of the March meeting minutes.

Secretary Murry acknowledged Trustee Kemme was present in the committee meeting after the approval of the March meeting minutes.

III. APPROVAL OF MEETING MINUTES FOR MARCH 9, 2021

Trustee Springfield called for a motion to approve the meeting minutes for March 9, 2021. The motion was made by Trustee Edwards, and it was properly seconded.

Trustee Springfield asked if there was any discussion, none was provided. A roll call vote was taken and unanimously approved.

IV. SUMMARY OF AUDIT REPORTS ISSUED

Trustee Springfield recognized Chief Audit Executive, Vicki Deaton to present agenda items four (4) through nine (9).

Ms. Deaton presented the Summary of Audit Reports Issued. There were two (2) audit reports and one (1) that was classified as a consulting report. Ms. Deaton provided background information on how the audit was conducted. There have been audits like this one this past year that were called a risk assessment internal control footprint audit. This risk assessment audit evaluated Human Resources. Internal Audit takes management's prepared risk assessment, which management completed on behalf of the Audit Committee to be in compliance with the Tennessee Code. In Human Resources, the activities that Internal Audit reviewed were data management, employee benefits, employee engagement and learning and development, employee relations and compliance, faculty administrative services, and recruitment and compensation. There were three (3) minor issues found with this audit where we felt controls did exist but could be improved if management intended to mitigate those risks. Ms. Deaton noted that there are times you have a risk and there could be various controls that address the risk. Internal Audit felt there were good results with this audit.

The next audit was labeled a consulting report. A concern came to the Compliant Triage Team for review. The Complaint Triage Team asked that Internal Audit conduct further work to get financial information about the relationship between a non-profit entity and the University. Internal Audit and Consulting reviewed the financial components and issued this report. The report was provided to the Compliant Triage Team so they could decide how to move forward. Since Internal Audit and Consulting issued a report, Ms. Deaton felt it was important to have the information available for the Committee somewhere, so it was issued as a Consulting Report.

In the future Ms. Deaton thinks there will be collaborative investigations from groups within the Complaint Triage Team. Currently, there is an ongoing investigation with the Chief Compliance Officer.

The Tennessee Comptroller of the Treasury conducted a performance audit of the Board of Trustees. An audit finding was reported, and the University was required to provide the auditors with a corrective action plan and give a report on the status of the corrective action plan. Internal Audit performed procedures for the corrective action plan and the status was labeled complete on the report. A copy of the report was sent to the Tennessee Comptroller of the Treasury. A copy of the complete report was provided in the Executive Session meeting materials and any questions about the report can be asked during that session.

Ms. Deaton asked if there were any questions, none were provided.

V. AUDIT ISSUE FOLLOW-UP

Ms. Deaton presented the audit issue follow-up. Several issues were reviewed that were still open from the University of Memphis Lambuth Campus Financial and Compliance Audit. One (1)

was completed and one (1) is partially complete. The partially complete issue is a complicated issue and has been working on for years. A new action plan has been completed and will be presented by Chief Financial Officer Raaj Kurapati later in the meeting when he discusses campus safety, which will include access concerns.

The next audit reviewed for action plan completion was the Vendor Electronic Payment Information Controls Audit. Internal Audit determined those plans were all complete. The Student Accounts Receivable Review has six (6) items completed. The Department of Instruction and Curriculum Leadership was a revenue and expense audit. The information provided gives a summary of what the issue was, how Internal Audit rated it, and who was responsible for the action plan.

Ms. Deaton asked if anyone had any questions, none were provided.

VI. SUMMARY OF INTERNAL AUDIT INVESTIGATIONS

Ms. Deaton presented the summary of internal audit investigations. The items presented were given to Internal Audit specifically to work on by the Compliant Triage Team. The second item listed as “Waste of University Property” was reported on this quarter. A copy of the report was provided in the Executive Session meeting materials. The third item listed as “Inappropriate Affiliation of University with Nonprofit Corporation,” which was mentioned earlier by Ms. Deaton, relates to the relationship between a Nonprofit entity and the University. The financial components of this audit were reviewed and brought back to the Compliant Triage Team and the Complaint Triage Team decided that the Compliance Office would review further. The last item, “Unauthorized Actions Related to Trust” was a referral from the Comptroller of the Treasury, and it was referred to University management. The Complaint Triage team met and gave it to Internal Audit first. Internal Audit gathered information about the allegation and will work with other members of the Complaint Triage Team to finalize the investigation. The final information will go back to the Tennessee Comptroller's Office. With this investigation in particular the Tennessee Comptroller's Office wanted a response within 30-days. Ms. Deaton responded back to the Tennessee Comptroller's Office that Internal Audit and Consulting is working on the response and the investigation is still ongoing.

Ms. Deaton asked if there were any questions, none were provided.

VII. REPORT FOR INFORMATION – ANNUAL REPORT OF GRIEVANCE ACTIVITIES

Ms. Deaton presented the annual report of grievance activities. By Tennessee code grievance activities must be reported annually to the Education Committee of the Senate and the Education Committee of the House of Representatives. The Human Resources department and University policy discuss how the University is committed to having a process for the non-exempt support staff so they can seek resolution to grievances. That is what the report shows. The meeting materials include copies of reports for the Audit Committee to show the entire

fiscal year 2020 and fiscal year 2021 through May 31, 2021. The report informs the Committee about the cases and the resolutions.

VIII. ANNUAL REVIEW & APPROVAL OF INTERNAL AUDIT CHARTER

Ms. Deaton presented the annual review and approval of the Internal Audit Charter. The charter is reviewed annually. The last review was at the June 3, 2020, Board of Trustees meeting. The charter references the purpose of the audit activity, the position of the activity within the University, the scope of audit's activities, and access to the University people and records.

There are no proposed changes to the Internal Audit Charter that Internal Audit recommends currently. Ms. Deaton opened for any comments or remarks about the charter and mentioned that a copy of the charter is in the meeting materials.

Trustee Springfield asked if anyone had any questions about the charter, none were provided.

Trustee Springfield called for a motion to approve the Internal Audit Charter. The motion was made by Trustee Johnson, and properly seconded. A roll call vote was taken and unanimously approved.

IX. PROPOSED FISCAL YEAR 2022 INTERNAL AUDIT PLAN

Ms. Deaton presented the Fiscal Year 2022 Internal Audit Plan. This is presented annually to prepare for the upcoming fiscal year. In higher education, Internal Audit categorizes the audit universe in three categories: academic, administrative, and other. The three (3) categories or functional areas at the University include the twenty-eight (28) audit entities. Sometimes these numbers can fluctuate.

Other groups and entities outside of Internal Audit and Consulting completed audits at the University. However, instead of calling these audits, the outside auditors may call them reviews, desk reviews, agreed-upon procedures, assessments, inspections, or another name because there are several. Ms. Deaton named the different outside auditors that conduct audits at the University such as the Tennessee Comptroller's Office, different state departments and agencies, state department and agencies that provide grant funding for the University, federal entities, and external experts. Coming soon, which will be discussed by the Chief Compliance Officer, there will be Compliance Assessments starting in the Fall that will be completed by the Compliance Office.

In the last 5 years, the University has had an audit that was performed by Internal Audit and Consulting or the outside entities for all the audit categories except one.

The risk-based plan is created using all the information from previous incidents and projects completed during prior years. The reason it is called a risk-based plan is because we want to spend as much time as possible on the areas that are considered risks areas. Some of the audits and projects that Internal Audit and Consulting conducts are required, so are not necessarily risk based. Ms. Deaton gave an overview of the allocation of audit resources. Besides performing audits, Internal audit performs follow-up on audit issues, conducts investigations, performs consulting and advisory services, and administrative work.

A copy of the proposed audit plan for new fiscal year was presented in the meeting materials. A draft was sent out and input was received. The final plan is being presented for any questions and approval.

Trustee Springfield asked if there were any questions, none were provided. Trustee Springfield commented that the Compliant Triage Team that was created last fall has been highly effective in terms of a risk-based approach and that this is something that should be continued.

Chairman Edwards revisited when Ms. Deaton made comments before about her having staffing challenges and asked her if she felt like she was fully staffed. Ms. Deaton responded no; she did not feel like she was fully staffed. Ms. Deaton stated that their Senior Internal Auditor position was closed last week, and they are deciding if the position will be reposted because the pool is small. Ms. Deaton is also considering opening the staff position. Internal Audit has talked with Ms. Tiffany Baker Cox, Chief Compliance Officer, about conducting follow-ups, and there may be even a possibility of collaboration with the Compliance Office and Internal Audit. Ms. Deaton said there is work to do to get more staff in Internal Audit and Consulting, and the Trustees agreed that it is an issue facing every industry.

Trustee Springfield commented on how this would be a great opportunity to work at the University of Memphis and recommended to the Trustees that if they knew anyone that would be qualified, to refer them to Ms. Deaton.

Trustee Springfield called for a motion to approve the FY2022 Internal Audit Plan. The motion was moved by Trustee Roberts, and it was properly seconded. A roll call vote was taken and unanimously approved.

X. BUSINESS CONTINUITY PLANNING AND COMPREHENSIVE SECURITY PLAN UPDATE

Trustee Springfield recognized Chief Financial Officer, Raaj Kurapati. Mr. Kurapati presented the business continuity planning and comprehensive security plan update. About a year and half ago the Board of Trustees wanted this to be a priority so the University could get a good handle on business continuity and risk assessment. One of the challenges was that a lot of the functions were being managed in soloed fashions and there was not a complete look or the combining of all the different efforts.

The Board of Trustees recommended that Dr. Rudd hire a person to handle business continuity efforts. Mark Heath, Executive Director of Business Continuity and Risk Management started in December 2020. Mr. Kurapati showed where the University is with the business continuity planning process. The University invested in the Kuali Ready software which will be the comprehensive tool the University will use. The total number of business continuity plans are 147. As of Friday, May 28th the number of completed business continuity plans were 134 out of 147. The University is at a 90% compliance rate and the remaining business continuity plans are in progress and expect to be completed by the target date of June 30, 2021. Once all the business continuity plans are received then a review exercise will be completed and then populated to the Kuali Ready system. Once the plans have been entered into the programs, the comprehensive business continuity plan at the institutional level will be created.

Part of the plan has been how the University can return to campus in a strategic and thoughtful manner. Overall, the University has managed through the crisis well. Throughout the course of the pandemic 169 positive cases were reported for faculty and staff with two (2) that were traced to being contracted on campus out of 1,800 faculty and staff coming to and from campus. There were about forty percent or 5,000 students coming to and from campus and there were 1,800 students in the dorms. The total number of positive COVID-19 cases that were reported was 571 of which 74 of those cases were contracted on campus. 85 rooms were reserved for quarantine purposes and the University only had to use about twenty percent of the rooms at the height of the pandemic. The University is making sure that it follows the current CDC (Centers for Disease Control) and local guidelines. The University is currently looking at a slow return to campus with 75% of its staff coming back June 1st and 100% of staff coming back July 1st. The University's goal is to have all the offices that engage with students in place before the return to campus this fall.

Mr. Kurapati discussed the comprehensive safety security plan. A team will be co-chaired by Chief Health and Safety Officer, Justin Lawhead and Mark Heath, Executive Director of Business Continuity and Risk Management. Their job is to look at all the elements that involve the comprehensive approach to safety and security on campus. Mr. Kurapati showed some of the elements in the diagram in the materials. Mr. Kurapati discussed some of the actions being taken such as:

- Looking at police services departmental leadership and reorganization
 - One of the challenges is keeping the regular workforce onsite.
- The environment and the different elements that cling to campus safety and security and making sure investments are made in the correct places and not just on faculty positions, which has been the traditional approach.
- Enhancing technology
 - The University has about 800 cameras on campus and some of the technology and cameras are dated
 - The University currently has an on-premises approach on the data services that house the camera footage, and the University is looking at how to ensure that this is looked at comprehensively, while complementing the physical security.
- Clery Act Strategies
 - Mr. Heath was given the task of looking at how the University handles the reporting of the Clery Act.
 - Ensuring that the appropriate offices are actively involved in the conversations, which includes the Office of Institutional Equity.
 - Enhancing the University's understanding of the Clery Act on-campus by understanding the reporting requirements.
 - The University is developing a forward-facing web base that will have the current Clery information and statistics.

Mr. Kurapati concluded his presentation and opened for any questions from the Committee.

Trustee Springfield asked if there were any questions, none were provided.

XI. COMPLAINT TRIAGE TEAM UPDATE AND COMPLIANCE ASSESSMENT CALENDAR

Trustee Springfield recognized Director of Institutional Equity and Chief Compliance Officer, Tiffany Baker-Cox. Ms. Baker-Cox presented the Complaint Triage Team update and the Compliance Assessment Calendar.

Ms. Baker-Cox expressed her appreciation to Chief Audit Executive, Vicki Deaton for helping her and Compliance Officer, Kymberlee Golden with understanding and creating the Compliance Assessment Plan. Ms. Baker-Cox and Ms. Golden wanted to collaborate with Ms. Deaton because they did not want to duplicate efforts and hopes to continue this collaborative relationship.

This past year the Office of Institutional Equity spent time speaking with several departments at the University about their compliance needs and issues they have experienced, and where the Office of Institutional Equity can be of assistance. Also, this past year the Office of Institutional Equity developed the Compliance Program policy and the Code of Ethics. The Compliance Program policy is the foundation of the Compliance Program and the policy outlines what compliance is for the University, the responsibilities of not only the Compliance Office but also the Compliance Council, and the responsibilities of individual employees at the University to make sure they are update-to-date with the compliance functions in their areas and how they should report issues. The policy also outlines the Compliance Assessment process and how it will be handled.

The Code of Ethics outlines the expectations of faculty, staff, and student employees on ethical behavior. The policy tracks the policies already in place, such as the travel policy, use of cards, etc. The policies are in the process of being approved by the Policy Review Board with hopes by the next meeting the policies will be ready to go to the next level of approval and be effective over the Summer.

This Summer the Office of Institutional Equity will be collaborating with Marketing and Communications to determine the type of campaign and communication that can be used to inform the campus community about the compliance function and to keep it on their minds. Currently, the Compliance Council has been meeting monthly to discuss the areas that have high compliance such as, Athletics, Research and many areas in Business and Finance. Moving forward the Compliance Council will start meeting quarterly in September 2021 and Ms. Cox thinks this will address things that occur over the course of an academic year.

The Compliance Assessments will begin in Fall 2021. To avoid addressing a department that had already gone through an audit, The Office of Institutional Equity collaborated with Ms. Deaton to identify the departments that will be assessed. The departments were identified based on investigation Internal Audit and Consulting already completed or audits conducted with potential findings. Based on the feedback received from all the departments last year, there were issues that occurred that the Office of Institutional Equity felt needed to be addressed and

reviewed, and that is how the list was created. Out of the five (5) departments to be assessed listed two (2) will be completed in the Fall and three (3) in the Spring.

Ms. Baker-Cox presented information on how the Compliance Assessment process will be handled, which is similar the audit process. Ms. Baker-Cox presented the stages of the Compliance Assessment process.

Ms. Baker-Cox concluded her presentation and asked if there were any questions.

Trustee Roberts asked Ms. Baker-Cox to speak about how her presentation merged with the risk-based assessment of the University and how it coincides with what the University needs to manage. Ms. Baker-Cox responded by saying the list of areas that were developed were based on what the Office of Institutional Equity encountered during interviews and information gathering with the departments. Ms. Baker-Cox stated it is imperative that the Office of Institutional Equity's overall work is tied to the risk assessment, and she imagines that more collaboration between Mr. Kurapati's team and Mr. Heath will be done to address the additional reviews and assessments. Ms. Baker-Cox stated that this plan was created from a conversation that was had with Ms. Deaton and based on what they knew were issues when they completed their initial review and discussion with the units and departments. Ms. Baker-Cox stated she will make sure these are connected in the future.

Trustee Roberts had a follow-up question which was related to the compliance assessment process, where the opening conference outlined the scope of the assessment in the particular area and evaluated what is most important versus everything possible and Trustee Roberts commented that she imagines this will be a learn as you go process where the scoping at the beginning will be critical. Ms. Baker-Cox agreed and stated they do not have the capacity to go deep into things. The assessment questionnaires will be relied on to help direct them.

Trustee Springfield commented that the benefit to the Complaint Triage Team is not putting too many resources on one thing and on another and she thinks the coordination that is happening is the best practice.

Dr. Rudd commented that the idea is to be aggressive about what the appropriate boundaries are and that is a part of what the triage team has been able to do, and the University Counsel and Office of Legal Counsel has taken an active role with trying to create the appropriate boundaries across all those activities.

Trustee Roberts expressed her appreciation to the evolution of the programs at the University. Dr. Rudd commented on how this has been the difficult issues since the transition when separating from the Tennessee Board of Regents (TBR) because they were managing forty-six institutions and there was an integrated compliance that was centralized in Nashville and was not distributed out in the system. Dr. Rudd asked Secretary Murry if she wanted to comment but continued and stated this will be a continued process with the University to define, absorb and grow within that area. Secretary Murry commented by stating she would amend Dr. Rudd's

comment and stated TBR did not have a compliance function, but they did have an audit function, which is why the University has to evaluate and evolve to close those gaps.

Trustee Springfield asked if there were any other questions or comments, none were provided.

XII. INFORMATION SECURITY UPDATE

Trustee Springfield recognized Dr. Robert Jackson to present the information security update.

Dr. Jackson presented information on the current status of the University. The NIST Compliance to support the research initiatives and the Carnegie R1 effort began with an external entity in April 2021. The Information Technology team met with the external entity and posed questions. The external entity is working on preparing a report for Information Technology with hopes to have it completed by the end of June 2021 or beginning of July 2021, and then action plans will be developed. Information Technology Services is looking forward to seeing how it is going to look and how they can use it to improve the information security program further.

In April 2021 the implementation of managed endpoint services began for 7,000 computers on campus. The process went seamlessly and is currently active on campus. Information Technology Services is receiving telemetry from those individual computers and no high-level risk has been identified but Information Technology Services is continuing to work with the vendor on that. Information Technology Services is also making sure the University's processes integrate seamlessly between the University and the management proprietor so there is efficient and effective communication.

In May 2021 the Office 365 data loss prevention was activated. Information Technology Services is beginning to receive feedback from Office 365 whenever someone sends information via email or information that is sent via OneDrive that contains restricted data such as social security numbers, driver's license numbers, credit card numbers, etc. Information Technology services monitors for those activities and if large amounts of data or repeated information is seen coming from the same individuals then the Security Team will follow-up with those individuals. In the future. If appropriate Information Technology Services will consider moving to a blocking approach instead of a warning approach. Information Technology Services is also working on implementing the file transfer portal that Dr. Jackson mentioned previously.

Dr. Jackson presented a slide on account deactivations that he has reported to the Board over the course of the year. At the beginning of January 2020 there was a peak due to the implementation of a variety of changes which included disabling email protocols and the implementation of the technology that allowed the re-writing of URLs in emails that occurred in March 2020 to secure those individuals that clicked on an email that contained a suspicious link. The security software would analyze the link and make sure the website was safe. In June 2021 a bottom out period occurred because the single sign-on was implemented for Office 365. The peak in November 2020 was a result of a spike in the amount of malicious activity being rejected by the email security system. The line flattens on July 1, 2021, because of the duo security for individuals on campus including students being implemented.

Dr. Jackson presented a slide that relates to the peak that was discussed for November 2020. Dr. Jackson provided details about some of the content in the presentation.

Dr. Jackson provided a summary for the FY2021Q3 IT Security Engagements. All the issues have been resolved and were closed by the end of the quarter. One account was proactively disabled because Information Technology Services saw the need and would take -up on follow-up actions.

The next steps Information Technology Services is taking is to standardize the endpoint security by adopting the Windows Defender and replacing some other vendors that are currently in use. They will continue working with the managed endpoint services provider, have thorough conversations with Faculty Senate through the Academic Support Committee. Dr. Jackson has had conversations with the Faculty Senate president, and IT Governance Committee to improve security standards on faculty computers and to ensure the needs are supported with the academic and research mission; and hopefully by the next meeting they will have action plans from the NIST external assessment and Dr. Dhaliwal, and Dr. Jackson will discuss with President's Council about the recommended actions.

Dr. Jackson concluded his presentation and opened for any questions.

Dr. Rudd expressed his appreciation to Dr. Jackson and his team for the exceptional work they have done over the last number of years which have been at the urgency of the Board of Trustees that the University become more aggressive and proactive with the security. It has proven to be helpful and prevented significant problems and challenges for the University. Dr. Rudd stated the University did attempt to do something for the group to recognize the work they have done over the course of the months with a small token to show their appreciation. Dr. Jackson expressed his appreciation to Dr. Rudd and stated that the token was well received by everyone.

Chairman Edwards asked Dr. Jackson if the University was protected as much as it could be. Dr. Jackson responded by saying it is a difficult question to answer but with the University having the Managed Services Provider in place Information Technology Services hopes to look out for those things that try to perpetrate the system. Dr. Jackson stated this increased the ability of Information Technology to detect those things and the system is a global provider of security who have been publicized in the news with identifying major ransomware attacks and having those resources has strengthened the University's position. Dr. Jackson stated it is important to recognize that there is no such thing as one hundred percent security but with the support Dr. Rudd and the Board of Trustees the University is moving in the right direction in his opinion. The University is continuing to strengthen its information security program along with Mr. Kurapati's help with identifying resources. Dr. Rudd added that those changes were implemented proactively over the course of the last three years and though some were not popular but have proven to be effective at this point. Dr. Rudd stated Dr. Jackson took a lot of heat early on but managed the process well and it has been a great benefit to the University and has not impeded what the University does even under difficult circumstances.

Trustee Springfield asked if there were any other questions or comments, none were provided.

XIII. ADDITIONAL BUSINESS

No additional business

XIV. ADJOURNMENT

Trustee Springfield 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: August 25, 2021
Committee: Audit Committee
Presentation Title: Summary of Audit Reports Issued
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

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
Cash Balances Audit Report	7/30/2021	Effective with the Opportunity for Improvement	1	0	0	0	0	0	0
Inventory Observation Audit Report	7/30/2021	Effective with the Opportunity for Improvement	0	0	0	0	0	0	0
Payment Card Industry Data Security Standards Compliance Audit Limited Official Use Only Report	8/10/2021	Insufficient and Requires Improvement	0	2	6	5	0	1	0 *

* While action plans are not outstanding from a prior audit, a May 2020 investigation identified PCI compliance weaknesses and made recommendations for corrections.

5. Summary of Internal Audit Investigations

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: August 25, 2021
Committee: Audit Committee
Presentation Title: Summary of Internal Audit Investigations
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

No new investigations were assigned to the Office of Internal Audit and Consulting by the Complaint Triage Team since the last quarterly meeting. One Internal Audit investigation was recently completed. A draft Internal Audit Investigation Memo and draft Management Letter have been written and final reports will be issued soon. Attached is a summary of investigation information for FY2021.

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

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	\$ Loss	Date of Final Action by Internal Audit
Anonymous FWA Email to Chief Audit Executive	10/11/2020	Inaccurate Leave Reporting	10/14/2020	21-001	Investigation Complete - Internal Audit Investigation Memo Issued	No Evidence of Inaccurate Leave Reporting	none	11/16/2020
Office of Legal Counsel Communications to Chief Audit Executive	1/22/2021	Waste of University Property	1/26/2021	21-002	Investigation Complete - Internal Audit Investigation Memo Issued	University Property Did Not Receive Appropriate Care	unknown	3/26/2021
Office of Legal Counsel Communications to Complaint Triage Team	3/24/2021	Inappropriate Affiliation of University with Nonprofit Corporation	3/30/2021	21-003	Internal Audit Investigation of Financial Matters Complete. Consulting Report Issued to Complaint Triage Team on 4/29/2021. Office of Compliance Investigation of Compliance Matters Complete. Report issued to Complaint Triage Team on 7/6/2021	Recommendations Made to College of Education Management	unknown	7/22/2021
TN Comptroller of the Treasury Referral to University Management	4/22/2021	Unauthorized Actions Related to Trust	4/27/2021	21-004 (TN Comptroller #21-4151)	Investigation Complete - Draft Internal Audit Investigation Memo and Draft Management Letter-Finals to be Issued Soon	In Draft	none	

6. Fiscal Year 2021 Internal Audit and Consulting Year-End Report

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: August 25, 2021
Committee: Audit Committee
Presentation Title: FY2021 Office of Internal Audit and Consulting Year End Report
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

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 FY2021 Year End Report 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, 2021.

UNIVERSITY OF MEMPHIS OFFICE OF INTERNAL AUDIT AND CONSULTING

Year End Report
For the Fiscal Year
Ended June 30, 2021



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 should maintain objectivity and not assume management responsibility.

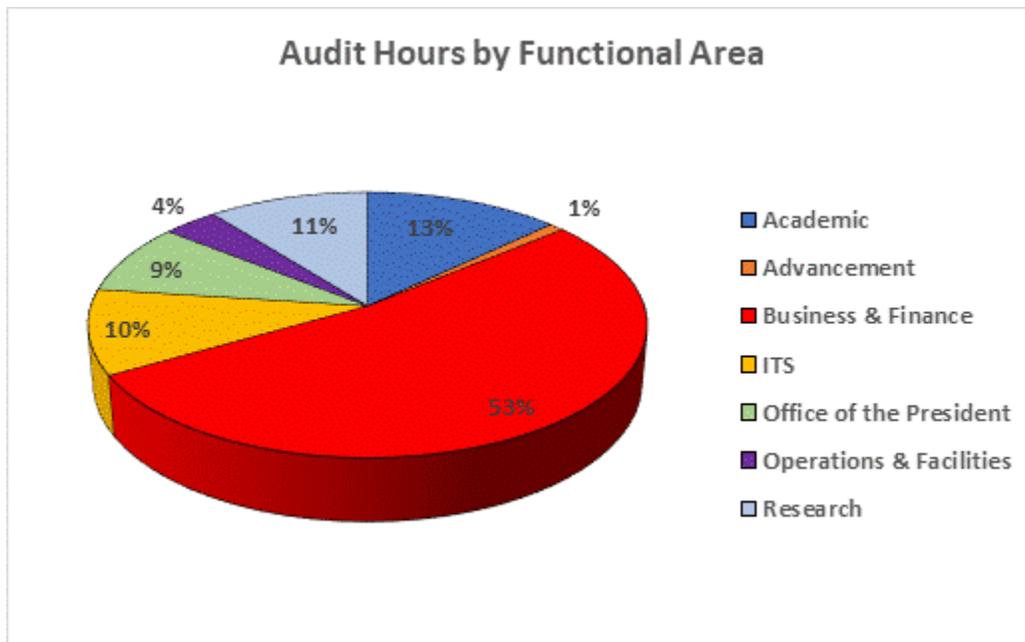
By Charter, the Audit Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility. The Audit Committee employs the Chief Audit Executive to report directly to the Committee and to ensure there is a process for receiving and investigating reports of illegal, improper, wasteful, or fraudulent activity at the University. This fiscal year, University management and the Audit Committee created a Complaint Triage Team to streamline complaints so that the appropriate office investigates and reviews allegations received. The Complaint Triage team includes the following staff: Chief Compliance Officer, University Counsel, Chief Audit Executive, and Chief Human Resources Officer.

During FY2021, Internal Audit performed confidential investigations of reports assigned by the Complaint Triage Team. Confidential Internal Audit investigation reports were provided 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:

FY2021 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.

Audit Recommendation Summary for FY2021



INVESTIGATION INFORMATION

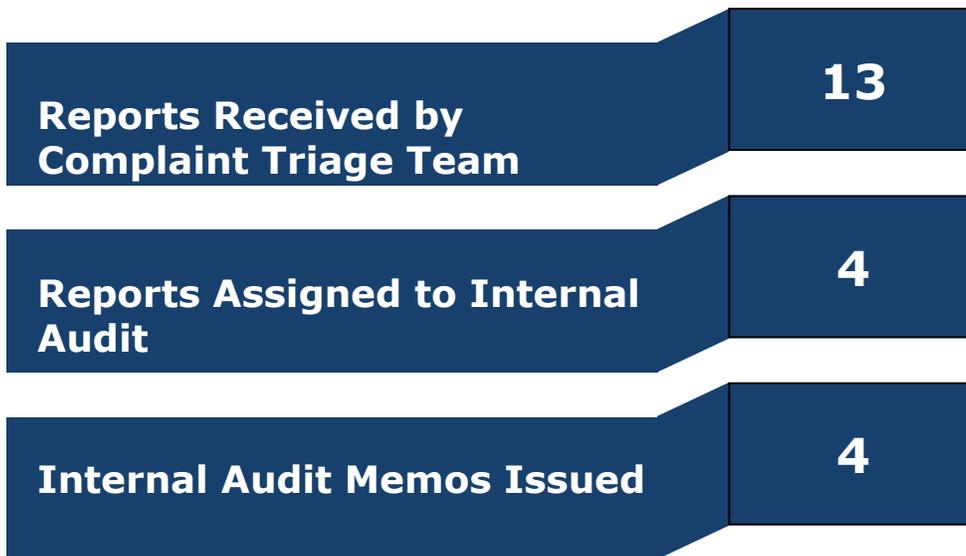
The University of Memphis Office of Internal Audit and Consulting maintains a process for receiving reports of fraud, waste, abuse, or illegal activity. This fiscal year, University management and the Audit Committee created a Complaint Triage Team to streamline complaints received by Internal Audit and others so that the appropriate office investigates and reviews allegations received. The Chief Audit Executive is a member of the team.

Internal Audit performs confidential investigations of allegation reports assigned by the Complaint Triage Team. 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 FY2021, confidential Internal Audit investigation reports were provided to the Audit Committee, the Tennessee Comptroller of the Treasury, and University of Memphis upper management.

Below is a summary of investigative activity for fiscal year 2021:

Investigation Summary for FY2021





Fraud awareness is promoted across the University campus community in various ways. 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; and 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.

Internal Audit 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 and to audit clients during the audit process. The brochure is 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.

To set the appropriate tone at the top, the President periodically sends a faculty and staff email 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 last email was sent on September 10, 2020, and the information is available on the Office of the President's website.

OTHER SIGNIFICANT ACCOMPLISHMENTS

The formation and oversight of the University of Memphis Audit Committee of the Board of Trustees has led to further accomplishments which are listed below.

- ☑ Increased Communications with All Stakeholders
- ☑ Identification of Opportunities for Management to Improve Operations
- ☑ 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 Board of Trustees Performance Audit
- ☑ Maintaining Compliance with 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)*

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
- ✓ Policy Review Board
- ✓ Risk Assessment Advisor
- ✓ Safety Committee

OTHER CHALLENGES

Internal Audit responded to the pandemic with flexibility and the goal of remaining relevant. While working remotely, we developed procedures to continue to be productive and add value to the University. Below are challenges we are currently addressing:

- Identifying new risks associated with the pandemic and the changes that have occurred due to the pandemic
- Identifying current priorities while being relevant and flexible
- Providing effective and efficient audit services in a partially remote environment
- Completing the approved audit plan in the current environment
- Continuing to provide not only required but useful communications to the Audit Committee
- Providing audit coverage for growing University assets
- Providing oversight of external audits and reviews of the University and affiliates
- Hiring and maintaining competent, qualified staff to complete the FY2022 approved audit plan

7. Annual Review of Audit Committee Charter

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: August 25, 2021
Committee: Audit Committee
Presentation Title: Review and Assessment of Audit Committee Charter
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

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 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

8. Compliance Update

Presentation

Presented by Tiffany Cox

The University of Memphis Board of Trustees

Presentation
For Information

Date: August 25, 2021

Committee: Audit Committee

Presentation: Compliance Update

Presented by: Tiffany Baker Cox, Director of Institutional Equity and Chief Compliance Officer

Background:

This will be a brief update on the Complaint Triage Team activity and presentation of the Office of Institutional Equity's Compliance webpage.

Compliance Update

Audit Committee

Tiffany Baker Cox, JD
Director of Institutional Equity and Chief
Compliance Officer

August 25, 2021

Maxine A. Smith University Center and Zoom
Video Conference



AUGUST 2021

- Complaint Triage Team (CTT) currently has no open complaints
- Office of Institutional Equity has created a new Compliance Portal
- Compliance Council meetings resume in September
- Compliance Assessments begin in fall 2021

9. Information Security Update

Presentation

Presented by Robert Jackson

The University of Memphis Board of Trustees

Presentation
For Information

Date: August 25, 2021

Committee: Audit Committee

Presentation: Information Security Program Update

Presented by: Dr. Robert Jackson, Chief Information Officer

Background:

This is an update of the Information Security Program for the University of Memphis.

Information Security Program Update

Audit Committee

August 25, 2021

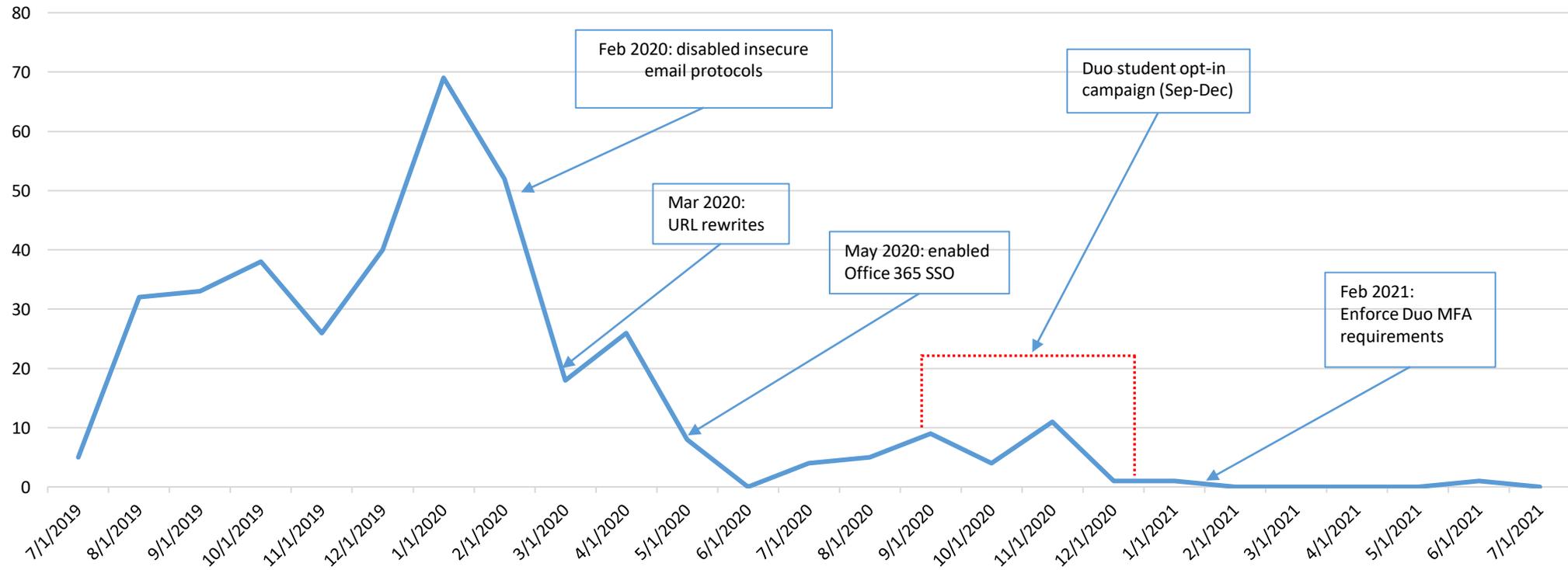
Maxine A. Smith University Center and Zoom
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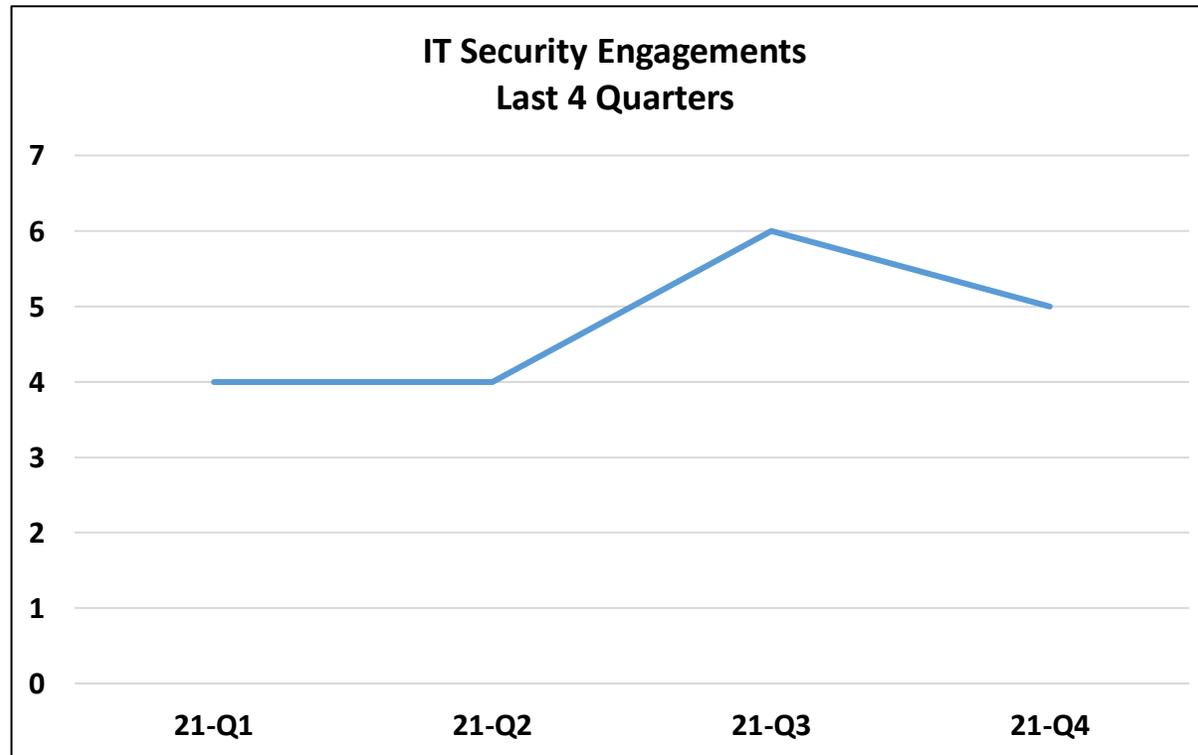


AUGUST 2021

- Managed endpoint security services working effectively
- Improved password reset automation (self-service)
- Completed external security assessment
 - Tactical controls (data center and administrative endpoints)
 - NIST SP 800-171 standard
- Initiated governance conversations regarding endpoint security standards for academics (i.e., encryption, administrator privileges, etc.)

Suspicious Email Account Deactivations





Note: 1 account was proactively disabled due to suspicious behavior during April – June 2021.

- Implement additional endpoint security controls for academics (network access controls, encryption, administrative privileges, etc.)
- Deploy new IT security awareness training portal and internal phishing training
- Expand NIST SP 800-171 compliance efforts
 - Collaborate with Office of Sponsored Programs
 - Prepare for future CMMC certification efforts in support of federal research grants
 - Support U.S. Department of Education compliance

recommendations

Thank you.

10. Additional Business

Presented by Susan Springfield

11. Adjournment

Presented by Susan Springfield