

Finance and Audit Committee Charter

Purpose

The Finance and Audit Committee (“FAC” or “Committee”) 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. The FAC also provides oversight for the University’s finance, business, administration, and facilities activities. The FAC advises the Board on the state of the University’s financial operations, budget, student fees, personnel policies, and facilities. The Committee serves to ensure the University operates within available resources, and in compliance with applicable federal and state laws and University policies in a manner supportive of the University’s strategic plan. In addition, the FAC 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 FAC will regularly update the full Board of Trustees (Board) about FAC activities and key issues presided over by the Committee.

Authority and Responsibilities

Finance

- Review University’s annual operating and capital budgets;
- Approve Student Tuition and fee rates;
- Review fiscal procedures and rules for maintaining bank accounts, draw vouchers and checks for expenditures through disbursing officers;
- Oversee Debt issuances;
- Approve Facilities Master Plan.
- Manage the leasing, purchasing and disposal of real estate;
- Respond to personnel policy matters requiring Board approval.

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 FAC 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, 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 FAC’s charter annually, requesting Board approval for proposed changes.

Membership

A minimum of four trustees will serve on the FAC. The chair of the committee will be appointed by the Executive Committee. The chair of the committee may select one certified public accountant or other qualified citizen who is not a member of the Board to serve on the FAC. The external member must have extensive accounting, auditing, or financial management expertise, and may not serve as the chair. The term of appointment is three years and reappointment is allowed. The chair serves a two-year term and is eligible for reappointment, but may not serve more than two consecutive two-year terms as chair. All members of the FAC shall be generally knowledgeable of financial management and auditing matters. At all times, the FAC shall have at least one member with extensive accounting, financial, or management expertise.

The President and the Chief Financial Officer (or the President’s designee for this position) shall be ex officio, non-voting members of the committee.

Each member of the FAC shall be free from relationships 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 FAC with educational resources related to accounting principles, internal controls, applicable policies, and other information that may be requested by the FAC to maintain appropriate financial and compliance literacy.

Meetings

The FAC shall meet quarterly, in conjunction with regular meetings of the Board, or at any other time upon the call of the FAC chair. The FAC will invite members of management, business and finance, 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 FAC shall also meet at the request of the Comptroller of the Treasury.

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

Revised December 12, 2023