
























June 2019 Audit Committee Meeting

Schedule	Wednesday, June 5, 2019 11:00 AM — 11:45 AM CDT
Venue	University Center Fountain View Suite - UC350
Organizer	Jean Rakow

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1. Call to Order

2. Roll Call and Declaration of Quorum

3. Approval of Minutes - March 6, 2019

For Approval

THE UNIVERSITY OF MEMPHIS
BOARD OF TRUSTEES

MINUTES OF THE AUDIT COMMITTEE
MARCH 6, 2019
Memphis, TN

The Audit Committee of The University of Memphis Board of Trustees met at 9:49 a.m. CDT, on Wednesday, March 6, 2019, on the University of Memphis's main campus in Memphis, TN.

I. CALL TO ORDER

Trustee Carol Roberts called the meeting to order.

II. ROLL CALL AND DECLARATION OF QUORUM

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

Trustee Edwards*
Trustee Ellison*
Trustee Gilmore
Trustee Graf*
Trustee Johnson*
Trustee Roberts*
Trustee Springfield*

*Voting members

Secretary Murry announced the presence of a quorum.

III. APPROVAL OF MINUTES DECEMBER 5, 2018

Trustee Roberts called for a motion to approve the December 5, 2018, Audit Committee meeting minutes that were included in the meeting materials. The motion was made by Trustee Graf and properly seconded. A voice vote was taken, and the motion was unanimously approved.

IV. 2018 ANNUAL FINANCIAL REPORT AND INTERNAL CONTROL AUDIT

Trustee Roberts recognized Chief Financial Officer Raaj Kurapati to present the 2018 Financial Report.

CFO Kurapati indicated that he would first review the External Audit Report. The report is an annual report and is conducted in accordance with the Single Audit Act for entities that receive

federal funding. It is a report on both our financial statements and internal controls. The audit was conducted by the Tennessee Comptroller General's State Auditor's Office. At this period of time, the audit is still in draft state. The report presented an unmodified opinion, which effectively means that it is a "clean" opinion with no audit findings disclosed as a part of the audit. The final report is expected to be issued in the following weeks.

CFO Kurapati reviewed the financial statements using the presentation contained in the meeting materials. In summary:

1. The UofM implemented GASB 75 which resulted in additional liabilities added to the books.
2. Assets: Assets increased by approximately \$22 million. Total cash decreased and investments have increased as we are currently taking a more strategic approach to managing the cash pool resulting in a better return on the investments; receivables increased slightly, and capital assets, as we continue with construction projects, will continue to increase.
3. Liabilities: UofM liabilities have seen a slight uptick as well. We have seen an increase in our retirement obligations as a result of implementing GASB 75, bonds payable is consistent with the prior year, but these will increase as the building projects are completed.
4. Revenue: Revenue is relatively consistent. Tuition and fees have decreased slightly, state appropriations increased by approximately \$10 million, grants and contracts have increased primarily due to an increase in competitive federal grants received, and auxiliary revenues have decreased by \$2.5 million.
5. Expenses: Salaries have increased while everything else is pretty much in line.
6. Composite Financial Index: As a management strategy, the UofM will look at all management decisions from the perspective of how they impact the CFI. The CFI is a combination of four metrics that measure the overall health of the institution and has been adopted by major institutions of higher education nationally. The UofM's CFI score has dropped by 60 basis points during fiscal year 2018. The two items that impacted the score included the recording of a significant expense (\$10 million) related to the payout to the former basketball coach and the increased liability (\$9.1 million) as a result of implementing GASB 75.

A discussion ensued around the CFI index:

Trustee Roberts asked to look again at the graph representing the CFI metrics and noted that it appears that the metrics are trending downward. She inquired as to the underlying reason for the decrease. CFO Kurapati indicated that the increase in debt seems to be of primary concern.

President Rudd stated that the UofM has taken on \$56 million in debt for the dorm (Centennial Place) and the UofM doesn't currently have the capacity to do additional facilities upgrades. The parking garage is an investment in the core infrastructure. The average age of campus buildings is over 57 years. There is a challenge around managing

the debt without shifting the cost to students through tuition increases. The debt associated with the parking garage will be serviced through parking fees. We will take on some limited debt on the student recreation center, but this is critical for core infrastructure growth. There will be no debt with the Music Center because this is a cash-based facility through the State of Tennessee. Trustee Edwards indicated that the years where the UofM was performing at a CFI Index of 4.0 were also the years where we were raising tuition by 10% or 12% or 14%. He also indicated that affordability is as much a focus of the Board as the index. Trustee Graf stated that the University is investing for the long-term .

CFO Kurapati indicated that, if the UofM did nothing about managing the CFI and all of the debt came on to the books, the score would decrease to 1.41 in 2019 and end 2021 at 1.49. In taking a look at how the University could manage the index, we are reviewing the possibility of bringing the Herff Trust onto the books, which would cause the index to jump to 2.77 and, because we have debt coming on, the CFI would eventually be 2.06. There are also discussions about bringing the Chairs of Excellence (for which the UofM owns 50%) on the books. Currently, the endowed asset is being managed by the State.

Trustee Graf indicated that the UofM needs to focus on cash inflows v. outflows and stated that everything the Board is doing is designed to attract more students which will expand the cash flow growth of the University. It was agreed amongst the Trustees and administrators that the UofM must focus on sound decisions that move the institution forward.

7. CFO Kurapati next provided an investment income update. The original base budget for investment income was \$284,000. The UofM has raised the base budget to approximately \$2.6 million in the revised budget bringing the net income year to date to approximately \$3.4 million. The University had a significant unrealized loss reversal but believe that the UofM will exceed \$1 million in unrealized gains at year end.

Trustee Edwards asked whether the University had the flexibility to go outside the pools that the State makes available for investment. In response, CFO Kurapati indicated that we could go outside the pools; however, there are strict guidelines that need to be adhered to. The UofM can only invest in highly rated securities. Within those guidelines, the UofM is looking at longer term investments.

V. RISK ASSESSMENT

Trustee Roberts recognized CFO Kurapati to discuss risk assessment.

Risk Assessment is a framework for organizing ideas and concerns related to potential risk to the University. It is often combined with an assessment of controls to ensure that we consider any mitigating controls and actions that we have in place. The enterprise risk management is

effectively a structured and consistent process that looks at risk across the organization by assessing the risk and deciding on our response to address specific threats. The University employs a seven-step process (detailed in the presentation contained in the meeting materials):

1. Understand the context;
2. Find and recognize the risk;
3. Comprehend the nature of the risk and risk level;
4. Compare the risk analysis with the risk criteria to determine acceptability level;
5. Ensuring that we have the internal controls to avoid or transferring the risk, or in some cases accepting the risk;

It is a continuous process that is fundamental to the health of the organization, is essential to strategic management of the organization, is important to achieving objectives, it increases efficiency and effectiveness of the organization, and ensures compliance with the appropriate statute.

The University employs the Crawford Model which is a color-coded method that identifies the high, medium and low risks. During 2018, the UofM identified 10 major processes to evaluate. Additionally, the UofM separated enrollment services and student services in to two separate processes and expanded to include faculty involvement from over 50 deans and chairs in the process. The process is a bottom up approach to develop the risk footprint and control footprint. These documents were then presented to senior management for review. Meeting materials detailed nine significant enterprise risks. For all risks identified, there is a control assessment. CFO Kurapati provided risk example with related control assessments and solutions.

Question(s):

- Is there a periodic review and refresh related by leader as to data access and who has access to what systems? CIO Robert Jackson confirmed that this is the case and have updated our security related to this issue.

Trustee Roberts asked for a motion to approve the Risk Assessment Plan as detailed in the meeting materials. Trustee Graf made the motion which was properly seconded. A voice vote was taken, and the motion was unanimously approved.

VI. SUMMARY OF AUDIT REPORTS ISSUED

Trustee Roberts recognized Vicki Deaton, Chief Audit Executive, to present the remainder of the agenda items.

Ms. Deaton presented a summary of audit reports issued. Since the last meeting, there have been two audit reports issued: Athletics Team Travel expenses and the Department of

Economics Financial and Compliance Audit. The audit report for both indicates an opportunity for improvement.

The next item is a summary of the reports of fraud, waste and abuse. Auditing received four new reports during the current quarter and there was one report that was received last quarter that was resolved during the current quarter. Two reports were referred to other University organizations for resolution, with both being resolved during the quarter. There is one report where a memo was issued by Internal Audit. There are two reports that continue to be under investigation at this time.

Internal Audit also conducted audit issue follow-ups during the quarter. Internal Audit has received all nine of the action plans from the relevant departments.

Internal Audit received two external audits related to:

- The Application of Agreed Upon Procedures to UofM's Intercollegiate Athletics Program Statement of Revenues and Expenses: The report made a correction related to a change in procedures related to institutional and Foundation endowment.
- The Hazardous Waste Inspection Report: The auditors found four violations that were easily corrected, and no civil penalties were assessed. As a result of the environmental audits conducted over the past year, Internal Audit is convening a subset of our compliance council to take a closer look at health and safety issues. It is anticipated that the group will bring a report to the Board at one of the next two meetings.

VII. ADDITIONAL COMMITTEE BUSINESS

There was no additional Committee business.

VIII. ADJOURNMENT

The meeting was adjourned at 11:00 a.m. CDT.

4. Annual Review of Internal Audit Charter

For Approval

Report to the Audit Committee of the Board of Trustees

Report
For Approval

Date: June 5, 2019
Committee: Audit Committee
Report Title: Review and Approval of Office of Internal Audit and Consulting Charter
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

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.

To comply with the requirements of 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 to the Audit Committee. According to the Audit Committee Charter, the Audit Committee must "review, approve, and update the Internal Audit charter annually or more frequent if necessary."

The University of Memphis Office of Internal Audit and Consulting Charter was last reviewed and approved at the June 6, 2018 Audit Committee meeting. There are no changes to the charter at this time.

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 Internal Audit's performance.

Purpose

Internal Audit is an independent, objective assurance and consulting office 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, Internal Audit 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 Internal Audit staff 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 staff 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.

5. FY 2020 Audit Plan

For Approval

Report to the Audit Committee of the Board of Trustees

Report
For Approval

Date: June 5, 2019
Committee: Audit Committee
Report Title: Proposed FY2020 Internal Audit Plan
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

To comply with the requirements of state statutes relative to internal audit activities and the UofM Audit Committee Charter, the Proposed FY2020 Internal Audit Plan for the University is presented for review and approval by the Audit Committee.

Recommendation:

The Audit Committee recommends approval of the Proposed FY2020 Internal Audit Plan as presented in the meeting materials.

Background Information – Proposed FY2020 Audit Plan

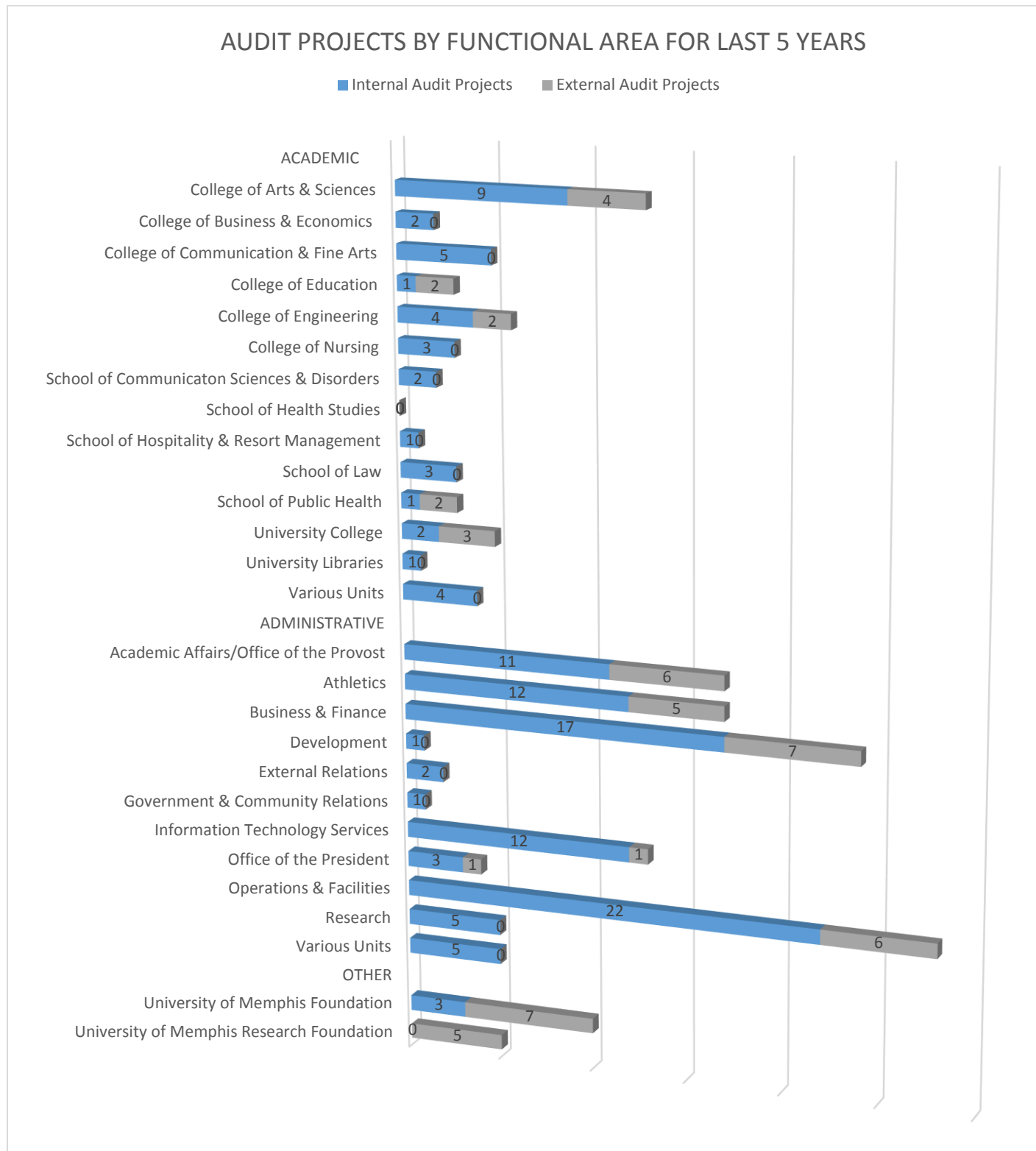
In higher education, the audit universe is normally categorized by the following functional areas:

- Academic
- Administrative
- Other

At the University of Memphis, the 3 functional areas include the following 25 audit entities:

Academic	Administrative	Other
<ul style="list-style-type: none">•College of Arts & Sciences•College of Business & Economics•College of Communication & Fine Arts•College of Education•College of Engineering•College of Nursing•School of Communication Sciences and Disorders•School of Health Studies•School of Hospitality & Resort Management•School of Law•School of Public Health•University College•University Libraries	<ul style="list-style-type: none">•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	<ul style="list-style-type: none">•University of Memphis Foundation•University of Memphis Research Foundation (including the wholly-owned subsidiary, UMRF Ventures Inc.)

In the last 5 years, some type of audit project has been performed by Internal Audit or an outside entity in all but 1 of the 25 UofM audit entities.



Besides the University of Memphis Office of Internal Audit and Consulting, the following entities perform audits, investigations, reviews, agreed-upon procedures, or assessments 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
Various State of TN Departments and Agencies
Various State of TN Departments for Sponsored Program Review
Various Federal Agencies for Sponsored Program Review
Internal Revenue Service
External Legal Experts
External Certified Public Accounting Firms
External Environmental Auditors
External Subject Matter 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 FY2020 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, projects carried over or deferred from the prior year, 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 FY2020 Audit Plan were shared with executive management.

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

Budgeted Allocation of Internal Audit Resources			
	FY2018	FY2019	FY2020
Audits	78%	55%	55%
Follow Up of Audit Issues	3%	15%	7%
Investigations	5%	20%	14%
Consulting/Advisory Role	14%	6%	17%
Audit Committee Projects & Administration	0%	4%	7%
Total	100%	100%	100%

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

55%	Audits <u>Risk Based Audits</u> Business Continuity Plan Assessment Controls over Establishing and Changing Vendor Electronic Payment Information Animal Care Facilities (research compliance and financial controls) Space Planning & Utilization Strategies & Controls Audit Contract Monitoring Controls Audit Instruction & Curriculum Leadership Financial and Compliance Audit Clery Act Compliance Audit <u>Risk Based Information Technology Projects</u> Security Awareness Training Compliance Review Disaster Recovery Audit Sponsored Agreement NIST 800.171 Compliance Readiness (when compliance required by agreement) IT Governance <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)
7%	<u>Follow-up of Past Audit Issues</u> Internal Audit issues identified in past audits and as required by state statute
14%	<u>Investigations/Manage Hotline System</u>
17%	<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)
7%	<u>Audit Committee Projects & Administration</u>
100%	

6. FY 2020 Internal Audit Budget

For Approval

Report to the Audit Committee of the Board of Trustees

Report
For Approval

Date: June 5, 2019
Committee: Audit Committee
Report Title: Proposed FY2020 Internal Audit Budget
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

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 FY2020 Internal Audit Budget is presented for review and approval of the Audit Committee.

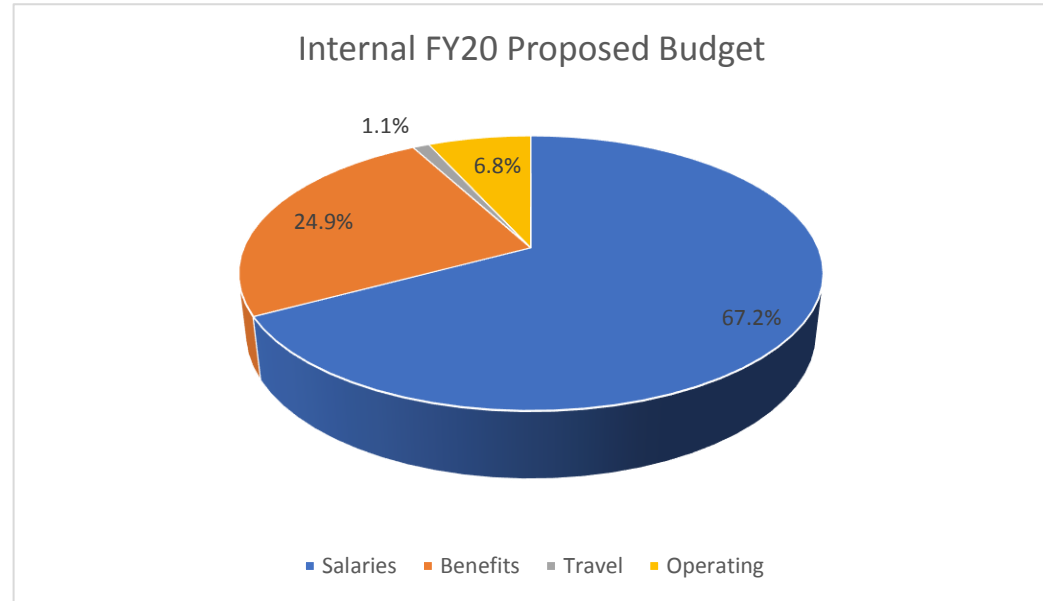
Recommendation:

The Audit Committee's recommends approval of the FY 2020 Internal Audit Budget as detailed in the Audit Committee Materials.

Office of Internal Audit

FY2020 Proposed Budget

University of Memphis Internal Audit FY2020 Proposed Budget		
Salaries	\$ 307,030.00	67.2%
Benefits	\$ 114,000.00	24.9%
Travel	\$ 5,000.00	1.1%
Operating	\$ 31,151.00	6.8%
Total Proposed Budget	\$ 457,181.00	100.0%



The University of Memphis
Internal Audit
Budget Snapshot

	FY16	FY17	FY18	FY19						FY20
Account Type Description	YTD	YTD	YTD	Adjusted	YTD	Encumbrance	YTD & Encumb	Available		Proposed Base Budget
Total Salaries	\$ 285,766.73	\$ 282,632.39	\$ 230,815.59	\$ 307,030.00	\$ 240,275.52	\$ 48,055.10	\$ 288,330.62	\$ 18,699.38		\$ 307,030.00
Total Employee Benefits	\$ 101,175.91	\$ 102,878.09	\$ 85,632.61	\$ 114,000.00	\$ 84,817.29	\$ 16,963.44	\$ 101,780.73	\$ 12,219.27		\$ 114,000.00
Total Travel	\$ 6,822.43	\$ 3,306.55	\$ 4,415.03	\$ 5,000.00	\$ 4,375.74	\$ -	\$ 4,375.74	\$ 624.26		\$ 5,000.00
Total Operating Expenses	\$ 6,694.26	\$ 8,162.82	\$ 8,577.95	\$ 109,812.00	\$ 3,092.74	\$ -	\$ 3,092.74	\$ 106,719.26		\$ 31,151.00
Total Internal Audit Expenses	\$ 400,459.33	\$ 396,979.85	\$ 329,441.18	\$ 535,842.00	\$ 332,561.29	\$ 65,018.54	\$ 397,579.83	\$ 138,262.17		\$ 457,181.00

Challenges for University of Memphis Office of Internal Audit & Consulting

- Providing audit coverage for growing University assets and expanding risk areas
- Providing oversight of external audits and reviews of University and affiliates
- Providing not only required but useful communications to Audit Committee

Due to the challenges facing the Office of Internal Audit and Consulting, a request was made to increase the FY2020 base budget to partially fund a Staff Auditor position. The increase would be combined with funds currently available in an Internal Audit undistributed salary budget account. If the base budget request is not approved for a permanent position, a limited Staff Auditor position will be investigated.

7. Summary of Audit Reports Issued

Report

Report to the Audit Committee of the Board of Trustees

Report
For Information

Date: June 5, 2019
Committee: Audit Committee
Report Title: Summary of Audit Reports Issued
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

One audit report was issued this quarter - the Admissions Operations Audit. The report opinion was Effective with the Opportunity for Improvement.

The Internal Audit Quality Self-Assessment Review report was also issued this quarter and is part of an ongoing external quality assessment. The UofM Office of Internal Audit and Consulting's Quality Assurance and Improvement Program includes ongoing internal monitoring, periodic internal assessments, and external quality assessments. The self-assessment is complete, and the assessment finds that the UofM internal audit function generally conforms to the IIA's *Standards*, Definition of Internal Auditing, the core principles, and the Code of Ethics. Independent reviewers are currently performing a validation of the self-assessment.

Audit Reports Issued - 4th Quarter FY2019

Name of Audit	Date of Audit Report	Audit Engagement Report Opinion	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Issues Outstanding from Prior Audit
Admissions Operations Audit	5/16/2019	Effective with the Opportunity for Improvement	2	1	3	0	NA
Internal Audit Quality Self-Assessment Review	5/16/2019	Generally Conforms to the IIA's Standards, Definition of Internal Auditing, Core Principles, & Code of Ethics	NA	NA	NA	NA	NA

8. Summary of Investigations

Report

Report to the Audit Committee of the Board of Trustees

Report For Information

Date: June 5, 2019
Committee: Audit Committee
Report Title: Summary of Fraud, Waste, Abuse Reports
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

Four 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. One report received last quarter was resolved and an investigation memo was issued. One report was referred to other University organizations for resolution. The referred report is resolved. Four investigations by Internal Audit are in progress or awaiting more information.

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

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.

UofM Fraud, Waste, and Abuse Report Summary 4th Qu FY2019								
Case Number	Date Received	Allegation Received by	Description of Allegation	Status	Investigation Outcome	\$ Loss	Date of Final Action by Internal Audit	Additional Explanation
19-010	12/19/2019	Allegation Letter to Audit Committee (also inquiry from TN Comp of the Treasury)	Various Related to UofM Faculty Senate Administrative Policies Committee Findings of Accountability Issues (report date 12/14/2017)	Internal Audit Investigation	ongoing			Waiting for information from current UofM Faculty Senate President and Committee Members
19-011	2/2/2019	Internal Audit FWA Report	Intentional Alteration of Program Data and Results	Memo Issued-Case Closed	No Evidence of Falsified Program Metrics	NA	4/9/2019	
19-012	4/2/2019	Email to Internal Audit	Fraudulent Time Reporting of Grant Funded Intern	Referred to College of Engineering Management and Grants and Contracts Accounting	Intern Paid for Hours Not Physically at Work, Internship Terminated, Debt to University	\$2,880	5/15/2019	Debt to University Recorded and Paid by Student
19-013	5/2/2019	Verbal Conversation with CAE	Fundraising and Travel Per Diem Improprieties	Internal Audit Investigation	ongoing			
19-014	5/10/2019	Allegation Letter to President and Internal Audit	Waste or Abuse Related to School Event	Internal Audit Investigation	ongoing			
19-015	5/16/2019	Internal Audit FWA Report	Conflict of Interest, Mismanagement of Staff	Evaluating Incomplete Allegation	ongoing			Incomplete Description of Allegation

9. Audit Issue Follow Up Report

Report to the Audit Committee of the Board of Trustees

Report
For Information

Date: June 5, 2019
Committee: Audit Committee
Report Title: Audit Issue Follow Up
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

Attached is a summarized list of audit issues that were evaluated for completion this quarter. All the action plans addressing audit issues from the Department of Economics Financial and Compliance Audit have been completed.

Action Plan Estimated Completion Date	Name of Audit	Date of Audit Report	Audit Engagement Opinion	Issue #	Issue Description	Issue Rating	Party Responsible for Action Plan Completion	Current Status (as of May, 2019)
2/5/2019	Department of Economics Financial & Compliance Audit	2/13/2019	Effective with Opportunity for Improvement	Econ 1	Security Awareness Training Compliance	Moderate	Dr. William Smith, Chair - Department of Economics	Complete
2/13/2019	Department of Economics Financial & Compliance Audit	2/13/2019	Effective with Opportunity for Improvement	Econ 2	Insufficient Controls over Fixed Assets	Minor	Dr. William Smith, Chair - Department of Economics; James Barthol, FCBE Equipment Representative; George Ninan, Controller	Complete
3/31/2019	Department of Economics Financial & Compliance Audit	2/13/2019	Effective with Opportunity for Improvement	Econ 3	Annual Financial Responsibility Certification Compliance	Minor	Dr. William Smith, Chair - Department of Economics	Complete
1/31/2019	Department of Economics Financial & Compliance Audit	2/13/2019	Effective with Opportunity for Improvement	Econ 4	Insufficient Controls over Sponsored Agreement Effort Reporting	Minor	Dr. William Smith, Chair - Department of Economics	Complete

10. Annual Report Summarizing Grievance Activities - Support Staff Only Presentation

Report to the Audit Committee of the Board of Trustees

The University of Memphis Audit Committee
Report
For Information

Date: June 5, 2019

Committee: Audit Committee

Report Title: Annual Report of Grievance Activities – Support Staff Only

Presented by: Vicki D. Deaton, Chief Audit Executive

Report Synopsis:

According to Policy HR5052 Grievance Process and Conflict Resolution, the University is committed to providing a process for non-exempt support staff to seek prompt resolution to grievances without fear, restraint, interference, discrimination or reprisal.

As required by Tennessee Code Annotated (TCA) 49-8-117, the University of Memphis *“shall provide an annual report to the education committee of the senate and the education committee of the house of representatives summarizing grievance activities of the previous year.”*

The grievance activity reports provided for your review cover FY2018 as well as the period from July 1, 2018 to May 31, 2019 and includes the grievances statuses and resolutions.

The University of Memphis
Annual Report Summarizing Grievance Activities - Support Staff Only **
July 1, 2017 - June 30, 2018

Grievances filed

Termination for cause.....	2
Suspension without pay.....	0
Demotion.....	0
Work assignments.....	0
Work conditions.....	0
Uncategorized.....	0
Total.....	2

Grievances resolved before reaching the hearing step

Appeal of Termination.....	0
Workplace Conditions.....	0
Total.....	0

Grievances for which a hearing was conducted

Appeal of Terminations	1
Suspension.....	0
Total.....	1

Grievances with pending status

Terminations.....	1
Sexual Harassment.....	0
Work Conditions.....	0
Total.....	1

Grievances Closed

Appeal of Termination.....	1
Suspension.....	0
Work Conditions	0
Dismissed	0
Total.....	1

**** *Support Staff:*** employees who are not faculty, executive, administrative or professional staff.
Student workers and graduate assistants are not included in the definition of employee.

Grievance: a complaint regarding one (1) or more of the following matters:

- *Demotion, suspension without pay or termination for cause; or*
- *Work assignments or conditions of work which violate statute or policy.*

The University of Memphis
Annual Report Summarizing Grievance Activities - Support Staff Only **
July 1, 2018 – May 31, 2019

Grievances filed

Termination for cause.....	4
Suspension without pay.....	0
Demotion.....	0
Work assignments.....	0
Work conditions.....	0
Uncategorized.....	0
Total.....	4

Grievances resolved before reaching the hearing step

Appeal of Termination.....	4
Workplace Conditions.....	0
Total.....	4

Grievances for which a hearing was conducted

Appeal of Terminations	0
Suspension.....	0
Total.....	0

Grievances with pending status

Terminations.....	0
Sexual Harassment.....	0
Work Conditions.....	0
Total.....	0

Grievances Closed

Appeal of Termination.....	4
Suspension.....	0
Work Conditions	0
Dismissed	0
Total.....	4

**** *Support Staff:*** employees who are not faculty, executive, administrative or professional staff.
Student workers and graduate assistants are not included in the definition of employee.

Grievance: a complaint regarding one (1) or more of the following matters:

- Demotion, suspension without pay or termination for cause; or
- Work assignments or conditions of work which violate statute or policy

11. Diversity Working Group

Presentation

Presented by Kenneth Anderson

The University of Memphis Board of Trustees

Presentation

For Information

Date: June 5, 2019

Committee: Audit Committee

Presentation Title: Diversity Working Group

Presented by: Kenneth P. Anderson, Director for Institutional Equity

Diversity Plan Working Group

Audit Committee

Kenneth P. Anderson
Director, Office for Institutional Equity

June 5, 2019
University Center



JUNE 2019

- **U of M Diversity Plan 2011-2016**
 - 5 Focus Area Goals
 - Institutional Commitment
 - Curriculum and Scholarship
 - Research and Scholarship
 - Underrepresented Populations
 - Inter-Group and Intra-Group Relations
 - Plan Partially Implemented
 - Plan Only Partially Implemented

- 2017 Diversity Assessment Report by Shasti Conrad Consulting
 - Key Impressions and Observations
 - Diversity, Equity and Inclusion are Central to U of M's Strategic Vision
 - U of M Should Embrace Diversity Planning & Programming as an Orienting Focus
 - Strong Potential to Lead from the Middle (Mid-level Staff and Faculty Leaders)
 - Engaged Student Leadership As a Critical University Resource
 - Recommendations
 - Strategically Align D&I Planning with U of M Mission
 - Create a Formal Infrastructure for Coordination and Communication of D&I Programs and Initiatives
 - Frame an Overarching Vision for D&I at the University

- Established University-wide Working Group in April to Draft New Diversity Plan
 - Working Group Composition (VPs, Deans, Faculty, Staff, Administration, Etc.)
 - Holding Recurring Working Meetings Two Times Per Month
 - Developing University D&I Mission Statement
 - Currently Working on a 3-Year Plan for Fall 2019 Review
 - Seeking Input from Across University Community
 - Approach emphasizes Intentionality, Comprehensive Implementation and Sustained Investment
 - Will Share Draft with Governance Committee

QUESTIONS?

Feedback: Kenneth Anderson

Director, OIE

- (901) 678-2799
- kpndrsn1@Memphis.edu

12. Athletics Compliance

Presentation

Presented by Kristan Kelly

The University of Memphis Board of Trustees

Presentation

For Information

Date: June 5, 2019

Committee: Audit Committee

Presentation Title: Athletics Compliance

Presented by: Ms. Kristan Kelly, Assistant Athletic Director for Compliance

2018-2019 Athletic Compliance Year in Review

Kristan Kelly
Assistant AD for Compliance

June 5, 2019
University Center



JUNE 2019

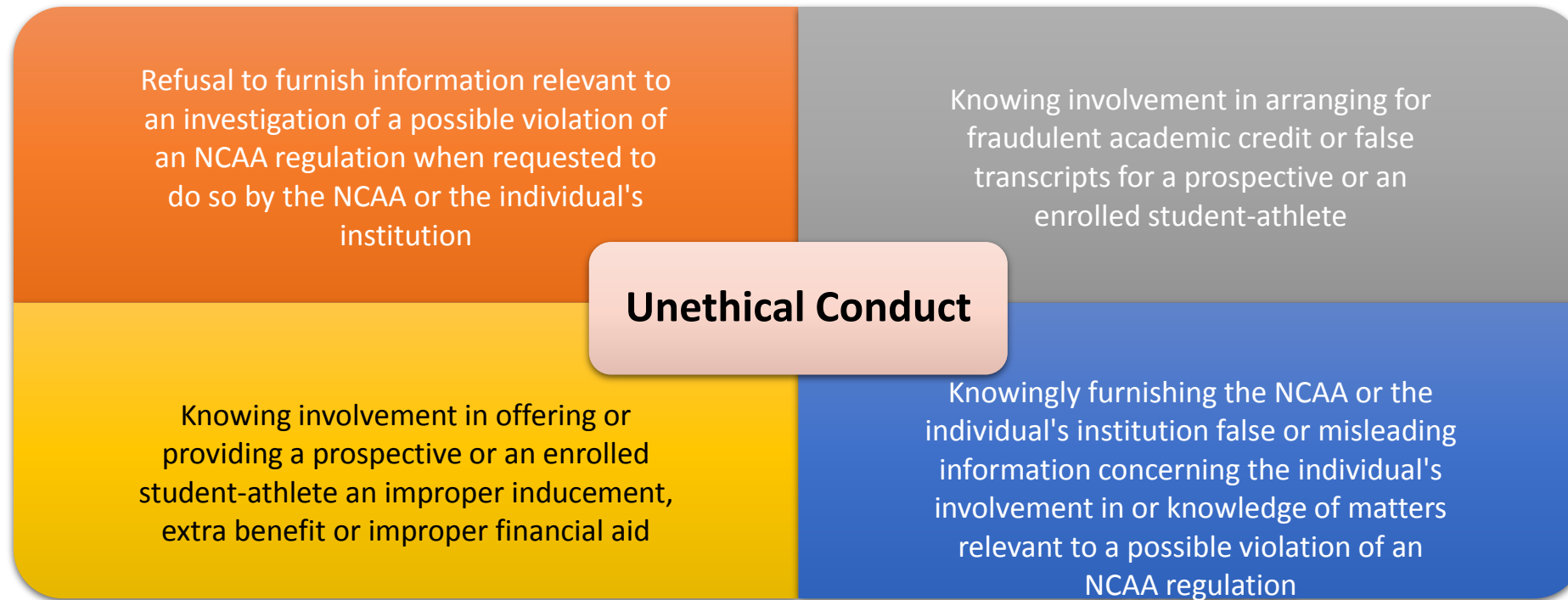
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- Institutional Control
- Ethical Conduct
- Educational Efforts
- Monitoring Efforts
- Documentation Efforts
- Institutional NCAA Waivers
- NCAA Violation Structure
- Hot Topics- NCAA Transfer Portal and MBB FBI
- Staff Directory and Questions

What is Institutional Control

- The control and responsibility for the conduct of intercollegiate athletics shall be exercised by the institution itself and by the conference(s), if any, of which it is a member. Administrative control or faculty control, or a combination of the two, shall constitute institutional control.

Ethical Conduct (10.1)



Recent Infraction Cases

- **Major Infractions Case** – University of Missouri, Columbia – *Level I*
- **Date:** January 31, 2019
- **Involved Sports:** Baseball, Football, Softball
- **Violation Summary:** A former University of Missouri, Columbia, tutor violated NCAA ethical conduct, academic misconduct and academic extra benefits rules when she completed academic work for 12 student-athletes. Although the tutor said she felt pressure to ensure student-athletes passed courses, according to the committee's report, the investigation did not support that her colleagues directed her to complete the student-athletes' work. In its decision, the committee stated, "Simply put, 12 student-athletes did not complete their own work." It continued that the tutor engaged in the activity despite receiving extensive and comprehensive education on appropriate tutoring practices.
- *Penalty summary on next slide

Cont.

Penalty Summary:

- Three years probation
- 10-year show-cause order for the former tutor and institutional dissociation from the tutor
- 2018-19 postseason ban for baseball and softball
- 2019-20 postseason ban for football
- A vacation of records in which football, baseball and softball student-athletes competed while ineligible
- 5% reduction in the amount of scholarships in football, baseball and softball for 2019-20
- Seven-Week ban on unofficial visits
- 12.5% reduction in official visits
- 7-week ban on recruiting communications
- 7-week ban on all off-campus recruiting contacts and evaluations
- 12.5% reduction in RPD or evaluation days

Recent Infraction Case #2

Major Infractions Case – University of Oregon – *Level II*

Date: December 05, 2018

Involved Sports: Football, Men's Basketball, Mixed Track – Outdoor, Women's Basketball, Women's Track – Indoor

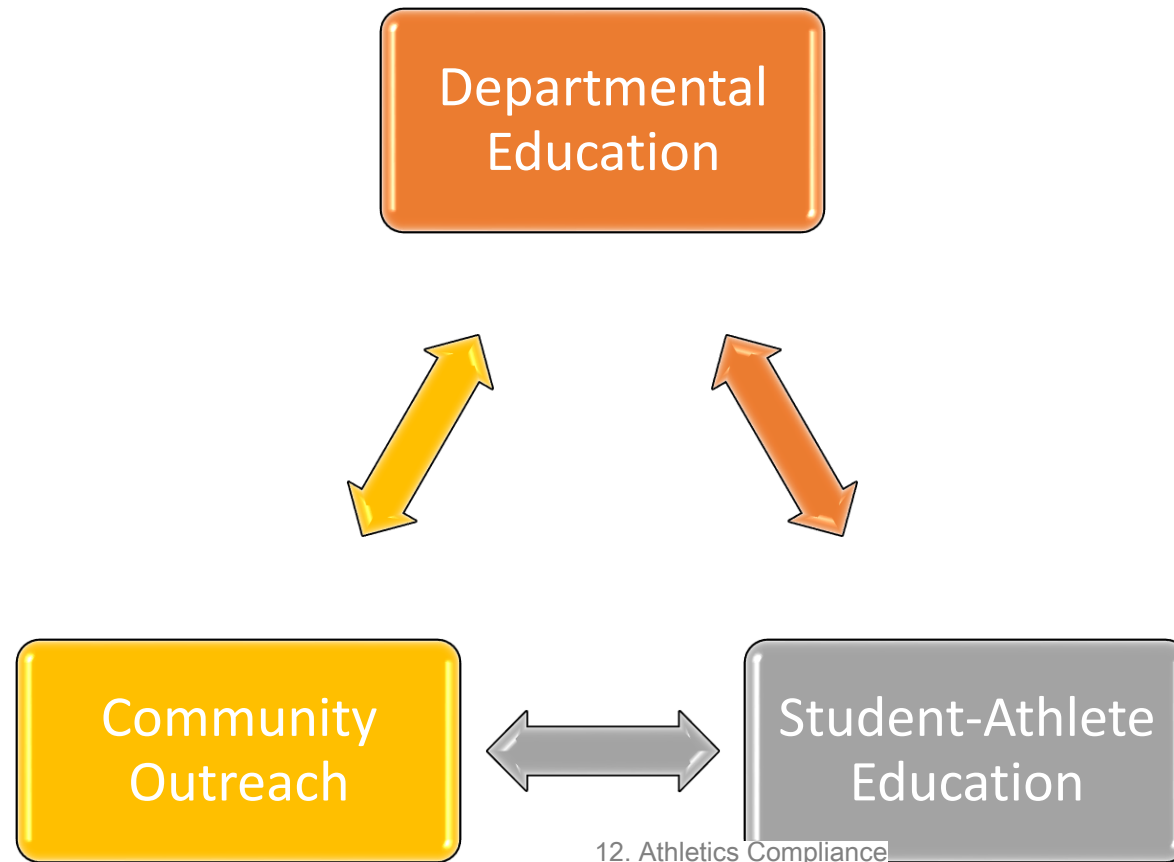
Violation Summary: The head University of Oregon women's basketball coach failed to monitor and promote an atmosphere of compliance in his program, and the head men's basketball coach failed to monitor his director of basketball operations. In the women's program, the assistant strength and conditioning coach impermissibly participated in on-court activities, which caused the program to exceed the number of allowable coaches. Similarly, in the men's program, the director of basketball operations impermissibly participated in and observed voluntary workouts. The case also included academic misconduct by an adjunct instructor who changed a grade for a women's track and field student-athlete. Lastly, the football program gained a recruiting advantage when it impermissibly displayed personalized statistics of visiting recruits during unofficial and official visits on an electronic board.

Cont.

Penalty Summary:

- Two years of probation from Dec. 5, 2018, through Dec. 4, 2020.
- A two-game suspension for the head women's basketball coach during the 2018-19 season.
- A two-year show-cause order for the director of men's basketball operations. Any NCAA member employing him during the period must require him to attend the 2019 and 2020 NCAA Regional Rules Seminars.
- A vacation of records in which the track and field student-athlete participated while ineligible.
- The men's basketball program must reduce the number of countable coaches by one at regular practice for five hours during the 2018-19 season.
- The women's basketball program must reduce the number of countable coaches by one at regular practice for 10 hours during the 2018-19 season.
- A \$5,000 fine plus 1 percent of each of the men's and women's basketball budgets.

Educational Efforts



Department Education

- Daily Interpretation requests
- Weekly Tip of the Week
- Monthly Coaches Rules Education Sessions
- Monthly Newsletter
- Department trainings: I.e. Annual Sexual Assault Training
- Email Reminders (last day of countable athletic related activities, Playing and practice seasons, dead periods etc.)

Student-Athlete Education

- Team meetings:
 - Beginning of the Year Educational Meeting
 - End of the Year Educational Meeting
- Various training sessions: i.e. Sexual Assault Training
- Signage of “Don’t Bet on It” Campaign flyers across campus and athletic facilities (NCAA and institutional flyers)
- Jump Forward Email and workflows (eligibility forms)
- One-on-one meetings

Community Outreach

- Violation Education
- Daily Interpretation requests
- Local Businesses (SA Employment Approval form and Outside Scholarship form)
- High school coaches (Complementary ticket approval)

Institutional NCAA Violations

- NCAA Violation Structure
 - Level I – Severe Breach of Conduct
 - Lack of institutional control
 - Academic Misconduct
 - Failure to cooperate with NCAA Enforcement
 - Unethical Conduct
 - Significant Head Coach Responsibility
 - Cash payment or benefits provided to a coach, administrator or booster intended to secure a prospect's enrollment
 - Third-Party involvement in recruiting violations in which the institution knew, or should have known, about the involvement
 - Intentional violations of NCAA Bylaws

NCAA Violation Structure Cont.

- Level II – Significant Breach of Conduct
 - Failure to monitor
 - Systematic violations
 - Multiple violations in the same area
 - Minimal to Moderate Head Coach Responsibility
 - Tampering
 - Collective Level III violations
- Level III – Breach of Conduct
 - Inadvertent violations that are isolated or limited in nature
 - Violation created minimal advantages

Institutional NCAA Violation

University of Memphis- Level III

Date: 1/3/2019

Sports involved: Men's Basketball

Violation summary: During half-time of a home Men's Basketball contest, institution's marketing and promotions department had an promotional activity to engage fans into cheering to win a free pizza. The promotional activity occurs at every home contest. The winner of the contest is supposed to be chosen at random. On this occasion, the in-game announcer, who is a student worker, recognized PSA (who is a 2019 signee with institution) in the stands and decided to announce him as the winner of the free pizza. The pizza in this case is a pizza box with a free pizza coupon inside the box.

Penalty Summary:

- Rules Education with Marketing Department
- Letter of admonishment
- Student worker was prohibited from working the next 2 Men's Basketball home contests

Hot Topic: NCAA Transfer Portal

Notification of Intent to Transfer

13.1.1.3 Four-Year College Prospective Student-Athletes. An athletics staff member or other representative of the institution's athletics interests shall not make contact with the student-athlete of another NCAA Division I institution, directly or indirectly, without first obtaining authorization through the notification of transfer process. Before making contact, directly or indirectly, with a student-athlete of an NCAA Division II or Division III institution, or an NAIA four-year collegiate institution, an athletics staff member or other representative of the institution's athletics interests shall comply with the rule of the applicable division or the NAIA rule for making contact with a student-athlete. [See Bylaw 19.1.2-(f).] (*Revised: 1/10/91, 1/16/93, 1/11/94, 4/26/01, 4/29/04 effective 8/1/04, 4/29/10 effective 8/1/10, 10/30/14, 6/13/18 effective 10/15/18*)

13.1.1.3.1 Notification of Transfer. A student-athlete may initiate the notification of transfer process by providing his or her institution with a written notification of transfer at any time. The student-athlete's institution shall enter his or her information into the national transfer database within two business days of receipt of a written notification of transfer from the student-athlete. [D] (*Adopted: 6/13/18 effective 10/15/18*)

Current Case Involving the NCAA

College Basketball FBI Probe

- Pay-to-Play schemes involving apparel companies, agents/runners, institutions and prospects
- Update
 - 1) Code, Gatto and Dawkins – All sentenced in October 2018
 - 2) Bland, Richardson, Evans, Person – Trial set for April 2019

Concussion Litigations

- Claims by former and current MFB student-athletes that their concussions were mistreated or undiscovered

Grant-in-Aid Cap Antitrust Litigation

- Alston – Free Market for MBB/WBB/MFB student-athlete compensation. Seeking damages.
- Jenkins – Redefine amateurism for MBB/WBB/MFB student-athletes. Seeking rule changes for the future.

Staff Directory & Questions

- Marlon Dechausay : Associate AD of Student-Athlete Welfare, Sport Services and Compliance
- Kristan Kelly: Assistant Director of Compliance
- Zaneta Ivy: Senior Compliance Coordinator
- Adam Osburn: Senior Compliance Coordinator
- Chardae Greenlee: Compliance Assistant

For interpretations, specific or general questions, please contact us
@tigerscompliance@Memphis.edu

13. Additional Business

14. Adjournment