June 2023 Audit Committee Meeting

Schedule	Wednesday, June 14, 2023 8:55 AM — 9:15 AM CDT
Venue	Maxine A. Smith University Center - Bluff Room (304)
Organizer	Sparkle Burns

Agenda

1. Call to Order and Opening Remarks

Presented by Carol Roberts

2. Roll Call and Declaration of Quorum

Presented by Melanie Murry

3. Approval of Meeting Minutes for December 9, 2022

For Approval

Presented by Carol Roberts

THE UNIVERSITY OF MEMPHIS
AUDIT COMMITTEE MEETING MINUTES
DECEMBER 9, 2022

I. CALL TO ORDER AND OPENING REMARKS

Trustee Roberts called the meeting to order.

II. ROLL CALL AND DECLARATION OF QUORUM

Trustee Roberts instructed Board Secretary Melanie Murry to call the roll. The following trustees were in attendance:

Trustee Graf (verified he was alone and could hear her)
Trustee Roberts
Trustee Johnson
Trustee McKinney
Trustee Clark
Trustee Springfield

Additional trustees in attendance:

Trustee North
Chairman Edwards

Secretary Murry announced the presence of a quorum.

III. APPROVAL OF MEETING MINUTES FOR SEPTEMBER 7, 2022

Trustee Roberts asked if there were any questions regarding the minutes. None were provided. Trustee Roberts called for the motion to approve the meeting minutes for September 7, 2022. The motion was made by Trustee Springfield and properly seconded.

A roll call vote was taken and unanimously approved.

IV. ANNUAL RISK ASSESSMENT UPDATE

Trustee Roberts recognized Chief Financial Officer, Raaj Kurapati.

Mr. Kurapati gave an overview of why the University is required to have a risk assessment, discussed the objectives for conducting the risk assessment, and explained the regulatory requirements for the risk assessment. Mr. Kurapati informed the committee that the University follows the COSO model which is a standard approach to internal controls and risk management. Mr. Kurapati explained the approach the

University took to complete the risk assessment. Mr. Kurapati explained that the ongoing risk assessment emphasis is to help understand the business impact analysis and the consequences. Mr. Kurapati stated the Office of Internal Audit and Consulting helped verify the risks that were identified during the risk assessment exercise by performing Risk Assessment audits of various activities.

Mr. Kurapati discussed the ongoing efforts of the risk assessment. Mr. Kurapati informed the committee that this year a Crisis Management team was created, and the team will be structured to align with the national practices. Mr. Kurapati provided an overview of the outcomes for the risk assessment. Mr. Kurapati informed the committee that the updated risk footprint will be brought to the Board in March. Mr. Kurapati stated the University is also complying with the certification that must be provided to the state by December 31st which verifies the University does have a risk assessment process. Mr. Kurapati informed the committee the final risk footprint will be approved by the President and the managers established by the President before it is brought to the committee. Mr. Kurapati presented the next steps for the risk assessment.

Mr. Kurapati concluded his presentation and opened for questions. Trustee Roberts asked if there were any questions, none were provided. Trustee Roberts commented by saying the quality of the risk assessment is to help the University look ahead and hopes the assessment is included in the strategic plan. Trustee Roberts also stated she appreciated the process and the thoroughness of the risk assessment.

Secretary Murry acknowledged Trustee Kemme was present in the meeting.

V. SUMMARY OF AUDIT REPORTS ISSUED

Trustee Roberts recognized Chief Audit Executive, Vicki Deaton.

Ms. Deaton provided a list of four audit projects that have been completed since the last quarterly meeting. All the audit report opinions were effective. Ms. Deaton explained that the “Report of Action FY2021 State Financial and Compliance Audit Corrective Action Plan” was a follow up audit and Internal Audit and Consulting determined the action plans were completed and shared the report with the Comptroller. The “Audit of President’s Expenses for the Period 7/1/2021-6/30/2022” is required by Tennessee Code and must be shared with the Tennessee Comptroller by December 1st of every year. Ms. Deaton informed the committee that the audit was sent to the Comptroller on November 28th and no questions have been received at this time.

Ms. Deaton stated if there were no questions she would move to the next item. None were provided.

VI. AUDIT ISSUE FOLLOW UP

Ms. Deaton stated the “Risk Assessment Athletics Internal Control Footprint Audit” was an audit Internal Audit and Consulting followed up on and will follow up on again because it is considered partially complete. Ms. Deaton stated that Executive Director for Safety and Business Continuity Risk Management, Mark Heath, tasked departments to identify risks in their area and Internal Audit and Consulting are awaiting those results. Ms. Deaton believes those results would be beneficial with creating the audit plans.

Ms. Deaton informed the committee that there is a backlog of issues that Internal Audit and Consulting is working to follow up on. The department hired a new employee, Ben Frederick and his assignment is to work on the follow-ups.

Trustee Springfield asked Ms. Deaton a question regarding the completion date for the “Risk Assessment Athletics Internal Control Footprint Audit.” She asked since the date read November 30th if the audit had been completed or was the date going to be extended. Ms. Deaton responded by saying Internal Audit and Consulting had not followed up on the audit since the November 30th completion date. Ms. Deaton explained the follow up process to Trustee Springfield. Trustee Springfield asked Ms. Deaton if Internal Audit and Consulting was waiting to evaluate the action plans to see if they agree. Ms. Deaton clarified by saying that Internal Audit and Consulting is waiting to verify if the action plans have been completed.

VII. EXTERNAL AUDIT REPORT – UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION FINANCIAL STATEMENTS, 6/30/2022

Ms. Deaton provided an overview about the Research Foundation financial statements and the external CPA firm hired to conduct the audit. The opinion for the audit report was a clean opinion and no deficiencies were identified or instances of noncompliance.

Ms. Deaton concluded her presentation and opened for questions. None were provided.

VIII. INFORMATION SECURITY UPDATE

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

Dr. Jackson discussed the Gramm-Leach-Bliley Act (GLBA) and what he is required to provide to comply with the GLBA Act.

Dr. Jackson discussed why IT security is important, explained the IT security risk diagram, and discussed the defense depth at the University. Dr. Jackson gave an overview of the current status of programs for information security. Dr. Jackson presented the committee with the number of suspicious email account deactivations, the number of IT security engagements, and the next steps.

Dr. Jackson concluded his presentation and opened for questions. Chairman Edwards asked when does the University terminate a student’s email access. Dr. Jackson responded by stating students have access to their email and resources for one year after the term ends for which they were last enrolled.

IX. ADDITIONAL BUSINESS

No additional business

X. ADJOURNMENT

Trustee Roberts adjourned the meeting into the Executive Session.

4. Summary of Audit Reports Issued

Presentation

Presented by Emily Bridges

The University of Memphis Board of Trustees

Presentation
For Information

Date: June 14, 2023

Committee: Audit Committee

Presentation: Summary of Internal Audit Reports Issued

Presented by: Emily Bridges, Senior Internal Auditor

Background:

Two 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
Fixed Asset Audit	4/25/2023	Effective with the Opportunity for Improvement	0	2	5	0	0	0	0
IT Security Review - Center for Research in Educational Policy	5/15/2023	Effective with the Opportunity for Improvement	0	2	0	0	0	1	0

5. Summary of Internal Audit Investigations Completed

Presentation

Presented by Emily Bridges

The University of Memphis Board of Trustees

Presentation
For Information

Date: June 14, 2023

Committee: Audit Committee

Presentation: Summary of Internal Audit Investigations Completed

Presented by: Emily Bridges, Senior Internal Auditor

Background:

Two investigations assigned to the Office of Internal Audit and Consulting by the Complaint Triage Team were completed this quarter. Internal Audit Investigation Memos were issued to University management. Attached is a summary of the investigation information.

Allegation Received by	Date Allegation Received	Description of Allegation	Date Assigned to Internal Audit by Complaint Triage Team	Internal Audit Investigation Number	Investigation Status	Investigation Outcome	Date of Final Action by Internal Audit
Office for Institutional Equity	9/2022	Misappropriation of University Resources and Misuse of University Resources	9/22/2022	23-001	Investigation Complete - Internal Audit Investigation Memo & 3 Management Letters Issued	Violation of Parking Rules and Noncompliance with University Policies and Procedures	4/11/2023
Office for Institutional Equity	4/6/23	University Vendor Favoritism and Conflict Concerns	4/6/23	23-003	Investigation Complete - Internal Audit Investigation Memo Issued	No Favoritism or Conflict of Interest was Identified	5/15/23

6. FY2024 Audit Pan

For Approval

Presented by Emily Bridges

Report to the Audit Committee of the Board of Trustees

Report
For Approval

Date: June 14, 2023

Committee: Audit Committee

Report Title: Proposed FY2024 Internal Audit Plan

Presented by: Emily Bridges, Senior Internal Auditor

Synopsis:

The Proposed FY2024 Internal Audit Plan for the University is presented for review and approval by the Audit Committee. Audit Committee approval of the Internal Audit Plan is required by the "State of Tennessee Audit Committee Act of 2005" (TCA 4-35-101 thru 108), the University of Memphis Audit Committee Charter, and the Office of Internal Audit & Consulting Charter.

University of Memphis
Audit Plan & Allocation of Audit Resources- FY 2024

PROPOSED AUDIT PLAN

60%	**Audits**
	Risk Based Audits
	School of Music Financial & Compliance Audit
	College of Nursing Financial & Compliance Audit
	School of Law Financial & Compliance Audit
	Procurement Card Purchases of a Reoccurring Nature
	Housing & Residence Life
	Export Controls
	Risk Based Information Technology Projects
	IT Security Review - Department or Center Focus to be Determined
	IT Security Review - Department or Center Focus to be Determined
	Audits Required by Statutes
	Annual audit of President's expenses TCA 49-7-3001 TCA 49-14-106
	Prior Year Audit Project Completion
	Audits Requested by Management
	Report of Action on FY2022 Financial Statement Audit Finding
	State Audit FY2023 Year End Work (cash and inventory work for State Auditors at year end for external audit)
8%	**Follow-up of Past Audit Issues**
	Internal Audit issues identified in past audits and as required by state statute
10%	**Investigations/Participation on Complaint Triage Team**
10%	**Consulting and Advisory Role**
	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)
12%	**Audit Committee Projects & Administration**
100%	

Background Information – Proposed FY2024 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 28 audit entities:

Academic

- Academic Affairs/Office of the Provost
- College of Arts & Sciences
- College of Business & Economics
- College of Communication & Fine Arts
- College of Education
- College of Engineering
- College of Health Sciences
- College of Nursing
- College of Professional & Liberal Studies
- School of Communication Sciences and Disorders
- School of Hospitality & Resort Management
- School of Law
- School of Public Health
- Student Academic Success
- University Libraries

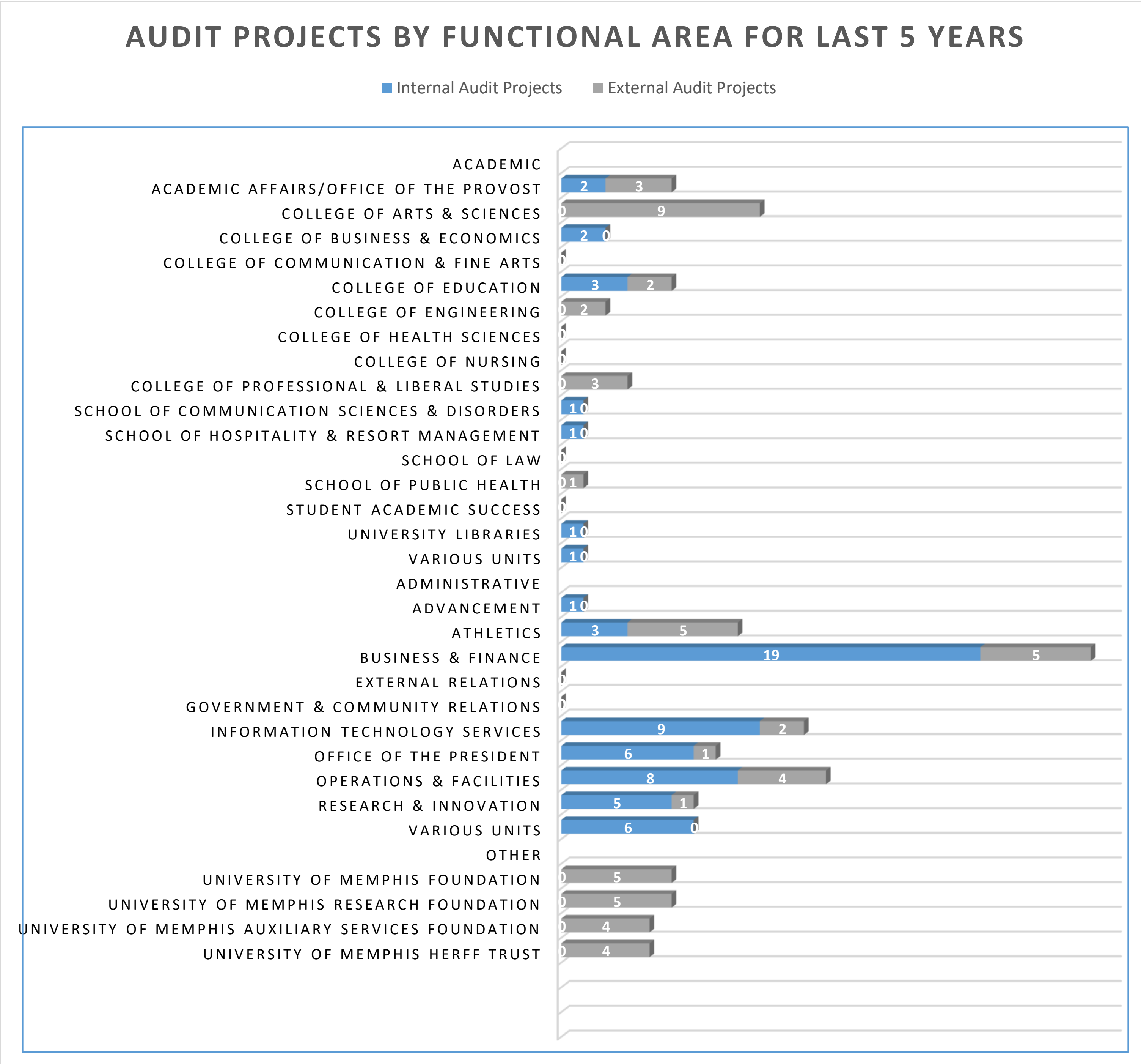
Administrative

- Advancement
- Athletics
- Business & Finance
- External Relations
- Government & Community Relations
- Information Technology Services
- Office of the President
- Operations & Facilities
- Research & Innovation

Other

- University of Memphis Foundation
- University of Memphis Research Foundation (including the wholly-owned subsidiary, UMRF Ventures Inc.)
- University of Memphis Auxiliary Services Foundation
- University of Memphis Herff Trust

The chart below shows audit projects performed by Internal Audit or an outside entity in the 28 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
TN Comptroller of the Treasury Performance 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 70%) of the FY2024 Proposed Audit Plan, is in part derived from current higher education risk and audit guidance, consideration of the University's goals, vision, and mission, and Internal Audit's risk evaluation. 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 FY2024 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	FY2022	FY2023	FY2024
Audits	65%	66%	60%
Follow Up of Audit Issues	5%	5%	8%
Investigations	10%	5%	10%
Consulting/Advisory Role	10%	12%	10%
Audit Committee Projects & Administration	10%	12%	12%
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.

7. Annual Report of Grievance Activities - Support Staff Only

Presentation

Presented by Emily Bridges

The University of Memphis Board of Trustees

Presentation
For Information

Date: June 14, 2023

Committee: Audit Committee

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

Presented by: Emily Bridges, Senior Internal Auditor

Background:

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 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 review cover the periods of FY2022 (July 1, 2021 through June 30, 2022) as well as FY2023 to date (July 1, 2022 through May 31, 2023), and includes the grievances status and resolutions.

The University of Memphis
Annual Report Summarizing Grievance Activities-Support Staff Only
July 1, 2021 – June 30, 2022

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…………………….........	2
Workplace Conditions……………………………..	0
Total…………………………………………………	2

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…………………………	2
Suspension……………………………………	0
Work Conditions ………………….……………	0
Dismissed …………………………………….	0
Total……………………………………………...	2

The University of Memphis
Annual Report Summarizing Grievance Activities-Support Staff Only
July 1, 2022 – May 31, 2023

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…………….………..	2
Workplace Conditions…………….…………	0
Total……………………..……..……………….	2

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…………………………	2
Suspension……………………………………	0
Work Conditions ……………….……………	0
Dismissed …………………………………….	0
Total…………………………………………....	2

8. Information Security Program Update

Presentation

Presented by Robert Jackson

The University of Memphis Board of Trustees

Presentation
For Information

Date: June 14, 2023

Committee: Audit Committee

Presentation: Information Security Program Update

Presented by: Dr. Robert Jackson, Chief Information Officer

Background:

Quarterly update on the Information Security Program.

Information Security Program Update

Audit Committee

Dr. Robert Jackson
Chief Information Officer

June 14, 2023
Maxine A. Smith University Center

Board of Trustees

JUNE 2023

Current Status

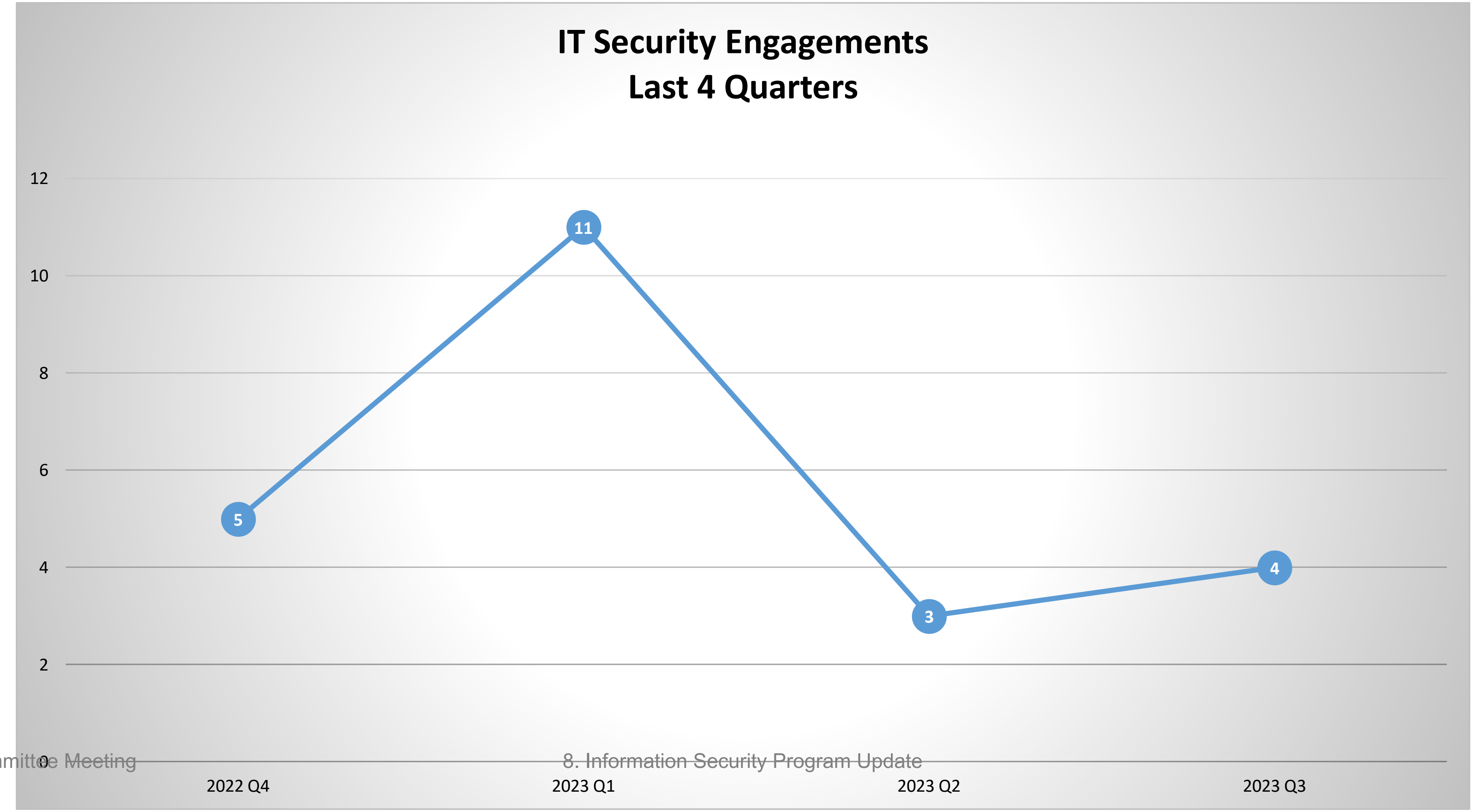
- Network Access Control
  - On schedule for summer completion of academic buildings
  - ITS is allocating funds to assist colleges in remediation phase

- CMMC Level 1 recommendations received from external partner
  - Policy / procedure clarifications
  - Still on track for summer completion

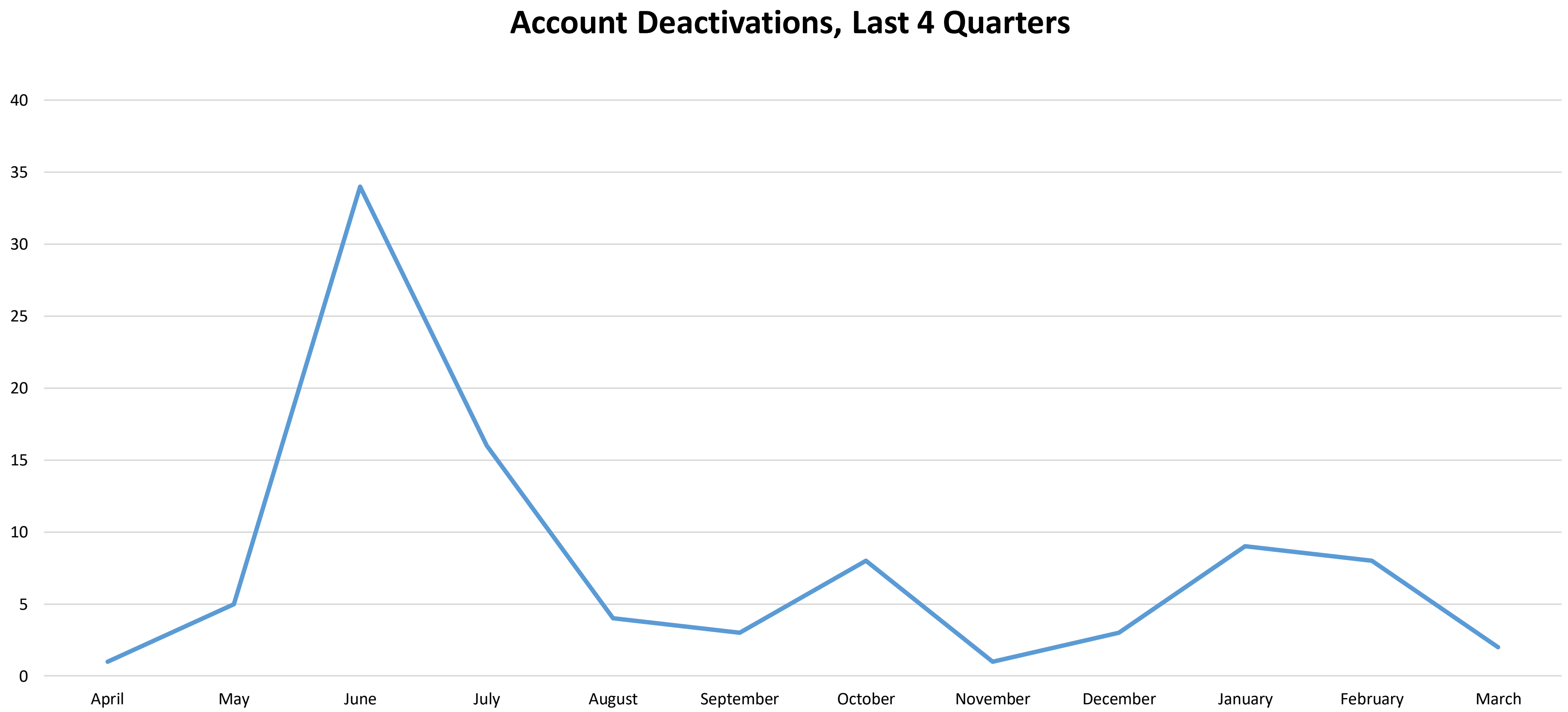
- Completed annual cyber incident tabletop exercise

- Completed external PCI assessment

IT Security Engagements



Suspicious Email Account Deactivations



Next Steps

- Align Info Sec program to support upcoming action items from strategic plan
- Collaborate on annual state audit engagement
- Collaborate with state Division of Claim and Risk Management on upcoming cyber liability insurance review
- Implement Info Sec program adjustments based on FY2024 SRI budget decisions

- Leverage technologies that decrease risk and technical debt

Thank You

9. Additional Business

Presented by Carol Roberts

10. Adjournment

Presented by Carol Roberts