

March 2019 Audit Committee Meeting

Schedule	Wednesday, March 6, 2019 9:30 AM — 10:15 AM CST
Venue	University Center Fountain View Suite - UC350
Organizer	Chelsea Connor

Agenda

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1. Call to Order

Presented by Carol Roberts

2. Roll Call and Declaration of Quorum

Presented by Melanie Murry

3. Approval of Minutes - December 5, 2018

For Approval

Presented by Carol Roberts

THE UNIVERSITY OF MEMPHIS
BOARD OF TRUSTEES

MINUTES OF THE AUDIT COMMITTEE
December 5, 2018
Jackson, TN

The Audit Committee of The University of Memphis Board of Trustees met at 11:20 a.m. CDT, on Wednesday, December 5, 2018, on the University of Memphis's Lambuth campus in Jackson, Tennessee.

**Note: Chair Carol Roberts was unable to attend in person. Chairman Graf asked Trustee Johnson to lead the Audit Committee meeting.*

I. CALL TO ORDER

Trustee Cato Johnson 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 or via telephone:

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 – SEPTEMBER 5, 2018

The motion to approve the September 5, 2018, Audit Committee meeting minutes was properly moved and seconded. A voice vote was taken, and the motion was unanimously approved.

IV. UPDATE ON INFORMATION SECURITY PROGRAM

Trustee Johnson recognized Dr. Robert Jackson, Chief Information Officer, to present an update on the information security program.

Dr. Jackson emphasized the program attempts to balance the need to protect the University against the need for the University to conduct business. He then pointed out some things that have changed since the last time he presented to the Board. The last time Dr. Jackson reported the University was preparing to implement several changes that were going to improve IT security, and he updated that some of those projects have been completed. They have been looking at a list of recommendations, and there are work teams for drilling down into the various recommendations. There are plans in place to implement further changes later.

Dr. Jackson went on to state they have enabled WiFi friction and authentication on our network, which allows better control and insight onto devices and know who to contact if the device is conducting malicious activity. They have also implemented an email security gateway that has improved protection from malicious activity coming through by email. There have been significant changes to the firewall configuration. It has drastically decreased the amount of opportunities for malicious actors around the globe to penetrate our network. The University is rejecting about 4 million unauthorized attempts per hour. Dr. Jackson noted the changes have been made with little impact to the community, particularly with faculty research. The threat level has also decreased approximately 16%. Dr. Jackson and his team are also requiring multifactor authentication training for all new employees and will be required for all existing employees in February.

Going forward, there will be continued improvements on desktop security initiatives. Additionally, there are additional protections Dr. Jackson and his team would like to implement for email. The department will also continue its outreach for a collaborative approach to IT security. In addition, they are moving forward with identifying budget needs to hire an additional IT security staff member, which they will seek funding for in the spring. Dr. Jackson added that they will conduct an external assessment in the spring/early summer so that they can gauge the effectiveness of some of the changes they have made. After Dr. Jackson provided a brief summary of his presentation, President Rudd added that he wanted to applaud Dr. Jackson and his team for their efforts over the past year. Trustee Graf also thanked Dr. Jackson for his work and commended his progress.

Secretary Murry noted Trustee North had entered the room during Dr. Jackson's presentation.

V. OIE OVERVIEW AND COMPLIANCE COMMITTEE

Trustee Johnson recognized Kenneth Anderson, Director of the Office for Institutional Equity, to present an overview of OIE and on the Compliance Committee.

Mr. Anderson began by presenting to the Board OIE's charge and key role – to provide institutional leadership to the University in ensuring that we meet our nondiscrimination and non-harassment and equal opportunity responsibilities and obligations to the broader UofM community. Mr. Anderson and his staff have taken the approach of looking at their work as culture building through engagement. They have a philosophical approach of looking at their work through the lens of where we are, which is an educational institution, and taking education

as their primary response to anything that comes into contact with their work. Mr. Anderson pointed out that OIE provides a range of services to the community, including providing information, consultation, and training; fair and impartial mechanism for resolving complaints, which most often is an investigation into the allegations and determining whether University policy has been violated; and provide oversight of and support the University's efforts to comply with applicable state and federal laws and its affirmative action plan.

Next, Mr. Anderson stated prevention has been a strategic emphasis and point for OIE over the past year. Title IX requires prevention to be a core component for any recipient's compliance with Title IX. OIE has consolidated the University's prevention efforts and hired a Prevention Specialist and, with the support of the Provost's Office, a Faculty Fellow. Together, they formed the University's first Prevention Center, which serves as the front-line in engaging the community. A key aspect of prevention is education, and a lot of education has been accomplished through programming and training. Two successful events have been "Walk a Mile in Her Shoes" and "Take Back the Night." Mr. Anderson emphasized that of particular interest is engaging students, so they have trained students to be NASPA certified peer educators to work with OIE to engage their peers. OIE has also trained students, faculty and staff in the Green Dot training, which is bystander intervention. The University has received a site-license from Everfi to provide online training to the campus community. Around a quarter of students have already been trained this year using the Everfi software on sexual assault prevention, which is a significant increase of almost 85% over last year. OIE also presented in 58 of the 62 ACAD 1100 courses, which is the introductory course for incoming freshmen.

Trustee North asked if Mr. Anderson thought there was an increase in the online training as a result of the ACAD presentations or are they unrelated. Mr. Anderson believed they are unrelated for two reasons. One, in the past, we had used a TBR-purchased license for Everfi, which were limited as compared to the full suite we currently have. Second, OIE implemented the online training at the start of the year and preceded most ACAD coursework. There are also different suites for incoming freshmen and returning students. Mr. Anderson believed that there was a higher commitment from freshmen because there was a soft mandate this year. Trustee North added that things Mr. Anderson presented related to training and prevention is going to have a long-standing impact on the numbers, and we need to find a way to get OIE into all of the ACAD classes, not just 58. President Rudd noted that there are two active student-driven groups that have had significant influence as well – SAPAC and Safety Net. Mr. Anderson echoed Trustee North's comments that training will help drive down complaints over time, but initially most studies show they will do the opposite because we are making students more aware, we will actually see either an increase or leveling off until we start to see the longer-term dip. Trustee North stated he did not care as much about the complaints as he does about the incidents; he wants to get to the core of what is causing it. Mr. Anderson stated we are dealing with societal issues that are being brought to campus, and OIE takes the approach that these are public health concerns and try to identify commonality in terms of threats that lead to causation. Secretary Murry asked about OIE's involvement with Athletics and how they engage them. Mr. Anderson again emphasized they are trying to hit students in multiple ways, so with

Athletics, OIE is doing both online through a targeted NCAA module with Everfi and in-person trainings with teams and staff.

Mr. Anderson then moved from prevention to enforcement. He noted OIE has moved to an electronic case management software, Maxient, which has helped to identify and understand the data and evaluate information in terms of these cases. Mr. Anderson presented the case load 3-year trend by fiscal year as it relates to Title IX, Title VI, and other. Because of a lack of a Title IX Coordinator, the numbers from 2015-2016 in terms of complaints are down. He noted that the Title IX complaint numbers over the last two years have been about static, which he is pleased with. Acknowledging he was on the next slide, Trustee Edwards asked what is the difference when you look at overall Title IX complaints where we are higher than UTK, but we are lower when it comes to sexual assaults. Mr. Anderson stated that we have a campus that is very diverse with a lot more micro aggressions in terms of sexual harassment, inappropriate comments, inappropriate interactions that are not sexual assault, but under our current policy are defined as sexual misconduct. In particular, the University seems to be having increases in stalking because of obsessive behavior with technology. Trustee Edwards continued that he doesn't want to get into a situation where we are reporting things that other institutions are not reporting that is skewing our numbers. Mr. Anderson pointed out that every institution has its own policy, and we are reporting based on what our policy defines, which includes sexual assault, dating violence, domestic violence, and stalking. Sexual harassment, which is not formally under the policy, is under the antidiscrimination and non-harassment policy, but it does come in when it is associated with one of the previous four, and OIE investigates both. President Rudd offered to provide Trustee Edwards with some numbers. Provost Weddle-West added that another variable, which happens on a lot of residential campuses, when 90% of the population of UT have their own rooms, so our students sometimes might report things that happen outside of the dorm, but the opportunity to investigate and confirm it is sexual misconduct is often higher on those kinds of campuses. Trustee Johnson added that we need to speak up. Mr. Anderson commented that the fact that we do not have more dorms on campus may also contribute to those numbers because the more students live together, the more you may see incidents of sexual assault.

Next, Mr. Anderson touched on some pending developments and changes that are looming, including the proposed Title IX regulations by the Department of Education. Finally, Mr. Anderson stated he had been charged with being the University's Chief Compliance Officer. He announced the convening of a Compliance Council, which will hopefully bring structure and process, that has already had its first meeting on November 26. The Council will soon send out a survey to the campus community to get an idea of what our campus is already doing in terms of compliance, which will hopefully lead to the creation of a comprehensive compliance calendar.

VI. SUMMARY OF INVESTIGATIONS COMPLETED

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

First, Mrs. Deaton presented a summary of investigations completed. Since the last meeting, there have been six new reports of fraud, waste, abuse or noncompliance with law or conflict of interest received. Three reports received last quarter were resolved this quarter. Some reports were referred to other entities across campus, and four investigation reports were issued by Internal Audit this quarter.

VII. AUDIT ISSUE FOLLOW-UP

Next, Mrs. Deaton reported an audit issue follow-up. This quarter, they followed up on action plans that came from the Department of Biology, their financial and compliance audit. The report on this engagement was effective with an opportunity for improvement. Some of the issues were one issue, but had several management groups involved with resolution. As of October 2018, all issues had been marked complete.

VIII. EXTERNAL AUDIT REPORT – UNIVERSITY OF MEMPHIS FOUNDATION, 6/30/2018

Next, Mrs. Deaton provided an external audit report that involved the University of Memphis Foundation financial statements. It is a state requirement that these audits be performed. This audit was performed by an external CPA firm in accordance with accounting principles accepted in the United States. The firm's opinion was unqualified and stated the financial statements presented fairly in all respects the financial position of the Foundation on June 30, 2018. They also looked for deficiencies in internal controls that would be considered material weaknesses; they found no deficiencies. They also looked for noncompliance with certain provisions of laws, regulations, and contracts and grant agreements; they found no issues.

IX. EXTERNAL AUDIT REPORT – UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION, 6/30/2018

Next, Mrs. Deaton provided an external audit report that involved the University of Memphis Research Foundation financial statements. This audit was performed by an external CPA firm. The firm's opinion was unqualified and stated the financial statements presented fairly in all materials respects the respective financial position of the business-type activity and the discreetly presented component unit. This is the first year UMRF Ventures was included in this audit. They also looked for deficiencies in internal controls and instances of noncompliance, and they found no issues.

X. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM UPDATE

Finally, Mrs. Deaton provided a brief update on the Quality Assurance and Improvement Program. She and her team have located some independent reviewers that will perform a self-assessment with an independent validation. Basically, we will perform almost a self-audit type assessment, and they will come in and validate it. She noted that she provided the reviewers' credentials in the meeting materials.

XI. ADDITIONAL COMMITTEE BUSINESS

There was no additional Committee business.

XII. ADJOURNMENT

The meeting was adjourned at 11:55 a.m. CDT.

4. 2018 Annual Financial Report and Internal Control Audit

Presentation

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Information
For Discussion

Date: March 6, 2019

Committee: Audit Committee

Topic: 2018 Annual Financial Report and Internal Control Audit Status

Presented by: Raaj Kurapati, Chief Financial Officer

The Office of the Comptroller of the Treasury, Division of State Audit, completed its audit of the University of Memphis (the University) on December 18, 2018. The audit is projected to be released in March 2019. The auditors expect to issue an unmodified opinion on the presentation of financial statements and have noted no exceptions on the procedures performed. The audited Financial Report on the University of Memphis for the year ending June 30, 2018 will contain the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information and other Supplementary Information. The report will be submitted to the Board of Trustees when released.

The audit was conducted in accordance with Generally Accepted Auditing Standards (GAAS) and standards for financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. The objectives and scope of the audit were as described in the Engagement letter from the Comptroller of the Treasury, Division of State Audit, and dated June 28, 2018.

2018 Annual Financial Report & Internal Control Audit

Audit Committee

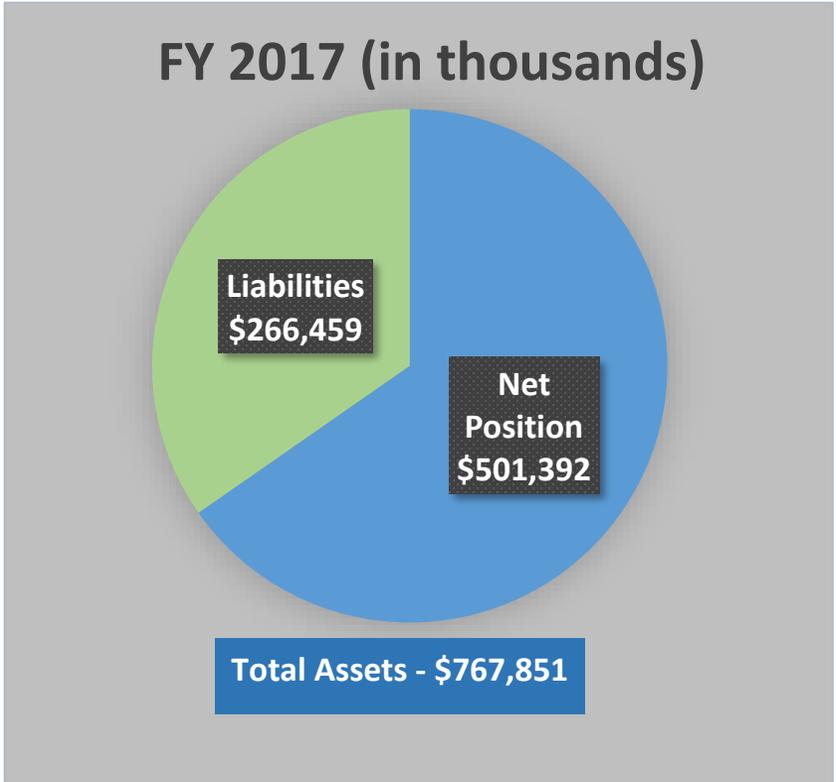
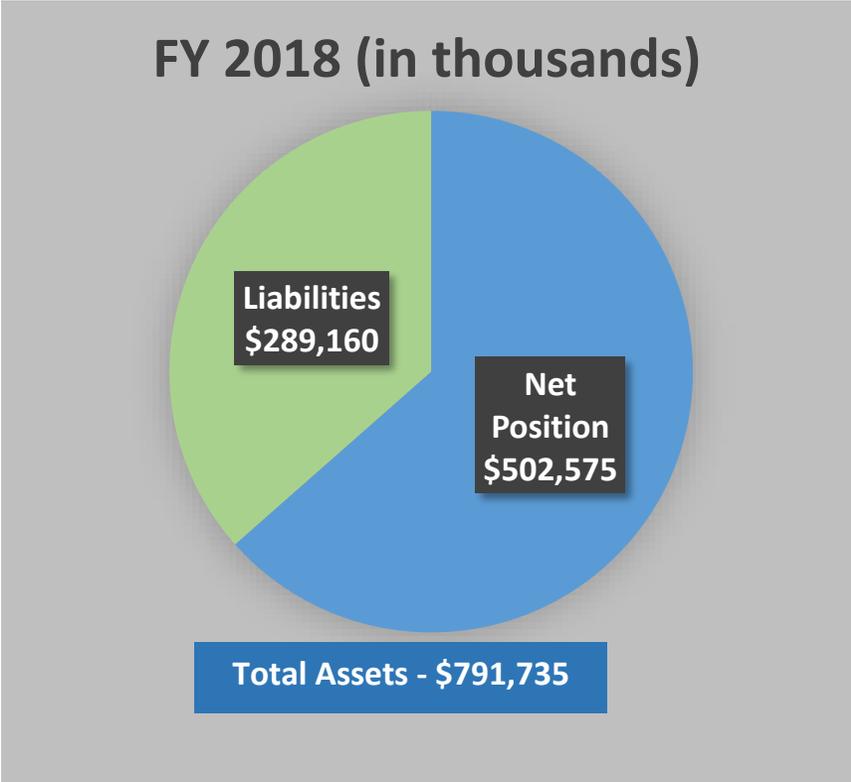
Raaj Kurapati
Chief Financial Officer

March 6, 2019
University Center



- Financial Statements are prepared in accordance with Generally Accepted Accounting Principles applicable to governmental colleges and universities as prescribed by GASB (Governmental Accounting Standards Board)
- Annual audits are conducted by the Tennessee State Comptroller's Office.
 - University is included in the State of Tennessee Consolidated Financials
 - Includes A-133 audit (audits of non-federal entities receiving federal funds); report will be included in State's single audit reporting package
- Audit for FYE June 30, 2018 has been completed and the draft report is an **Unmodified Audit Opinion** with **No findings**
- Final Audit report and financial statements not yet released by State Audit

Comparative Financial Statement Summaries FYE June 30, 2018 and 2017

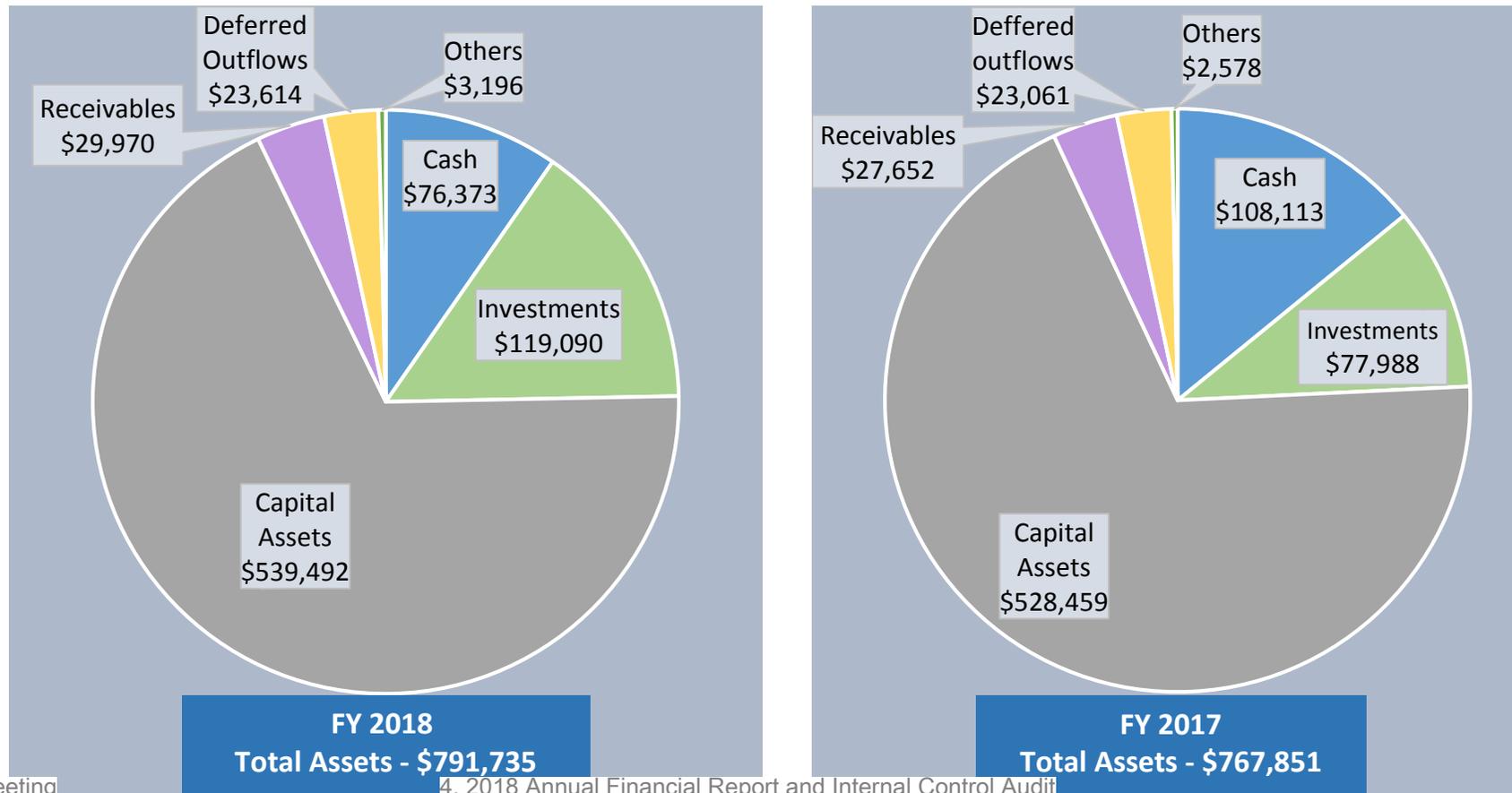


Current Liabilities increased primarily due to the adoption of GASB 75, *Accounting and Reporting for Post Employment Benefits other than pensions*, and contractual obligations to outgoing

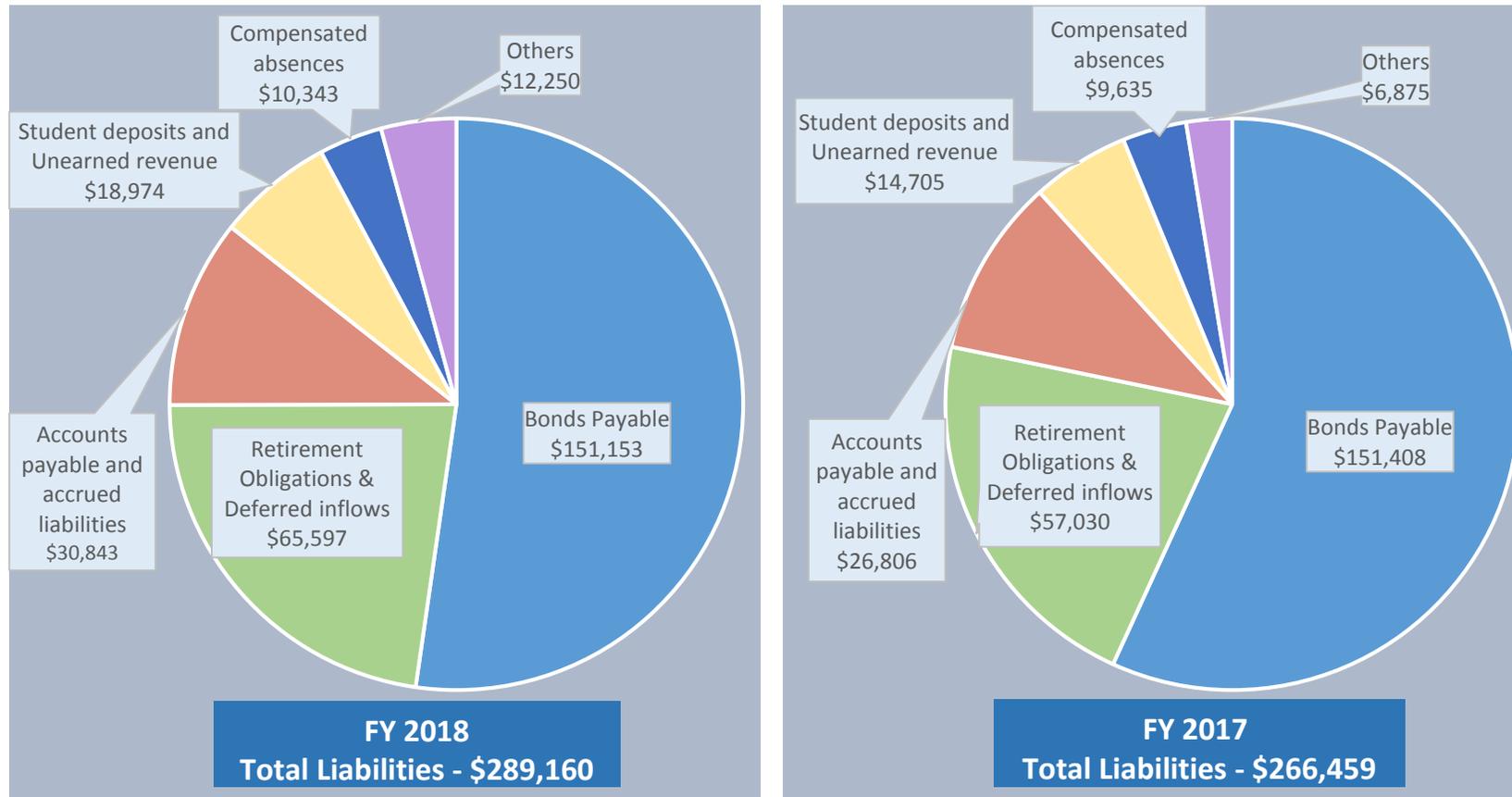
Comparative Financial Statement Summaries

FYE June 30 2018 and 2017

Composition of Assets (in thousands)

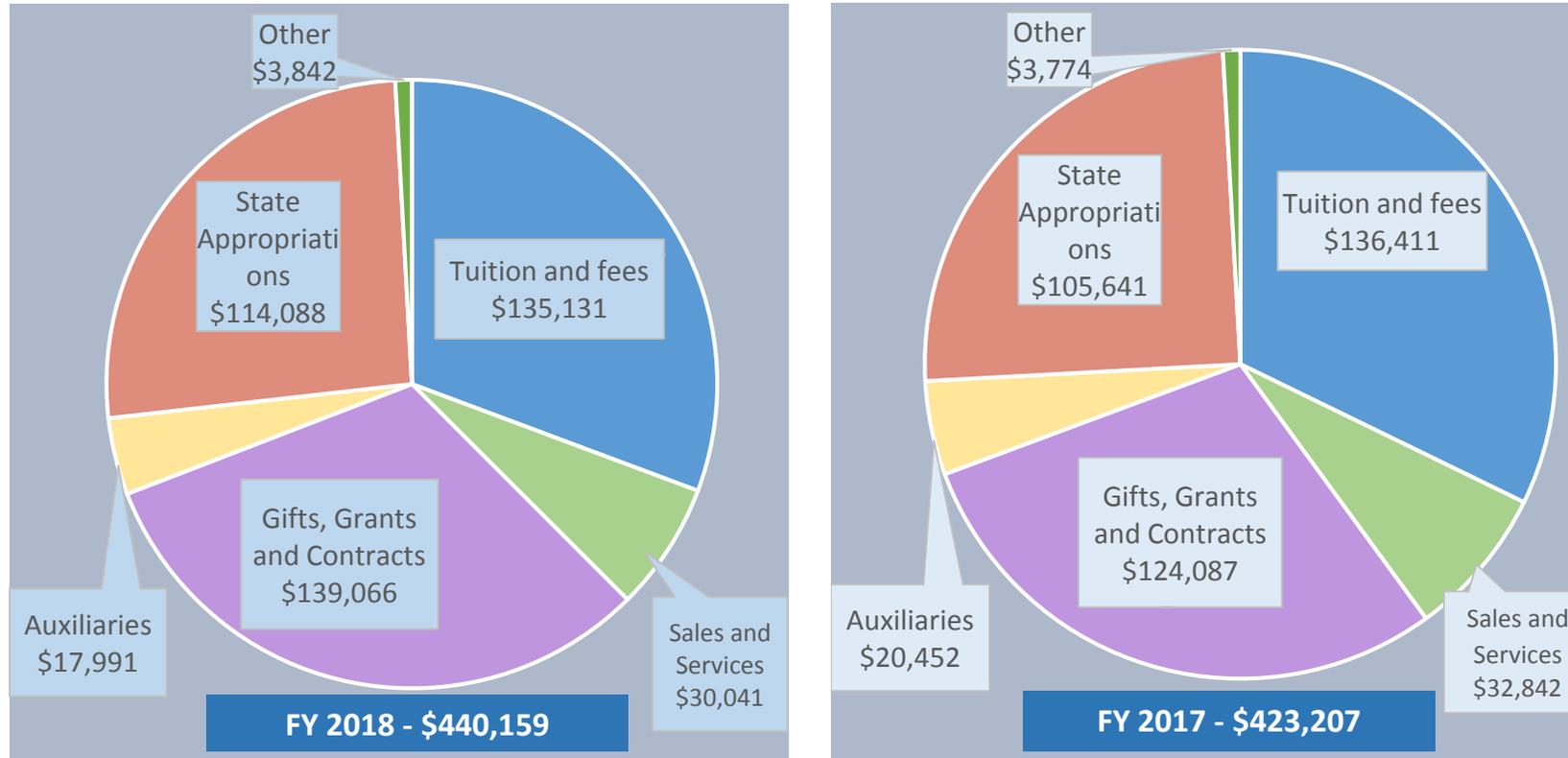


Composition of Liabilities (in thousands)



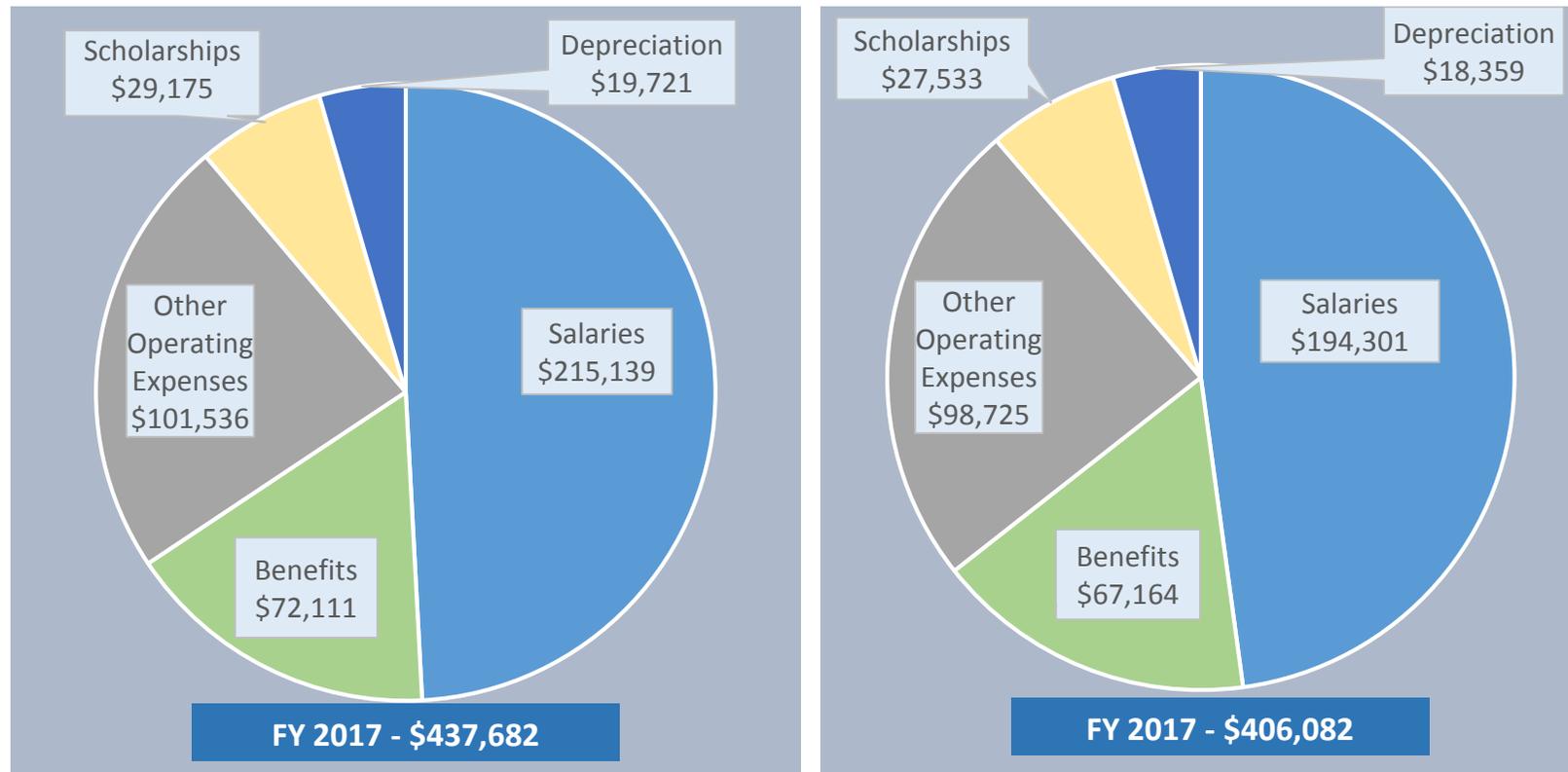
Comparative Financial Statement Summaries FYE June 30 2018 and 2017

Sources Of Revenue* (in thousands)



*Does not include Capital Gifts and appropriations

Operating Expenses

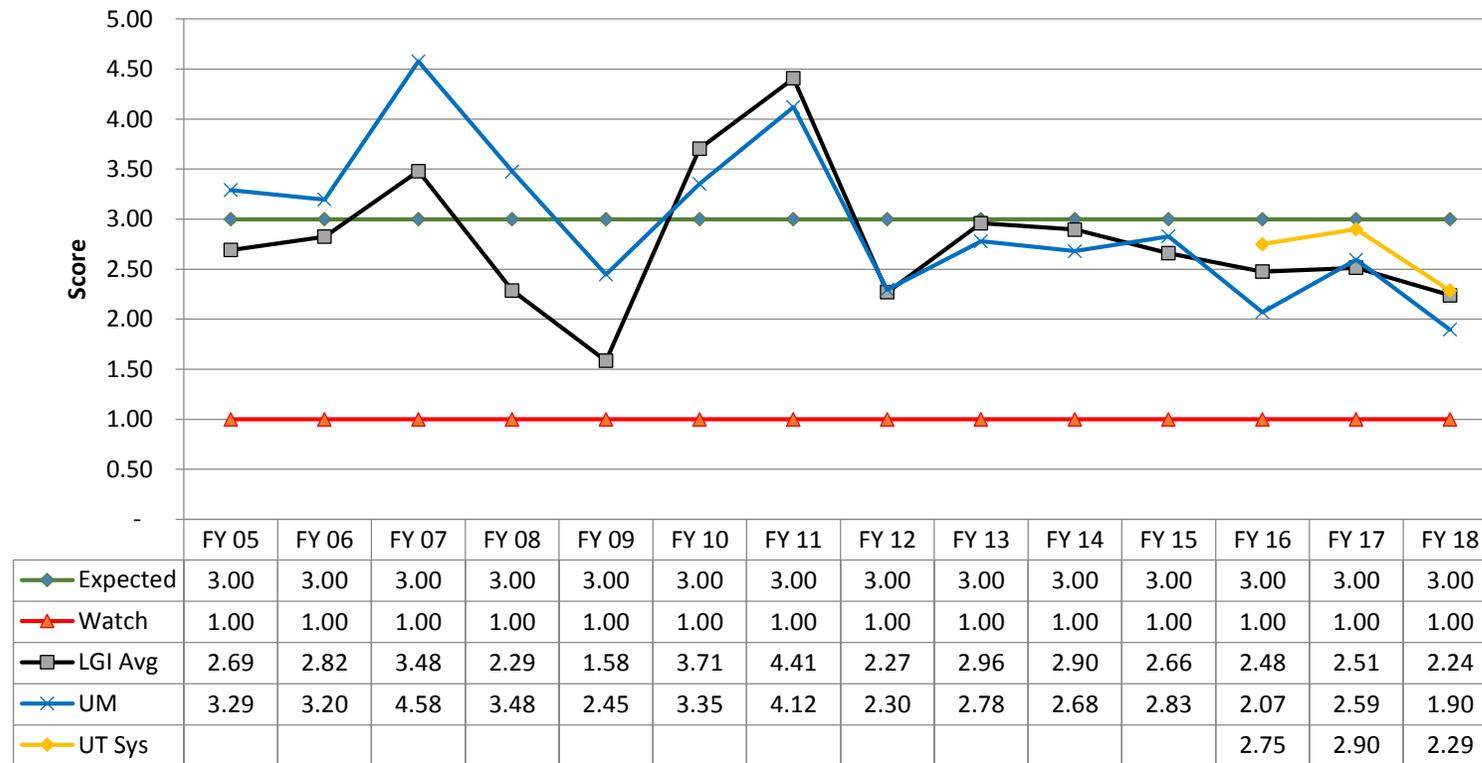


The CFI score is based on a blended weighted value of four core ratios.

- The weighting and scoring system is based on analysis of a wide range of institutions.
- Scores for public universities tend to be lower than their private peers.
- Provides a useful summary assessment of financial health.

Core Ratios	Calculation	Description
Primary Reserve Ratio <i>(income statement leverage)</i>	$\frac{\text{Expendable Net Assets}}{\text{Total Expenses}}$	<ul style="list-style-type: none"> • Are resources sufficient and flexible enough to support the mission? • Measures the ability to fund operations with expendable financial reserves
Viability Ratio <i>(balance sheet leverage)</i>	$\frac{\text{Expendable Net Assets}}{\text{Long Term Debt}}$	<ul style="list-style-type: none"> • Are debt resources managed strategically to advance the mission? • Measures the ability to pay off long-term debt with expendable financial reserves
Return on Net Assets Ratio <i>(financial resource growth)</i>	$\frac{\text{Change in Net Assets}}{\text{Beginning Total Net Assets}}$	<ul style="list-style-type: none"> • Does asset performance and management support the strategic direction? • Measures the ability of net asset growth to support strategic initiatives
Net Operating Revenues Ratio <i>(operating performance)</i>	$\frac{\text{Operating Income (loss) + Net Non operating Revenues}}{\text{Total Operating + Non Operating Expenses}}$	<ul style="list-style-type: none"> • Does operating results indicate that the institution is living within available resources? • Measures the impact of operations on the

Composite Financial Index



In FY 2018 the CFI changed from 2.6 to 1.9 mainly due to:

- Basketball coach severance payout of \$10 million, and
- \$9.1 million negative impact from GASB 75, Accounting for OPEB.

Excluding these factors, the CFI would have been 2.46.

Monitoring of CFIs

Investment Income Update

Description	FY 2019	FY 2018
Original Base Budget	\$284,000	\$284,000
Revised Budget	\$2,584,000	
Total Net Income/(Loss)*	\$3,374,704	\$1,458,871
Net realized Income and Gains/(Loss)*	\$2,259,407	\$2,427,066
Unrealized Gains/(Loss)*	\$1,115,297	\$ - 968,195

* Year to Date ending January 31, 2019 (New Strategies implemented beginning in October 2018).

Questions?

5. Risk Assessment

For Approval

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: March 6, 2019

Committee: Audit Committee

Recommendation: 2019 Risk Assessment

Presented by: Raaj Kurapati, Chief Financial Officer

Background:

This presentation provides details on the completed 2019 risk assessment.

In accordance with the Tennessee Financial Integrity Act, University management is responsible for establishing adequate internal controls to achieve the objectives of the organization and execute an annual risk assessment (TCA-9-18-102). Management's risk assessment process was established in 2006 and is currently facilitated by the Division of Business and Finance. The risk assessment process identifies business risks and measures, their potential impact to the university and their probability of occurrence. The assessment produces a risk heat map, called Risk Footprint that ranks the risks by impact and probability. Management then inventories mitigating actions that are designed to reduce the impact or probability of the risk. If management determines a risk is not being appropriately managed, a corrective action plan may be developed. TCA 9-18-104 requires an annual report to the Commissioner of Finance and Administration and the Comptroller of the Treasury from the President on management's risk assessment.

Committee Recommendation:

The Audit Committee recommends approval of the 2019 risk assessment.

University of Memphis
Enterprise
Risk Footprint
December 2018

RISKS

#	ACTIVITIES		1		2		3		4		5		6		7		8		9
1	Significant Institutional Risks	HH	Lack of adequate research spaces - STEM Building	HH	Serious violation from decentralized compliance function without comprehensive knowledge base, appropriate resources and oversight	HM	Data Breach / Sensitive Data Exposure	HM	Failure to utilize effective IT Security Awareness Principles	HM	Decline in enrollment and retention growth	HM	Reduction in available student financial aid negatively impacting affordability for all student markets	HM	Strategies to adequately resource and support growth in innovative programs including UofM Global	HM	Lack of sufficient affordable and desirable housing options for students	HM	Title IX non-compliance
2	Research and Innovation	HL	Failure to comply with Federalwide Assurance (e.g.human subjects)	MH	Breach of Contract , Obligation or protocol	MM	Failure to support researchers adequately across campus	MM	Inadequate administrative policies and procedures to support research	MM	Failure to protect Unversity intellectual property	MM	Unallowable costs charged to grant						
3	Information Technology	HL	Failure of Business Continuity / Disaster Recovery During Disaster	MM	Inadequate staffing / employee retention	ML	Failure of core enterprise systems and applications	ML	Network / Telecomm Failure	ML	Unauthorized Physical Access to / Inappropriate Use of Data or Systems	ML	Failure to provide and support adequate instructional technologies	LH	Unaddressed System / Software Vulnerabilities				
4	Leadership and Compliance	MH	Lack of funds for PR and adequate promotion of university	MH	Lack of staff resources for prevention and enforcement	MM	Insufficient funding and declining revenue to support basic mission	MM	Audit resources are not adequate to provide reasonable coverage of the redefined audit universe.	MM	Failure to effectively manage crisis situation	MM	Lack of influence within THEC/State	MM	Significant decrease in fundraising revenue	ML	Failure to have knowledge of or properly interpret a new or existing law,rule or regulation that has a substantial impact		
5	Instruction and Academic Support	HL	Attracting and retaining the best faculty for research and instruction, including competitive salaries for regular and adjunct faculty members	HL	Failure to maintain adequate records for the purposes of accreditation (SACs and all of the sub disciplines) and internal reviews	HL	Inadequate programs that help students succeed (e.g., advising, tutoring services, internship programs, retention services, psychological counseling services, intrusive advising,etc.)	HL	Failure to adequately (financial & leadership) support Quality Enhancement Plan	MM	Ineffective utilization of Library facilities and space	MM	Incentives and policies that encourage continued productivity of faculty and staff	MM	Lack of appropriate support services and facilities for faculty instruction and research, including adjusting workload based on faculty productivity (e.g. securing external funding, completing research projects, and teaching large classes)	MM	Lack of resources to offer competitive salaries to attract and retain the best support staff (academic, research support, etc.) and for GA stipends to support research faculty; in addition to increasing research capacity to attain Carnegie 1 status.		
	Instruction and Academic Support (cont'd)	MM	Failure to ensure quality of adjunct instruction and provide resources to support adjunct instructors.	MM	Failure to recruit high ability students for Honors Program	MM	Failure to make data available for decision making	MM	Failure to attract sufficient international students to globalize the university	ML	Insufficient number of faculty; tenure and non-tenure track.								
6	Services	HL	Failure to comply with state and federal requirements (i.e. FERPA, etc)	HL	Failure to maintain compliance with federal and state financial aid programs	HL	Student Data breach or mismanagement of confidential data	MH	Administrative decisions made that are in conflict with academic policy and academic catalog	MH	Decentralization of processes with no central oversight (students treated differently depending on major)	MM	Perceptions of Campus Safety						

University of Memphis
Enterprise
Risk Footprint
December 2018

RISKS

#	ACTIVITIES	1	2	3	4	5	6	7	8	9
7	Student Services	HL Failure to properly control infectious disease potential	MM Failure to follow policies and procedures relating to Student Health, wellness and accessibility	MM Lack of appropriate / current programs, services and resources for students	MM Lack of student awareness and adherence to institutional policies, state laws, and Federal regulations	MM Failure of students to declare a major/progress towards degree completion timely	MM Failure to maintain qualified and sufficient staff	MM Overly restrictive policies related to student program efforts (student life)	ML Failure to accurately report data for required NCAA projects (ex. APR and GSR)	
8	Finance and Personnel Management	MM Increased AR and uncollectible from third party arrangements	MM Insufficient technical knowledge base to meet data analytics demands	MM Failure to monitor and track construction projects and prevent budget overrun	MM Inability to recruit and retain high performing employees	MM Failure to meet the stated university supplier diversity goals	ML Compromised data security/integrity due to phishing, unauthorized access, employee fraud etc	ML Misuse or diversion of cash and investment funds	ML Failure to draw down financial aid from G5 and disburse on a timely basis	ML Failure to process payroll and deposit payroll taxes timely
9	Facilities	HL Natural disaster destroys major portion of campus	MM Inadequate funding for deferred maintenance	MM Failure to perform preventative maintenance	MM Timely prediction of needed repairs	MM Inadequate/outdated space for programmatic needs	ML Loss of institutional knowledge	ML Building / Infrastructure systems failure that leaves building unusable	ML Loss or interruption of utilities service	
	Facilities (cont'd)	ML Frequent exposure to hazardous / unsafe conditions	ML Environment not conducive to mission of the University	ML Lack of timely emergency response	ML Budget overruns and construction delays					
10	Revenue Generating Activities	HL Catastrophic Residential property loss	HL Failure to comply with federal, state, local codes and regulations related to student housing	HL Failure to maintain life safety detector / equipment, properties and major system failure relating to auxiliary activities	MM Failure to achieve revenue projections and meet budget	MM Inadequate staffing	ML Failure to monitor and enforce contracts or meet contract obligations	LH Unauthorized access to properties and criminal acts	ML Loss / Interruption of major supply source	LH Commodity price fluctuations
11	Athletics	HL Failure to maintain NCAA athletic certification	HL Failure to retain / develop corporate / community partnerships	HL Lack of membership in major conference	HL Stagnant or decreased donor contributions	MH Inadequate staffing	MH Failure to comply with NCAA ticket guidelines	HL Failure to cultivate donors	HL Terrorist threat during events	
	Athletics (cont'd)	HL Outbreak of disease / illness	HL Failure of computer system, loss of data	MM Revenue shortfall for Athletics	MM Athletics failure to operate within budget	MM Findings from Annual Internal Audit of Rules Compliance	MM Failure to oversee activities of booster clubs			

Legend:

HH, HM ■ = Extensive Risk Management & Considerable Risk Management (all Levels of Control* plus a traditional audit)
 HL, MH ■ = Manage and Monitor (all Levels of Control but no traditional audit)
 MM, ML, LH ■ = Monitor (only Execution Controls & Supervisory Controls)
 LM, LL ■ = Accept (accept the risk and have no controls)

Risk Assessment Report

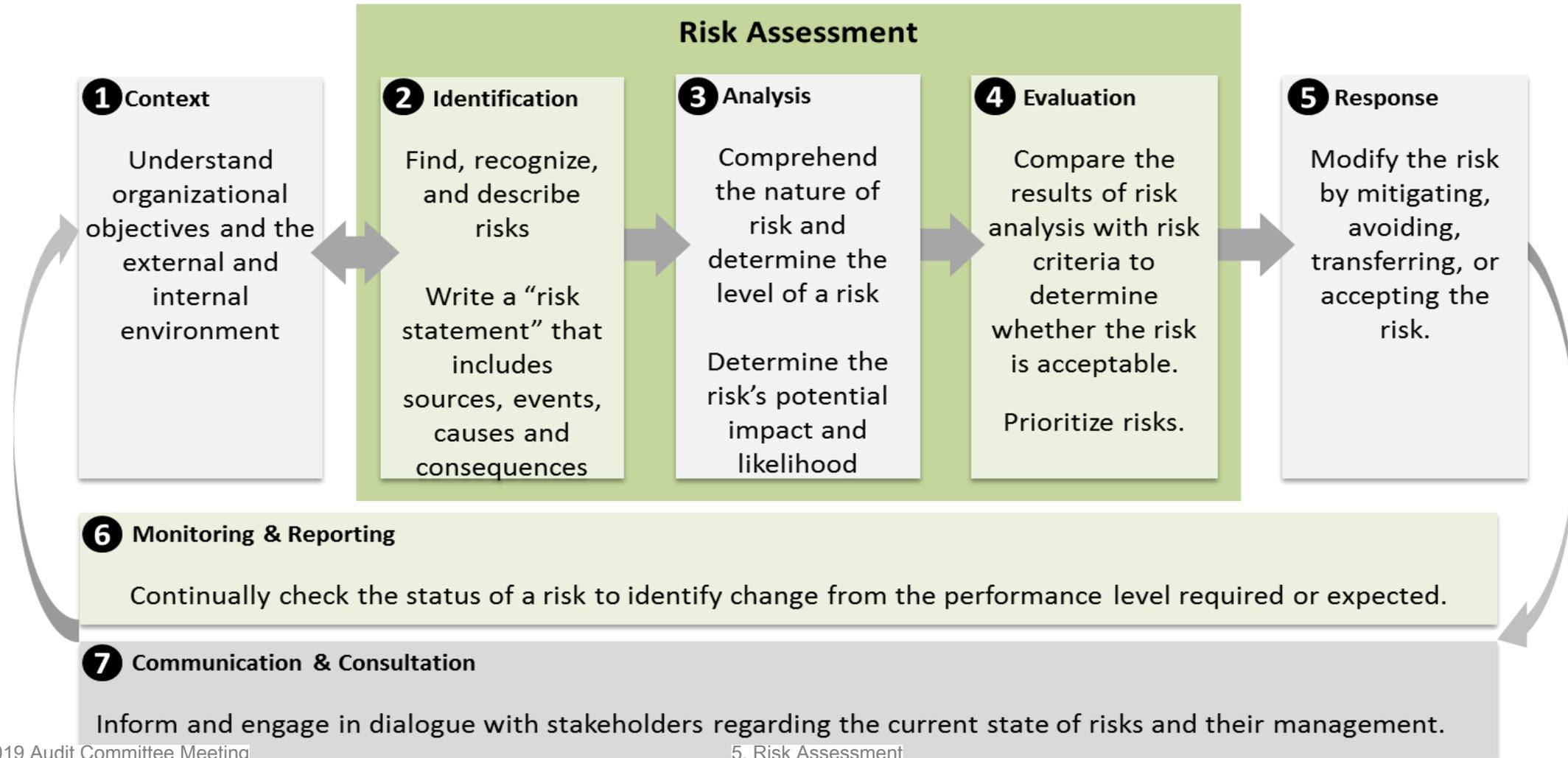
Audit Committee

Raaj Kurapti
Chief Financial Officer

March 6, 2019
University Center



- Risk Assessment is a framework for organizing ideas and concerns about potential risks within an organization, department, or process.
- Often combined with a “control assessment” to show how policies and practices help mitigate the risks (or fail to do so).
- ERM – A structured, consistent and continuous process across the whole organization for identifying, assessing, deciding on responses to and reporting on opportunities and threats (risks) that affect the achievement of its objectives.



Why is ERM necessary ?

- Fundamental to organizational control and a critical part of providing sound corporate governance
- Essential element of strategic management
- Important component in achieving objectives
- Increases efficiency and effectiveness of operations
- **Ensure compliance with Tennessee Financial Integrity Act (TCA 9-18-102)**

- Crawford Model, a color coded method for identifying and rating risks based on *Impact and Probability*
 - Red = High
 - Yellow = Medium
 - Green = Low
- Changes in 2018 –
 - i. Ten Major processes evaluated
 - ii. Student Services and Enrollment Services, previously considered one process, now identified as two separate processes
 - iii. Expanded faculty involvement from ~ 50 Deans and Chairs

- ‘Bottom-up’ approach by facilitated discussion with process owners and department leaders.
- Process level risks identified and rated – Risk Footprint
- Process level controls identified – Control Footprint
- Senior management and President’s council review process level Risk Footprints
- Compile Enterprise Risk Footprint – summary of significant risks affecting the University
- Inventory of Mitigating Controls for Enterprise Risks

Mitigating Controls/Strategies in place to manage the following risks:

- Lack of adequate research spaces
- Serious violation from decentralized compliance
- Data Breach/ Sensitive Data Exposure
- Failure to effectively utilize IT security awareness principles
- Significant Enrollment decline and lack of growth in retention
- Reduction in available student financial aid negatively affecting student affordability
- Inadequate resources to support the growth of innovative programs
- Lack of sufficient affordable and desirable housing options for students
- Title IX non-compliance

Risk: Lack of adequate research spaces

- Pursue funding for a STEM facility through state appropriations
- Process to request space reassignment through the Office of Space planning and utilization

Risk: Serious violation from decentralized compliance

- Creation of Compliance Council to facilitate compliance coordination among various departments
- Designation and establishment of compliance communication lines, functions and protocols

Risk: Data Breach/Sensitive Data Exposure and failure to effectively utilize IT Security Awareness Principles

- Information Security Program (i.e technologies and policies on Acceptable Use of IT Resources, Data Access and Data Security.

Questions/Comments

6. Summary of Audit Reports Issued

For Discussion

Presented by Vicki Deaton

Report to the Audit Committee of the Board of Trustees

Report
For Information

Date: March 6, 2019
Committee: Audit Committee
Report Title: Summary of Audit Reports Issued
Presented by: Vicki D. Deaton, Chief Audit Executive

Synopsis:

Two audit reports were issued this quarter - the Athletics – Team Travel Expenses Audit and the Department of Economics Financial and Compliance Audit. Both report opinions were Effective with the Opportunity for Improvement.

Audit Reports Issued - 3rd 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
Athletics - Team Travel Expenses	12/19/2018	Effective with the Opportunity for Improvement	1	4	0	0	0
Department of Economics Financial and Compliance Audit	2/13/2019	Effective with the Opportunity for Improvement	1	3	1	0	0

Audit Committee

Vicki D. Deaton
Chief Audit Executive

March 6, 2019
University Center



Report: Summary of Audit Reports Issued

Audit Reports Issued - 3rd 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
Athletics - Team Travel Expenses	12/19/2018	Effective with the Opportunity for Improvement	1	4	0	0	0
Department of Economics Financial and Compliance Audit	2/13/2019	Effective with the Opportunity for Improvement	1	3	1	0	0

Report: Summary of Fraud, Waste, and Abuse Reports

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

Summary of FWA Reports

UofM Fraud, Waste, and Abuse Report Summary 3rd 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
19-007	11/10/2018	Internal Audit FWA Report	Possible Student Privacy Violation	Referred to Provost Office	Per Provost Office: No FERPA Violation, Final Report Pending	NA	2/15/2019	
19-008	12/6/2018	Internal Audit FWA Report	Waste of Resources Related to Properties	Referred to Division of Operations & Facilities	Per Division of Operations & Facilities: Winter Maintenance Procedures Appropriate for Facilities	NA	2/15/2019	
19-009	12/17/2018	TN Comp Hotline (allegations reported to TN Comp in July & August 2018)	Illegal Lobbying Activities	Memo Issued-Case Closed	No Evidence of Illegal Lobbying Activities	NA	2/22/2019	
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	Internal Audit Investigation	ongoing			

Report: Audit Issue Follow Up

All the action plans addressing audit issues from the Center for Applied Earth Science and Engineering Research (CAESER) Financial and Compliance Audit, Sponsored Research Disclosure of Financial Interest Policy Compliance Audit, and the Athletics – Team Travel Expense 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 February, 2019)
8/6/2018	Center for Applied Earth Science and Engineering Research (CAESER) Financial and Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	CAESER 1	Insufficient Controls over Sponsored Research Financial Conflict of Interest Forms	Minor = Verbally Addressed	Dr. Brian Waldron, Director - CAESER	Complete
8/6/2018	Center for Applied Earth Science and Engineering Research (CAESER) Financial and Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	CAESER 2	Insufficient Controls over Annual Financial Responsibility Certifications	Minor = Verbally Addressed	Dr. Brian Waldron, Director - CAESER	Complete
11/30/2018	Sponsored Research Disclosure of Financial Interest Policy Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	Sponsored Research Financial Disclosure 1	Insufficient Controls over Sponsored Research Financial Conflict of Interest Disclosures	Minor = Effective with Opportunity for Improvement	Heather Winters, Senior Director of Research Administration	Complete
11/30/2018	Sponsored Research Disclosure of Financial Interest Policy Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	Sponsored Research Financial Disclosure 2	Insufficient Controls over Subrecipient Compliance with Sponsored Research Financial Conflict of Interest Disclosures	Minor = Effective with Opportunity for Improvement	Heather Winters, Senior Director of Research Administration	Complete
11/30/2018	Sponsored Research Disclosure of Financial Interest Policy Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	Sponsored Research Financial Disclosure 3	Insufficient Controls over Subrecipient Compliance with Sponsored Research Financial Conflict of Interest Disclosures	Minor = Effective with Opportunity for Improvement	Heather Winters, Senior Director of Research Administration	Complete
12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 1	Insufficient Travel Controls - Lack of Travel with the Tigers Documentation	Minor = Effective with Opportunity for Improvement	Eric Sabin, Senior Associate Athletic Director of Athletic Business Office	Complete
12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 2	Insufficient Travel Controls - Inadequate Travel with the Tigers Collection Procedures	Minor = Effective with Opportunity for Improvement	Brock McWhorter, Coordinator of Business Operations and Gift Processing	Complete
12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 3	Insufficient Travel Controls - Incomplete and Inaccurate Team Travel Rosters	Minor = Effective with Opportunity for Improvement	Justin Fenlon, Travel Coordinator - Athletic Business Office	Complete
12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 4	Insufficient Travel Controls - Unsigned Charter Flight Manifests	Minor = Effective with Opportunity for Improvement	Justin Fenlon, Travel Coordinator - Athletic Business Office	Complete

6. Summary of Audit Reports Issued

Report: External Audit Report Received

Independent Accountants' Report on the Application of Agreed-Upon Procedures to the University of Memphis' Intercollegiate Athletics Program Statement of Revenues and Expenses

- The Agreed-Upon Procedures evaluated compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018, and was performed by the Tennessee Comptroller of the Treasury's Division of State Audit.
- No opinion was expressed on compliance with NCAA requirements. The final report was corrected to reflect a change in procedures related to institutional and Foundation endowments.

Report: External Audit Report Received

University of Memphis Hazardous Waste Inspection Report, performed by Tennessee Department of Environment and Conservation (TDEC) Division of Solid Waste Management

- The report identifies 4 violations of state regulations from the inspection performed on November 28, 2018. Violations cited by TDEC focused primarily on labeling of hazardous waste, used oil, and universal waste.
- The cited items were corrected rapidly, some at the time of the inspection, and no civil penalties were assessed.

7. Summary of Investigations

For Discussion

Presented by Vicki Deaton

Report to the Audit Committee of the Board of Trustees

Report For Information

Date: March 6, 2019
Committee: Audit Committee
Report Title: Summary of Investigations Completed
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 this quarter. Two of the reports were referred to other University Offices for resolution. Both of the referred reports are resolved. One investigation report was issued by Internal Audit this quarter, and two investigations by Internal Audit are in progress.

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.

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

UofM Investigation Summary 3rd 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
19-007	11/10/2018	Internal Audit FWA Report	Possible Student Privacy Violation	Referred to Provost Office	Per Provost Office: No FERPA Violation, Final Report Pending	NA	2/15/2019	
19-008	12/6/2018	Internal Audit FWA Report	Waste of Resources Related to Properties	Referred to Division of Operations & Facilities	Per Division of Operations & Facilities: Winter Maintenance Procedures Appropriate for Facilities	NA	2/15/2019	
19-009	12/17/2018	TN Comp Hotline (allegations reported to TN Comp in July & August 2018)	Illegal Lobbying Activities	Memo Issued-Case Closed	No Evidence of Illegal Lobbying Activities	NA	2/20/2019	
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	Internal Audit Investigation	ongoing			

8. Audit Issues Follow-Up

For Discussion

Presented by Vicki Deaton

Report to the Audit Committee of the Board of Trustees

Report
For Information

Date: March 6, 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 Center for Applied Earth Science and Engineering Research (CAESER) Financial and Compliance Audit, Sponsored Research Disclosure of Financial Interest Policy Compliance Audit, and the Athletics – Team Travel Expense Audit have been completed.

Action Plan Estimated Completion Date	Name of Audit	Date of Audit Report	Audit Engagement Opinion	Issue #
8/6/2018	Center for Applied Earth Science and Engineering Research (CAESER) Financial and Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	CAESER 1
8/6/2018	Center for Applied Earth Science and Engineering Research (CAESER) Financial and Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	CAESER 2
11/30/2018	Sponsored Research Disclosure of Financial Interest Policy Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	Sponsored Research Financial Disclosure 1
11/30/2018	Sponsored Research Disclosure of Financial Interest Policy Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	Sponsored Research Financial Disclosure 2
11/30/2018	Sponsored Research Disclosure of Financial Interest Policy Compliance Audit	8/6/2018	Effective with Opportunity for Improvement	Sponsored Research Financial Disclosure 3
12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 1
12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 2
12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 3

12/31/2018	Athletics - Team Travel Expense Audit	12/19/2018	Effective with Opportunity for Improvement	Athletics Team Travel 4
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Issue Description	Issue Rating	Party Responsible for Action Plan Completion	Current Status (as of February, 2019)
Insufficient Controls over Sponsored Research Financial Conflict of Interest Forms	Minor = Verbally Addressed	Dr. Brian Waldron, Director - CAESER	Complete
Insufficient Controls over Annual Financial Responsibility Certifications	Minor = Verbally Addressed	Dr. Brian Waldron, Director - CAESER	Complete
Insufficient Controls over Sponsored Research Financial Conflict of Interest Disclosures	Minor = Effective with Opportunity for Improvement	Heather Winters, Senior Director of Research Administration	Complete
Insufficient Controls over Subrecipient Compliance with Sponsored Research Financial Conflict of Interest Disclosures	Minor = Effective with Opportunity for Improvement	Heather Winters, Senior Director of Research Administration	Complete
Insufficient Controls over Subrecipient Compliance with Sponsored Research Financial Conflict of Interest Disclosures	Minor = Effective with Opportunity for Improvement	Heather Winters, Senior Director of Research Administration	Complete
Insufficient Travel Controls - Lack of Travel with the Tigers Documentation	Minor = Effective with Opportunity for Improvement	Eric Sabin, Senior Associate Athletic Director of Athletic Business Office	Complete
Insufficient Travel Controls - Inadequate Travel with the Tigers Collection Procedures	Minor = Effective with Opportunity for Improvement	Brock McWhorter, Coordinator of Business Operations and Gift Processing	Complete
Insufficient Travel Controls - Incomplete and Inaccurate Team Travel Rosters	Minor = Effective with Opportunity for Improvement	Justin Fenlon, Travel Coordinator - Athletic Business Office	Complete

Insufficient Travel Controls - Unsigned Charter Flight Manifests	Minor = Effective with Opportunity for Improvement	Justin Fenlon, Travel Coordinator - Athletic Business Office	Complete
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9. External Audit Report-NCAA Agreed Upon Procedures

For Discussion

Presented by Vicki Deaton

Report to the Audit Committee of the Board of Trustees

The University of Memphis Audit Committee
Report
For Information

Date: March 6, 2019

Committee: Audit Committee

Report Title: External Audit Report 3rd Quarter FY2019

Presented by: Vicki D. Deaton, Chief Audit Executive

Report Synopsis:

The University is subject to external audits, program reviews, and similar activities by various agencies and other organizations. According to Policy GE2016 Notification of External Audits and Reviews, it is the responsibility of the primary contact person for the program or activity being reviewed to notify Internal Audit of an external audit or review as early in the process as possible. After the audit or review is complete, the primary contact will usually receive notice of the results in writing. The primary contact (or designee) should forward a copy of the results to Internal Audit. The responsibility for Internal Audit under this policy includes reporting occurrences of external reviews and audits to the Audit Committee, Division of State Audit and others as the circumstances may dictate.

This quarter, Internal Audit received an Independent Accountants' Report on the Application of Agreed-Upon Procedures to the University of Memphis' Intercollegiate Athletics Program Statement of Revenues and Expenses. The Agreed-Upon Procedures evaluated compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018, and was performed by the Tennessee Comptroller of the Treasury's Division of State Audit.

No opinion was expressed on compliance with NCAA requirements. The final report was corrected to reflect a change in procedures related to institutional and Foundation endowments.



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

January 15, 2019

Dr. David Rudd, President
The University of Memphis

Dear Dr. Rudd:

Transmitted herewith is the report on the results of certain agreed-upon procedures applied to the statement of revenues and expenses of the intercollegiate athletics programs at The University of Memphis.

Sincerely,

A handwritten signature in cursive script that reads "Deborah V. Loveless".

Deborah V. Loveless, CPA, Director
Division of State Audit

cc: Ms. Vicki Deaton
Chief Audit Executive

Mr. Mike Batson
Chief Audit Executive
System-wide Internal Audit
Tennessee Board of Regents



JUSTIN P. WILSON
Comptroller

JASON E. MUMPOWER
Deputy Comptroller

Independent Accountants' Report on the Application of Agreed-upon Procedures

Dr. David Rudd, President
The University of Memphis

Dear Dr. Rudd:

We have performed the procedures enumerated below, which were agreed to by institution management, solely to assist you in evaluating whether the accompanying statement of revenues and expenses of The University of Memphis' Intercollegiate Athletics Programs is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.15 for the year ended June 30, 2018. The institution's management is responsible for the statement of revenues and expenses (statement) and the statement's compliance with those requirements. The sufficiency of these procedures is solely the responsibility of the management of the institution. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Exceptions totaling the lesser of \$25,000 or 10% of the line item total to which an agreed-upon procedure has been applied have not been reported. The procedures that we performed and our findings are as follows:

Agreed-upon Procedures Related to the Statement of Revenues and Expenses

Procedure	Results
<u>Revenues</u> <ul style="list-style-type: none">Obtain the summary of revenues and expenses for or on behalf of intercollegiate athletics programs for affiliated and outside organizations prepared by the institution. Recalculate the addition of the amounts on the summary and compare the summary information with the amounts on the statement.	There were no outside organizations not under the control of the institution.

- Obtain the statement of revenues and expenses of the athletic programs and related notes for the year ended June 30, 2018, as prepared by management. Compare the amounts reported on the statement with the institution's general ledger.

No exceptions noted.
- Compare and agree each operating revenue category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4% of the total revenues, no other procedures were performed for that specific category.

No exceptions noted.
- Compare and agree a sample of operating revenue receipts from the operating revenue supporting schedules to adequate supporting documentation.

No exceptions noted.
- Compare each major revenue account over 10% of the total revenues to prior-period amounts and with budget estimates. Obtain and document management's explanation for any variations greater than 10%. Report the analysis as a supplement to the final Agreed-upon Procedures Report.

No exceptions noted.
- Compare tickets sold during the reporting period, complimentary tickets provided during the reporting period, and unsold tickets to the related revenue reported by the institution in the statement and the related attendance figures and recalculate totals.

No exceptions noted.
- Compare and agree student fees reported by the institution in the statement to student enrollments during the same reporting period and recalculate totals.

No exceptions noted.
- If the athletics department is reporting that an allocation of student fees should be countable as generated revenue, recalculate the totals of the department's methodology for supporting that it is able to count each sport. Agree the calculation to supporting documents such as

No exceptions noted.

seat manifests, ticket sales reports, and student fee totals.

- Compare direct state or other governmental support recorded by the institution during the reporting period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation and recalculate totals. As the institution does not receive direct state or other governmental support for athletics, this step was not applicable.
- Compare the direct institutional support recorded by the institution during the reporting period with the institutional supporting budget transfers documentation and other corroborative supporting documentation and recalculate totals. No exceptions noted.
- Compare the transfers back to institution with permanent transfers back to institution from the athletics department and recalculate totals. No transfers back to institution were reported; therefore, this step was not performed.
- Compare the indirect institutional support recorded by the institution during the reporting period with expense payments, cost allocation detail, and other corroborative supporting documentation and recalculate totals. No exceptions noted.
- Select a sample of settlement reports for away games during the reporting period and agree each selection to the institution's general ledger and/or the statement and recalculate totals. As this revenue stream was less than 4% of total revenues, this step was not performed.
- Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests during the reporting period and compare and agree each selection to the institution's general ledger and/or the statement and recalculate totals. As this revenue stream was less than 4% of total revenues, this step was not performed.
- Any contributions of moneys, goods, or services received directly by an intercollegiate athletics program from any affiliated or outside organization, agency, or group of individuals (two or more) not included elsewhere (e.g., contributions by corporate sponsors) that No exceptions noted.

constitutes 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting periods shall be disclosed in the notes to the statement of athletics department revenues and expenses. Obtain and review supporting documentation for each contribution and recalculate totals.

- Compare the in-kind contributions recorded by the institution during the reporting period with a schedule of in-kind donations and recalculate the totals.
- Obtain the summary of revenues from affiliated and outside organizations (the “Summary”) as of the end of the reporting period from the institution and select a sample of funds for compensation and benefits from the Summary and compare and agree each selection to supporting documentation and/or the institution’s general ledger and recalculate totals.
- Obtain and inspect agreements for the institution’s total media rights as reported in the statement. Compare and agree the media rights revenues to a summary statement of all media rights identified, if applicable, and the institution’s general ledger and recalculate the totals. Ledger totals may be different for total conference distributions if media rights are not broken out separately.
- Compare the amounts recorded in the revenue and expense reporting to general ledger detail for NCAA distributions and other corroborative supporting documents and recalculate totals.
- Obtain and inspect agreements related to the institution’s conference distributions and participation in revenues from tournaments during the reporting period. Compare and agree the related revenues to the institution’s general ledger and/or statement and recalculate totals.

No exceptions noted.

No coaches or staff are paid by an affiliate or outside organization; therefore, this step was not performed.

As the institution did not report any media rights revenues, this step was not applicable.

As this revenue stream was less than 4% of total revenues, this step was not performed.

As this revenue stream was less than 4% of total revenues, this step was not performed.

- Compare the amount recorded in the revenue reporting category to a general ledger detail of program sales, concessions, novelty sales, and parking as well as any other corroborative supporting documents and recalculate totals. As this revenue stream was less than 4% of total revenues, this step was not performed.
- Obtain and inspect agreements related to the institution's participation in revenues from royalties, licensing, advertisements, and sponsorships during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or the statement and recalculate totals. No exceptions noted.
- Inspect sports camp contract(s) between the institution and person(s) conducting institution sports camps or clinics during the reporting period. Obtain schedules of camp participants and select a sample of individual camp participant cash receipts from the schedule of sports camp participants. Agree each selection with the institution's general ledger and/or the statement and recalculate totals. As the institution did not report any sports camp revenues, this step was not applicable.
- Obtain and inspect the institution's endowment agreements. Compare the classification and use of endowment and investment income reported in the statement during the reporting period to the uses of income defined within the related endowment agreement and recalculate totals. As this revenue stream was less than 4% of total revenues, this step was not performed.
- Obtain and inspect agreements related to the institution's revenues from post-season bowl participation during the reporting period. Compare and agree the related revenues to the institution's general ledger and/or the statement and recalculate totals. As this revenue stream was less than 4% of total revenues, this step was not performed.

Expenses

- Compare and agree each operating expense category reported in the statement during the reporting period to supporting schedules provided by the institution. If a specific reporting category is less than 4% of the total expenses, no other procedures were performed for that specific category. No exceptions noted.

- Compare and agree a sample of expenses from the operating expense supporting schedules to adequate supporting documentation. No exceptions noted.
- Compare each major expense account over 10% of the total expense to prior-period amounts and with budget estimates. Obtain and document management's explanation for any variations greater than 10%. Report the analysis as a supplement to the final Agreed-upon Procedures Report. No exceptions noted.
- Select a sample of students from the listing of institutional student aid recipients during the reporting period. Data should be captured by the institution through the creation of a squad/eligibility list for each sponsored sport. Obtain individual student-account detail for each selection and compare total aid in the institution's student system to the student's detail in Compliance Assistance (CA) or the institution report that ties directly to the NCAA Membership Financial Reporting System. Confirm information for each student selected was reported accurately in either the NCAA's CA software or entered directly into the NCAA Membership Financial Reporting System using the appropriate criteria. Recalculate totals. No exceptions noted.
- Obtain and inspect visiting institution's away-game settlement reports received by the institution during the reporting period and agree related expenses to the institution's general ledger and/or the statement. Recalculate totals. Obtain and inspect contractual agreements pertaining to expenses recorded by the institution from guaranteed contests during the reporting period. Compare and agree related amounts expensed by the institution to the institution's general ledger and/or statement. Recalculate totals. As this expense category was less than 4% of total expenses, this step was not performed.
- Obtain and inspect a listing of coaches employed by the institution and related entities during the reporting period. Select a sample of coaches' contracts that must include football No exceptions noted.

and men's and women's basketball from the listing. Compare and agree the financial terms and conditions of each selection to the related coaching salaries, benefits, and bonuses recorded by the institution and related entities in the statement during the reporting period. Obtain and inspect payroll summary registers for the reporting year for each selection. Compare and agree payroll summary registers from the reporting period to the related coaching salaries, benefits and bonuses paid by the institution and related entities expense recorded by the institution in the statement during the reporting period. Compare and agree the totals recorded to any employment contracts executed for the sample section and recalculate totals.

- Obtain and inspect a listing of coaches employed by third parties during the reporting period. Select a sample of coaches' contracts that must include football and men's and women's basketball from the listing. Compare and agree the financial terms and conditions of each selection to the related coaching other compensation and benefits paid by a third party and recorded by the institution in the statement during the reporting period. Obtain and inspect reporting period payroll summary registers for each selection. Compare and agree related payroll summary register to the coaching other compensation and benefits paid by third-party expenses recorded by the institution in the statement during the reporting period. Recalculate totals.
- Select a sample of support staff/administrative personnel employed by the institution and related entities during the reporting period. Obtain and inspect reporting period summary payroll registers for each selection. Compare and agree related summary payroll register to the related support staff/administrative salaries, benefits and bonuses paid by the institution and related entities expense recorded by the

No employees were employed by third parties during the reporting period; therefore, this step was not performed.

No exceptions noted.

institution in the statement during the reporting period. Recalculate totals.

- Select a sample of support staff/administrative personnel employed by third parties during the reporting period. Obtain and inspect reporting period payroll summary registers to the related support staff/administrative other compensation and benefits expense recorded by the institution in the statement during the reporting period. Recalculate totals.
- Select a sample of employees receiving severance payments by the institution during the reporting period and agree each severance payment to the related termination letter or employment contract and recalculate totals.
- Compare and agree the institution's recruiting policies to existing institutional- and NCAA-related policies. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.
- Compare and agree the institution's team travel policies to existing institutional- and NCAA-related policies. Obtain general ledger detail and compare to the total expenses reported and recalculate totals.
- Obtain a listing of debt service schedules, lease payments, and rental fees for athletics facilities for the reporting year. Compare a sample of facility payments including the top two highest facility payments to additional supporting documentation (e.g., debt financing agreements, leases, rental agreements). Compare amounts recorded to amounts listed in the general ledger detail and recalculate totals.

No employees were employed by third parties during the reporting period; therefore, this step was not performed.

Although this expense category was less than 4% of total expenses, severance payments were reviewed; no exceptions noted.

As this expense category was less than 4% of total expenses, this step was not performed.

No exceptions noted.

No exceptions noted.

Additional agreed-upon procedures

- Compare and agree the sports sponsored as reported in the NCAA Membership Financial Reporting System to the Calculation of Revenue Distribution Equivalencies Report from Compliance Assistance or equivalent

No exceptions noted.

supporting equivalency calculations from the institution.

- Obtain the institution's Sports Sponsorship and Demographics Forms Report for the reporting year. Validate that the countable sports reported met the minimum requirement as set forth in the bylaws. Once countable sports have been confirmed, ensure that the institution has properly reported these sports as countable for revenue distribution purposes within the NCAA Membership Financial Reporting System.
- For Pell grants, agree the total number of Division I student-athletes who, during the academic year, received a Pell grant award and the total value of these Pell grants reported in the NCAA Membership Financial Reporting System to a report, generated out of the institution's financial aid records, of all student-athlete Pell Grants.

No exceptions noted.

No exceptions noted.

Other reporting items

- Obtain general ledger detail and compare to the total expenses reported as excess transfers to institution or conference realignment expenses to validate the existence of the transaction and accuracy of recording. Recalculate totals.
- Obtain repayment schedules for all outstanding intercollegiate athletics debt during the reporting period. Recalculate annual maturities (consisting of principal and interest) provided in the schedules obtained. Agree the total annual maturities and total outstanding athletic debt to supporting documentation and the institution's general ledger, as applicable.
- Agree the total outstanding institutional debt to supporting documentation and the institution's audited financial statements (if available), or the institution's general ledger.
- Obtain a schedule of all athletics-dedicated endowments maintained by athletics, the institution, and affiliated organizations. Agree

No exceptions noted. There were no excess transfers to the institution or conference realignment expenses.

No exceptions noted.

No exceptions noted. We made comparisons to the institution's audited financial statements.

No exceptions noted.

the fair value in the schedules to supporting documentation, the general ledger, and audited financial statements, if available. *(Edit as necessary.)*

- Agree the total fair value of institutional endowments to supporting documentation, the institution's general ledger, and audited financial statements, if available.
- Obtain a schedule of athletics-related capital expenses made by athletics, the institution, and affiliated organizations during the reporting period. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate the existence of the transaction and accuracy of recording. Recalculate the totals.

Institutional endowments were originally overstated by \$112,451,416 because Chairs of Excellence and trust funds not owned by the entity were included. The final report was corrected.

No exceptions noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying statement of revenues and expenses of The University of Memphis' Intercollegiate Athletics Programs for the year ended June 30, 2018. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the institution's management, and is not intended to be and should not be used by anyone other than the institution's management.

Sincerely,



Deborah V. Loveless, CPA, Director
Division of State Audit
January 15, 2019

**The University of Memphis
Department of Intercollegiate Athletics
Statement of Revenues and Expenses
For the Year Ended June 30, 2018**

	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Revenues						
Ticket sales	\$ 4,863,513	\$ 5,075,882	\$ 17,223	\$ 48,118	\$ -	\$ 10,004,736
Student fees	-	-	-	-	7,293,270	7,293,270
Direct institutional support	-	-	-	-	12,391,381	12,391,381
Indirect institutional support	-	-	-	-	2,743,623	2,743,623
Indirect institutional support - athletic facilities debt service, lease, and rental fees	-	628,996	-	-	-	628,996
Guarantees	-	-	-	16,800	-	16,800
Contributions	429,337	79,750	51,414	166,806	7,830,681	8,557,988
In-kind contributions	-	-	-	-	3,210,330	3,210,330
NCAA distributions	-	91,680	-	-	1,008,657	1,100,337
Conference distributions	-	1,886	1,996	1,000	3,651,178	3,656,060
Program, novelty, parking, and concession sales	557,264	218,860	2,340	-	-	778,464
Royalties, licensing, advertisements, and sponsorships	-	3,938	-	-	2,600,771	2,604,709
Athletics restricted endowment and investment income	-	-	14	1,125	1,680	2,819
Other operating revenues	37,270	41,249	-	80,657	1,121,102	1,280,278
Bowl revenues	1,139,739	-	-	-	-	1,139,739
Subtotal operating revenues	7,027,123	6,142,241	72,987	314,506	41,852,673	55,409,530

**The University of Memphis
Department of Intercollegiate Athletics
Statement of Revenues and Expenses
For the Year Ended June 30, 2018**

Expenses	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Athletics student aid	3,470,064	528,538	524,500	4,501,599	741,581	9,766,282
Guarantees	785,000	781,475	50,000	13,700	-	1,630,175
Coaching salaries, benefits, and bonuses paid by the university and related entities	6,187,476	3,866,121	814,725	2,315,714	-	13,184,036
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	642,821	295,245	188,186	32,213	4,974,607	6,133,072
Severance payments	-	405,280	-	-	-	405,280
Recruiting	411,452	138,587	94,022	184,106	-	828,167
Team travel	900,343	1,197,951	615,372	1,153,889	-	3,867,555
Sports equipment, uniforms, and supplies	697,498	239,107	109,983	894,411	116,655	2,057,654
Game expenses	1,421,858	2,410,350	12,787	171,406	-	4,016,401
Fundraising, marketing, and promotion	-	-	-	-	889,713	889,713
Spirit groups	-	-	-	-	131,542	131,542
Athletic facilities, debt service, leases, and rental fees	-	628,996	-	-	-	628,996
Direct overhead and administrative expenses	1,173,573	712,785	15,678	145,760	272,035	2,319,831
Indirect institutional support	-	-	-	-	2,743,623	2,743,623
Medical expenses and insurance	34,893	121,412	4,522	424	880,313	1,041,564
Membership and dues	2,350	1,235	800	6,400	17,227	28,012
Student-athlete meals (non-travel)	639,333	196,774	51,584	111,520	-	999,211
Other operating expenses	367,852	255,475	85,248	133,264	3,034,121	3,875,960
Bowl expenses	915,429	-	-	-	-	915,429
Subtotal operating expenses	17,649,942	11,779,331	2,567,407	9,664,406	13,801,417	55,462,503
Excess (deficiency) of revenues over (under) expenses	\$ (10,622,819)	\$ (5,637,090)	\$ (2,494,420)	\$ (9,349,900)	\$ 28,051,256	\$ (52,973)

The accompanying notes are an integral part of this statement.

Other Reporting Items:

Excess transfers to institution	\$ -
Conference realignment expenses	\$ -
Total athletics-related debt	\$ 12,944,794
Total institutional debt	\$ 151,153,445
Value of athletics-dedicated endowments	\$ 2,976,041
Value of institutional endowments	\$ 103,770,028
Total athletics-related capital expenses	\$ 8,308,695

**The University of Memphis
Intercollegiate Athletics Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2018**

NOTE 1. CONTRIBUTIONS

The University of Memphis Foundation office researched the donation records for donors to determine if any cumulatively gave 10% or more of all contributions to athletics. Nike, Inc. donated \$1,500,106 in apparel to athletics. There were no other donors during the fiscal year ended June 30, 2018 which met the 10% disclosure requirement.

NOTE 2. FOUNDATION REVENUES AND EXPENSES

Foundation funds are reported on the statement only to the extent these contributions were utilized by the athletic department in the current reporting period. For the year ended June 30, 2018, the University of Memphis Foundation transferred, disbursed, and/or recorded expense accruals for \$16,539,191 of athletic donations to the University of Memphis, various other vendors, and various athletic department employees to cover scholarships and other athletic department expenses.

The University of Memphis Foundation also recorded revenues and expenses in athletic accounts controlled by the foundation.

	<u>Football</u>	<u>Men's Basketball</u>	<u>Women's Basketball</u>	<u>Other Sports</u>	<u>Admin</u>	<u>TOTAL</u>
EXPENDITURES:						
Athletics Student Aid	\$3,470,064	\$528,538	\$524,500	\$2,675,218	\$ -	\$ 7,198,320
Other operating expenses	-	-	-		1,236,048	1,236,048
Capital expenditures	123,348	7,639,709	-	341,766		8,104,823
Total	<u>\$3,593,412</u>	<u>\$8,168,247</u>	<u>\$524,500</u>	<u>\$3,016,984</u>	<u>\$1,236,048</u>	<u>\$16,539,191</u>

Of the \$16,539,191 transferred by the University of Memphis Foundation, \$8,104,823 was for in-kind capital expenditures recorded in the University's Unexpended Plant Fund and is therefore not included in the Statement of Revenues and Expenses; however, this amount is included in the Total Athletics-related Capital Expenses under the Other Reporting Items section of the report.

NOTE 3. INDIRECT FACILITIES AND ADMINISTRATIVE SUPPORT

The statement of revenues and expenses includes an allocation for indirect facilities and administrative support for the year ended June 30, 2018. These allocations were not recorded on the University's records and are only estimates of the institutional costs. The calculations are based on criteria used by the University for allocating costs to auxiliary service units. They have been included only as required for NCAA reporting purposes.

Indirect facilities charges of \$1,215,944 were allocated to intercollegiate athletics for the period. The facilities support allocation is based on a comprehensive analysis of services for maintenance,

Notes to the Statement of Revenues and Expenses (Continued)

trash pickup, grounds, motor pool, custodial, and utilities. The calculation included a service cost estimate and an overhead cost estimate as if the expenses would be billed to an auxiliary service unit. Direct labor cost and materials were included in the total allocation amounts for grounds, maintenance, motor pool, and custodial services. Utilities, trash pickup, and overhead costs were estimated based on square footage of buildings to total expenses.

The indirect administrative support estimated and attributed to intercollegiate athletics for the year was \$1,529,207. The indirect administrative support allocation is based on the following formula:

Total unrestricted salaries before allocation
Less: net institutional support salaries not benefiting auxiliaries
Net salary base

Allocation percentage: auxiliary salaries/net salary base

The percentage is then applied to the total expenses of the departments benefiting auxiliary units to determine the total allocation. Each auxiliary unit then shares in the allocation based on their salaries as a percentage of total auxiliary unit salaries.

NOTE 4. CAPITAL ASSETS

Intercollegiate athletics is required to follow all of The University of Memphis policies and procedures for acquiring, approving, and disposing of capital assets. A University purchase order must be issued for purchases of \$5,000 or more for all equipment purchases. These purchases shall be based upon the principle of competitive bidding. Requisitioning and approving of purchases will begin in the athletic department and will then be forwarded to purchasing for the bidding and issuance of the purchase order. Consistent with University policy, the University Physical Plant Department is notified when any capital asset is no longer useful to the athletic department. The Physical Plant Department picks up the capital asset and places it in campus storage as surplus equipment. If the item cannot be used by another department on campus, the item is placed on a governmental website for sale to the general public.

Athletics capital assets, which include property, plant, and equipment, are reported in the statement of net assets at historical cost or at acquisition value at date of donation, less accumulated depreciation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized.

A capitalization threshold of \$100,000 is used for buildings, and \$50,000 is used for infrastructure. Equipment is capitalized when the unit acquisition cost is \$5,000 or greater. The capitalization threshold for additions and improvements to buildings and land is set at \$50,000. The capitalization threshold for software is set at \$100,000.

These assets are depreciated using the straight-line method over the estimated useful lives, which range from 5 to 60 years.

The University of Memphis has determined that only a portion of the Physical Education Building and Field House is directly assigned to Athletics and has prorated the value of the building accordingly.

Notes to the Statement of Revenues and Expenses (Continued)

NOTE 5. DEBT

The University of Memphis has debt service requirements for the Physical Education Building and the Indoor Football Practice Facility—for which debt was issued in FY18. The University determined that only a portion of the Physical Education Building is directly assigned to Athletics and has prorated the debt for the building accordingly. Debt service requirements to maturity for bonds payable at June 30, 2018, for athletic related debt are as follows:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 887,502.16	\$ 487,560.75	\$ 1,375,062.91
2020	933,162.00	449,434.38	1,382,596.38
2021	981,172.97	408,682.63	1,389,855.60
2022	1,011,706.39	365,076.81	1,376,783.20
2023	1,015,755.99	319,380.29	1,335,136.28
2024 - 2028	5,924,629.55	823,811.01	6,748,440.56
2029 - 2030	573,881.64	21,492.41	595,374.04
Total	\$11,327,810.70	\$2,875,438.28	\$14,203,248.99

Supplemental Schedule: Revenues and Expenses Analytical Review

	2018 Actual	2017 Actual	2018 Budget	Prior-Year Comparison		Budget vs. Actual Comparison	
				\$ Difference	% Difference	\$ Difference	% Difference
Operating revenues:							
Ticket sales	\$ 10,004,736.00	\$ 8,804,547.00	\$ 9,424,971.00	\$ 1,200,189.00	13.63% ¹	\$ 579,765.00	6.15%
Student fees	7,293,270.00	7,488,847.00	7,309,700.00	(195,577.00)	-2.61%	(16,430.00)	-0.22%
Direct institutional support	12,391,381.00	8,215,485.00	8,111,041.00	4,175,896.00	50.83% ²	4,280,340.00	52.77% ²
Contributions (contributions and in-kind)	11,768,318.00	9,279,348.00	10,116,000.00	2,488,970.00	26.82% ³	1,652,318.00	16.33% ³
10% of Revenues	\$ 5,540,953.00						
Operating expenses:							
Athletic student aid	\$ 9,766,282.00	\$ 8,427,741.00	\$ 8,854,000.00	\$ 1,338,541.00	15.88% ⁴	\$ 912,282.00	10.30% ⁴
Coaching salaries, benefits, and bonuses paid by the university and related entities	13,184,036.23	12,899,581.00	11,365,129.00	284,455.23	2.21%	1,818,907.23	16.00% ⁵
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	6,133,072.06	5,599,748.00	5,745,246.00	533,324.06	9.52%	387,826.06	6.75%
10% of Expenses	\$ 5,546,250.33						

Footnotes:

¹ - Football season ticket prices increased in 2018. Although men's basketball season ticket sales declined, football bowl revenues were significant as the game was played in Memphis.

² - Shortfalls in basketball ticket revenue were projected as early as October 2017. A one-time subsidy was approved by the university administration in addition to other shortfall measures taken. In addition, direct institutional support was affected by contractual salaries and severance payments.

³ - Penny Hardaway was announced as the new Men's Basketball coach. This announcement prompted season ticket sales (the contributions related to ticket sales) to soar in the spring of 2018.

⁴ - In the past, summer financial aid for athletes had been recognized in the following fiscal year; however, the amounts should have been accrued as a portion of the summer falls in the prior fiscal year. In 2018, these expenses were allocated correctly.

⁵ - The severance payment for the former men's basketball coach and the hiring of a new head coach had not been included in the budget process.

10. External Audit Report-Hazardous Waste

For Discussion

Presented by Vicki Deaton

Report to the Audit Committee of the Board of Trustees

The University of Memphis Audit Committee
Report
For Information

Date: March 6, 2019

Committee: Audit Committee

Report Title: External Audit Report 3rd Quarter FY2019

Presented by: Vicki D. Deaton, Chief Audit Executive

Report Synopsis:

The University is subject to external audits, program reviews, and similar activities by various agencies and other organizations. According to Policy GE2016 Notification of External Audits and Reviews, it is the responsibility of the primary contact person for the program or activity being reviewed to notify Internal Audit of an external audit or review as early in the process as possible. After the audit or review is complete, the primary contact will usually receive notice of the results in writing. The primary contact (or designee) should forward a copy of the results to Internal Audit. The responsibility for Internal Audit under this policy includes reporting occurrences of external reviews and audits to the Audit Committee, Division of State Audit and others as the circumstances may dictate.

This quarter, Internal Audit received a Hazardous Waste Inspection Report for the University of Memphis from the Tennessee Department of Environment and Conservation (TDEC) Division of Solid Waste Management. The report identifies 4 violations from the inspection performed on November 28, 2018. Violations cited by TDEC focused primarily on labeling of hazardous waste, used oil, and universal waste. The cited items were corrected rapidly, some at the time of the inspection, and no civil penalties were assessed.



**TENNESSEE DEPARTMENT OF ENVIRONMENT AND CONSERVATION
MEMPHIS ENVIRONMENTAL FIELD OFFICE**

**8383 WOLF LAKE DRIVE
BARTLETT, TN 38133-4119**

PHONE (901) 371-3000 STATEWIDE 1-888-891-8332 FAX (901) 371-3170

January 7, 2019

CERTIFIED MAIL: 91 7108 2133 3932 1074 2994

RETURN RECEIPT REQUESTED

Alton Simpson
University of Memphis
414 JM Smith Hall
Memphis, TN 38152

RE: Hazardous Waste Inspection Report
University of Memphis-Life Sciences Building
3774 Walker Ave
Memphis, TN 38111
TND 98-777-6358

Dear Mr. Simpson:

On November 28, 2018, the Division of Solid Waste Management (DSWM) conducted a Hazardous Waste Compliance Evaluation Inspection (CEI) at the above referenced facility. The CEI was conducted to evaluate the facility's compliance with the *Tennessee Hazardous Waste Management Act*, T.C.A. §68-212-101 et seq., with the *Used Oil Collection Act of 1993* T.C.A. 68-211, Part 10, and with Tennessee's Hazardous Waste Regulations (Division Rule Chapter 0400-12-01) promulgated pursuant to those Acts.

The enclosed report outlines four violations identified during the inspection. On November 29, 2018, and January 4, 2019, the University of Memphis submitted documentation to the DSWM that demonstrated that all four violations have been corrected. Please keep in mind that a return to compliance does not necessarily eliminate possible future enforcement action.

The DSWM appreciates the courtesy and cooperation shown by the University of Memphis during this inspection. If you have any questions concerning this letter or the enclosed report, please do not hesitate to contact me at (901) 543-7829 or Christina.Perez@TN.Gov.

Hazardous Waste Inspection Report
University of Memphis-Life Sciences Building
January 7, 2019
Page 2

Sincerely,



Christina Perez
State of Tennessee
Division of Solid Waste Management
Memphis Environmental Field Office

Enclosure: Hazardous Waste Inspection Report

Attachment A: Inspection Photographs

c: Christina Perez, DSWM, Memphis Environmental Field Office

ec: Central File, Nashville Central Office
Norma Branch, DSWM, Memphis Environmental Field Office
Ashley Holt, DSWM, Nashville Central Office
Lisa Hughey, DSWM, Nashville Central Office
Chris Lagan, DSWM, Nashville Central Office

HAZARDOUS WASTE INSPECTION REPORT

University of Memphis-Life Sciences Building

SITE/PHYSICAL LOCATION

University of Memphis
Life Sciences Building
3774 Walker Avenue
Memphis, TN 38111
TND 98-777-6358
County: Shelby

PRIMARY CONTACT

Mr. Alton Simpson
University of Memphis
414 JM Smith Hall
Memphis, TN 38152
Telephone: (901) 678-4672
E-mail: ASimpson@Memphis.Edu

DATE AND START-TIME OF INSPECTION

Wednesday, November 28, 2018, 11:00AM CDT

INSPECTION PARTICIPANTS

Mr. Alton Simpson, Director of Environmental Health and Safety, University of Memphis
Mr. Erik Tyge, Manager of Hazardous Materials, University of Memphis
Ms. Lyndsey Saunders, Laboratory Coordinator, University of Memphis
Ms. Norma Branch, DSWM, Memphis Environmental Field Office
Ms. Christina Perez, DSWM, Memphis Environmental Field Office

REPORT PREPARED BY

Christina Perez
Division of Solid Waste Management
Memphis Environmental Field Office
8383 Wolf Lake Drive
Bartlett, TN 38133-4119
Telephone: (901) 543-7829

Fax: (901) 371-3170

E-mail: Christina.Perez@tn.gov

PURPOSE OF INSPECTION

This routine unannounced compliance evaluation inspection (CEI) was conducted to evaluate the University of Memphis-Life Sciences Building's (LSB) compliance with applicable requirements of the rules and regulations promulgated pursuant to Tennessee's Hazardous Waste Management Act T.C.A. 68-212, Parts 1 and 3, with the Used Oil Collection Act of 1993, T.C.A. 68-211, Part 10, and with the regulations adopted pursuant to those Acts. Inspection findings are based upon site observations, file review, and verbal and written information provided by facility personnel during the inspection, including the identification of all physical locations where wastes are generated and managed by the facility. The facility has the responsibility to advise the DSWM of any information in the report or attached letter that the facility deems to be incorrect or incomplete. Any such communication should be submitted to the Division within fifteen (15) days following receipt of this report.

The last unannounced CEI conducted at the facility by the DSWM was on May 6, 2008.

FACILITY DESCRIPTION

The LSB houses classrooms, offices, and laboratories for the University of Memphis' biology department. The North American Industry Classification System (NAICS) code most suitable for this facility is 611310-“Colleges, Universities, and Professional Schools.”

GENERATOR STATUS

At the time of the CEI, LSB was determined to be a large quantity generator (LQG) of hazardous waste and was evaluated in accordance with the appropriate regulatory standards.

HAZARDOUS WASTE STREAMS GENERATED

The facility's hazardous waste is generated primarily from laboratory work and discarded expired chemicals. At the time of the inspection, the LSB had seven active hazardous waste streams (WSs). Information regarding these WSs is summarized in Table 1.

INSPECTION FINDINGS

Facility Site Observations

The CEI consisted of a walk-through to inspect areas related to the management of hazardous waste, universal waste, and used oil; and a review of LSB hazardous waste records. One

hazardous waste storage area, several hazardous waste Satellite Accumulation Areas (SAAs), and universal waste storage areas were observed during this CEI.

Hazardous Waste Storage Area

Room 605

Two fire cabinets were observed within the hazardous waste storage area located in this room. Both cabinets were closed and filled with discarded lab chemicals. Neither cabinet was labeled for “Hazardous Waste” or had an accumulation start date. At the time of the inspection, one of the fire cabinets contained non-hazardous chemicals. The other fire cabinet contained one bottle of sodium nitrate and one bottle of potassium chromate. These two bottles of waste material were closed, but were neither properly labeled as “Hazardous Waste” nor marked with a waste accumulation date. Emergency contact information was posted in this area and a liquid spill kit was also present.

Satellite Accumulation Areas

Room 535

This SAA contained five one-gallon and two one-quart closed containers that were positioned under a vent hood, and labeled “Hazardous Waste”. According to facility personnel, weekly inspections are recorded for this SAA. Liquid spill kits were present within this lab.

Room 513A

SAAs in this room were located underneath three fume hoods. The first fume hood contained nine containers that were labeled as “Hazardous Waste” and closed. The second fume hood contained one closed container labeled as “Hazardous Waste”. The third fume hood had five closed containers placed within it labeled as “Hazardous Waste”. According to facility personnel, weekly inspection logs were recorded for these SAAs. A liquid spill kit was also present.

Room 405

This SAA had one five-gallon container that was closed and located under a table labeled “Methanol Waste”; and two containers located under a fume hood labeled as “Hazardous Waste” and closed.

Room 301A

This SAA contained four containers properly labeled “Hazardous Waste”. All four containers were closed and placed within containment containers. According to facility personnel, weekly inspection logs were conducted for this SAA.

Room 105

The SAA contained one five-gallon container that was closed and labeled “Hazardous Waste”.

Room 101

This SAA contained two containers that were closed and labeled as “Hazardous Waste”. According to facility personnel, weekly inspection logs are recorded for this area. Liquid spill kits were present.

Universal Waste Storage Area

Physical Plant-Maintenance Shop

This shop is used to provide maintenance to the university’s maintenance vehicles. DSWM staff observed the following items within this building:

- One forty-gallon rolling drip pan of used oil that was not properly labeled.
- One fifty-five-gallon drum of used oil that was not properly labeled.
- Four two-gallon used oil drip pans that were not properly labeled.

Physical Plant-Herzog

This storage area was used for used lamps, used electronics, and used batteries. DSWM staff observed the following items within this building:

- One small round container of used lamps that was closed, but not labeled properly.
- One medium round container of used lamps that was closed and labeled properly.
- Six large round closed containers of used lamps, with one of the six containers not labeled properly.
- One five-gallon pail of used lamps that was closed and labeled properly.
- Thirteen closed four-foot boxes of used lamps, with one of the thirteen boxes not labeled properly.
- One five-foot box of used lamps that was closed and labeled properly.
- Three boxes of used u-shaped lamps that were closed and labeled properly.
- One medium box of used lamps that was closed and labeled properly.
- Three 55-gallon drums of used oil, with one of the drums not labeled properly.

UM personnel properly labeled the necessary used lamp containers while DSWM staff was conducting the CEI.

Facility Records Review

The CEI finished with a review of LSB's hazardous waste records for the past three years. Hazardous waste shipping manifests and land disposal restriction notifications/certifications were adequately maintained.

The Annual Reports were maintained onsite. A Hazardous Waste Reduction Plan dated March 2018, was signed by management and appeared to be adequate. The University of Memphis's contingency plan was up to date and listed the necessary information for their emergency coordinator.

A Hazardous Waste Management and Lab Safety and Health training class was conducted in August 2018 for faculty and staff. Weekly inspection logs for the hazardous waste container storage area in Room 605 depicted that the inspection logs were time stamped and conducted within the seven day limit. The LSB facility was determined to be a LQG of hazardous waste for the years of 2017 and 2016 due to the generation of acute hazardous waste, and a SGQ of hazardous waste in 2015.

VIOLATIONS

During this CEI, violations of the following Rules were identified:

Violation #1-Rule 400-12-01.03(4)(e)2(ii) states: [40 CFR 262.34]

(4) Pre-transport Requirements

(e) Accumulation Time

2. Except as provided in parts 6, 7 and 8 of this subparagraph, a generator may accumulate hazardous waste on-site for 90 days or less without a permit or without having interim status, provided that:

(ii) The date upon which each period of accumulation begins is clearly marked and visible for inspection on each container.

Violation #1 Observation

DSWM staff observed two bottles of hazardous waste placed inside one of the fire cabinets in the hazardous waste storage area that did not have the accumulation start date marked on them. (see Attachment A, photo 1)

Action Taken

The University of Memphis personnel sent an email on January 4, 2019, to DSWM staff with a copy of a shipping manifest dated December 5, 2018, indicating the two containers of hazardous waste within the fire cabinet have been sent off for disposal.

Violation #2-Rule 400-12-01.03(4)(e)2(iii) states: [40 CFR 262.34]

(4) Pre-transport Requirements

(e) Accumulation Time

2. Except as provided in parts 6, 7 and 8 of this subparagraph, a generator may accumulate hazardous waste on-site for 90 days or less without a permit or without having interim status, provided that:

(iii) While being accumulated on-site, each container and tank is labeled or marked clearly with the words, "Hazardous Waste".

Violation #2 Observation

DSWM staff observed two bottles of hazardous waste placed inside one of the fire cabinets in the hazardous waste storage area that were not labeled "Hazardous Waste". (see Attachment A, photo 1)

Action Taken

The University of Memphis personnel sent an email on November 29, 2018 to DSWM staff with photos of the two bottles of hazardous waste depicting that they were both labeled "Hazardous Waste".

Violation #3-Rule 400-12-01-.12(2)(e)5 states: [40 CFR 273.14]

(2) Standards for Small Quantity Handlers of Universal Waste

3. Mercury-containing Equipment

(e) Labeling/Marking

1. Universal waste lamps (i.e., each lamp), or a container or package in which such lamps are contained must be labeled or marked clearly with any one of the following phrases: "Universal Waste-Lamp(s)" or "Waste Lamp(s)" or "Used Lamp(s)" or "Universal Waste-Bulb(s)" or "Waste Bulb(s)" or "Used Bulbs". Containers or packages destined for out of state shipment shall use the term "Lamps" in lieu of "Bulbs".

Violation #3 Observation

During the inspection, DSWM observed three boxes of used lamps not properly labeled. (see Attachment A, Photo 2)

Action Taken

The University of Memphis personnel labeled all the used lamp containers as “Universal Waste-Lamps” during the inspection on November 28, 2018, bringing the facility back into compliance with the regulation.

Violation #4-Rule 0400-12-01-.11(3)(c)3(i) states: [40 CFR 279.22]

(3) Standards for Used Oil Generators

(c) Used Oil Storage

3. Labels

- (ii) States that containers and above ground storage tanks used to store used oil at generator facilities must be labeled or marked clearly with the words “Used Oil”.

Violation #4 Observation

DSWM staff observed two 55-gallon drums, two drip pans, one 40-gallon drum, and one 35-gallon rolling drip pan not labeled “Used Oil”. (see Attachment A, Photo 3)

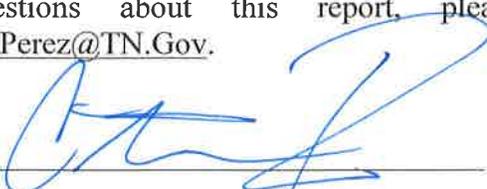
Action Taken

The University of Memphis personnel sent an email on November 29, 2018, to DSWM staff with photos depicting that the subject containers were labeled “Used Oil”, bringing the facility back into compliance with the regulation.

REMARKS/RECOMMENDATIONS:

The DSWM appreciates the University of Memphis’s cooperation during the CEI. If there are any questions about this report, please call (901) 543-7829 or e-mail at Christina.Perez@TN.Gov.

SIGNED: _____



DATE: _____

1/7/2019

Christina Perez, Hazardous Waste Inspector
State of Tennessee

Hazardous Waste Inspection Report
University of Memphis-Life Sciences Building
January 7, 2019
Page 10

Memphis Environmental Field Office
Division of Solid Waste Management

REVIEWED: Norma Branch DATE: 1/7/2019

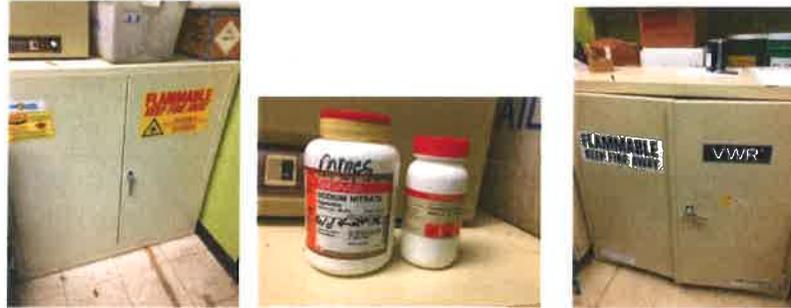
Norma Branch, Hazardous Waste Inspector
State of Tennessee
Memphis Environmental Field Office
Division of Solid Waste Management

REVIEWED: Herb Nicholson DATE: 1/7/2019

Herb Nicholson, P.G., CHMM, Environmental Field Office Manager
State of Tennessee
Memphis Environmental Field Office
Division of Solid Waste Management

**Attachment A
Rhodes College**

November 28, 2018



1. Two fire cabinets and two containers of material not properly labeled for “Hazardous Waste” and no accumulation start date.



2. Containers and boxes not properly labeled for “Used Lamps”.



3. Rolling drip pan, fifty-five gallon drums, and used oil drip pans not properly labeled for “Used Oil”.

TABLE 1

**The University of Memphis-Life Science Building
 TND98-777-6358**

Waste Stream Information

WS Number	Description	EPA Waste Codes
16	Lab Pack-Waste Corrosive Liquids	D001, D002, D003, D010
17	Lab Pack-Waste Flammable Liquids	D001, D002, D018, D022, F003, F005, U012
18	Lab Pack-"P" Listed Waste	P013, P042, P098, P105, P106, P119, D002
19	Lab Pack-Waste Reactive Liquids	D001, D003
20	Lab Pack- Waste Poisonous Liquids	D001, D002, D003, D011, D022, D030, D036, F004
21	Waste Oxidizing Liquid	D001, D002, D003, D007, D011
22	Lab Pack-Waste Mercury	D009

11. Additional Business

Presented by Carol Roberts

12. Adjournment