

March 2021 Audit Committee Meeting

Schedule	Tuesday, March 9, 2021 2:00 PM — 4:00 PM CST
Venue	Zoom Video Conference
Organizer	Sparkle Burns

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1. Call to Order and Opening Remarks

Presented by Susan Springfield

2. Roll Call and Declaration of Quorum

Presented by Melanie Murry

3. Approval of Meeting Minutes for November 30, 2020

For Approval

Presented by Susan Springfield

THE UNIVERSITY OF MEMPHIS

BOARD OF TRUSTEES

MINUTES OF THE AUDIT COMMITTEE MEETING

November 30, 2020

Memphis, TN

The Audit Committee of the University of Memphis met at 9 a.m. CST, on Monday, November 30, 2020 virtually using the video conferencing system Zoom.

I. CALL TO ORDER

Trustee Springfield called the meeting to order.

Trustee Springfield welcomed all the members of the Audit Committee and any additional Trustees present. Trustee Springfield expressed her appreciation for the University of Memphis leadership team for what they have done during the challenging time and the management they have done during the pandemic, while doing a great job of serving the students at the University and the University community.

II. ROLL CALL AND DECLARATION OF QUORUM

Trustee Springfield recognized Secretary Melanie Murry.

Secretary Murry asked each Trustee two questions, to verify if they could hear clearly and if they were alone. The following Trustees were present and verified that they could hear clearly and were alone.

Trustee Edwards
Trustee Graf
Trustee Johnson
Trustee Roberts
Trustee Springfield

Additional Trustees present:

Chairman North
Trustee Kemme

Secretary Murry announced the presence of a quorum.

III. APPROVAL OF MINUTES-AUGUST 26, 2020

Trustee Springfield called for a motion to approve the August 26, 2020 Audit Committee meeting minutes. The motion was made by Trustee Johnson and it was properly seconded.

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

IV. SUMMARY OF AUDIT REPORTS ISSUED

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

Ms. Deaton presented information on the summary of audit reports issued. There were five audit reports issued this quarter. Two of the reports were reports of action that the University was required to make on the fiscal year 2019 state audit findings from the financial and compliance audit. Both findings statuses were found to be completed and that was reported to the Tennessee Comptroller of the Treasury office.

Ms. Deaton presented a table of the summary of audit reports issued. The Contract Monitoring Controls Audit was completed in November. The controls were found to be effective but there were opportunities for improvement because several minor issues were found, and one issue was identified and labeled as moderate. Internal Audit has collaborated with management on the issues that were found, and corrective action plans have been received from management for those issues. Most of the corrective action plans were received from the Procurement and Contract Services office. The Department of Instruction and Curriculum Leadership Revenue and Expense Audit was a financially focused audit that geared toward revenues and expenditures. The report opinion was effective with the opportunity for improvement. Internal Audit identified minor issues and worked with the Administrative staff and the chair in the department to create corrective action plans. The final audit discussed was the Audit of President Expenses and this report opinion was determined to be effective by Internal Audit, with several observations made.

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

V. SUMMARY OF INVESTIGATIONS COMPLETED

Ms. Deaton presented the summary of investigations completed by Internal Audit. Ms. Deaton discussed the duties and the offices that comprise the Complaint Triage Team. This quarter there was one allegation assigned to the Office of Internal Audit and Consulting to be investigated. The spreadsheet presented by Ms. Deaton showed the investigation completed. The investigation dealt with leave reporting, but Internal Audit did not find any evidence of inaccurate leave reporting.

VI. EXTERNAL AUDIT REPORT-UNIVERSITY OF MEMPHIS FOUNDATION FINANCIAL STATEMENTS, 6/30/2020

Ms. Deaton presented the external audit report for the University of Memphis Foundation Financial Statements from June 30, 2020 and 2019. The University of Memphis Foundation (Foundation) was chartered in 1964 and is a not-for-profit tax-exempt corporation in Tennessee. The Foundation accepts and manages private support to the University of Memphis. The Foundation is a component unit of the University of Memphis and is discretely shown in the University's financial statements.

The Foundation hired Reynolds Bone & Griesbeck PLC, an independent CPA firm to complete the audit. Their opinion was issued on November 17, 2020 and stated that the financial statements were presented fairly. The auditors did not identify any deficiencies. The Government Auditing Standards require reporting of noncompliance, involving certain laws and regulations, contracts, and grant agreements. None was found in this audit.

VII. EXTERNAL AUDIT REPORT-UNIVERSITY OF MEMPHIS RESEARCH FOUNDATION FINANCIAL STATEMENTS, 6/30/2020

Ms. Deaton presented information on the University of Memphis Research Foundation Financial Statements, which were required to be completed as of June 30, 2020. The University of Memphis Research Foundation (UMRF) is a private, nonprofit organization that was established in 2006. The UMRF was created to develop and administer sponsored projects that are completed by faculty and staff of the University of Memphis. The UMRF's financial statements include the financial information from UMRF's wholly owned subsidiary, which is UMRF Ventures, Inc., that was established in 2017. The University is the sole beneficiary for the UMRF. The UMRF is a component unit of the University and is shown on the University's financial statements in its own column.

Fouts and Morgan, PC, an independent CPA firm, was hired to conduct the financial audit. The auditor's opinion dated September 30, 2020 stated that the financial statements were presented fairly. No deficiencies or instances of noncompliance that would need to be reported under Government Auditing Standards were identified.

VIII. EXTERNAL AUDIT REPORT-UNIVERSITY OF MEMPHIS AUXILIARY SERVICES FOUNDATION FINANCIAL STATEMENTS, 6/30/2020

Ms. Deaton presented the external audit report for the Auxiliary Services Foundation (Foundation). The Foundation is a not-for-profit corporation that started operations in April 2019 to manage auxiliary enterprises that benefit the University, which includes accepting, administering, applying, and using property that were acquired by gift, grant, devise or bequest. The Auxiliary Services Foundation is a component unit of the University and is shown on the University's financial statements in its own column.

Fouts Morgan, PC, an independent CPA firm was hired to conduct the audit. Their opinion stated that the financial statements were presented as fairly as of June 30, 2020. There were no deficiencies identified or instances of noncompliance to be reported under Government Auditing Standards.

IX. EXTERNAL AUDIT REPORT-THE HERFF TRUST FINANCIAL STATEMENTS, 6/30/2020

Ms. Deaton presented the external audit for the Herff Trust. The Herff Trust was established in 1966. There is a committee of Trustees that manage and control the bequest. The University of Memphis manages the business affairs of the Herff Trust. The Trustees of the Herff Trust plan to keep supporting the University to maintain and expand programs by managing the investments. The Herff Trust was formed only for the benefit of the University of Memphis and is a blended component unit of the University.

Fouts and Morgan, PC an independent CPA firm, was hired to conduct the audit of the financial statements. The auditor's opinion dated September 30, 2020 stated that the financial statements were presented fairly. No deficiencies or instances of noncompliance to be reported under the Government Auditing Standards were identified.

Ms. Deaton opened for questions from the Committee.

Trustee Graf asked Secretary Murry to clarify the Audit Committee's responsibility for the external reports. Secretary Murry responded stating the external reports are for information purposes. Ms. Deaton added that the external audit reports are connected to the committee because they are component units of the University's financial statements, however Secretary Murry clarified that they are still separate organizations. Mr. Kurapati added a comment stating that the Committee's responsibility is to make sure that the audits were conducted properly.

Chairman North asked if there were any conflicts of interest between the outside auditors and the University's auditors and do the outside auditors provide services to the University. Mr. Kurapati answered and said that the outside auditors do not provide services to the University and a formal process is completed to make sure there is not a conflict of interest with the auditors and the component units of the University.

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

X. UPDATE ON RISK ASSESSMENT

Trustee Springfield recognized Chief Financial Officer, Raaj Kurapati. Mr. Kurapati presented the risk assessment update. An annual exercise is completed to make sure the University is properly identifying, managing, and mitigating risk. The current risk assessment process is a bottom-up approach and transitions to different levels from a risk footprint, control footprint, senior management review, enterprise risk footprint and an inventory of mitigating controls for enterprise risks is conducted.

As a result of COVID-19, the Risk Footprint was re-evaluated. On April 15th, an updated risk assessment was presented to the Board. A candidate for the Executive Director, Business Continuity and Risk Management was selected and is scheduled to begin on December 7, 2020.

The risk update summary included the Risk Management Committee that Dr. Rudd created in response to COVID-19 and the impact, that includes the Provost, Executive Vice-President for Marketing and External Relations, University Counsel, Chief Information Officer, Chief of Staff and the Chief Financial Officer that are consulted as needed and ensure risk are being managed correctly. There is also an emergency management team that responds to specific actions. The President's Council reviewed the updated Risk Matrix and during the review mitigating controls and strategies were identified and evaluated. The Risk Matrix was finalized and from the feedback received, a category on the Risk Matrix was created for COVID-19 risks.

There were several significant risk identified including: state and budget changes due to economic impact of COVID-19, reduction in resources to pursue Carnegie 1 goal, data breach/sensitive data exposure, reduction in available student financial aid negatively affecting student affordability, Title IX non-compliance and so on. There were strategies created to address those risks and some have been implemented. For example:

- Enrollment decline, lack of growth, and retention was addressed by making sure the students remained engaged and they were being supported through the pandemic.
- The University involved the State Government and kept the lines of communications open. The University of Memphis recently completed their Sunset Audit, which was influenced by some of the risk identified.
- Ensuring there was appropriate monitoring and making use of the student stimulus funding. The University received \$15 million and all the funding was spent in accordance with the policies and grant limitations. \$2.1 million was received from the State of Tennessee.

Mr. Kurapati stated that this exercise will be completed again and launched when the new Executive Director of Business Continuity starts at the University, and an updated risk assessment will be presented to the Board in the March or June meeting.

Mr. Kurapati opened for questions from the Committee. Trustee Springfield stated that the risk management needs to be dynamic and reflect the changes the University is encountering and stated that the Risk Management Committee seems strong.

Trustee Springfield asked if the Committee had any questions or observations.

Trustees offered comments about the good job the Government Relations office and Trustee Johnson are doing with their relationship with the Legislature and Governor's office.

Trustee Edwards offered comments about the risk of the recent data breaches and asked what feedback has been received from other universities in the state about the problems they are having and how they are dealing with them. Mr. Kurapati stated that while other universities did

not have a specific breach like the University of Memphis, but they have seen an increase in activity. The University worked with the University's EMT and the State Attorney General's Office showed the appropriate actions. Trustee Springfield asked if Ms. Deaton had anything to add to Mr. Kurapati's comments and Ms. Deaton agreed with his comments, also stated that the Internal Audit has gone through training for these issues.

Chief Information Officer, Robert Jackson stated that University does have a Cyber Incident Response Plan that is coordinated with the Division of Risk Management with the State of Tennessee. Dr. Jackson stated that email threats and phishing continue to be a challenge for the University and steps are taken to decrease those risk. Dr. Jackson said he is open for questions later for any follow-up.

Trustees Johnson offered comments about complements former Governor Bill Haslam said about the University of Memphis and he complemented the good job the management team has done at the University.

Trustee Kemme asked if the management of public health for the disease would be considered a risk in the future. Dr. Rudd answered Trustee Kemme's question by stating there is a separate committee to address the issue of public health. Justin Lawhead is the Chief Health and Safety Officer and was appointed in 2019. Dr. Lawhead works with Health Center and manages that staff and is included in the committee that addresses the public health issues as well.

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

XI. COMPLIANCE PROGRAM UPDATE

Trustee Springfield recognized Director of Institutional Equity and Chief Compliance Officer, Tiffany Cox. Ms. Cox provided an update on the compliance program. Kymberlee Golden, the new Compliance Officer was hired in April 2020. Ms. Cox and Ms. Golden attended the Society for Corporate Compliance and Ethics Conference in June 2020. After the conference Ms. Cox and Ms. Golden began having one-on-one meetings with the Compliance Council. The Compliance Council is made up of representatives from different departments that show elevated compliance risks. The one-on-one meetings were to receive feedback from the various departments on their needs and how the compliance program should be organized.

The Compliant Triage Team, which is made up of the Chief Compliance Officer, University Counsel, Chief Human Resources Officer, and Chief Audit Executive was created. The Compliant Triage Team meets as needed to review complaints or reports that come in from different sources to determine which appropriate office should handle the investigation or response. The triage team determines if there should be any external reporting obligations to the Comptroller's Office and the triage team will follow-up with the appropriate office after the investigations have been completed to ensure processes are in place to keep issues, if any from reoccurring.

On November 16th, the Office of Institutional Equity held their first Compliance Council meeting. The Compliance Council members represent different areas, including: Athletics, Business and Finance, Research, Environmental Health and Safety and other areas. The meeting was to discuss drafts of the University's Code of Ethics and Compliance Policies. The members are going to provide feedback for the policies, which was due November 30th, in hopes of taking the policies before the Policy Review Board soon and providing further information to the Audit Committee at the next committee meeting. There are plans for quarterly meetings but currently there are monthly meetings through the end of the fiscal year to get a foundation in place.

Ms. Cox opened for any questions. She updated the Board on the Complaint Triage Team, stating that they have met three times to discuss reports that have been received. Two complaints have been resolved and five are under investigation in different departments. When those investigations are completed, a report will be provided to the Compliant Triage Team to follow-up on any recommendations that are offered from the report.

Trustee Springfield commented on the efficiency of the Complaint Triage Team and expressed her appreciation for Ms. Cox and her leadership as well as other members of the team. Trustee Springfield stated that the team will provide updates of anything that needs to come to the Audit Committee.

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

XII. INFORMATION SECURITY PROGRAM UPDATE

Trustee Springfield recognized Chief Information Officer, Robert Jackson. Dr. Jackson presented the information security update. Dr. Jackson introduced Karen Bell, the new Director of IT Security and Identity Management.

Dr. Jackson explained the importance of IT security. The University is responsible for protecting a large amount of information, including personal information and the statutory requirements. There are financial and reputational risk on how that information is protected. Dr. Jackson provided a list of security risks higher education faces including openness, decentralization, phishing, malware, social engineering and more. The Information Technology Services department has worked to respond proactively to these risks. Decentralization has been addressed by centralizing more of the Information Technology Services staff and openness of the University's network was addressed in 2018 by blocking any incoming network activity, except as needed by request for valid research needs or other initiatives. Consumerization of technology is an issue that happens normally around the holiday season upon return to the University in January. IT will respond to request to make new technologies work that have been acquired during the holiday, typically from engagements in the dorms.

The IT Security Risk model has been altered and risks are being tracked as they align with the strategic initiative such as, growing external collaboration opportunities or expanding sponsored research. As the University gets into those areas there will be compliance issues that will have to

be addressed, which will lead to newer risk and potentially a need for more investment and a mature IT Security Risk model. Dr. Jackson presented a table of email statistics. The mean for the percentage of rejections is 45.43% which is a decrease from last quarters reports of 52%. This is because of a decrease in the rejection percentage of email traffic from July through October, when 2019 and 2020 are compared. Information Technology Services believes the decrease came from the decrease in malicious activity during that time. Dr. Jackson presented a table showing IT security engagements for Q2 and the associated escalation levels. There were not any increases in activity for the last quarter. 18 accounts were disabled due to monitoring for suspicious behavior during July and September. The numbers are down from the previous quarter, in which 92 was reported. Information Technology Services believes this is due to single sign-on and Duo multi-factor authentication for faculty and staff accounts. Dr. Jackson presented all the system security controls that the University has in place. Those that are highlighted in green have had improvements completed and the ones in blue are improvements that Information Technology Services plans to make.

Information Technology Services reviews its policy annually and the upcoming review will be in January 2021. Information Technology Services is reviewing the Microsoft Licensure agreement because of the functionalities that can be added to replace other products the University currently uses that may help the University save money and give insight to threats that occur not only in Microsoft's Cloud Based 0365 environment. Because the University is using their software it gives the ability for Desktop Client, the anti-virus software to interface with Microsoft's Cloud based service and provides an in-depth view to the risks Information Technology Services is seeing through an entire range to be able to target phishing activity and other inappropriate things. IT Security Awareness Training is still being evaluated to expand the training to students. As a part of the Cyber Incident Response Plan, Information Technology Services conducted a tabletop exercise in June 2020 and some things evolved out of that exercise that involved improving some efficiencies. Action will be taken on those improvement suggestions that were recognized and review of internal processes and policies related to emails will also be conducted. Information Technology Services is also discussing with a vendor to use an external assessment to support the missed compliance efforts as it relates to research.

Information Technology Services is planning upcoming initiatives that include:

- University-wide multi-factor authentication will be required starting January 25, 2021.
- Review of the Microsoft Licensing
- Preparing for the assessment for the NIST compliance
- Enhancing campus-wide guidelines for addressing security vulnerabilities
 - Information Technology Services has established some guidelines to evaluate how long it should take to resolve a security issue.
- Expanding the use of Amazon Web Services (AWS)
 - IT has continued to expand the use of Amazon Web Services. Dr. Jackson presented a list of benefits for using the services. Amazon Web Services is not the only service used. Microsoft and Google are also used.

- One of the usages recently for Amazon Web Services was for a request received from MD2K to spin up some servers quickly. A part of the AWS was carved out for MD2K to use for that, but IT still manages it.
- Benefits from moving from CAPEX to OPEX
- The benefit allows Information Technology Services to focus less on the data center at the University.

Dr. Jackson concluded his presentation and opened for questions.

Trustee Springfield asked if the Committee had any comments or questions.

Trustee Roberts asked Dr. Jackson to provide clarification how the Cloud Services will be monitored. Dr. Jackson stated a Cloud Architecture Team was created within Information Technology Services a year-in-a-half ago. The pursuit of Amazon Web Services occurred after Information Technology Services learned that other Tennessee institutions were already moving some of their infrastructure to Amazon Web Services. The Cloud Architecture Team created a list of items based on the importance of the infrastructure components to the University. The Cloud Architecture Teams monitors performance of the Cloud Service and works closely with the business officer, who is checking the weekly and monthly cost. Alerts are received for any changes in performance.

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

XIII. ADDITIONAL BUSINESS

No additional business

XIV. ADJOURNMENT

Trustee Springfield adjourned the meeting to executive session

4. Summary of Audit Reports Issued

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 9, 2021
Committee: Audit Committee
Presentation Title: Summary of Audit Reports Issued
Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

Two audit reports were issued since the last meeting. Summarized information is included in the attached table.

Name of Audit	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Recommendations for Consideration by University Management	Issues Outstanding from Prior Audit
NACHA - WEB Transactions Data Security Audit ("Limited Official Use Only")	2/22/2021	Insufficient and Requires Improvement	0	0	1	1	0	0	0
Risk Assessment - Research Internal Control Footprint Audit	2/23/2021	Effective with the Opportunity for Improvement	0	1	2	0	0	1	0

5. Summary of Internal Audit Investigations

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 9, 2021
Committee: Audit Committee
Presentation Title: Summary of Internal Audit Investigations
Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

One new report of fraud, waste, and abuse was assigned by the Complaint Triage Team to the Office of Internal Audit and Consulting for investigation since the last quarterly meeting. The investigation is ongoing. Attached is a summary of the investigation information.

Pursuant to the protection afforded by Tennessee Code Annotated §§ 10-7-504(i) and 10-7-508(a), this information shall be used for Limited Official Use purposes only. Because this document has been designated **“Limited Official Use Only”**, it may only be made available to those who have a need to know the information in the performance of their official duties for the University. This information must be safeguarded and protected from unauthorized disclosure. This information and any referenced materials are considered part of our confidential working papers not open to public inspection pursuant to state law. Our sharing of this information with you is pursuant to the internal processes of this engagement and is not intended as a publication or distribution of this information. Therefore, you are requested to appropriately safeguard its confidentiality and appropriately restrict its further disclosure. Please notify us of any requests for this information as it is under restricted access.

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

CONFIDENTIAL AUDIT INFORMATION

Allegation Received by	Date Allegation Received	Description of Allegation	Date Assigned to Internal Audit by Complaint Triage Team	Internal Audit Investigation Number	Investigation Status	Investigation Outcome	\$ Loss	Date of Final Action by Internal Audit
Anonymous FWA Email to Chief Audit Executive	10/11/2020	Inaccurate Leave Reporting	10/14/2020	21-001	Investigation Complete - Internal Audit Investigation Memo Issued	No Evidence of Inaccurate Leave Reporting	none	11/16/2020
Office of Legal Counsel Communications to Chief Audit Executive	1/22/2021	Possible Waste of University Property	1/26/2021	21-002	Investigation Ongoing			

6. External Audit Report-NCAA Agreed Upon Procedures Fiscal Year 2020

Presentation

Presented by Vicki Deaton

The University of the Board of Trustees

Presentation

For Information

Date: March 9, 2021

Committee: Audit Committee

Presentation Title: External Audit Report-NCAA Agreed Upon Procedures Fiscal Year 2019

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, 2020 and was performed by the Tennessee Comptroller of the Treasury's Division of State Audit.

No opinion was expressed on compliance with NCAA requirements. No exceptions were noted with procedures performed.



JASON E. MUMPOWER
Comptroller

January 14, 2021

Dr. M. David Rudd, President
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 black ink that reads "Katherine J. Stickel".

Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit

cc: Vicki Deaton
Chief Audit Executive

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



JASON E. MUMPOWER
Comptroller

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

Dr. M. David Rudd, President
University of Memphis

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's Intercollegiate Athletics Programs is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 3.2.4.17 for the year ended June 30, 2020. 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

- 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, 2020, as prepared by management. Compare the amounts reported on the statement with the institution's general ledger. No exceptions noted.

Procedure

Results

Revenues

- 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. See the supplement to this report for this analysis.
- 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 seat manifests, ticket sales reports, and student fee totals. No exceptions noted.

- 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, 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.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.
- Select a sample of contractual agreements pertaining to revenues derived from guaranteed contests (including payments received due to game cancellations) during the reporting period and compare and agree each selection to the institution's general ledger and/or the statement and recalculate totals.

Revenues of this type did not exceed 4% of total revenues; therefore, 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 constitutes 10% or more in aggregate for the reporting year of all contributions received for intercollegiate athletics during the reporting

No exceptions noted.

periods shall be disclosed in the notes to the statement of athletics department revenue 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 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.
- 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.
- 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.

The institution did not report any revenues from media rights; therefore, this step was not applicable

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.

No exceptions noted.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.

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.
- 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.
- 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.

The institution did not report any revenues for this line item; therefore, this step was not applicable.

Revenues of this type did not exceed 4% of total revenues; therefore, this step was not performed.

No exceptions noted.

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.
- Compare and agree a sample of expenses from the operating expense supporting schedules to adequate supporting documentation.
- 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.

No exceptions noted.

No exceptions noted. See the supplement to this report for this analysis.

- 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.
- 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 (including payments made due to game cancellations) during the reporting period. Compare and agree related amounts expensed by the institution to the institution's general ledger and/or statement. Recalculate totals.
- 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 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

No exceptions noted.

Expenses of this type did not exceed 4% of total expenses; therefore, this step was not performed.

No exceptions noted.

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 selected 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 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.

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

No exceptions noted.

No support staff/administrative personnel were employed by third parties during the reporting period; therefore, this step was not applicable.

- 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.

Expenses of this type did not exceed 4% of total expenses; therefore, this step was not performed.
- 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.

Expenses of this type did not exceed 4% of total expenses; therefore, this step was not performed.
- 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.

No exceptions noted.
- 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 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 supporting equivalency calculations from the institution. Compare current year Grants-in-Aid revenue distribution equivalencies to prior year reported equivalencies.

No exceptions noted.
- 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

No exceptions noted.

revenue distribution purposes within the NCAA Membership Financial Reporting System. Compare current year number of Sponsored Sports to prior year reported total.

- 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. Compare current year Pell Grants total to prior year reported total.

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. Select a sample of transactions 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
- Obtain a schedule of all athletics-dedicated endowments maintained by athletics, the institution, and affiliated organizations. Agree the fair value in the schedules to supporting documentation, the general ledger, and audited financial statements, if available.
- Agree the total fair value of institutional endowments to supporting documentation, the

The institution did not report any excess transfers to the institution or conference realignment expenses; therefore, this step was not applicable.

No exceptions noted.

No exceptions noted.

No exceptions noted.

No exceptions noted.

institution's general ledger, and audited financial statements, if available.

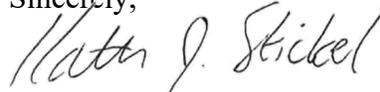
- Obtain a schedule of athletics-related capital expenses made by athletics, the institution, and affiliated organizations during the reporting period. Obtain general ledger detail and compare to the total expenses reported. Select a sample of transactions to validate the existence of the transaction and accuracy of recording. Recalculate the totals.

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's Intercollegiate Athletics Programs for the year ended June 30, 2020. 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,



Katherine J. Stickel, CPA, CGFM, Director
Division of State Audit
January 14, 2021

University of Memphis
Department of Intercollegiate Athletics
Statement of Revenues and Expenses
For the Year Ended June 30, 2020

	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Revenues						
Ticket sales	\$ 6,785,839	\$ 5,846,480	\$ 21,567	\$ 5,602	\$ -	\$ 12,659,488
Student fees	-	-	-	-	7,112,047	7,112,047
Direct institutional support	-	-	-	-	12,717,369	12,717,369
Indirect institutional support	-	-	-	-	2,940,694	2,940,694
Indirect institutional support - athletic facilities debt service, lease, and rental fees	-	-	-	-	1,376,050	1,376,050
Guarantees	200,000	125,000	-	9,000	-	334,000
Contributions	264,959	63,344	11,225	201,663	3,940,971	4,482,162
In-kind contributions	256,640	34,400	-	128,952	4,448,966	4,868,958
NCAA distributions	-	-	-	-	867,534	867,534
Conference distributions	-	-	-	-	3,592,520	3,592,520
Conference distributions - bowl games	500,000	-	-	-	-	500,000
Program, novelty, parking, and concession sales	888,085	117,580	1,235	-	-	1,006,900
Royalties, licensing, advertisements, and sponsorships	-	568,702	-	-	2,784,210	3,352,912
Athletics restricted endowment and investment income	-	-	-	2,202	5,162	7,364
Other operating revenues	510	104,070	-	31,725	711,972	848,277
Bowl revenues	4,575,158	-	-	-	-	4,575,158
Subtotal operating revenues	13,471,191	6,859,576	34,027	379,144	40,497,495	61,241,433

University of Memphis
Department of Intercollegiate Athletics
Statement of Revenues and Expenses
For the Year Ended June 30, 2020

	Football	Men's Basketball	Women's Basketball	Olympic Sports	Non-Program Specific	Total
Expenses						
Athletic student aid	3,096,468	551,656	507,588	3,945,985	933,166	9,034,863
Guarantees	-	935,000	54,000	11,601	-	1,000,601
Coaching salaries, benefits, and bonuses paid by the university and related entities	6,384,063	3,215,799	862,756	2,407,182	-	12,869,800
Support staff/administrative compensation, benefits, and bonuses paid by the university and related entities	670,835	259,818	173,734	98,719	5,930,004	7,133,110
Severance payments	-	1,621,119	-	-	-	1,621,119
Recruiting	213,249	131,353	53,392	216,414	-	614,408
Team travel	1,170,044	1,289,371	906,217	919,444	-	4,285,076
Sports equipment, uniforms, and supplies	832,028	328,444	171,885	1,021,645	174,524	2,528,526
Game expenses	2,165,452	885,185	18,964	99,516	-	3,169,117
Fundraising, marketing, and promotion	-	-	-	-	631,317	631,317
Spirit groups	-	-	-	-	135,747	135,747
Athletic facilities debt service, leases, and rental fees	-	1,376,050	-	-	-	1,376,050
Direct overhead and administrative expenses	1,638,419	776,149	35,987	295,695	989,807	3,736,057
Indirect institutional support	-	-	-	-	2,940,694	2,940,694
Medical expenses and insurance	27,399	77,589	50	1,935	1,022,279	1,129,252
Membership and dues	880	4,580	60	2,819	13,469	21,808
Student-athlete meals	658,589	32,531	66,327	202,142	-	959,589
Other operating expenses	319,280	448,015	56,656	82,514	3,506,186	4,412,651
Bowl expenses	3,144,898	-	-	-	-	3,144,898
Bowl expenses - coaching compensation/bonuses	509,833	-	-	-	-	509,833
Subtotal operating expenses	20,831,437	11,932,659	2,907,616	9,305,611	16,277,193	61,254,516
Excess (deficiency) of revenues over (under) expenses	\$ (7,360,246)	\$ (5,073,083)	\$ (2,873,589)	\$ (8,926,467)	\$ 24,220,302	\$ (13,083)

The accompanying notes are an integral part of this statement.

Other Reporting Items:

Total athletics-related debt	\$ 9,432,322.05
Total institutional debt	\$ 154,674,886.63
Value of athletics-dedicated endowments	\$ 3,004,998.41
Value of institutional endowments	\$ 126,387,996.47
Total athletics-related capital expenses	\$ 11,909,361.79

**The University of Memphis
Intercollegiate Athletics Department
Notes to the Statement of Revenues and Expenses
For the Year Ended June 30, 2020**

NOTE 1. CONTRIBUTIONS

The University of Memphis Foundation (the UMF) office researched the donation records for donors to determine if any cumulatively gave 10% or more of all contributions to athletics. Nike, Inc. donated \$2,098,582 in apparel to athletics. There were no other donors during the fiscal year ended June 30, 2020 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, 2020, the UMF and the Auxiliary Services Foundation (ASF) transferred, disbursed, and/or recorded expense accruals for \$5,556,966 and \$9,771,876 (for a total of \$15,328,842), respectively, 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 UMF and the ASF also recorded revenues and expenses in athletic accounts controlled by the foundations.

Expenses	Football	Men's Basketball	Other Sports	Administrative	Total
Athletic aid	\$3,095,688	\$425,468	\$ -	\$ -	\$ 3,521,156
Other operating expenses	-	-	-	2,219,140	2,219,140
Capital expenses	8,950,437	-	446,609	191,500	9,588,546
Total	\$12,046,125	\$425,468	\$446,609	\$2,410,640	\$15,328,842

Of the \$15,328,842 transferred by the UMF and the ASF, \$9,588,546 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.

Notes to the Statement of Revenues and Expenses (Continued)

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, 2020. 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 \$1,361,576 were allocated to intercollegiate athletics for the period. The facilities support allocation is based on a comprehensive analysis of services for maintenance, 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 \$1,579,118. 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.

Notes to the Statement of Revenues and Expenses (Continued)

Athletics capital assets, which include property, plant, and equipment, are reported in the statement of net position 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.

NOTE 5. DEBT

The University of Memphis has debt service requirements to the Tennessee State School Bond Authority for the Physical Education Building and the Indoor Football Practice Facility. 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 at June 30, 2020, for athletic related debt are as follows:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
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	1,067,988.04	271,671.32	1,339,659.36
2025	1,126,465.69	221,235.95	1,347,701.64
2026 – 2030	4,229,232.96	352,396.15	4,581,629.11
Total	<u>\$9,432,322.05</u>	<u>\$1,938,443.15</u>	<u>\$11,370,765.20</u>

Supplemental Schedule: Revenues and Expenses Analytical Review

	2020	2019	2020	Prior-Year Comparison		Budget vs. Actual Comparison	
	Actual	Actual	Budget	\$ Difference	% Difference	\$ Difference	% Difference
Operating revenues:							
Ticket sales	\$ 12,659,488.00	\$ 10,755,844.00	\$ 11,030,800.00	\$ 1,903,644.00	17.70% FN 1	\$ 1,628,688.00	14.76% FN 1
Student fees	\$ 7,112,047.00	\$ 6,951,155.00	\$ 6,992,000.00	\$ 160,892.00	2.31%	\$ 120,047.00	1.72%
Direct institutional support	\$ 12,717,369.00	\$ 9,554,597.00	\$ 10,788,381.00	\$ 3,162,772.00	33.10% FN 2	\$ 1,928,988.00	17.88% FN 2
Total contributions and gifts in kind	\$ 9,351,120.00	\$ 13,063,202.00	\$ 11,156,000.00	\$ (3,712,082.00)	-28.42% FN 3	\$ (1,804,880.00)	-16.18% FN 3
10% of Revenues	\$ 6,124,143.30						
Operating expenses:							
Athletic student aid	\$ 9,034,863.00	\$ 9,503,874.00	\$ 8,854,000.00	\$ (469,011.00)	-4.93%	\$ 180,863.00	2.04%
Coaching salaries, benefits, and bonuses paid by the university and related entities	\$ 12,869,800.00	\$ 12,506,115.00	\$ 13,589,939.00	\$ 363,685.00	2.91%	\$ (720,139.00)	-5.30%
Support staff/administrative salaries, and bonuses paid by the university and related entities	\$ 7,133,110.00	\$ 6,208,361.00	\$ 5,826,768.00	\$ 924,749.00	14.90% FN 4	\$ 1,306,342.00	22.42% FN 5
10% of Expenses	\$ 6,125,451.60						

Footnotes:

FN 1 Actual revenues derived from ticket sales exceeded both the prior year actual revenues and the budget due to the teams' success in both Football and Men's Basketball, along with excitement surrounding the fall 2019 Football schedule and Men's Basketball recruiting for spring 2020. The ticket sales budget was not formally adjusted during fiscal year 2020.

FN 2 Actual direct institutional support exceeded both the prior year actual amount and the budget largely due to a decrease in donations (normally occur at the end of the fiscal year) and NCAA distributions due to the COVID-19 pandemic. Additional funding was needed from the institution to balance the athletic budget, although a formal budget adjustment was not made.

FN 3 Donations are primarily associated with season ticket priority. They are renewed annually and are due each May in advance of the upcoming football and basketball seasons. Due to the COVID-19 pandemic and the uncertainty around competitions, UOM experienced a significant decrease in donations related to ticket renewals. The donations budget was not formally adjusted during fiscal year 2020.

FN 4 Support salary expenses in 2020 increased because previously vacant positions such as the Deputy Assistant Director and the Men's Basketball Strength Coach were filled during 2020. In addition, Sports Medicine increased its staff. Turnover in the Assistant Director position also contributed to the increase.

FN 5 In addition to the increases noted in FN 4, increases in fringe benefits related to filling positions are not taken into consideration for the budget.

7. Internal Audit Client Satisfaction Survey 2020

Presentation

Presented by Vicki Deaton

The University of Memphis Board of Trustees

Presentation

For Information

Date: March 9, 2021
Committee: Audit Committee
Presentation Title: Office of Internal Audit and Consulting Client Satisfaction Survey 2020
Presented by: Vicki D. Deaton, Chief Audit Executive

Background:

According to our Internal Audit Charter, all University of Memphis internal audit activities are conducted in accordance with all state statutes relative to Internal Audit and Audit Committees. The state statutes require that Internal Audit activities are governed by adherence to The Institute of Internal Auditor's (IIA) mandatory guidance. This mandatory guidance includes establishing a Quality Assurance and Improvement Program (QAIP) that includes ongoing internal monitoring, periodic internal assessments, and external quality assessments.

Ongoing monitoring includes obtaining feedback from internal audit clients and other stakeholders regarding the efficiency and effectiveness of the internal audit team. The QAIP also includes sharing the results of the program with the Audit Committee to assist the committee in reviewing the internal audit activity and ensuring that the activity is carrying out its internal audit responsibilities.

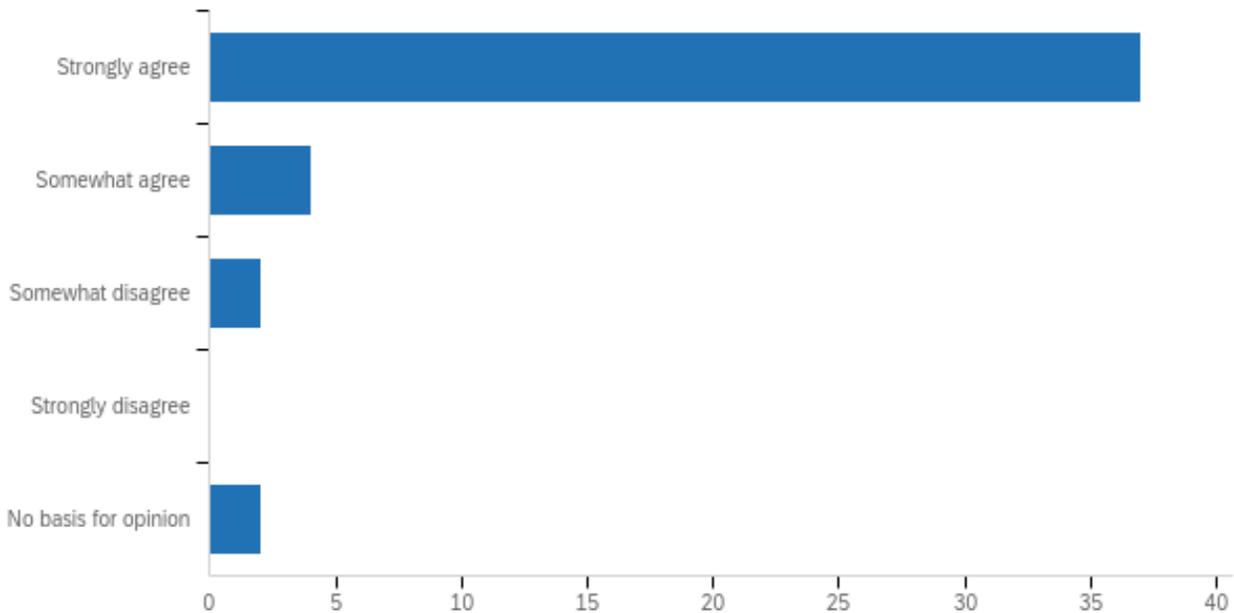
Feedback was solicited via a Client Satisfaction Survey that was distributed to 98 faculty and staff – audit clients, employees involved in investigations, and others who worked with Internal Audit during 2020. Forty-five individuals completed the anonymous survey.

About 95% of the responses indicated that the audit clients were satisfied with the University's internal audit services or considered the internal audit services favorably.

Please see the attached University of Memphis Office of Internal Audit and Consulting Client Satisfaction Survey 2020 for detailed results.

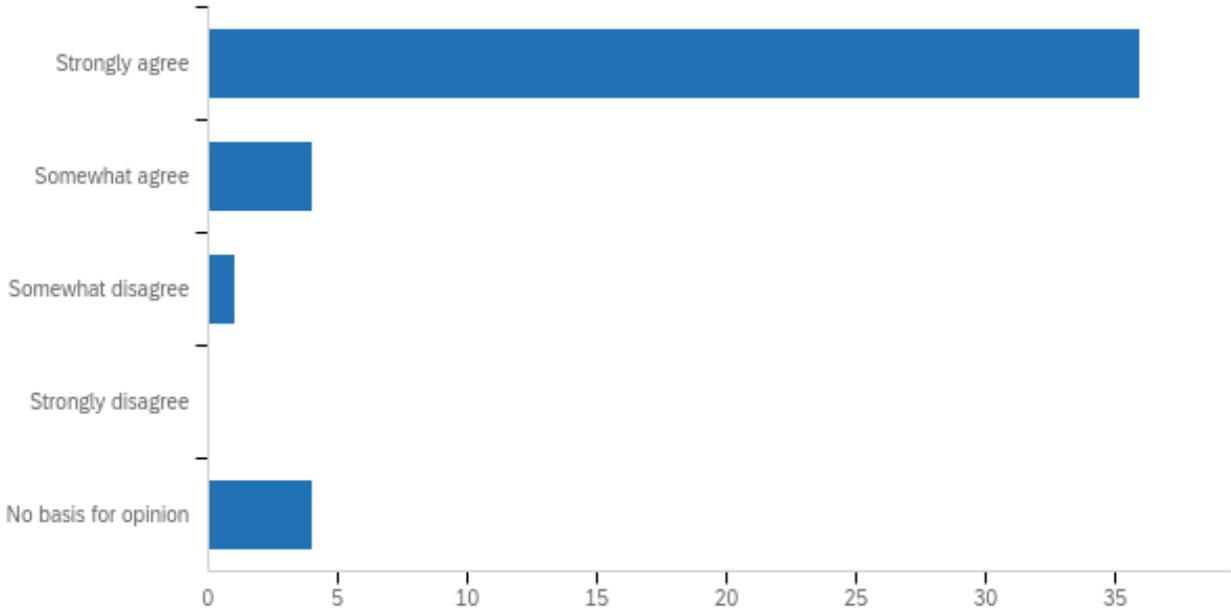
Office of Internal Audit & Consulting Client Satisfaction Survey 2020

Q1 - The purpose, goals, objectives, areas to be reviewed, and tentative completion dates of the audit/project were clearly explained.



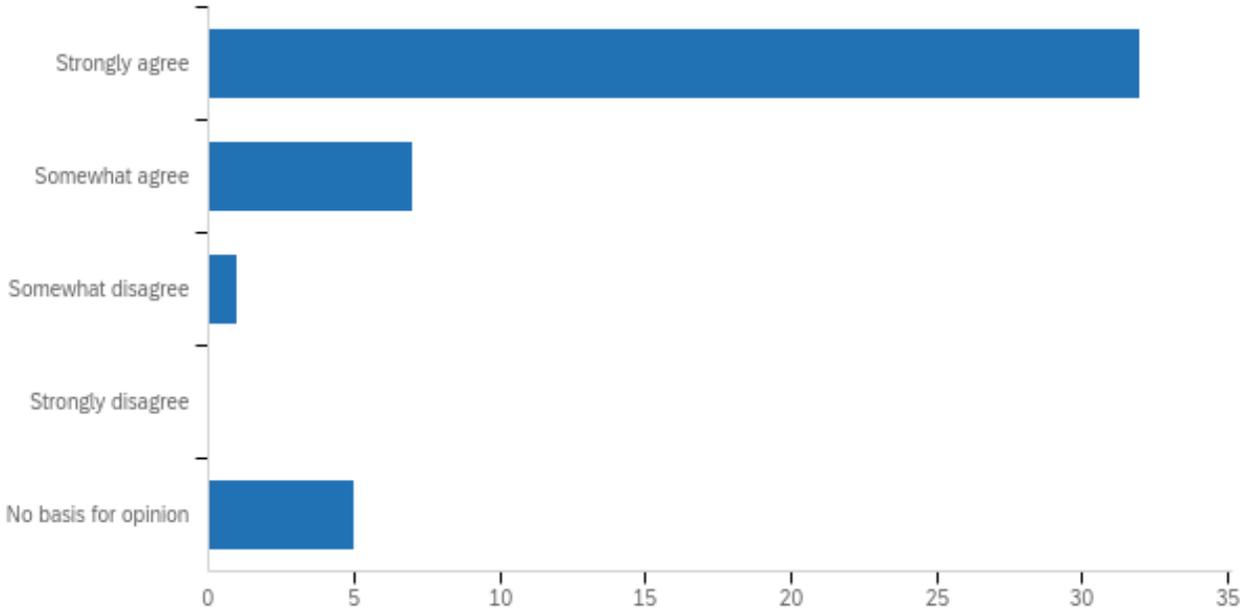
#	Answer	%	Count
1	Strongly agree	82%	37
2	Somewhat agree	9%	4
4	Somewhat disagree	4%	2
5	Strongly disagree	0%	0
6	No basis for opinion	4%	2
	Total	100%	45

Q2 - Internal Audit staff was responsive to my concerns and perspectives throughout the audit/project.



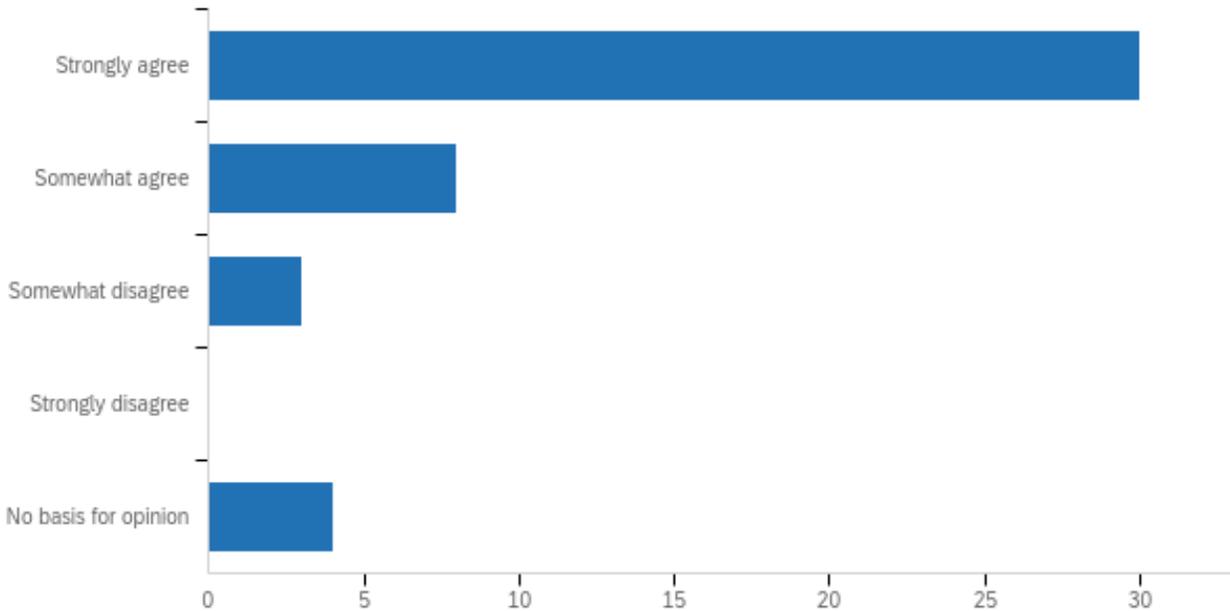
#	Answer	%	Count
1	Strongly agree	80%	36
2	Somewhat agree	9%	4
4	Somewhat disagree	2%	1
5	Strongly disagree	0%	0
6	No basis for opinion	9%	4
	Total	100%	45

Q3 - The disruption of daily activities was minimized as much as possible during the audit/project.



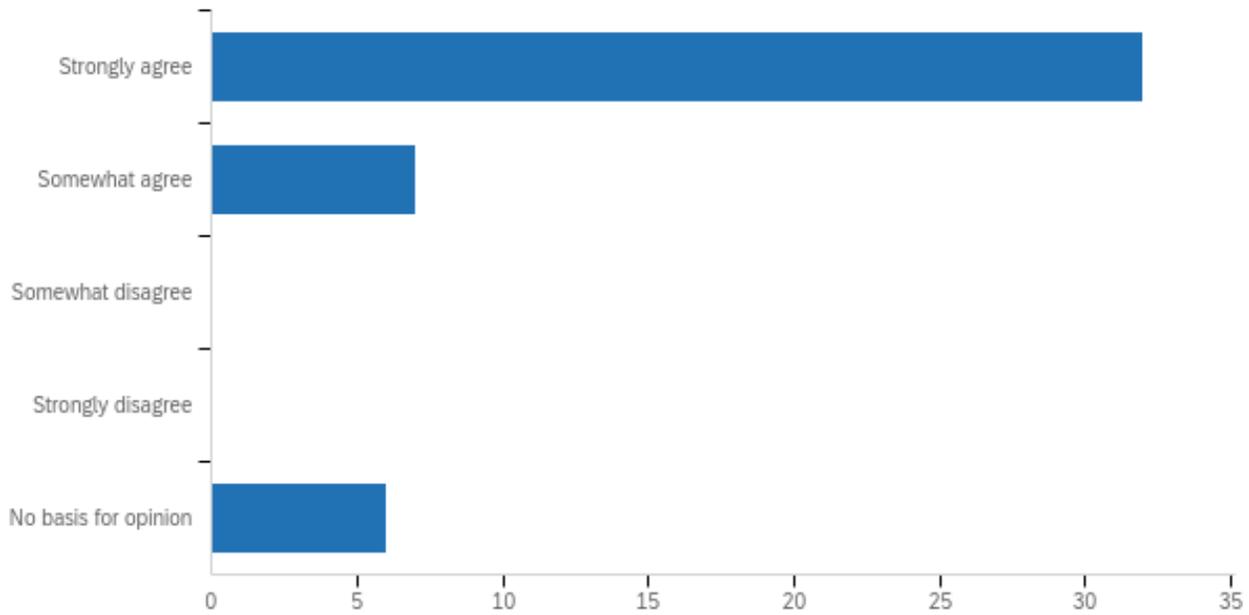
#	Answer	%	Count
1	Strongly agree	71%	32
2	Somewhat agree	16%	7
4	Somewhat disagree	2%	1
5	Strongly disagree	0%	0
6	No basis for opinion	11%	5
	Total	100%	45

Q4 - Communication of audit/project status during the audit/project was timely and adequate.



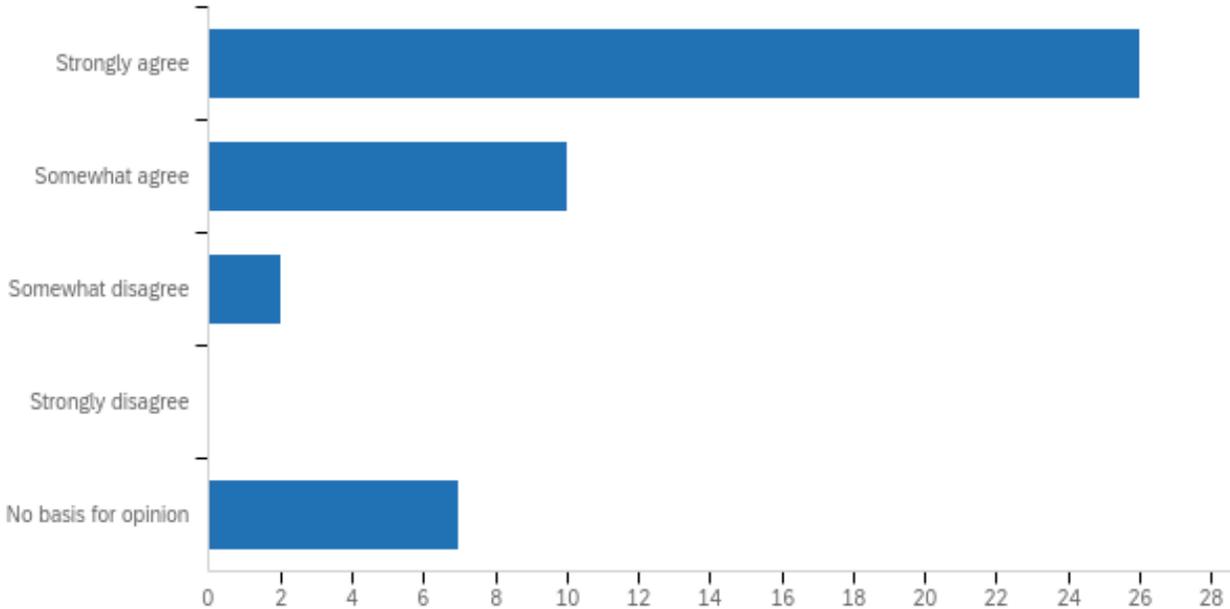
#	Answer	%	Count
1	Strongly agree	67%	30
2	Somewhat agree	18%	8
4	Somewhat disagree	7%	3
5	Strongly disagree	0%	0
6	No basis for opinion	9%	4
	Total	100%	45

Q5 - The audit/project was completed in a reasonable time frame.



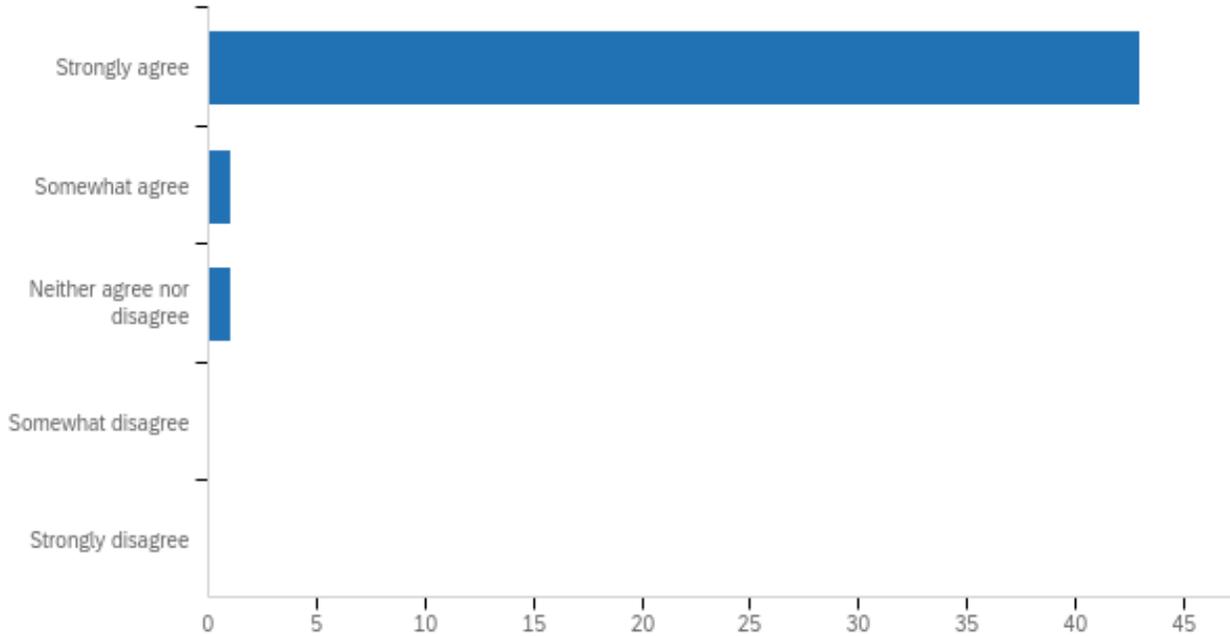
#	Answer	%	Count
1	Strongly agree	71%	32
2	Somewhat agree	16%	7
4	Somewhat disagree	0%	0
5	Strongly disagree	0%	0
6	No basis for opinion	13%	6
	Total	100%	45

Q6 - The audit/project results were accurately reported and appropriate perspective was provided in the report.



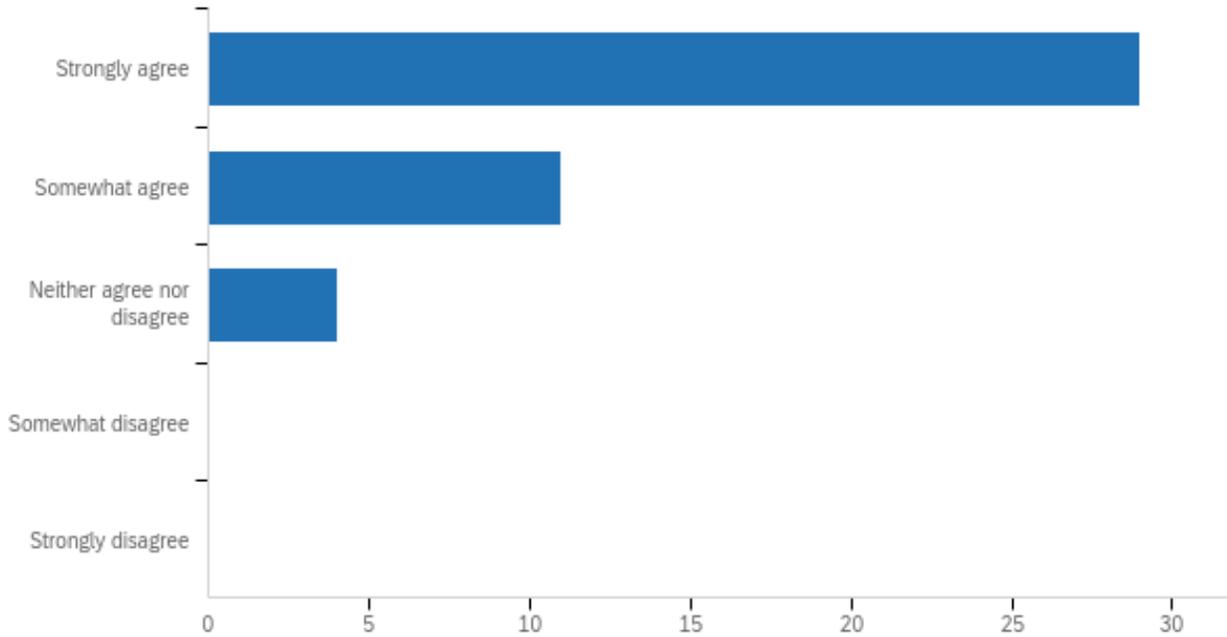
#	Answer	%	Count
1	Strongly agree	58%	26
2	Somewhat agree	22%	10
4	Somewhat disagree	4%	2
5	Strongly disagree	0%	0
6	No basis for opinion	16%	7
	Total	100%	45

Q7 - The Internal Audit staff I interacted with conducted themselves in a courteous and professional manner.



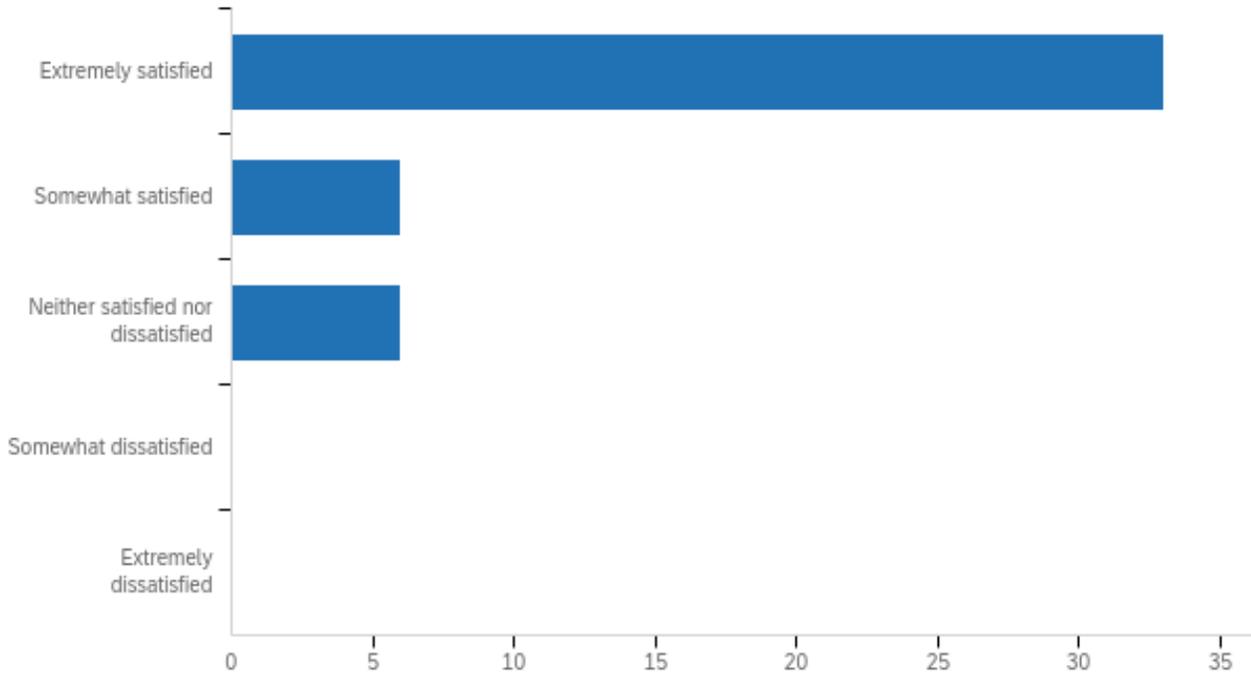
#	Answer	%	Count
1	Strongly agree	96%	43
2	Somewhat agree	2%	1
3	Neither agree nor disagree	2%	1
4	Somewhat disagree	0%	0
5	Strongly disagree	0%	0
	Total	100%	45

Q8 - The auditor's comments and recommendations will assist us to improve operations.



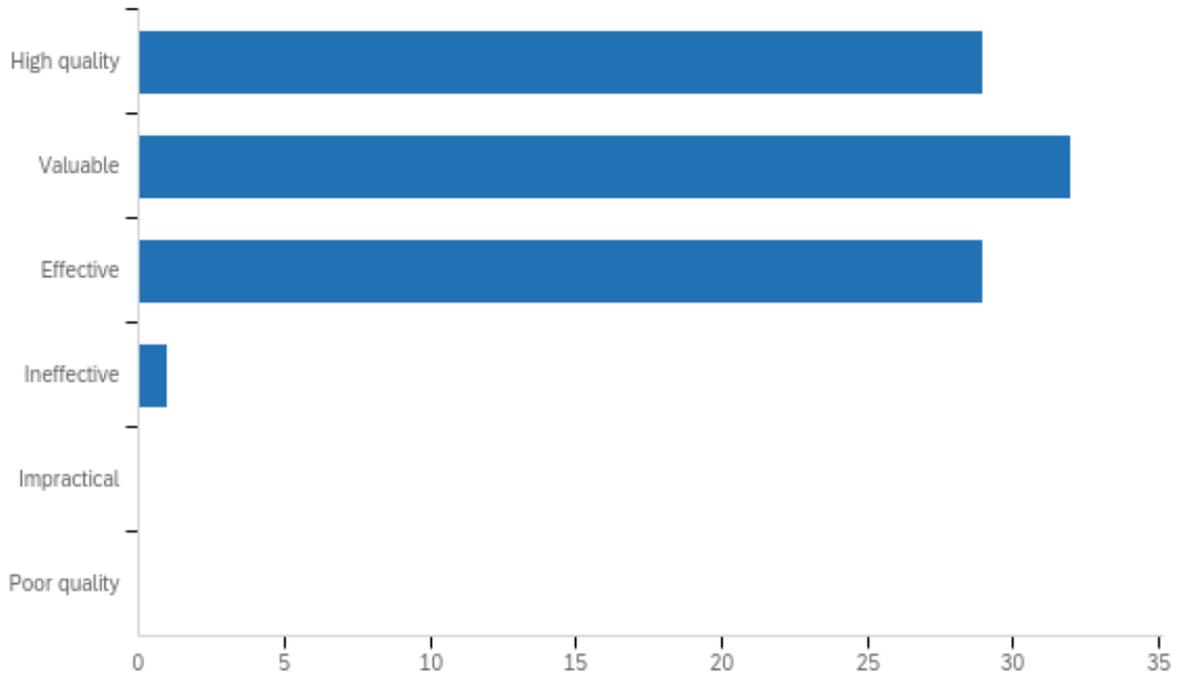
#	Answer	%	Count
1	Strongly agree	66%	29
2	Somewhat agree	25%	11
3	Neither agree nor disagree	9%	4
4	Somewhat disagree	0%	0
5	Strongly disagree	0%	0
	Total	100%	44

Q9 - Overall, how satisfied are you with the services of Internal Audit?



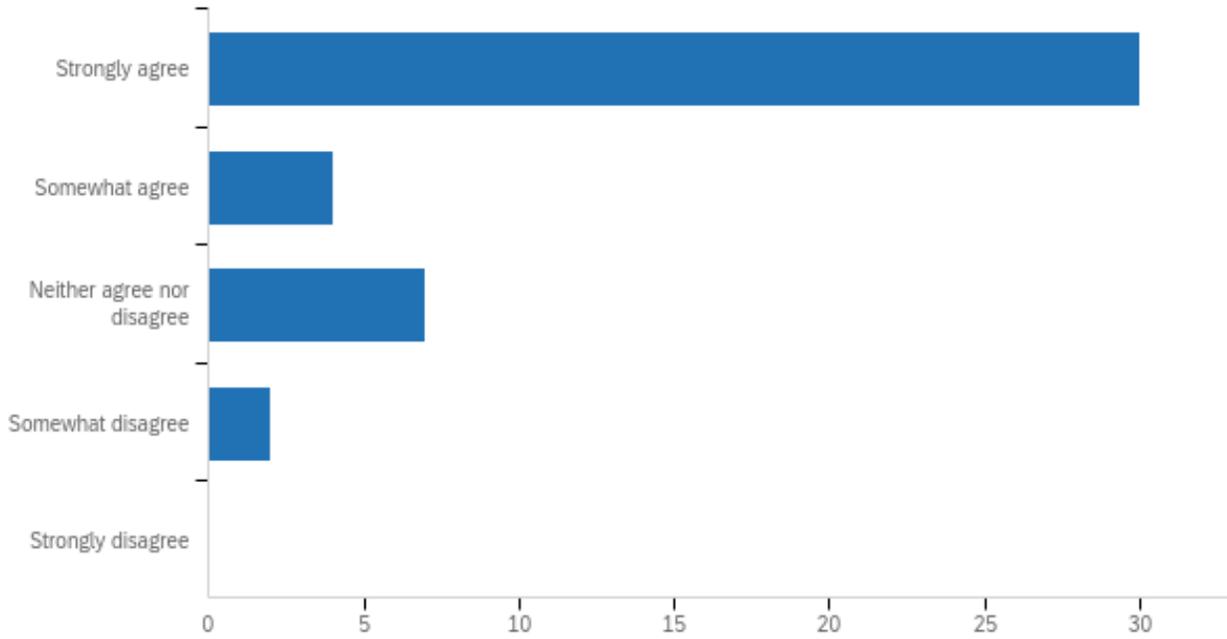
#	Answer	%	Count
1	Extremely satisfied	73%	33
2	Somewhat satisfied	13%	6
3	Neither satisfied nor dissatisfied	13%	6
4	Somewhat dissatisfied	0%	0
5	Extremely dissatisfied	0%	0
	Total	100%	45

**Q10 - Which of the following words would you use to describe Internal Audit services?
Check all that apply.**



#	Answer	%	Count
1	High quality	32%	29
2	Valuable	35%	32
3	Effective	32%	29
4	Ineffective	1%	1
5	Impractical	0%	0
6	Poor quality	0%	0
	Total	100%	91

Q11 - Internal Audit is a resource I would use in the future.



#	Answer	%	Count
1	Strongly agree	70%	30
2	Somewhat agree	9%	4
3	Neither agree nor disagree	16%	7
4	Somewhat disagree	5%	2
5	Strongly disagree	0%	0
	Total	100%	43

Q12 - What suggestions do you have for improving the audit process?

Offer monthly meetings to discuss policy changes and issues found from other audits.

Focus on value added recommendations which balance costs vs. benefits of such.

provide the why for the audit

Increase the size of the audit staff

For those who are engaged in the fact finding process, we don't know the outcomes (and sometimes we shouldn't) but would be good for us to know when we can. It would help us understand how we contributed and more so, how any concerns or issues were addressed.

Q13 - Are there any issues or areas of concern you feel we should be aware of?

- No
- Not at this time.
- No, I appreciate Vicki and teams approach and partnership and a genuine desire to be of help.
- None
- No
- went to mtg without knowing why for the summons
- None
- no
- no

Q14 - Have our auditors done anything that was particularly helpful that you would recommend we do again in the future?

staff has always been helpful, friendly and communicated very well

They listened to our responses to their questions and took them into consideration.

Auditors have been very helpful in assisting with gathering information whenever needed.

kindness was helpful

I was nervous about the audit, but Vicki Deaton and Emily Bridges did a great job calming apprehension, being supportive, and conducting it in professional and respectful manner.

Appreciated the time taken to fully understand and explain what was needed and how to get there in a non-confrontational way

Great communications and care was conveyed throughout the process. Thank you.

8. Fiscal Year 2020 Annual Financial Report and Internal Control Audit

Presentation

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Presentation
For Discussion

Date: March 9, 2021

Committee: Audit Committee

Topic: Fiscal Year 2020 Annual Financial Report and Internal Control Audit

Presented by: Raaj Kurapati, Executive Vice President and Chief Financial Officer

Background:

The Office of the Comptroller of the Treasury, Division of State Audit, completed its audit of the University of Memphis (the University) on December 11, 2020. The audit was conducted in accordance with auditing standards generally accepted in the United States of America (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 April 29, 2020.

The audit report was released on February 11, 2021. The auditors issued an unmodified opinion on the financial statements. The audited Financial Report on the University for the year ending June 30, 2020 contains the Independent Auditor's Report, Management's Discussion and Analysis, Basic Financial Statements, Required Supplementary Information, and other Supplementary Information.

There were no audit findings. Certain matters were discussed with management at the exit conference. Management provided responses to each of the items.

2020 Annual Financial Report & Internal Control Audit

Audit Committee

Raaj Kurapati
Executive Vice President and Chief Financial
Officer

March 9, 2021
Zoom Video Conference



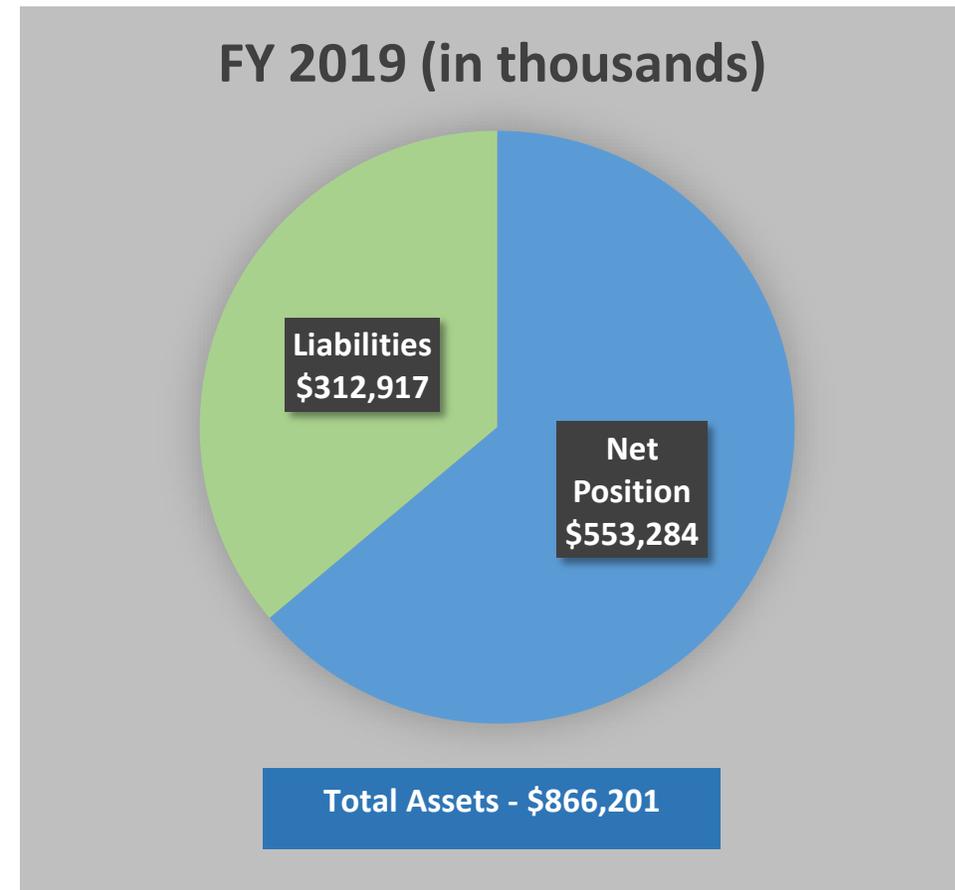
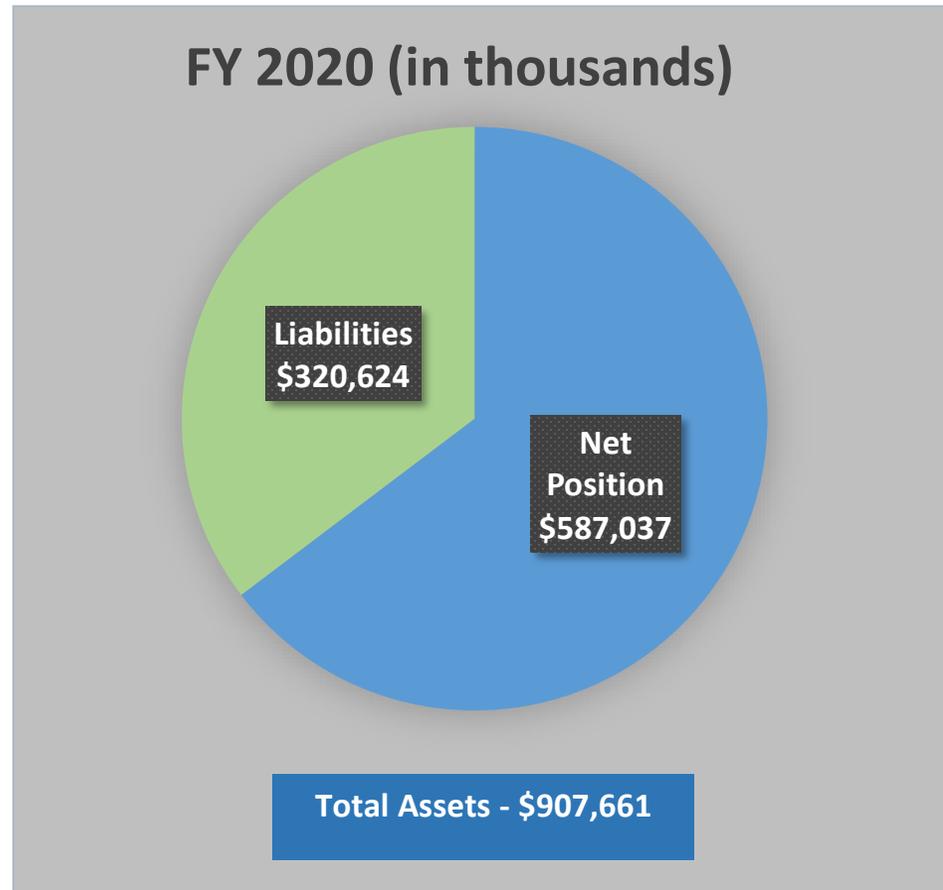
MARCH 2021

Significant Challenges in FY20

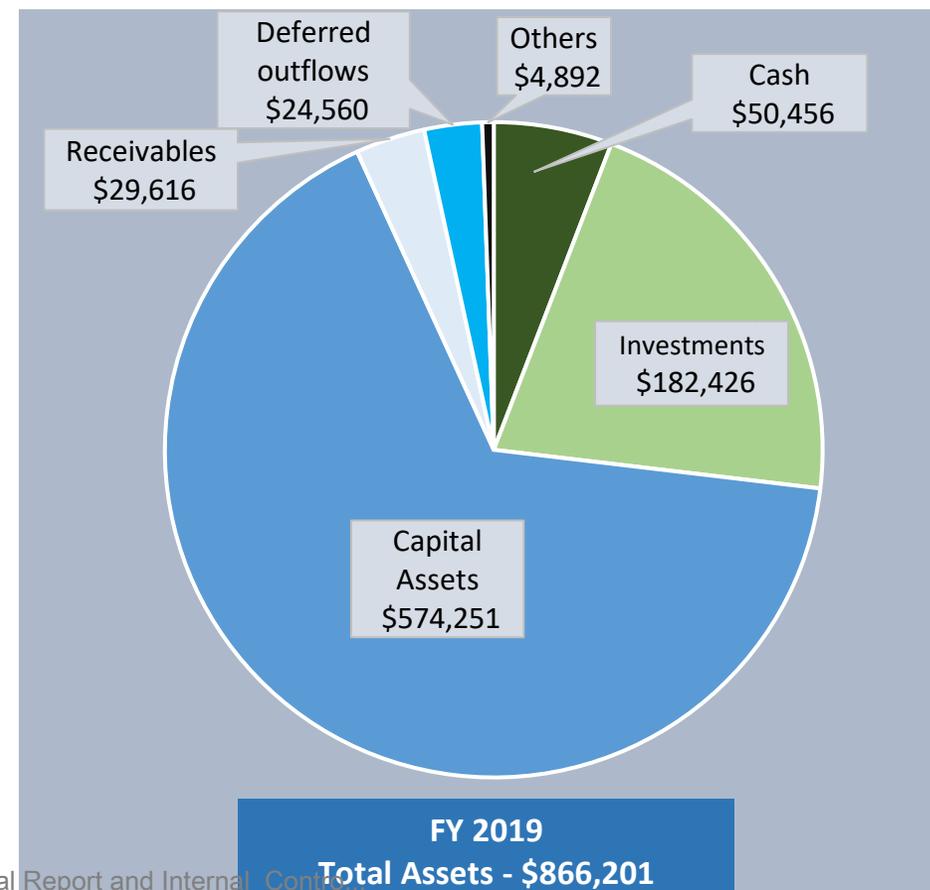
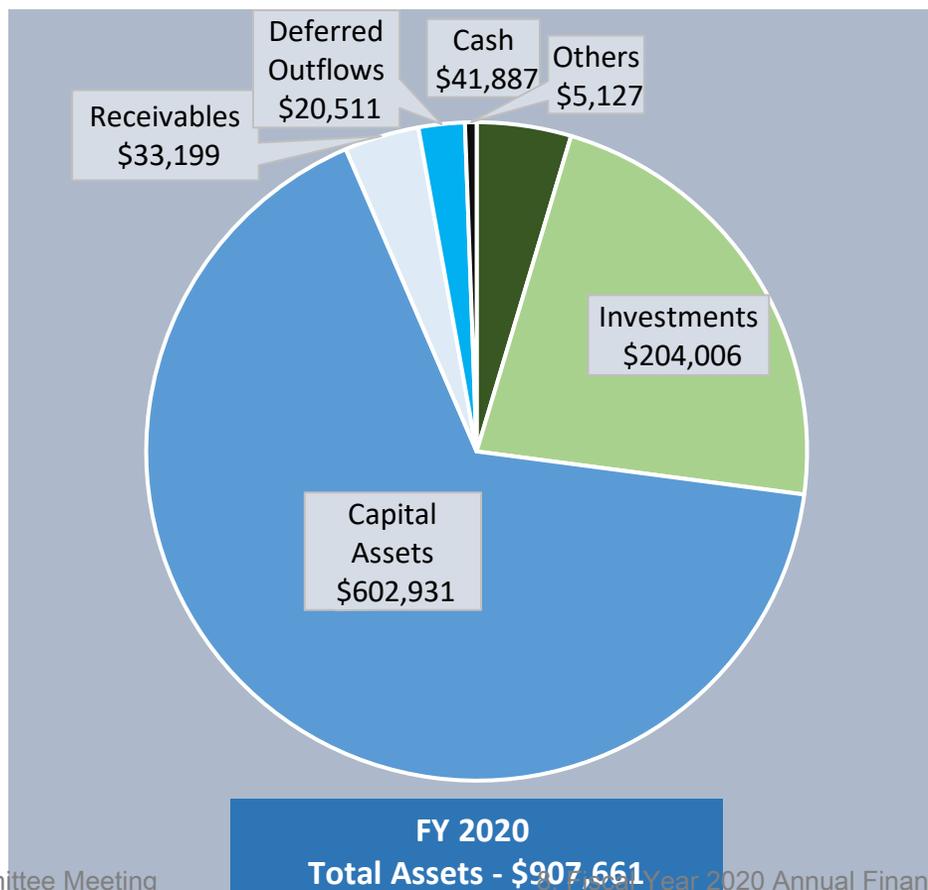
1. Onset of COVID-19 in March 2020 called for immediate actions including:
 - Sudden move to remote instruction and work
 - Need to adjust our operations to deal with unforeseen impacts on all fronts
2. Material impacts to the University's finances:
 - Refunds of various fees (Housing, Dining, Parking, etc.)
 - Investments in facilities and supplies
3. Projected budget gap for FY20 exceeded \$30M
 - \$17M – student refunds, aid and Summer grants
 - \$13M - Revenue impacts, investments in facilities, PPE, technology, etc.
4. Actions taken to manage the budget gap:
 - Strategic use of \$15M+ in CARES Act Funding
 - Investment in student aid resulting in largest Summer enrollment in recent years
 - Capturing energy savings through facilities management
 - **Strategic use of limited reserves & carryforward flexibility**

Comparative Financial Statement Summaries

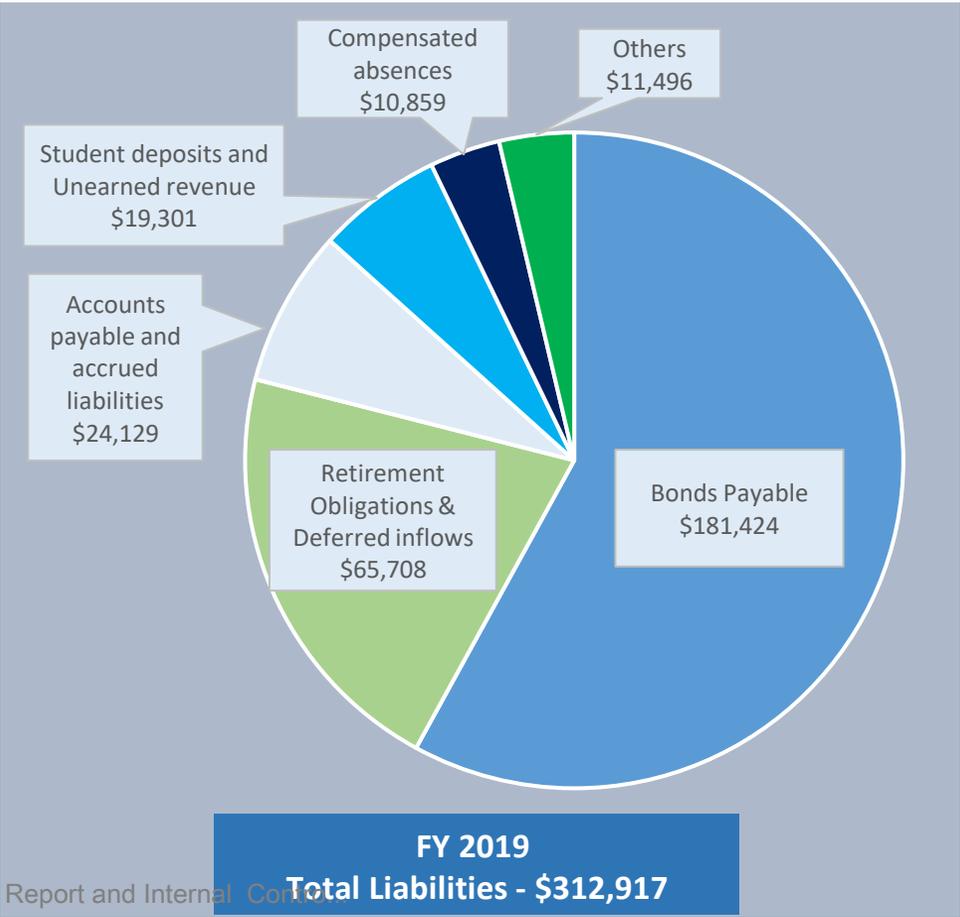
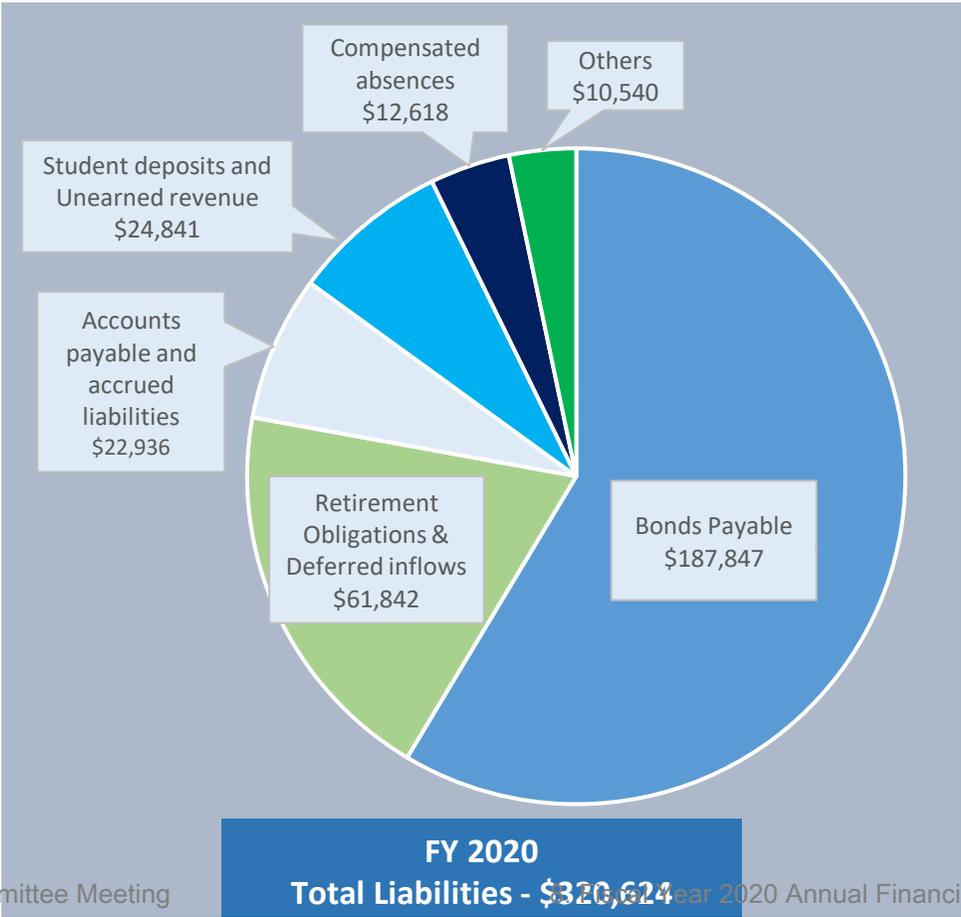
FYE June 30 2020 and 2019



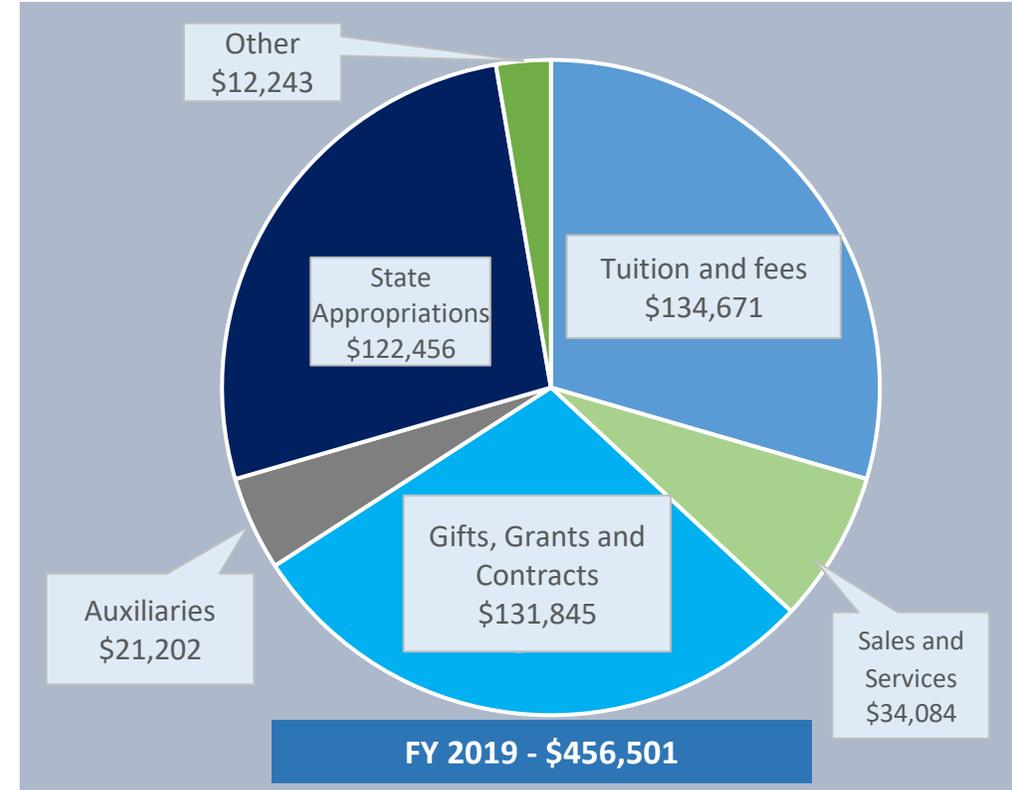
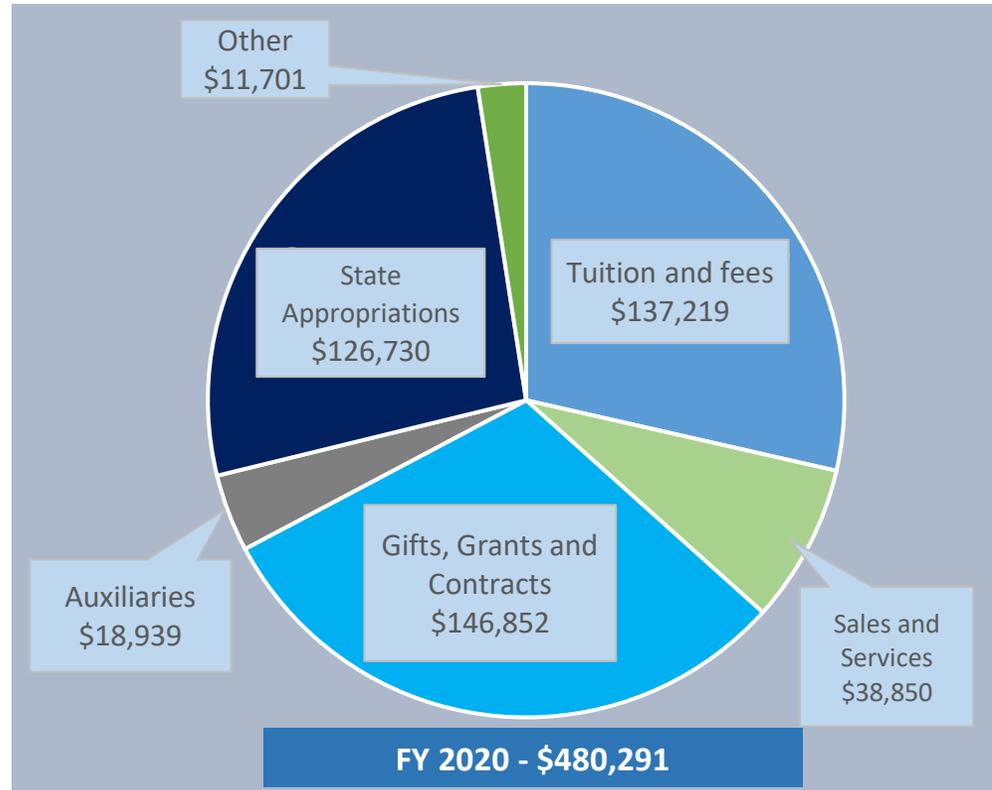
Composition of Assets (in thousands)



Composition of Liabilities (in thousands)

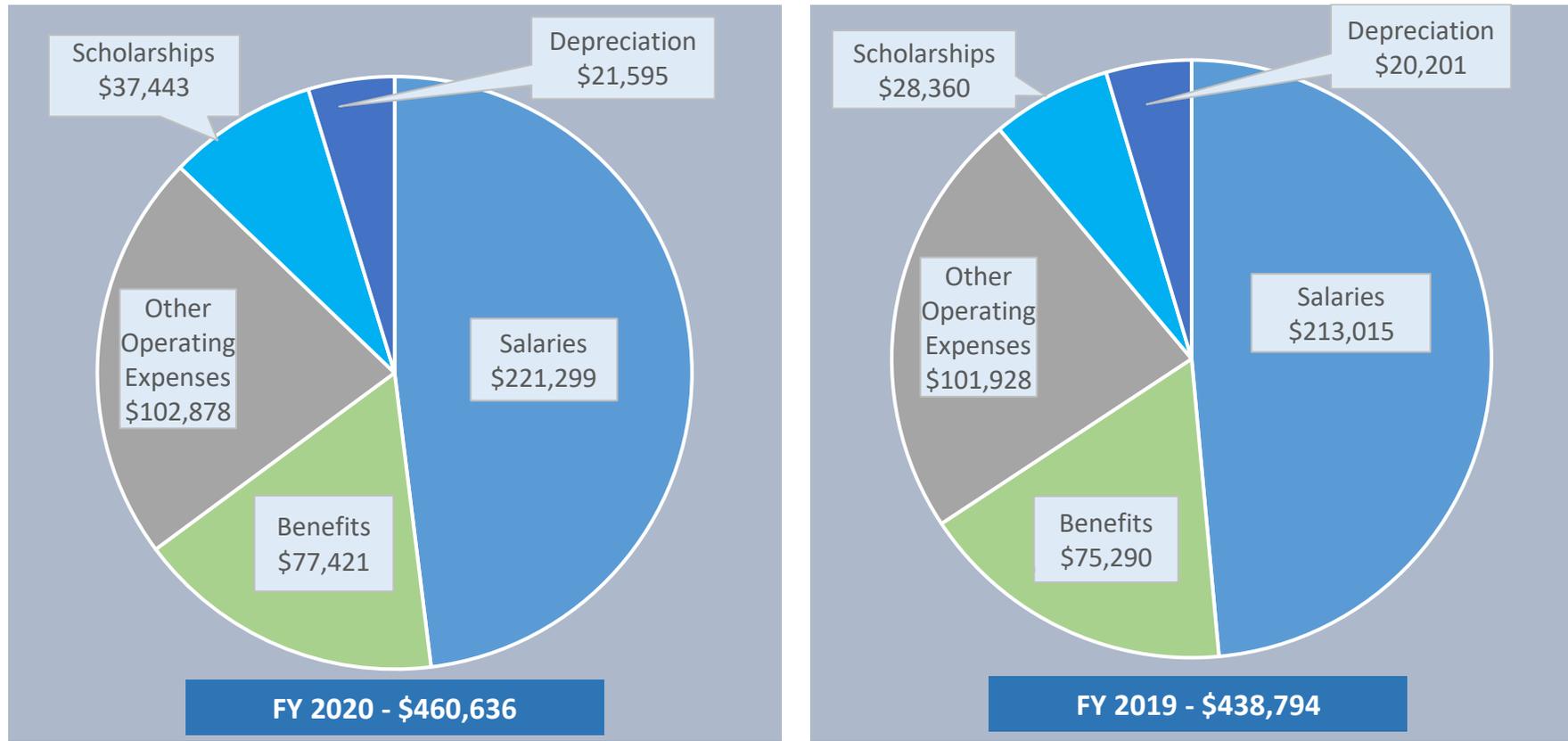


Sources Of Revenue* (in thousands)



*Does not include Capital Gifts and appropriations

Operating Expenses (in thousands)



1. Audited financial statements resulted in an Unmodified Opinion
2. No Audit Findings were reported and the two Audit Findings identified in the FY2019 audit were resolved
3. Several "Management Letter" items were noted. Management has developed action plans to address such.
4. In spite of the impacts of COVID-19:
 - Total Assets grew by \$41M
 - Total Liabilities increased by \$8M, primarily due to increase in Bonds
 - Net position increased by \$33M
 - Revenues increased by \$24M

Overall institution ended the financial year on strong positive note with Net Assets & Gross Revenues at its highest level in history.

Questions?

9. Business Continuity Planning Update

Presentation

Presented by Raajkumar Kurapati

The University of Memphis Board of Trustees

Presentation
For Discussion

Date: March 9, 2021

Committee: Audit Committee

Presentation: Business Continuity Planning Update

Presented by: Raaj Kurapati, Executive Vice President and Chief Financial Officer

Background:

This presentation provides an update on our business continuity progress to date, ongoing efforts, and our comprehensive security strategy.

Business Continuity Planning Update

Audit Committee

Raaj Kurapati

Executive Vice President and Chief Financial Officer

March 9, 2021

Zoom Video Conference



MARCH 2021

- Formalize BCP process and prepare for rollout
- Create sample plan/template, develop BCP Instructional Forms, Critical Function descriptions with Return to Operations (RTO) durations, Business Impact Analysis/Consequences
- Ensure available Help resources, department information and FAQs are available via updated Business Continuity webpage
- Provide Overview to institutional and academic staff on Quali “Memphis Ready” software and work with departments to create BCP plans in Quali
- Assist Departments with Entry and QA checks on plan information

Timeline:

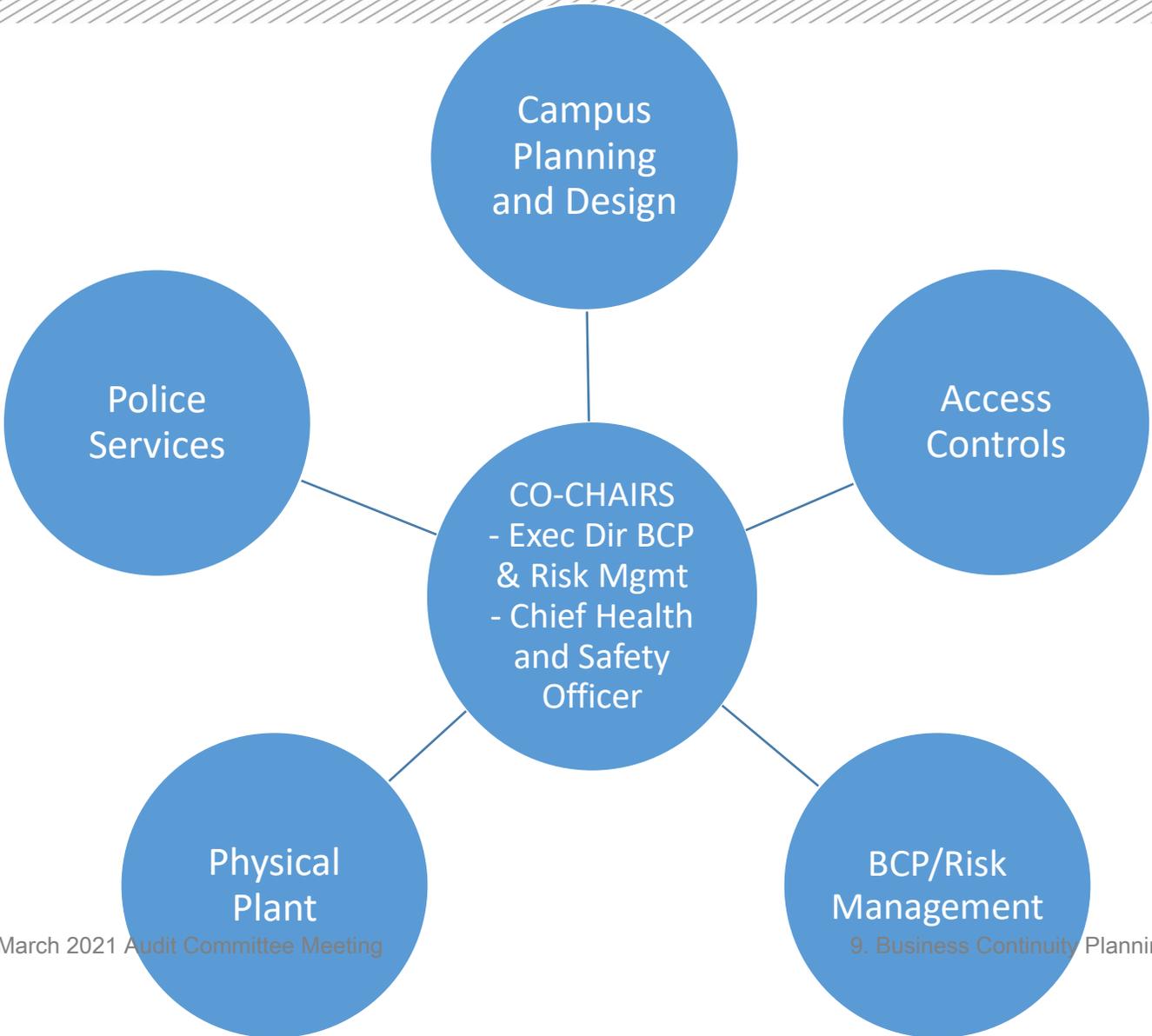
- 12/07/20 - Hired Mark Heath, Exec Dir, Business Continuity & Risk Mgmt
- 01/29/21 - Initiated IT Services BCP pilot program
- 02/08/21 - Initiated Business & Finance BCP pilot program
- 02/17/21 - Initiated BCP rollout for remaining University departments
- 04/02/21 - Deadline for all BCP plans to be entered into Kuali software
- 04/01/21 - 06/30/21: Quality Assurance Review and approval of initial plans

Ongoing Planning - June to December 2021 (BCP Committee)

- ✓ Review 145+ plans for final implementation
- ✓ Test and provide follow-up feedback and training as needed to address gaps
- ✓ Approve and publish BCP plans

Ongoing Efforts and Actions Focused On:

1. Cross Reference or Incorporation of the Crisis Management Plan, Emergency Plan, and Risk Assessment Process into an Enterprise Risk Management Effort
2. Explore Enhanced Mitigation Efforts for Business Impact Analysis/Consequences
3. Determine Enhanced Recovery Strategies
4. Develop Annual Testing and Exercises
5. Evaluate On-Going Maintenance Requirements



Reallocation of Resources and Personnel

Zone or Directed Patrol Approach

Integrated Camera System vs. Disparate Systems

Enhanced Partnerships with UNDC and MPD

Crime Prevention Evaluation of All Facilities Including Identification of Ownership/Responsible Party & Alternate as well as Access and Control Measures

Community Policing Initiatives

Questions?

10. Compliance Program Report Update

Presentation

Presented by Tiffany Cox

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 9, 2021

Committee: Audit Committee

Presentation: Compliance Program Report Update

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

Background:

This will be a brief update on the development of the University's Compliance Program.

Compliance Program Report Update

Audit Committee

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

March 9, 2021
Zoom Video Conference



MARCH 2021

- Compliance Council Meetings January 2021 & February 2021
- Compliance Council approved final drafts of the University Compliance Program policy and Code of Ethics
- University Compliance Calendar
- Triage Team Meetings

11. Information Security Update

Presentation

Presented by Robert Jackson

The University of Memphis Board of Trustees

Presentation
For Information

Date: March 9, 2021

Committee: Audit Committee

Presentation: Information Security Program Update

Presented by: Dr. Robert Jackson, Chief Information Officer

Background:

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

Information Security Program Update

Audit Committee

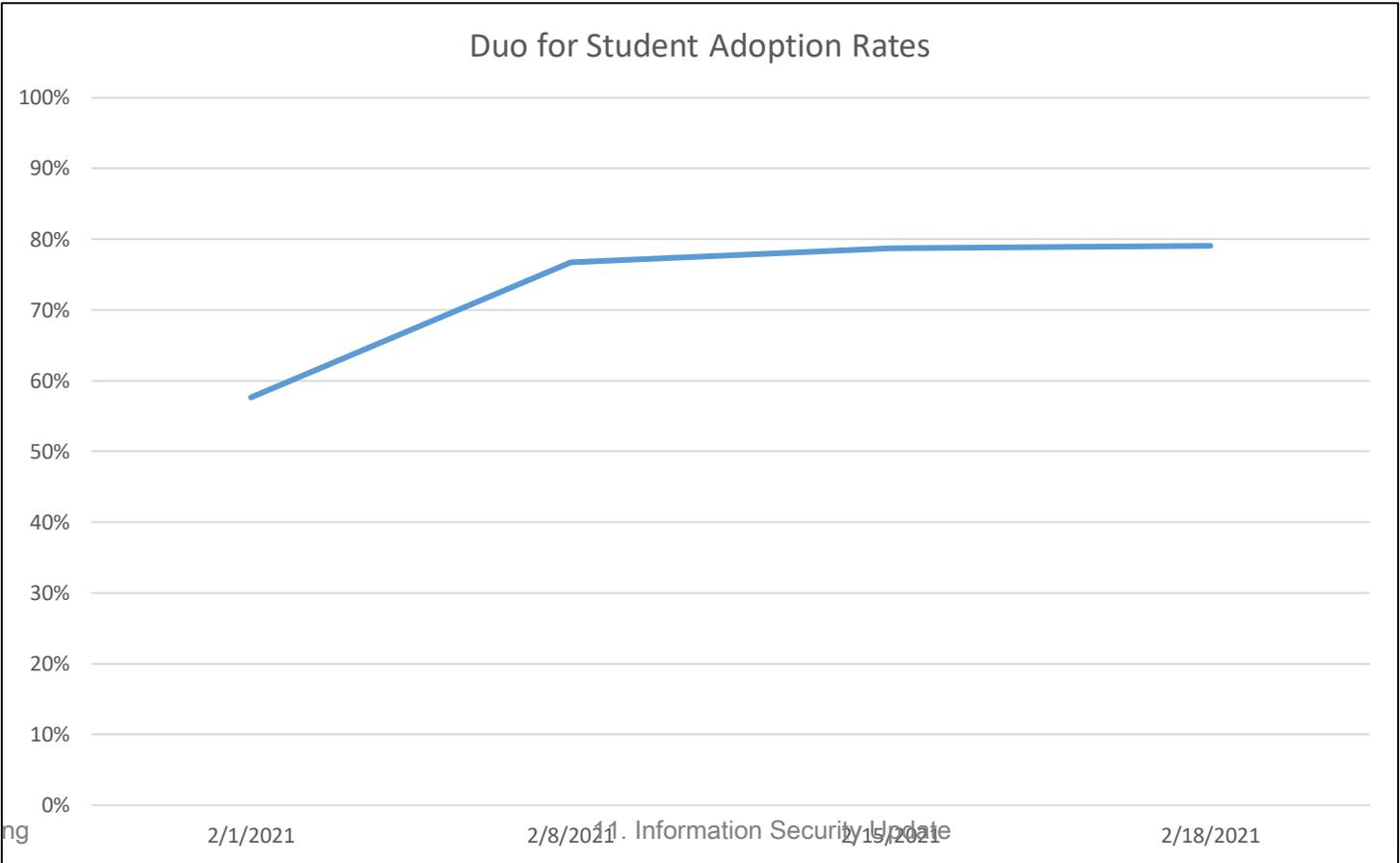
Dr. Robert Jackson
Chief Information Officer

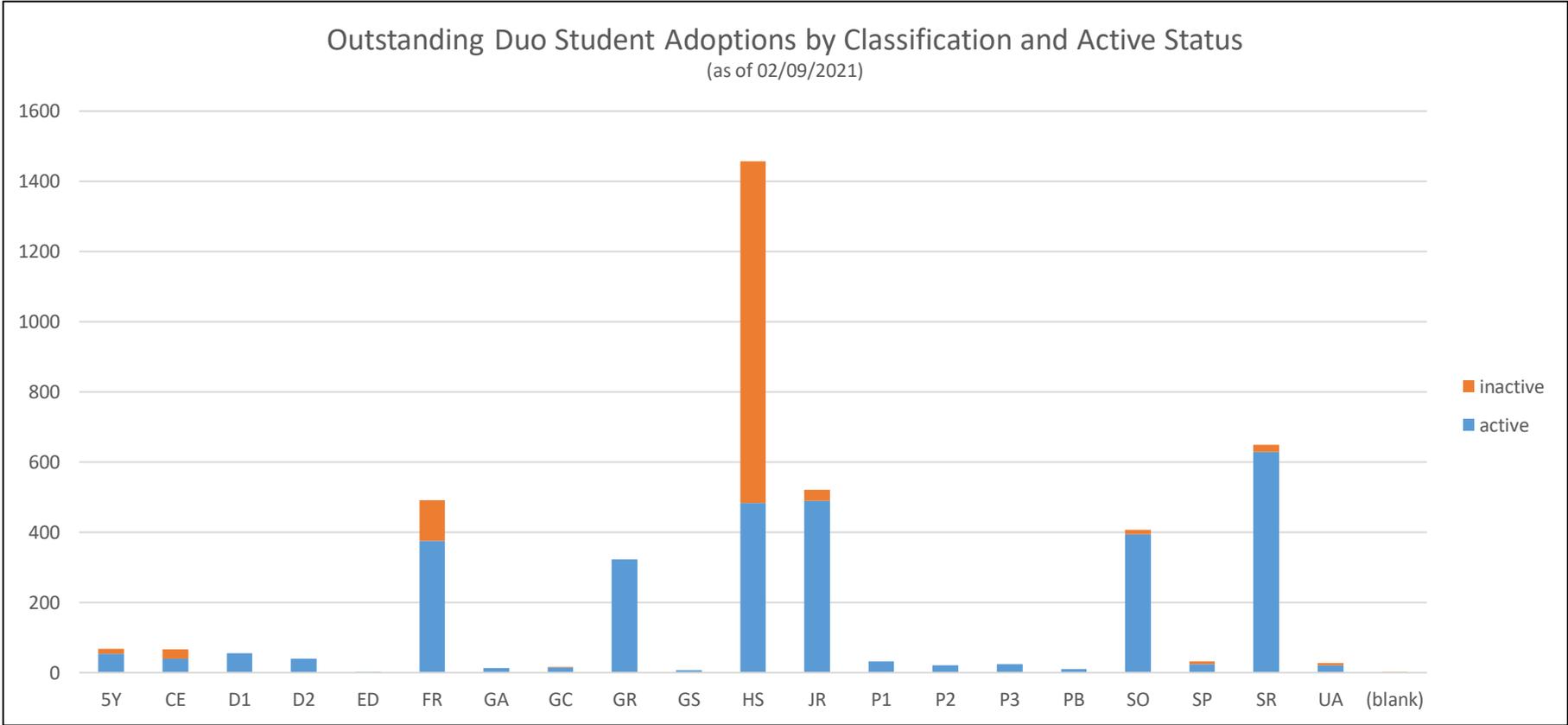
March 9, 2021
Zoom Video Conference



MARCH 2021

- Duo for Students





FY2021 Q2 IT Security Engagements

FY2021 Q2 IT Security Engagements							
Escalation Level							
	1- Very Minor	2- Minor	3 - Low	4 - Moderate	5 - High	6 - Very High	Total
Category							
Denial of Service							0
Malicious Code							0
Unauthorized Access					1		1
Inappropriate Usage							0
Personally Identifiable Information							0
Other	1	2					3
Total	1	2	0	0	1	0	4
Outcomes included:							
• No Action Required (2)							
• Issue Remediated (2)							

March 2021 Audit Notes: 16 accounts were proactively disabled due to suspicious behavior during Oct - Dec 2020.

- Collaborate with other offices on remaining student transitions to Duo
- Conduct external assessment to support NIST compliance – March 1
- Expand Data Loss Prevention – March 15

Thank you.

12. Additional Business

Presented by Susan Springfield

13. Adjournment

Presented by Susan Springfield