

September 2024 Finance and Audit Committee








Schedule












Wednesday, September 4, 2024 10:00 AM — 10:30 AM CDT

Organizer

Colton Cockrum

Agenda

1. Call to Order and Opening Remarks Presented by David McKinney	1
2. Roll Call and Declaration of Quorum Presented by Colton Cockrum	2
3. Approval of Finance and Audit Minutes from June 5, 2024 For Approval - Presented by David McKinney	3
 FAC Meeting Minutes June 5th.docx	4
4. Approval of Chief Internal Auditor For Approval - Presented by David McKinney	10
 Agenda Item - Chief Internal Auditor.docx	11
5. Internal Audit Quality Assessment Independent Validation Results Presentation	12
 1 Presentation.docx	13
 2 UofM QA Ext Valation Rpt with Self Assessment 7.19.24.pdf	14
 Sept 2024 PowerPoint Slides from Int Audit.pptx	18
6. Summary of Audit Issue Follow-up Presentation	35
 1 Presentation Cover.docx	36
 2 Audit Issue Follow Up List.xlsx	37

7. Summary of Audit Reports	38
Presentation	
 1 Presentation Cover.docx	39
 2 Summary of Audit Reports Issued.xlsx	40
<hr/>	
8. Summary of Internal Audit Year End Report	41
Presentation	
 1 Presentation Cover.docx	42
 2 Summary of Investigations Resolved.xlsx	43
<hr/>	
9. FY2024 Internal Audit Year End Report	44
Presentation	
 1 Presentation Cover.docx	45
 Internal Audit Year End Report FY2024.pdf	46
<hr/>	
10. Financial Performance Report	54
Presentation - Presented by Steve Lackey and Rene Bustamante	
 Agenda Item -FY24 Financial Report.docx	55
 FY24 Financial Report.pptx	56
<hr/>	
11. Park Avenue Campus Student Housing Update	65
Presentation - Presented by Rene Bustamante	
 Agenda Item - Park Avenue Housing Project.docx	66
 Park Avenue Campus Student Housing Update.pptx	67
<hr/>	
12. Finalization of President's Review - Compensation	75
For Approval - Presented by Rene Bustamante	
 Agenda Item - Finalization of President's Review - Compensation.docx	76
<hr/>	
13. Additional Business	77
For Discussion - Presented by David McKinney	
<hr/>	
14. Adjournment	78
For Approval - Presented by David McKinney	
<hr/>	

1. Call to Order and Opening Remarks

Presented by David McKinney

2. Roll Call and Declaration of Quorum

Presented by Colton Cockrum

3. Approval of Finance and Audit Minutes from June 5, 2024

For Approval

Presented by David McKinney

University of Memphis
Board of Trustees
Finance & Audit Committee
June 5, 2024
Meeting Minutes

Agenda Item 1: Call to Order and Opening Remarks

Trustee McKinney called the meeting to order.

Trustee McKinney welcomed any students, faculty, and staff. He thanked fellow trustees for their presence.

Agenda Item 2: Roll Call and Declaration of Quorum/Meeting of Necessity

Trustee McKinney recognized Secretary Cockrum

Trustee Roberts (she stated she was alone and could hear him)

Trustee Carter

Trustee Marchetta

Trustee Springfield

Trustee McKinney

Secretary Cockrum announced the presence of quorum.

These additional trustees were acknowledged in attendance

Trustee Edwards

Chairman Johnson

Agenda Item 3: Approval of Finance & Audit Committee Meeting Minutes from March 13, 2024

Trustee McKinney called for a motion and second to approve the meeting minutes from March 13, 2024. The motion was made by Trustee Carter and properly seconded.

Trustee McKinney asked if there was any discussion; none was provided. A roll call was taken, and the motion carried.

Trustee McKinney recognized Chief Audit Executive, Vicki Deaton.

Agenda Item 4: Summary of Audit Reports Issued

Ms. Deaton provided a summary of Internal Audit Reports issued since the March 13th meeting. She explained that the Lab Safety Audit Report's opinion was effective but needed improvements; the Fogelman College of Business & Economics Fixed Asset Audit was an exercise performed by graduate students with an audit report opinion of effective with the opportunity for improvement; the Internal Audit Quality Self-Assessment Review report's opinion is that Internal Audit generally conforms with The Institute of Internal Auditor's (IIA) Standards.

Agenda Item 5: Summary of Internal Audit Investigations

Ms. Deaton explained that two investigations were resolved since the March 13th meeting.

Agenda Item 6: Annual Review & Approval of Internal Audit Charter

Ms. Deaton explained that this review and approval complies with the IIA Standards mentioned in Agenda Item 4. The Office of Internal Audit and Consulting Charter is reviewed annually. It was reviewed September 2023. There was no revision at that time. It is recommended that no changes be made at this time, but changes will be needed during the fall.

Trustee McKinney called for a motion and second to approve the Internal Audit and Consulting Charter. The motion was made by Trustee Roberts and properly seconded. Trustee McKinney called for discussion- there was none. The motion carried.

Agenda Item 7: Plan for Quality Assurance Review External Validation

Ms. Deaton explained that UofM Internal Audit is governed by the IIA. Because of this, UofM Internal Audit is charged with improving functions and activities at the UofM. Every 5 years, an external assessment is required. The last assessment was done in 2019. UofM Internal Audit is currently in the process of external validation of their self-assessment. The assessment will be completed by the end of July 2024 and there will be a report at the September Board of Trustees meeting.

Trustee Springfield questioned the makeup and focus of the external assessment team. Ms. Deaton explained there are requirements for the team quoting past experience. She noted the team lead would also want a say in the makeup, but it could be investigated, although, it could delay completion of their work.

Agenda Item 8: Approval of FY2025 Audit Plan

Ms. Deaton explained that with the FY2025 Audit Plan, the audit universe in Higher Education is usually split into three functional areas: Academic, Administrative, and Other. There are several units within those areas at the University. She explained that the plan is based on risk and past projects and experience in previous fiscal years.

Trustee McKinney commented that this plan was very thorough and descriptive. Trustee McKinney called for a motion for approval for the proposed FY2025 Internal Audit Plan. The motion was made by Trustee Carter and was properly seconded.

Trustee McKinney called for discussion.

Trustee Marchetta asked if the newly formed real estate foundation would be included in the list of units within the three functional areas. Ms. Deaton noted that it would be a part of the audit universe. All foundations are included. The foundation should be on the list next year.

A roll call was taken, and the motion carried.

Agenda Item 9: Annual Report of Grievance Activities – Support Staff Only

Ms. Deaton explained that she brings this report on the behalf of the UofM Human Resources Department in compliance with TCA 49-8-117, that requires the University provide an annual report to the education committee. The report summarizes grievance activities of the previous year. These were in the materials provided to the Board.

Trustee McKinney recognized Executive Vice President, Chief Operating & Financial Officer, Rene Bustamante.

Agenda Item 10: FY2025 Budget Update

Mr. Bustamante explained the revenue budget components: state appropriations and tuition revenues.

Regarding state appropriations, he noted that UofM is one of three Locally Governed Institution (LGI) who received a positive outcome formula adjustment (of ~ \$1.9M). Mr. Bustamante explained that a 2% salary increase is proposed in the FY25 expenses representative of the state's and UofM portions. \$3.3M was received in capital maintenance to re-roof Engineering Technology and Life Sciences building. An additional \$5.5M was received for Safety and Security.

Regarding tuition revenues, Mr. Bustamante noted that THEC gave a binding tuition range of 0.0%-5.5%. UoM proposes a tuition increase of 3.71% for FY25 in line with THEC's recommendations, student affordability and financial aid, institutional revenues and cost inflation factors. This increase is the lowest among all other LGIs in the state.

Trustee McKinney thanked Mr. Bustamante for an update on the FY24 estimated budget and the FY25 proposed budget.

Trustee McKinney called for a motion to approve the FY2023-24 Estimated Budget and the FY2024-25 Proposed Budget including assumptions in the materials. Trustee Marchetta asked Mr. Bustamante to give ideas regarding cost efficiencies within the university. Mr. Bustamante explained the UofM will roll out the RCM budget model to identify cost and savings within the colleges and other areas of opportunity to improve efficiencies (i.e. Physical Plant). He noted balance between students and administration as well as investments. The motion was made by Trustee Carter. There was no further discussion. A roll call was taken, and the motion carried.

Agenda Item 11: FY25 Tuition and Fees Recommendation

Mr. Bustamante explained that FY25 State Appropriations included limited new funding. He explained the FY25 enrollment assumptions of a decline in First Time Freshman with an impact of \$6M and In State Populations and a decline in Summer Enrollment with an impact of \$2M. A tuition increase is recommended. An elimination of the guaranteed tuition plan is recommended.

Mr. Bustamante explained there have been only 3 tuition and fee increases in the last six fiscal years. He noted that UofM is the only LGI recommending a tuition increase of less than 4%. Enrollment continues to trend down for undergraduate enrollment and the law school with steady trends of graduate and dual enrollment students. The proposed tuition and mandatory fee increases are Instate: 3.71%(UG), 3.69% (G), 3.78% (Law); Out of State: 4.09% (UG), 4.02% (G), 4.03% (Law); Int'l: 4.28% (UG), 4.21% (G), 4.12% (Law).

Mr. Bustamante explained that the tuition increase will have a resulting net tuition and fees revenue projection of \$6M. The increase will have a corresponding expense increase to scholarships of \$865K. Mandatory fees will support area reliant on fee revenues and the increase will fund inflationary cost increases for software and operations, scholarships, technology infrastructure, safety and security, and student success initiatives.

Mr. Bustamante explained the guaranteed tuition program and that a recommendation will be made to discontinue this program effective fall 2025 impacting FY26.

Trustee McKinney thanked Mr. Bustamante for providing context around what LGIs are doing regarding the tuition increase range. Trustee McKinney called for a motion to approve the FY25 proposed tuition and mandatory fee increases as presented in the meeting materials. The motion was made by Trustee Carter and properly seconded. Trustee Marchetta noted the challenges of raising tuition and that Mr. Bustamante articulated those challenges well. He noted that the enrollment projects made for the fall are on par with national trends and are not unique to the UofM. A roll call vote was taken, the motion carried.

Agenda Item 12: Discontinuation of Guaranteed Tuition Program

Mr. Bustamante explained the guaranteed tuition program and that a recommendation will be made to discontinue this program effective Fall 2025 impacting FY26. The plan went into

existence in FY20. This plan was initially imposed to boost enrollment during a time a low inflation but did not positively impact the enrollment. Those in the guaranteed tuition cohorts will stay in the plan (FY25, FY26, FY27). Those starting Fall 2024 will also be included in the plan (FY25, FY26, FY27, FY28). Currently 33% of UG tuition revenue base is tied up in guaranteed tuition plans.

Trustee McKinney called for a motion to approve the discontinuation of the Guaranteed Tuition Program, effective Fall 2025. The motion was made by Trustee Springfield and properly seconded. Trustee McKinney called for discussion. Trustee Springfield asked if other universities used this type of guaranteed plan. Mr. Bustamante responded that UofM was the only one. A roll call was taken, and the motion carried.

Agenda Item 13: Park Avenue Campus Student Housing P3

Mr. Bustamante recognized Mr. Tony Potee and Mrs. Melinda Carlson to present on the P3 Housing project.

Mr. Poteet explained the goals of the project was to develop and enter a contract with best proposer to construct and operate a residential student housing development delivered by fall of 2026. He noted the 2-year process with the construction out for bid. The ground lease is scheduled for approval with the State Building Commission (SBC) June 13, 2024. He explained the business activity.

Mrs. Carlson explained the design overview with 524 beds and 289 parking spaces. She noted quite a bit of student input was involved in the overview from student surveys. Mr. Poteet explained that construction would cause very little disruption to Park Ave campus buildings and operations. Mr. Poteet explained that the ground lease document is state approved, and that other contracts and documents will be handled by the university utilizing in-house and outside counsel and consultants. He noted that the asset becomes University property after 30 years with buy opportunities starting at 10 years.

Mr. Poteet explained that there would be a cash flow pro forma indicating approximately \$500,000 per year for the project's life. He concluded that this project meets the goals of the master plan, meets the demonstrated need for student housing, constitutes no debt to the University, and gives students an affordable living and learning environment on the Park Ave campus.

Trustee Springfield noted that there should always be a financial review. Mr. Poteet noted that there would be an internal review, but not one for the underwriter of the bond. Chairman Johnson asked if there was anything more needed for the state building commission. Mr. Poteet explained that this P3 Project is on the agenda for the June 13th SBC meeting in Nashville, TN. He noted that this would approve the start of demolition. Trustee Carter commended the team on an excellent planned and emphasized the importance of enhanced student experience for resident students to truly experience university life. Trustee McKinney

echoed sentiments and added that this would provide balance noting security and debt allocation and meeting the goals of the strategic plan.

Trustee McKinney called for the approval of the P3 Housing project as detailed in the meeting materials. The motion was made by Trustee Springfield and properly seconded. There was no additional discussion. A roll call was taken, and the motion carried.

Agenda Item 14: President's Review and Evaluation

Trustee McKinney recognized Chairman Johnson.

Chairman Johnson explained that President Hardgrave had done a tremendous job working through numerous challenges. He noted that President Hardgrave has spent a great deal of time in Nashville with public policy issues. He also notes President Hardgrave's drive to enhance UofM talent. Chairman Johnson commended the executive administration. He noted that President Hardgrave communicates well with the Board and keeps them abreast on important issues.

Trustee McKinney called for a motion to approve the Chairman's review and evaluation of the President. The motion was made by Trustee Carter and properly seconded. There was no additional discussion. A roll call was taken, the motion carried.

Agenda Item 15: Additional Business

Trustee McKinney asked for additional business. He noted that the next Board of Trustees meeting will be September 4, 2024.

Agenda Item 16: Adjournment

Trustee McKinney called for a motion to adjourn. A motion was made and properly seconded. The meeting was properly adjourned.

4. Approval of Chief Internal Auditor

For Approval

Presented by David McKinney

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: September 4, 2024

Committee: Finance & Audit Committee

Presentation: Approval of Chief Internal Auditor

Presented by: David McKinney

Background: The University of Memphis Board of Trustees bylaws states that “the Board of Trustees shall appoint the Chief Internal Auditor for the University, in compliance with these bylaws, who shall perform the duties required by the Higher Education Accountability Act of 2004, § 49-14-101 et seq. and who shall serve at the pleasure of the Board. The Chief Internal Auditor shall report directly to the Board’s Audit Committee and shall have direct and unrestricted access to the Chair of the Audit Committee and other Audit Committee members.”

The Finance and Audit Committee recommends a motion for the approval of Angela Ross as the new Chief Internal Auditor.

5. Internal Audit Quality Assessment

Independent Validation Results

Presentation

The University of Memphis Board of Trustees

Presentation

For Information

Date: September 4, 2024

Committee: Finance and Audit Committee

Presentation Title: Internal Audit Quality Assessment Independent Validation Results

Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Synopsis:

The Office of Internal Audit and Consulting performed a Quality Self-Assessment Review during the spring of 2024. Summarized information from the report of our self-assessment was provided to the Finance and Audit Committee at the June 2024 Finance and Audit Committee meeting.

The self-assessment found that the UofM internal audit function generally conforms to the IIA's Standards, Definition of Internal Auditing, the core principles, and the Code of Ethics. Independent reviewers recently completed a validation of the self-assessment. The independent validators concurred with the opinion of the self-assessment - that the University of Memphis Office of Internal Audit and Consulting generally conforms to the IIA's Standards, Definition of Internal Auditing, the core principles, and the Code of Ethics. They do list several opportunities for improvement, but we received the highest rating available. UofM Internal Audit will not be required to have another external review until 2029.

The independent external validation report is attached with a copy of our self-assessment results included.



Office of Internal Audit and Consulting

Memphis, TN 38152
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Email: UoM_Audit@memphis.edu

July 19, 2024

David McKinney, Chair of The University of Memphis Board of Trustees Finance and Audit Committee

We were engaged as the validators to conduct an independent Validation of the Quality Assurance Review Self-Assessment (QA) of The University of Memphis Internal Audit function as required every five years by the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing (IIA Standards)*. The objectives of the QA were to:

1. Assess conformance with the *IIA Standards*;
2. Assess the effectiveness and efficiency of the Internal Audit function in providing services to the Board and management of The University of Memphis; and
3. To identify opportunities for improving the Internal Audit function at The University of Memphis.

In acting as independent validators, we are fully independent of The University of Memphis and have the necessary knowledge and skills to undertake this engagement. The validation, conducted from May 24, 2024 to July 8, 2024, consisted primarily of reviewing and testing the documentation related to The University of Memphis Office of Internal Audit self-assessment report issued May 17, 2024. Additionally, we interviewed other audit team members and several key administrators. These interviews helped us gain a better understanding of the internal control environment within which The University of Memphis's internal auditing function operates.

The validation of the self-assessment was performed in accordance with the IIA's Quality Assessment Manual, 2017 edition. The primary purpose of a QA is to determine the internal audit function's conformance with the *IIA Standards*. There are three possible outcomes of the QA: the internal audit activity generally complies, partially conforms, or does not conform with the *Standards*.

We concur with The University of Memphis Internal Audit's conclusion and agree that the office Generally Conforms to the *Standards* and the Code of Ethics. This is the highest rating available. During our review we identified successful practices, as well as opportunities for improvement, which are detailed in Attachment A.

Blayne M. Clements CIA, CFE, CRMA
Chief Audit Officer
Austin Peay State University
Clarksville, Tennessee
Team Lead

Jacqueline Struckmeyer CPA
Director of Internal Audit
Tennessee Board of Regents
Nashville, Tennessee

CC: Dr. Bill Hardgrave, President
Vicki Deaton, Chief Audit Executive

Successful Practices

1. Chair of the Finance and Audit Committee of the Board of Trustees and Senior Management Support—Everyone interviewed conveyed a high level of support for the Office. The Office is well respected and is seen as collaborative and approachable. Words used to describe the Office included *collaborative, respected and professional*.
2. Audit Recommendations—Executive leadership consistently commented that the recommendations made by the Office strike the right balance between ensuring that disclosed risks are mitigated and allowing management the leeway needed to determine the best way to effect that mitigation. Audit recommendations were seen as practical and reasonable.

Opportunities For Improvement Identified by the External Review Team

1. Standard 1100 - Independence and Objectivity – The internal audit activity must be independent, and internal auditors must be objective in performing their work.

Independence is achieved through a dual-reporting relationship, where the internal audit activity reports administratively to the President and functionally to the Finance and Audit Committee of the Board of Trustees. The Finance and Audit Committee charter states the President and the Chief Financial Officer are ex-officio, non-voting members of the committee. Since the internal audit function reports functionally to this committee, their inclusion may tarnish the appearance of internal audit's independence.

Prior to March 2024, internal audit reported to the Audit Committee of the Board of Trustees. In March 2024, the Board combined the Audit Committee and the Finance Committee to create a blended Finance and Audit Committee. The Internal Audit Charter and Board of Trustees bylaws have not been revised to reflect this change.

The university's organizational chart reflects the internal audit activity has dotted line reporting to the President and specifies that reporting line is administrative. However, the organizational chart does not reflect internal audit's functional reporting line to the Finance and Audit Committee of the Board of Trustees.

Recommendation: The Chair of the Finance and Audit Committee, the President, and the Chief Audit Executive should be aware of the potential appearance of a lack of independence and actively mitigate the risk. Management should consider revising the internal audit charter and the Board of Trustees bylaws to accurately describe the committee to which internal audit reports. Management should consider clarifying the Chief Audit Executive reporting lines on the organizational chart to accurately show internal audit's dual reporting structure and better communicate the independence of internal audit.

2. The Finance and Audit Committee charter states the committee shall "review the University's conflict of interest policy to ensure that the guidelines are comprehensive, that the term "conflict of interest" is clearly defined, and that it contains procedures for adequate resolution and documentation of potential conflicts." The Chief Audit Executive stated the committee has not been presented with or reviewed this policy.

Recommendation: The Chief Audit Executive should ensure the committee periodically review the university's conflict of interest policy.

3. Standard 2000 – Managing the Internal Audit Activity - The Chief Audit Executive must effectively manage the internal audit activity to ensure it adds value to the organization.

Although not required by the standards, an internal audit strategic plan establishes, communicates, and guides the department toward long-term goals and objectives. As noted in the 2019 QA, the internal audit activity continues to operate without a strategic plan.

Ensuring job descriptions are current is another tool to ensure the internal audit activity is well managed. The review noted certain internal audit staff job descriptions still mention the Tennessee Board of Regents (TBR).

Having a departmental manual that provides guidance on a variety of topics helps the Chief Audit Executive manage the internal audit activity. Section II.B of the Internal Audit manual only mentions three of the four IIA mandatory elements (Core Principles is omitted).

Recommendation: The Chief Audit Executive should consider the value of developing a strategic plan for the internal audit function. Additionally, the Chief Audit Executive should ensure job descriptions and the department manual are accurate.

Selected Opportunities for Improvement Identified during the Self-Assessment (not a complete list)

1. 2200 – “Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organization's strategies, objectives and risks relevant to the engagement.”

In Tool A-4 the Chief Audit Executive states internal audit could do a better job of scoping engagements, which could lead to efficiencies and more audits being performed.

2. 2300 – “Internal auditors must identify, analyze, evaluate and document sufficient information to achieve the engagement's objectives.”

In Tool A-4, the Chief Audit Executive states internal audit will continue to work towards improving our working paper documentation with new staff, perhaps by developing a more detailed onboarding process for the internal audit manual.

University of Memphis
Internal Audit Quality Self-Assessment Review
May 17, 2024

Opinion as to Conformity with the IIA's Standards: Generally Conforms

Self-Assessment Performed by the Following Auditors:

Vicki D. Deaton, Chief Audit Executive

Jesse J. Pierce, Senior Technology & Network Security Auditor

Background & Objective

The University of Memphis (UofM) was founded in 1912 as West Tennessee Normal School. The University employs approximately 2,500 people, including approximately 1,000 full-time faculty, and has a student population of over 21,000 students. Although the exact date is unknown, the Internal Audit function was formed at the University between 35 and 40 years ago. Internal Audit has had 2 Chief Audit Executives in the past 10 years, and the staff currently consists of 4 professionals.

From 2004 through 2016, UofM Internal Audit reported to the Tennessee Board of Regents (TBR) System-wide Office of Internal Audit as well as the University President. FOCUS Act legislation was passed by the state of Tennessee in 2016, which allowed for an independent governing board at the UofM and other TBR member universities. The legislation increased autonomy and local control for the UofM. The legislation included the establishment of a local governing board for the UofM in 2017. The Finance and Audit Committee is one of six standing committees of the UofM Board of Trustees.

To support the independence of the internal audit function and to comply with state statutes and Tennessee Comptroller of the Treasury's requirements, the Office of Internal Audit and Consulting reports directly to the Board of Trustee's Finance and Audit Committee. However, for internal accounting purposes, the Office of Internal Audit and Consulting reports administratively to the University President.

The UofM Office of Internal Audit and Consulting conducted a quality self-assessment of the internal audit activity during spring 2024. The principal objective of the quality self-assessment was to determine the internal audit activity's conformity to The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics.

Requirement for Quality Assessments

Tennessee Code Annotated Section 4-3-304 (9) requires that internal audit staff of higher education institutions comply with the IIA's *Standards for the Professional Practice of Internal Auditing*. Those *Standards* require the UofM Office of Internal Audit and Consulting to have a quality assurance and improvement program which includes periodic internal and external quality assessments and ongoing monitoring for conformance with the *Standards*. External assessments must be performed at least once every five years by a qualified, independent assessor or assessment team from outside the organization. This external assessment can take the form of a full external assessment or a self-assessment with independent external validation. The UofM Office of Internal Audit and Consulting's last external assessment was completed in July 2019 as a self-assessment with independent external validation.

Opinion as to Conformity with the Standards

The overall opinion is that the UofM Internal Audit function generally conforms to the IIA's *International Standards for the Professional Practice of Internal Auditing*, Definition of Internal Auditing, Core Principles for the Professional Practice of Internal Audit, and the Code of Ethics. Attachment A provides a detailed list of conformances to the individual IIA Standards.

Internal Audit Agenda Items

Finance and Audit Committee

Angela Ross

Associate Vice President and Chief Audit Executive

September 4, 2024

Maxine A. Smith University Center



SEPTEMBER 2024

Presentation: Summary of Internal Audit Reports Issued

Three reports were issued since the June 2024 meeting.

Name of Audit Report	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Matters for Consideration by University Management	Issues Outstanding from Prior Audit
Lambuth Campus Financial Audit	7/23/2024	Effective with the Opportunity for Improvement	0	2	1	0	0	0	0
Cash Balances Audit	7/25/2024	Effective with the Opportunity for Improvement	0	0	2	0	0	0	0
Inventory Observation Audit	7/25/2024	Effective	0	0	0	0	0	0	0

Presentation: Audit Issue Follow Up

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 July 2024)
7/1/2024	Space Planning and Utilization Audit	1/3/2023	Effective with the Opportunity for Improvement	Space Planning 2	Opportunity to Improve Utilization Monitoring for Departmentally Controlled Teaching Spaces	Minor = Effective with Opportunity for Improvement	David Russomanno, Executive Vice President for Academic Affairs and Provost	Complete
7/1/2024	Space Planning and Utilization Audit	1/3/2023	Effective with the Opportunity for Improvement	Space Planning 3	Opportunity to Improve Process to Notify Registrar of Available Space	Minor = Effective with Opportunity for Improvement	David Russomanno, Executive Vice President for Academic Affairs and Provost	Complete
6/30/2024	Fixed Asset Audit FY2023	4/25/2023	Effective with the Opportunity for Improvement	Fixed Assets (FY2023) 1	Lost or Stolen Property Communications	Minor = Effective with Opportunity for Improvement	Steve Lackey, Interim Assistant Vice President of Financial Accounting and Reporting and University Controller	Not Complete, Action Plan Estimated Completion Date Extended to 2/28/2025
6/30/2024	Fixed Asset Audit FY2023	4/25/2023	Effective with the Opportunity for Improvement	Fixed Assets (FY2023) 2	Insufficient Controls over Fixed Assets	Minor = Effective with Opportunity for Improvement	Steve Lackey, Interim Assistant Vice President of Financial Accounting and Reporting and University Controller	Not Complete, Action Plan Estimated Completion Date Extended to 2/28/2025

Presentation: Audit Issue Follow Up

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 July 2024)
5/15/2024	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 1a (FY2024)	Annual Financial Responsibility Certification Compliance	Moderate = Insufficient and Requires Improvement	Christopher Whitehead, Business Officer II, School of Law	Complete
6/30/2024	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 1b (FY2024)	Annual Financial Responsibility Certification Compliance	Moderate = Insufficient and Requires Improvement	Steve Lackey, Interim Assistant Vice President of Financial Accounting and Reporting and University Controller	Complete
11/3/2023	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 3b (FY2024)	Insufficient Controls over Payment of Professional Privilege Tax	Minor = Effective with Opportunity for Improvement	Shan Arnold, Assistant Controller of General Accounting, Accounts Payable, Payroll, & Tax	Complete
2/28/2024	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 4 (FY2024)	Security Awareness Training Compliance	Minor = Effective with Opportunity for Improvement	Christopher Whitehead, Business Officer II, School of Law	Complete
12/31/2023	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 5 (FY2024)	Insufficient Controls over Purchasing Cards	Minor = Effective with Opportunity for Improvement	Christopher Whitehead, Business Officer II, School of Law	Complete

Presentation: Summary of Internal Audit Investigations Resolved

Three investigations were resolved since the June 2024 meeting.

Allegation Received by	Date Allegation Received	Description of Allegation	Date Assigned to Internal Audit by Complaint Triage Team	Internal Audit Investigation Number	Investigation Status	Investigation Outcome	Date of Final Action by Internal Audit
Referral from Executive Vice President & Chief Operating & Financial Officer	8/29/2023	Fraud Related to Duplicate and Suspicious Travel & Non-travel Reimbursements	8/29/2023	24-004 (TN Comp 24-8309)	Investigation Complete, Internal Audit Memo and Management Letter Issued	Duplicate Payments, Altered Receipts, and Shared UofM SSO Access Credentials Identified	7/29/2024
Referral from Fogelman College of Business & Economics Management	5/11/2024	Fraud, Waste, or Abuse Related to Use of Travel Funds	5/13/2024	24-012 (TN Comp 24-9590)	Investigation Complete, Internal Audit Memo Issued	Approved Travel Expenses Did Not Support Business Purpose of Trip	7/9/2024
Referral from Human Resources Management	5/29/2024	Fraudulent Use of UofM Police Services Fuel Cards	5/29/2024	24-013	Investigation Complete, Internal Audit Memo and Management Letter Issued	No Indication of Fraudulent Use of UofM Police Services Fuel Cards	6/25/2024

Presentation: Internal Audit & Consulting FY2024 Year End Report

According to the Finance and Audit Committee Charter, the Committee must “review the result of the year’s work with the Chief Audit Executive.”

The Office of Internal Audit and Consulting FY2024 Year End Report explains Internal Audit’s purpose and the services provided and summarizes audit hours by functional area; audit issues and recommendations; fraud, waste, and abuse investigations; consulting and advisory work; and other projects completed during the year.

Presentation: Internal Audit & Consulting FY2024 Year End Report

Purpose:

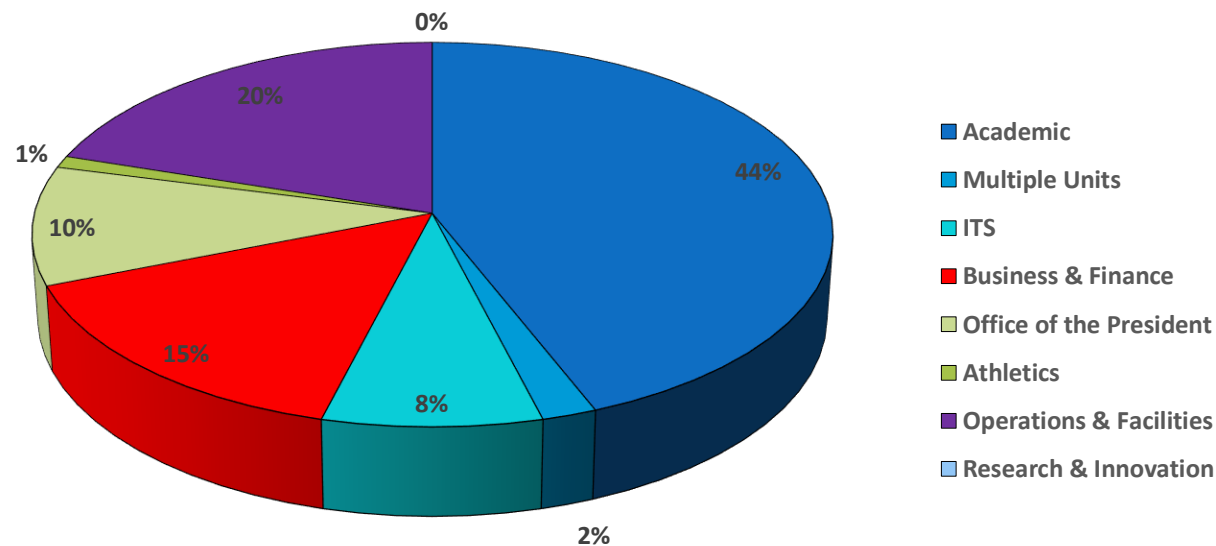
Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the University of Memphis' operation.

Services:

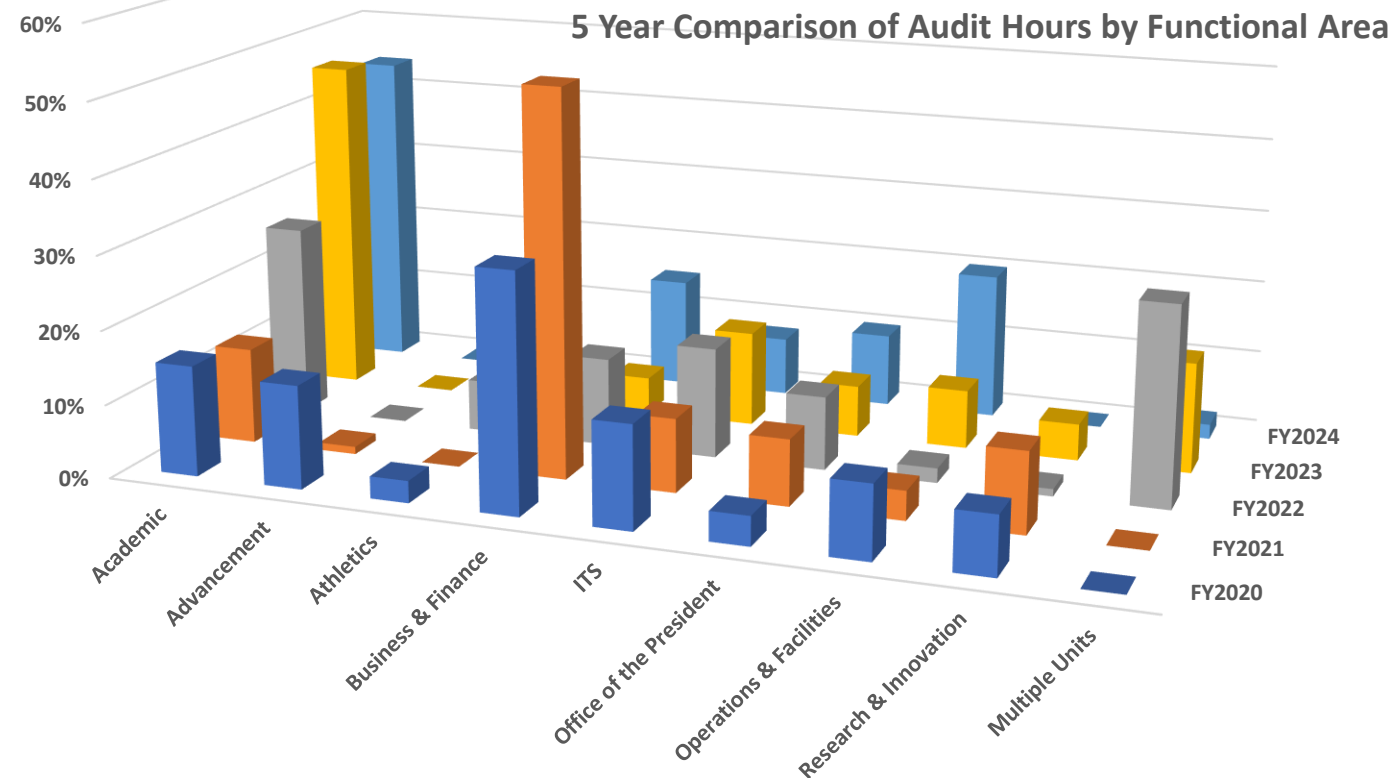
- Assurance Services (Audits)
- Consulting and Advisory Services
- Investigations

Presentation: Internal Audit & Consulting FY2024 Year End Report

FY2024 Audit Hours by Functional Area



Presentation: Internal Audit & Consulting FY2024 Year End Report



Presentation: Internal Audit & Consulting FY2024 Year End Report

Audit Recommendation Summary for FY2024



Presentation: Internal Audit & Consulting FY2024 Year End Report

Investigation Summary for FY2024



Presentation: Internal Audit & Consulting FY2024 Year End Report

Consulting and Advisory Services – participation on the following committees and boards:

- Complaint Triage Team
- Conflict of Interest Committee
- Information Security Advisory Committee
- Payment Card Industry Data Security Standards (PCI DSS) Compliance Committee
- Policy Review Board

Presentation: Internal Audit & Consulting FY2024 Year End Report

Accomplishments:

- ✓ Completing the Required 5 Year Independent Validation of our Compliance with the The Institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Auditing (Standards), Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics
- ✓ Identification of Opportunities for Management to Improve Operations
- ✓ Increased Communications with All Stakeholders
- ✓ Valuable Finance and Audit Committee Communications
- ✓ Promoting Fraud Awareness and Investigating Reports of Fraud, Waste, or Abuse
- ✓ Assistance with the TN Comptroller's Financial and Compliance Audit

Presentation: Internal Audit & Consulting FY2024 Year End Report

Challenges for FY2025:

- Expanding the role of the Chief Audit Executive
- Implementing the revised IIA International Standards for the Professional Practice of Internal Auditing effective in January 2025
- Hiring and maintaining competent, qualified staff
- Completing the approved audit plan in the current environment
- Identifying current priorities while being relevant and flexible
- Identifying new risks associated with changes occurring each year
- Continuing to provide not only required but useful communications to the Finance and Audit Committee
- Providing audit coverage for growing University assets
- Monitoring external audits and reviews of the University and affiliates

Presentation: Internal Audit Quality Assessment Independent Validation Results

The Office of Internal Audit and Consulting performed a Quality Self-Assessment Review during the spring of 2024.

Independent reviewers performed a validation of the self-assessment and concurred with the opinion of the self-assessment - that the University of Memphis Office of Internal Audit and Consulting **generally conforms** to the IIA's Standards, Definition of Internal Auditing, the core principles, and the Code of Ethics.

Presentation: Internal Audit Quality Assessment Independent Validation Results

The independent reviewers communicated several opportunities for improvement, but the Office of Internal Audit and Consulting received the highest rating available.

UofM Internal Audit will not be required to have another external review until 2029.

Questions?

6. Summary of Audit Issue Follow-up Presentation

The University of Memphis Board of Trustees

Presentation
For Information

Date: September 4, 2024

Committee: Finance and Audit Committee

Presentation: Summary of Audit Issue Follow Up

Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

Attached is a summarized list of audit issues with action plans that were evaluated for completion this quarter.

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 July 2024)
7/1/2024	Space Planning and Utilization Audit	1/3/2023	Effective with the Opportunity for Improvement	Space Planning 2	Opportunity to Improve Utilization Monitoring for Departmentally Controlled Teaching Spaces	Minor = Effective with Opportunity for Improvement	David Russomanno, Executive Vice President for Academic Affairs and Provost	Complete
7/1/2024	Space Planning and Utilization Audit	1/3/2023	Effective with the Opportunity for Improvement	Space Planning 3	Opportunity to Improve Process to Notify Registrar of Available Space	Minor = Effective with Opportunity for Improvement	David Russomanno, Executive Vice President for Academic Affairs and Provost	Complete
6/30/2024	Fixed Asset Audit FY2023	4/25/2023	Effective with the Opportunity for Improvement	Fixed Assets (FY2023) 1	Lost or Stolen Property Communications	Minor = Effective with Opportunity for Improvement	Steve Lackey, Interim Assistant Vice President of Financial Accounting and Reporting and University Controller	Not Complete, Action Plan Estimated Completion Date Extended to 2/28/2025
6/30/2024	Fixed Asset Audit FY2023	4/25/2023	Effective with the Opportunity for Improvement	Fixed Assets (FY2023) 2	Insufficient Controls over Fixed Assets	Minor = Effective with Opportunity for Improvement	Steve Lackey, Interim Assistant Vice President of Financial Accounting and Reporting and University Controller	Not Complete, Action Plan Estimated Completion Date Extended to 2/28/2025
5/15/2024	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 1a (FY2024)	Annual Financial Responsibility Certification Compliance	Moderate = Insufficient and Requires Improvement	Christopher Whitehead, Business Officer II, School of Law	Complete
6/30/2024	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 1b (FY2024)	Annual Financial Responsibility Certification Compliance	Moderate = Insufficient and Requires Improvement	Steve Lackey, Interim Assistant Vice President of Financial Accounting and Reporting and University Controller	Complete
11/3/2023	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 3b (FY2024)	Insufficient Controls over Payment of Professional Privilege Tax	Minor = Effective with Opportunity for Improvement	Shan Arnold, Assistant Controller of General Accounting, Accounts Payable, Payroll, & Tax	Complete
2/28/2024	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 4 (FY2024)	Security Awareness Training Compliance	Minor = Effective with Opportunity for Improvement	Christopher Whitehead, Business Officer II, School of Law	Complete
12/31/2023	School of Law Financial and Compliance Audit FY2024	11/8/2023	Effective with the Opportunity for Improvement	Law 5 (FY2024)	Insufficient Controls over Purchasing Cards	Minor = Effective with Opportunity for Improvement	Christopher Whitehead, Business Officer II, School of Law	Complete

7. Summary of Audit Reports Presentation

The University of Memphis Board of Trustees

Presentation
For Information

Date: September 4, 2024
Committee: Finance and Audit Committee
Presentation: Summary of Internal Audit Reports Issued
Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

Three internal audit reports were issued since the June 2024 Finance and Audit Committee meeting. Summarized information is included in the attached table.

Name of Audit Report	Date of Audit Report	Audit Engagement Report Opinion	Observations	Minor Issues - Addressed Verbally	Minor Issues	Moderate Issues	Major Issues	Matters for Consideration by University Management	Issues Outstanding from Prior Audit
Lambuth Campus Financial Audit	7/23/2024	Effective with the Opportunity for Improvement	0	2	1	0	0	0	0
Cash Balances Audit	7/25/2024	Effective with the Opportunity for Improvement	0	0	2	0	0	0	0
Inventory Observation Audit	7/25/2024	Effective	0	0	0	0	0	0	0

8. Summary of Internal Audit Year End Report Presentation

The University of Memphis Board of Trustees

Presentation
For Information

Date: September 4, 2024

Committee: Finance and Audit Committee

Presentation: Internal Audit Investigations Resolved

Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

Three investigations were completed by the Office of Internal Audit and Consulting since the June 2024 Finance and Audit Committee meeting. Attached is a summary of the investigation information.

Allegation Received by	Date Allegation Received	Description of Allegation	Date Assigned to Internal Audit by Complaint Triage Team	Internal Audit Investigation Number	Investigation Status	Investigation Outcome	Date of Final Action by Internal Audit
Referral from Executive Vice President & Chief Operating & Financial Officer	8/29/2023	Fraud Related to Duplicate and Suspicious Travel & Non-travel Reimbursements	8/29/2023	24-004 (TN Comp 24-8309)	Investigation Complete, Internal Audit Memo and Management Letter Issued	Duplicate Payments, Altered Receipts, and Shared UofM SSO Access Credentials Identified	7/29/2024
Referral from Fogelman College of Business & Economics Management	5/11/2024	Fraud, Waste, or Abuse Related to Use of Travel Funds	5/13/2024	24-012 (TN Comp 24-9590)	Investigation Complete, Internal Audit Memo Issued	Approved Travel Expenses Did Not Support Business Purpose of Trip	7/9/2024
Referral from Human Resources Management	5/29/2024	Fraudulent Use of UofM Police Services Fuel Cards	5/29/2024	24-013	Investigation Complete, Internal Audit Memo and Management Letter Issued	No Indication of Fraudulent Use of UofM Police Services Fuel Cards	6/25/2024

9. FY2024 Internal Audit Year End Report Presentation

The University of Memphis Board of Trustees

Presentation
For Information

Date: September 4, 2024
Committee: Finance and Audit Committee
Presentation: FY2024 Office of Internal Audit and Consulting Year End Report
Presented by: Angela Ross, Associate Vice President and Chief Audit Executive

Background:

According to the Finance and Audit Committee Charter, the Finance and Audit Committee must “review the result of the year’s work with the Chief Audit Executive.”

The Office of Internal Audit and Consulting FY2024 Year End Report explains Internal Audit’s purpose and the services provided and summarizes audit hours by functional area; audit issues and recommendations; fraud, waste, and abuse investigations; consulting and advisory work; and other projects completed during the year. Please see the attached University of Memphis Office of Internal Audit and Consulting Year End Report for the Fiscal Year Ended June 30, 2024.

UNIVERSITY OF MEMPHIS OFFICE OF INTERNAL AUDIT AND CONSULTING

Year End Report
For the Fiscal Year
Ended June 30, 2024



Office of Internal Audit & Consulting
271 Administration Building
Memphis, TN 38152



INTERNAL AUDIT PURPOSE AND SERVICES

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve the University of Memphis' operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal Audit performs assurance services by assessing evidence to provide an independent opinion or conclusion regarding a University entity, operation, function, process, system, or other subject matter. The nature and scope of assurance engagements are determined by the approved internal audit plan and staff of Internal Audit.

Consulting services are advisory in nature and are generally performed at the specific request of an engagement client. The nature and scope of consulting engagements are subject to agreement with the engagement client. When performing consulting services, the Internal Auditor strives to maintain objectivity and not assume management responsibilities.

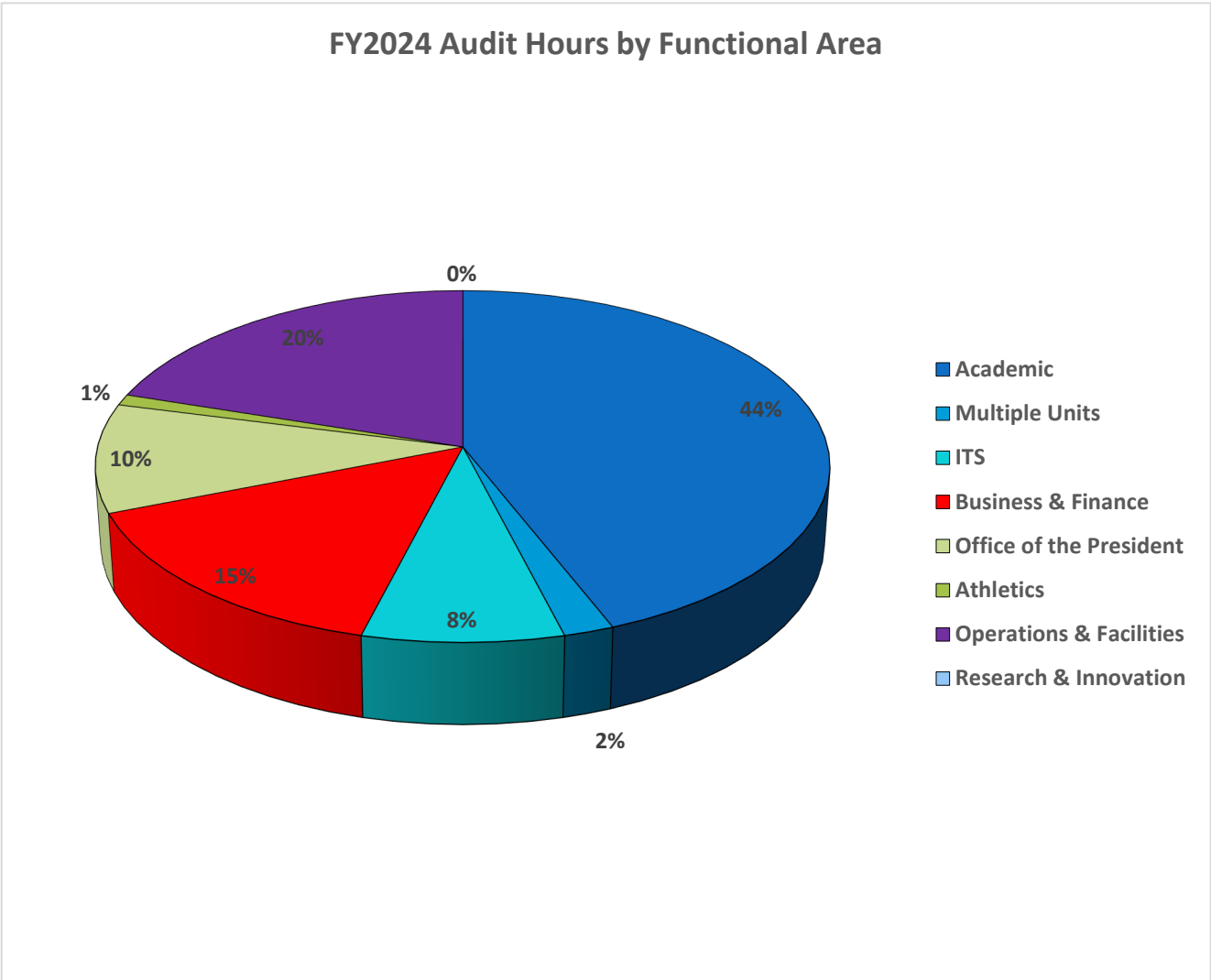
Internal Audit performs confidential investigations of allegation reports assigned by the Complaint Triage Team, a team created by the Finance and Audit Committee and University management to evaluate allegation reports and complaints so that the appropriate office investigates and reviews allegations received.

Results of all Internal Audit projects are communicated to the Finance and Audit Committee, the Tennessee Comptroller of the Treasury, and University of Memphis upper management.

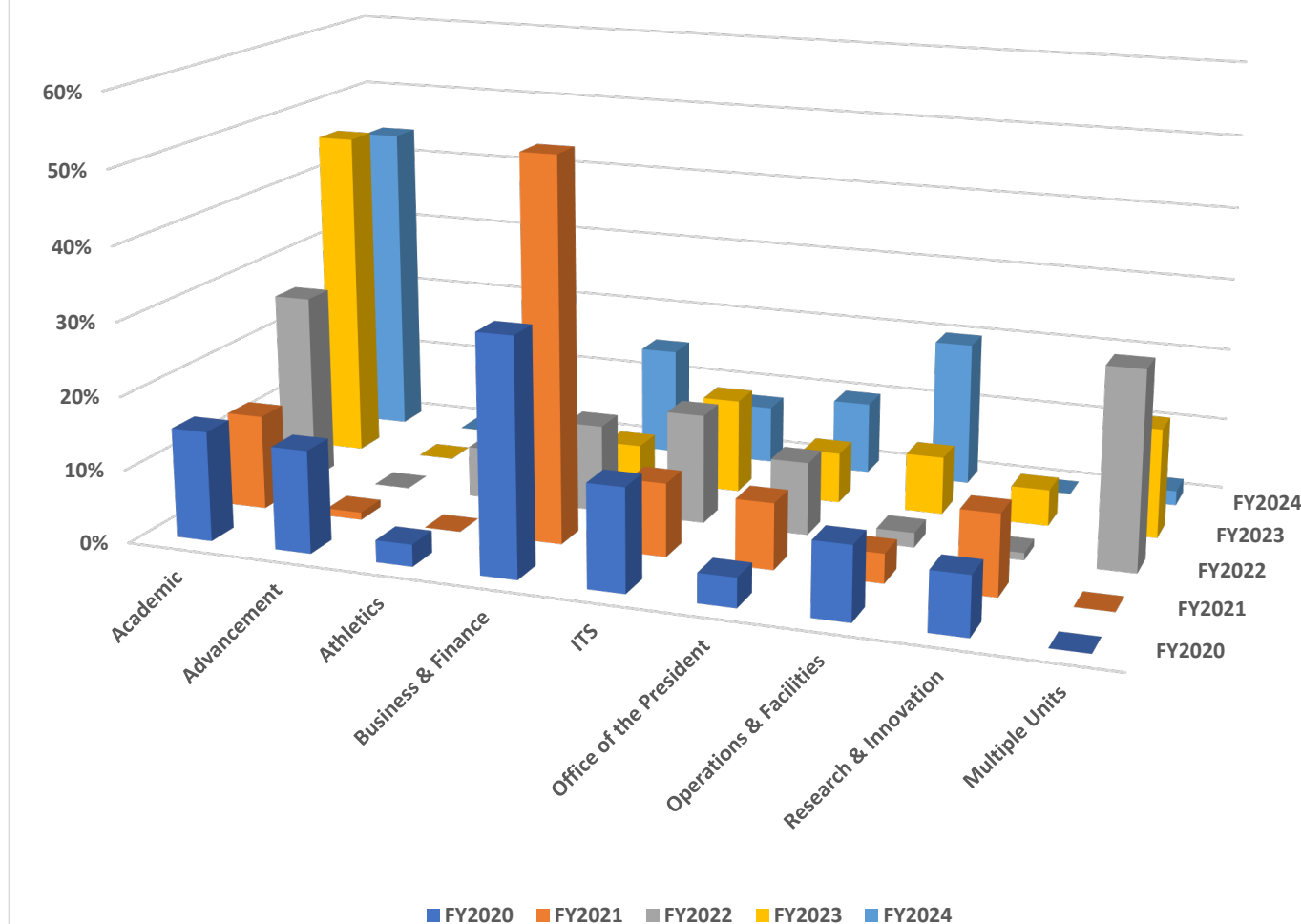
DISTRIBUTION OF AUDIT HOURS

The Office of Internal Audit and Consulting classifies audits by functional area. This allows us to report to the Board of Trustees and management the segments of the University community we are serving. Below is a chart showing the distribution of audit hours by functional area:

Audit Hours by Functional Area



5 Year Comparison of Audit Hours by Functional Area



AUDIT ISSUES TRACKED BY INTERNAL AUDIT

Audits and other projects performed by the Office of Internal Audit and Consulting often reveal opportunities for management to improve operations. Significant opportunities are generally included in the audit report as recommendations. Less significant opportunities may not be included in the audit report but discussed with the appropriate staff.

By University policy, the Office of Internal Audit and Consulting is also tasked with collecting audits, reviews, examinations, assessments, or investigations performed by an agency, company, consultant, or other organization or individual outside of the University for the purpose of assessing operational or financial effectiveness, legal or regulatory compliance, and/or conformance with contractual obligations. Internal Audit is then responsible for reporting this information to the Finance and Audit Committee, Division of State Audit and others as the circumstances may dictate.

Audit Recommendation Summary for FY2024

**Internal Audit Identified
Issues & Recommendations**

37

Externally Identified Issues

29

**Total Issues Corrected by
Management to Date**

49



INVESTIGATION INFORMATION

By Charter, the Finance and Audit Committee has the authority to conduct or authorize investigations into any matter within its scope of responsibility. The Finance and Audit Committee employs the Chief Audit Executive to report directly to the Committee and to ensure there is a confidential process for receiving and investigating reports of illegal, improper, wasteful, or fraudulent activity at the University.

The Finance and Audit Committee and University management created the Complaint Triage Team, a team including the Chief Compliance Officer, University Counsel, Chief Audit Executive, and Chief Human Resources Officer, to evaluate allegation reports and complaints received by Internal Audit and others so that the appropriate University office investigates and reviews allegations received. Internal Audit does not conduct criminal investigations, get involved in personnel complaints, personnel actions, matters related to tenure, or investigate reports of discrimination or sexual assault.

During FY2024, Internal Audit investigation reports were provided to the Finance and Audit Committee, the Tennessee Comptroller of the Treasury, and University of Memphis upper management. When useful, management letters related to the investigations were also distributed to provide recommendations and other matters for management’s consideration.

Below is a summary of investigative activity for fiscal year 2024:

Investigation Summary for FY2024





One of the responsibilities of the Complaint Triage Team is to educate the campus community about fraud, waste, and abuse; illegal activities; conflicts of interest; noncompliance with policies, laws, or regulations; and how to report suspected cases of each. The education initiative also includes informing employees of their protections when reporting these types of activities.

Annually, the Complaint Triage Team sends a University wide email to all faculty and staff stressing the responsibility of all University employees to ensure our resources are properly managed and safeguarded against inappropriate use by reporting activities that could be fraud, waste, or abuse. The email is normally distributed at the beginning of each fall semester.

The Office of Internal Audit and Consulting promotes reporting of fraud, waste, or abuse by meeting with employee and student groups across campus. An Internal Audit brochure titled *Reporting Fraud, Waste and Abuse* is provided to groups during presentations. The brochure is also posted on the Office of Internal Audit and Consulting's website, which contains a page devoted to reporting fraud, waste, and abuse of University resources. A link to submit a report online is provided, as well as other reporting options. Also, Tennessee Comptroller of the Treasury fraud, waste, or abuse hotline posters are displayed in multiple locations across campus.

OTHER SIGNIFICANT ACCOMPLISHMENTS

Since the formation of the University of Memphis Board of Trustees and the oversight and guidance of a local Finance and Audit Committee, the Office of Internal Audit and Consulting has worked to become more relevant and valuable to the University community. Some of our accomplishments are listed below.

- ✓ Completing the Required 5 Year Independent Validation of our Compliance with the The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, Definition of Internal Auditing, Core Principles for the Practice of Internal Audit (Core Principles), and the Code of Ethics
- ✓ Identification of Opportunities for Management to Improve Operations
- ✓ Increased Communications with All Stakeholders
- ✓ Valuable Finance and Audit Committee Communications
- ✓ Promoting Fraud Awareness and Investigating Reports of Fraud, Waste, or Abuse
- ✓ Assistance with the TN Comptroller's Financial and Compliance Audit

Additionally, Internal Audit staff has performed consulting services by participating on the following committees and advisory boards.

- ✓ Complaint Triage Team
- ✓ Conflict of Interest Committee
- ✓ Information Security Advisory Committee
- ✓ Payment Card Industry Data Security Standards (PCI DSS) Compliance Committee
- ✓ Policy Review Board

OTHER CHALLENGES

Internal Audit faces the following challenges during FY2025:

- Expanding the role of the Chief Audit Executive
- Implementing the revised IIA *International Standards for the Professional Practice of Internal Auditing* effective in January 2025
- Hiring and maintaining competent, qualified staff
- Completing the approved audit plan in the current environment
- Identifying current priorities while being relevant and flexible
- Identifying new risks associated with changes occurring each year
- Continuing to provide not only required but useful communications to the Finance and Audit Committee
- Providing audit coverage for growing University assets
- Monitoring external audits and reviews of the University and affiliates

10. Financial Performance Report

Presentation

Presented by Steve Lackey and Rene
Bustamante

The University of Memphis Board of Trustees

Presentation

Date: September 4, 2024

Committee: Finance & Audit Committee

Presentation: FY24 Financial Performance Report

Presented by: Steve Lackey, Interim AVP Finance, Financial Accounting and Reporting

Background: FY2024 financial update that addresses financial statement summaries, E&G revenue and expenditures, total investments and cash, investment income, and auxiliary services.

FY24 Financial Performance Report

Finance & Audit Committee

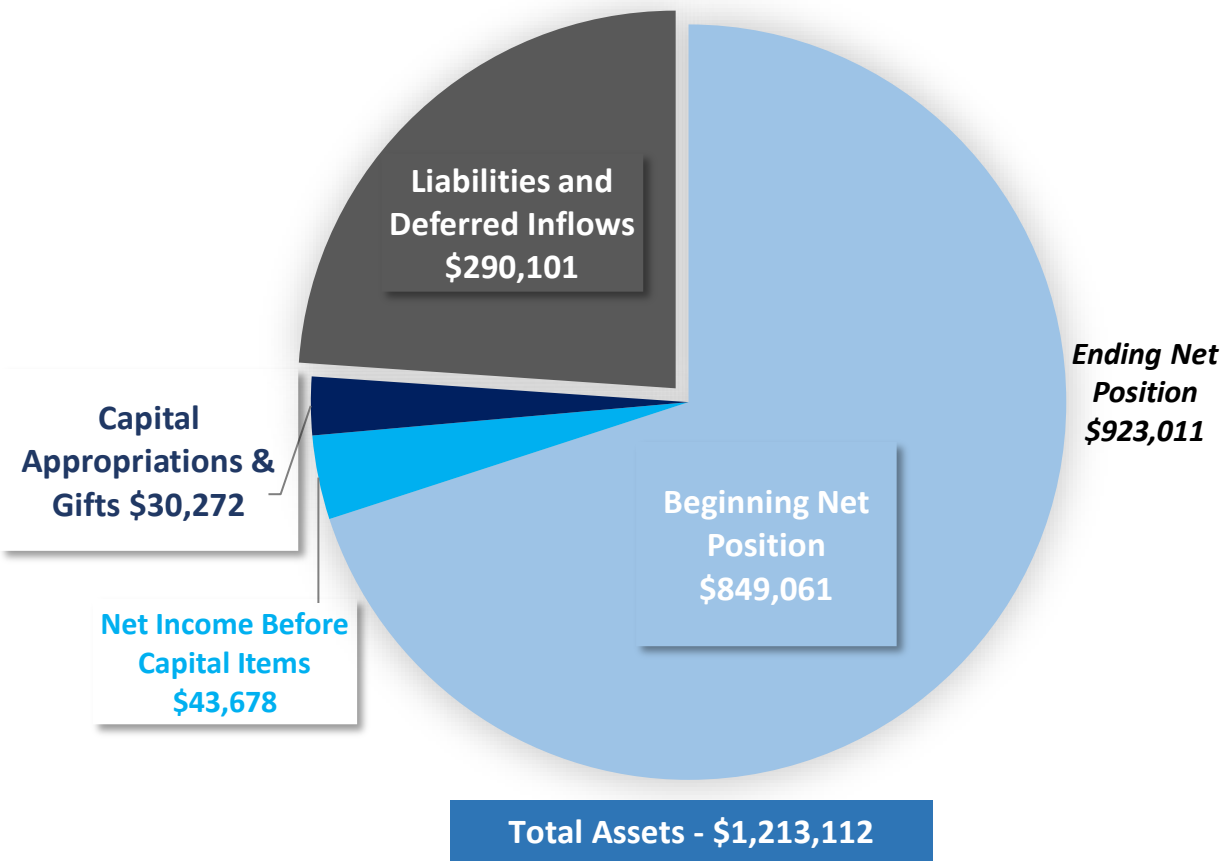
Steve Lackey, CPA
Interim Assistant VP Finance
Financial Accounting and Reporting

Date
Meeting Location

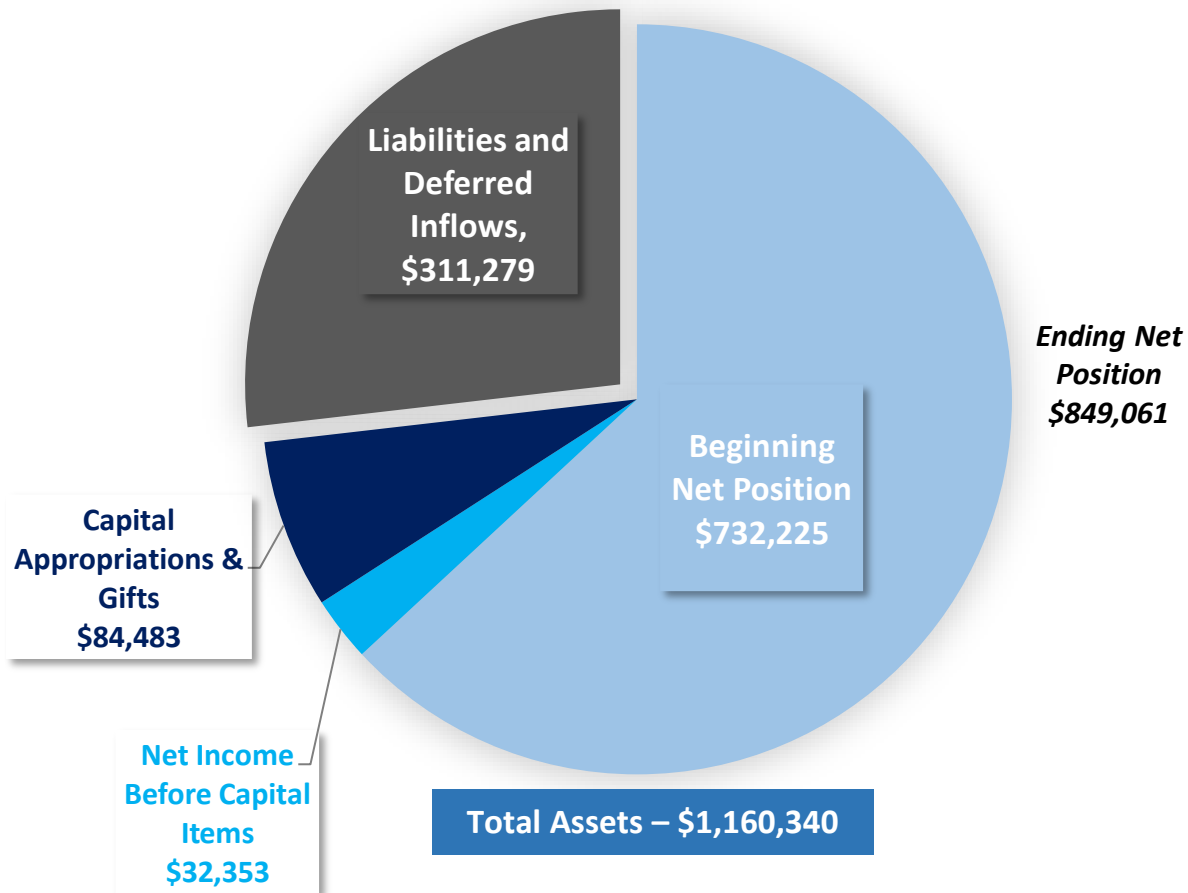


SEPTEMBER 2024

Prelim FY24
(in thousands)



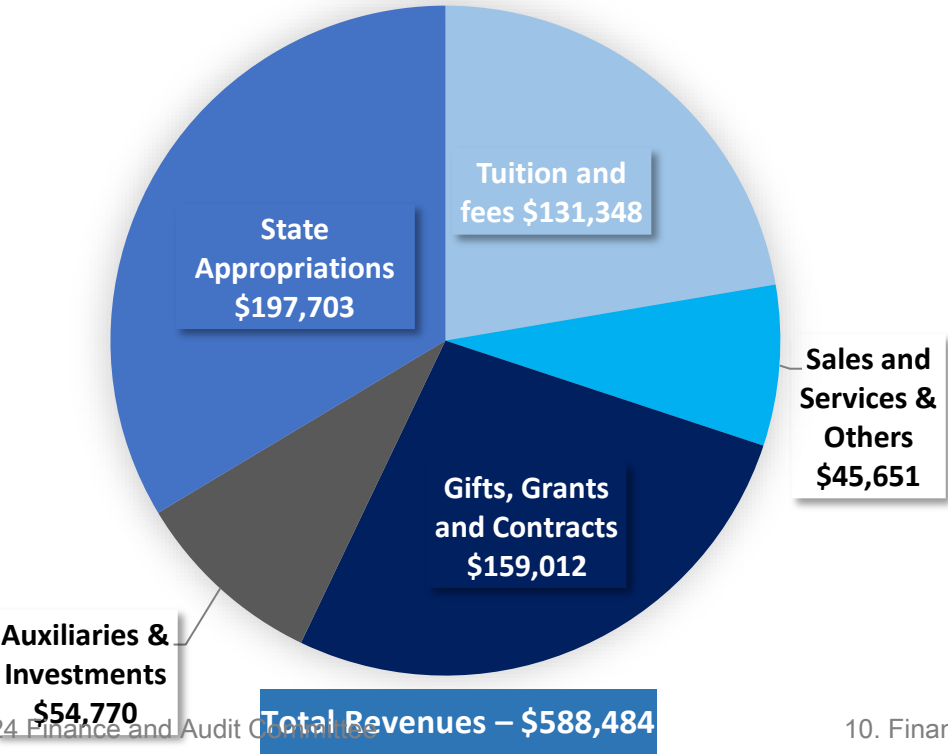
Audited FY23
(in thousands)



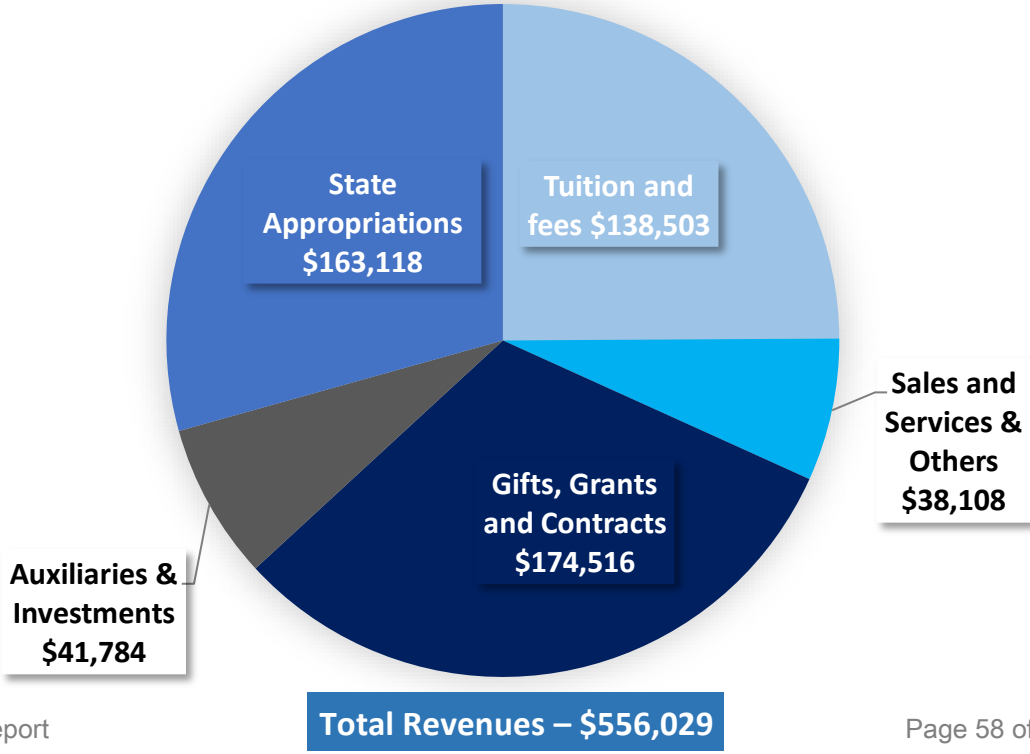
Sources Of Revenue*

*Does not include Capital Gifts and Appropriations

Prelim FY 2024
(in thousands)

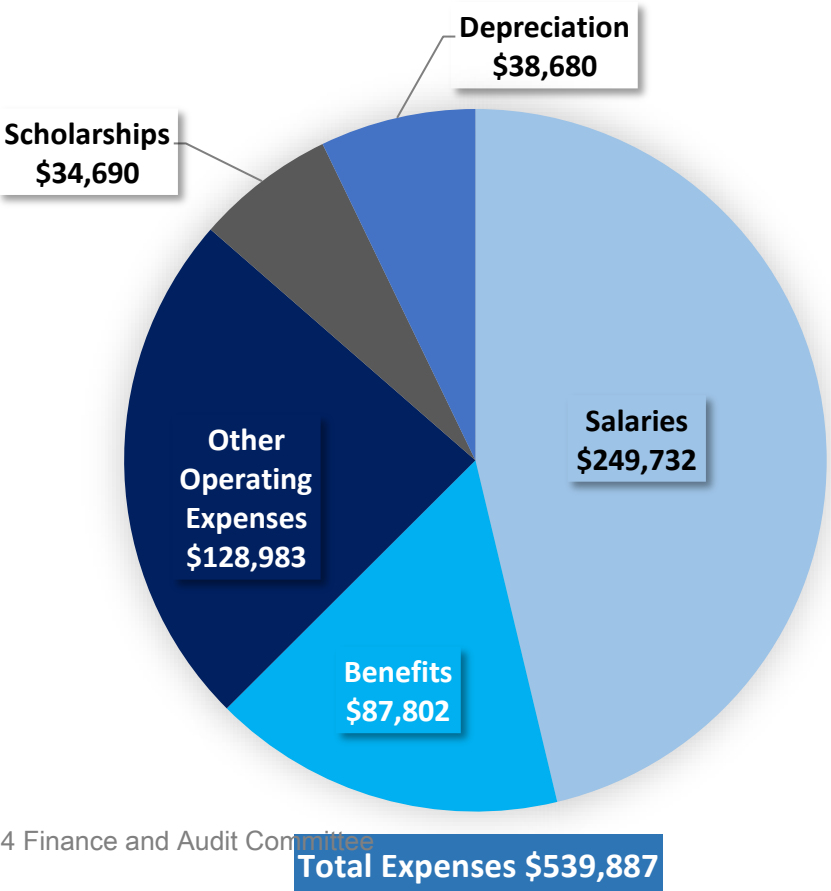


Audited FY 2023
(in thousands)

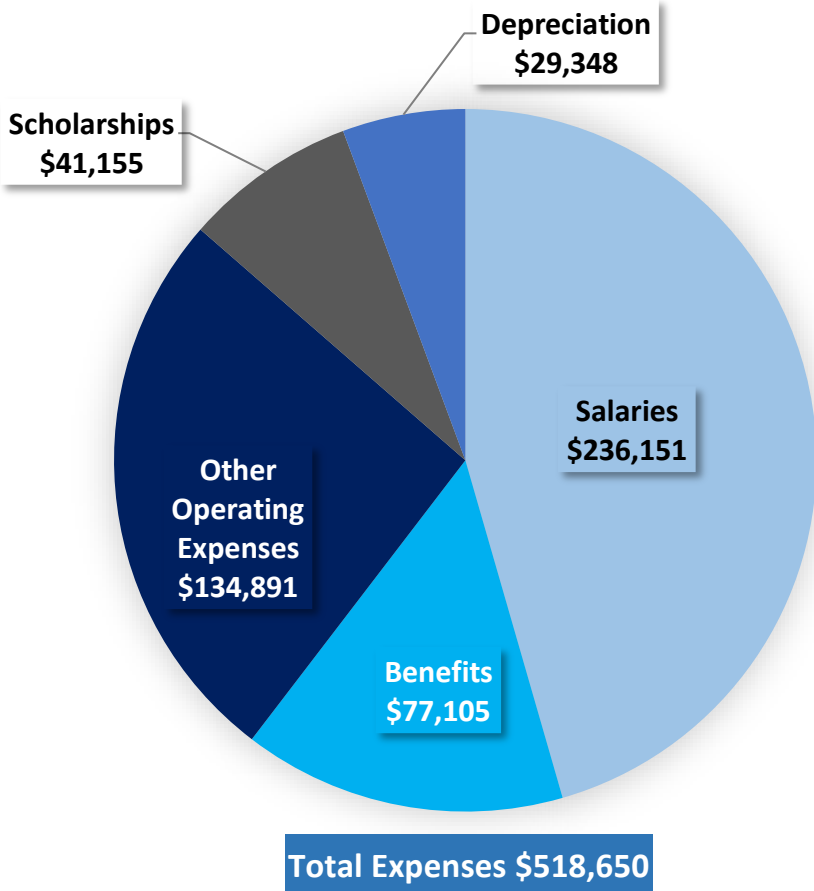


Details of Expenses
(in thousands)

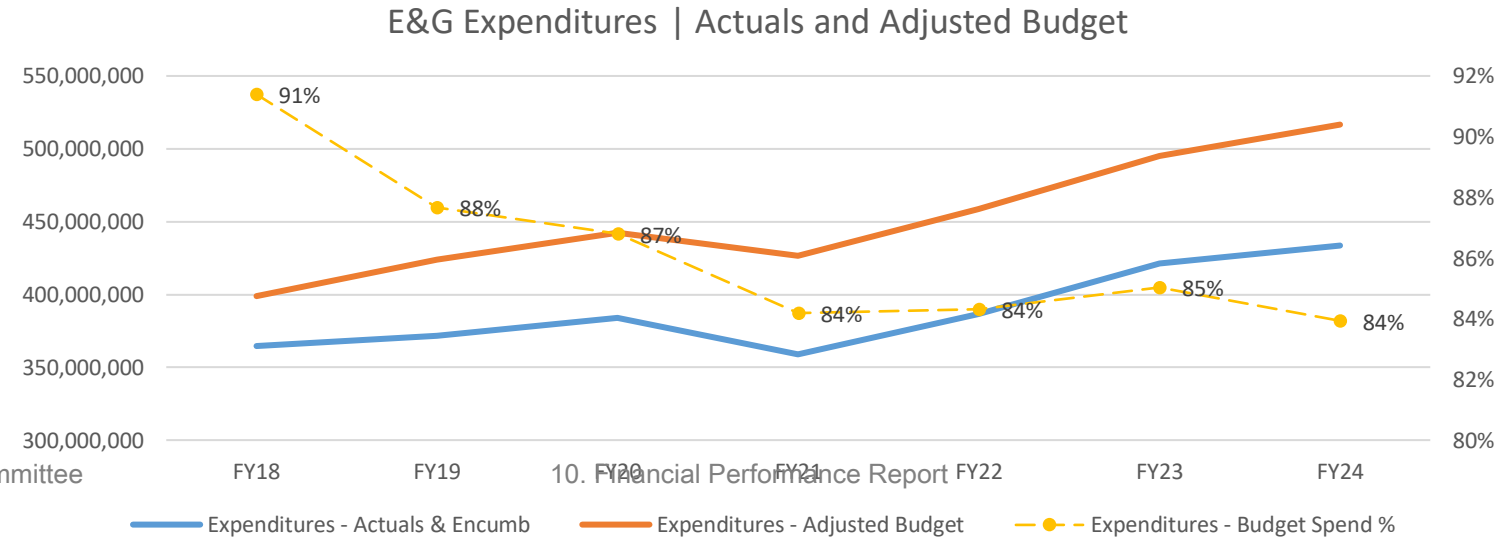
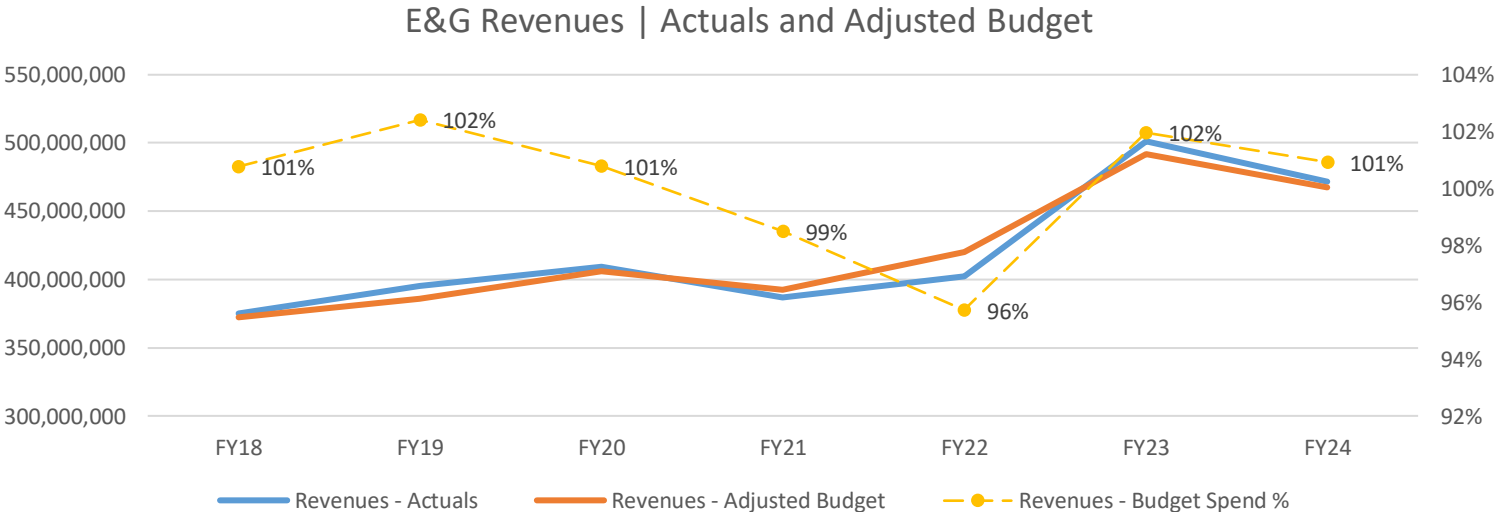
Prelim FY 2024



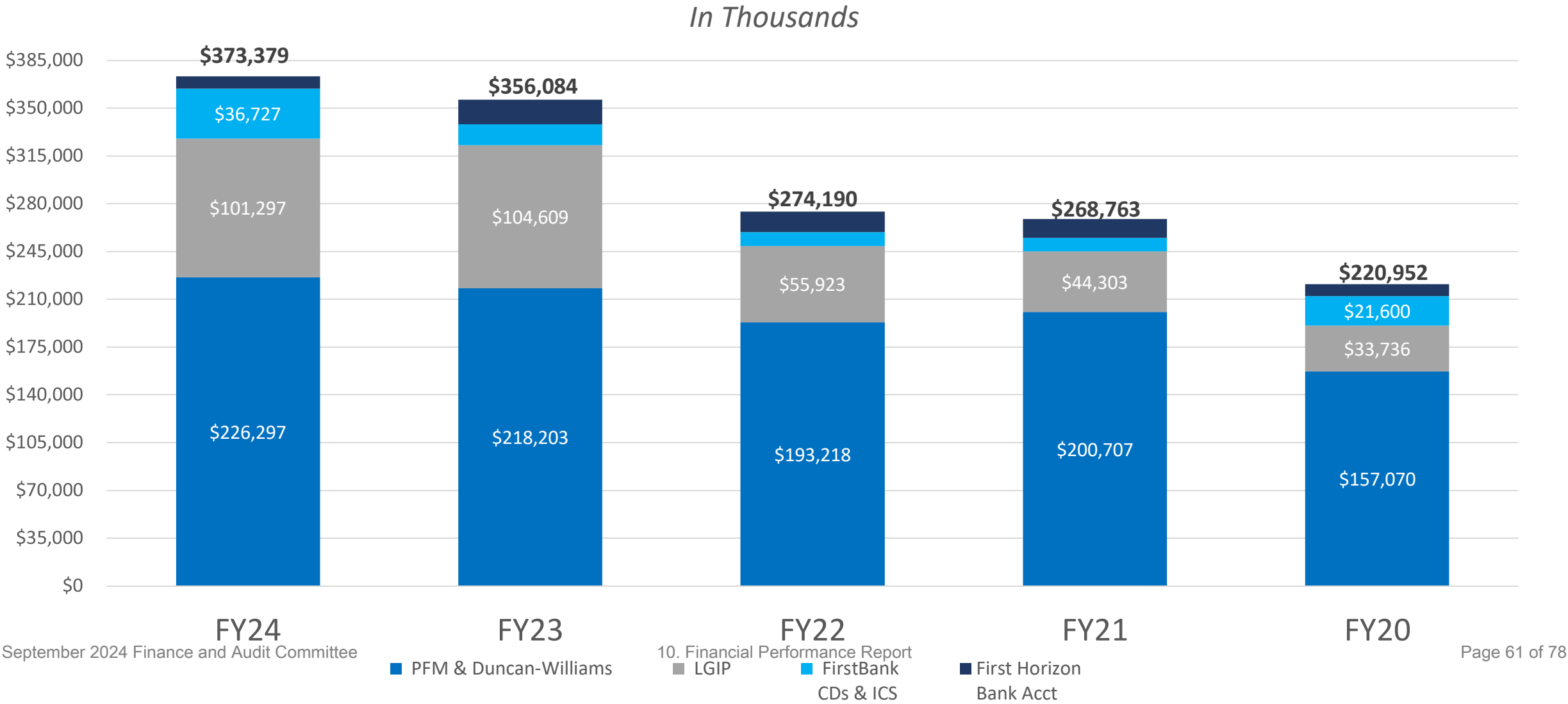
Audited FY 2023



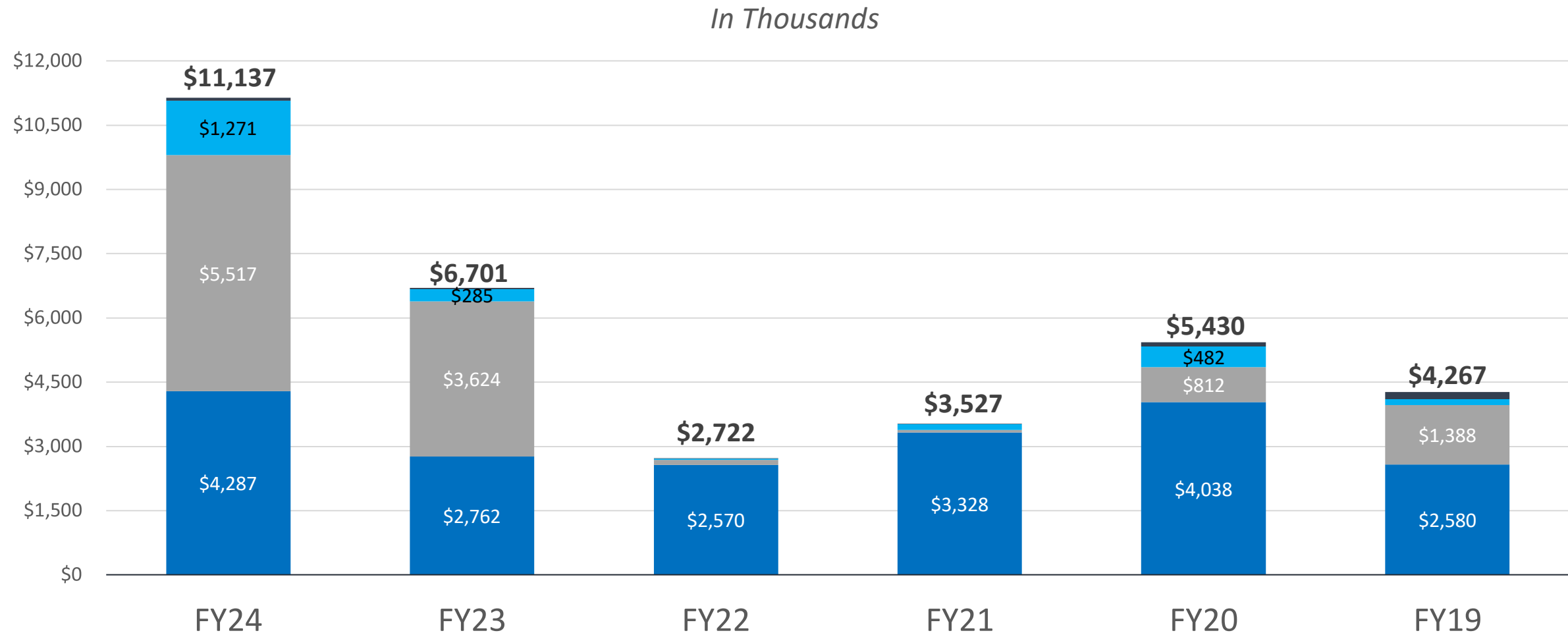
E&G Rev. & Exp. Vs. Budget



FY24 Total Investments & Cash

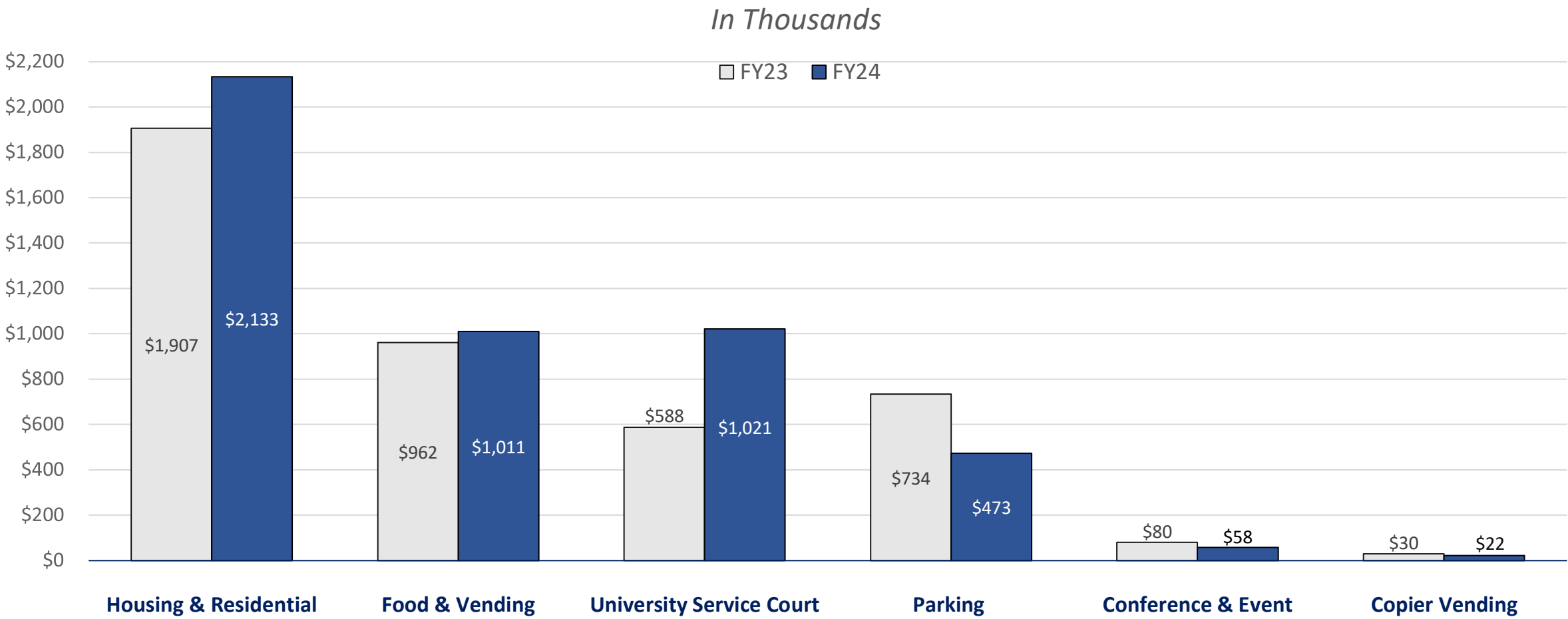


FY24 Investment Income



FY24 vs FY23 Auxiliary Services Operating Results

(Preliminary)



Questions?

11. Park Avenue Campus Student Housing Update

Presentation

Presented by Rene Bustamante

The University of Memphis Board of Trustees

Presentation

Date: September 4, 2024

Committee: Finance & Audit Committee

Presentation: Park Avenue Campus Student Housing Update

Presented by: Rene Bustamante, CFO and COO

Background: Update to the P3 housing project including information on the transaction background, changes to finance structure, pricing progression, and final pricing scale.

Park Avenue Campus Student Housing Update

Finance and Audit Committee

Rene Bustamante
Executive Vice President & Chief Operating & Financial
Officer

September 4, 2024
University Center



SEPTEMBER 2024



Student Housing Revenue Bonds (Madrone Memphis Student Housing I, LLC - University of Memphis Project) Series 2024A-1 and Federally Taxable Series 2024A-2

Post-Pricing Presentation August 2024

The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee



\$73.02 Million Series 2024A-1 and 2024A-2 Student Housing Revenue Bonds

2024A-1 (S&P: BB+)
\$70,870,000

Federally Taxable 2024A-2 (S&P: BB+)
\$2,150,000

Transaction Background

- On July 31, 2024, we successfully completed the \$73.02 million bond financing to construct a student housing facility of 542 beds on the Park Avenue South Campus at the University of Memphis (the “University”).
- Raymond James served as bookrunning senior manager on the bond issuance for The Health, Educational, and Housing Facility Board of the County of Shelby, Tennessee Student Housing Revenue Bonds.
- The University expects the primary tenants of the student housing facility to be student athletes and upper division undergraduate (juniors and seniors) and graduate students.
- The University involvement in the marketing of the bonds was pivotal to a successful sale. In anticipation of pricing, Raymond James and lead members from the University (Melinda Carlson, Melanie Murry, Tony Poteet, and Rene Bustamante) participated in seven investor calls answering questions about the University and project financing.
- At the end of the order period, over **\$1.9 billion in orders** were submitted by **over 40 investors** which allowed Raymond James to restructure the bonds and lower the yields to result in **reducing the borrowing cost by 25 basis points**. In the end, the Project was able to obtain 32-year financing with an all-in rate of 5.45%

Summary of Series 2024 Transaction

The Health, Educational and Housing Facility Board of the County of Shelby, Tennessee Student Housing Revenue Bonds (Madrone Memphis Student Housing I, LLC - University of Memphis Project) Series 2024A-1 and Federally Taxable Series 2024A-2			
Underwriter	Raymond James		
Bond Counsel	Kutack Rock LLP		
Purpose	Park Avenue Campus Student Housing		
Rating	S&P: BB+		
Pricing Date	July 31, 2024		
Delivery Date	August 12, 2024		
Structure		Sources of Funds	
Tax Status	Tax-Exempt and Taxable	Par Amount	\$73,020,000.00
Par Amount	\$73,020,000	Premium/(Discount)	423,377.15
Tax-Exempt	\$70,870,000	Total Sources of Funds	\$73,443,377.15
Taxable	\$2,150,000	Uses of Funds	
First Interest Date	12/1/2024	Construction Fund	\$56,722,884.90
Maturity Date	June 1	Capitalized Interest Fund	8,322,459.06
Maturities	2036, 2044, 2056	Debt Service Reserve Fund	5,620,762.50
Optional Call	6/1/2034	Costs of Issuance	2,502,270.69
All In TIC	5.45%	University Utility Bills Fund	75,000.00
		University Temporary Housing Reserve Fund	200,000.00
		Total Uses of Funds	\$73,443,377.15

Changes to Financing Structure since Mid-June

- Eliminated subordinate convertible capital appreciation bonds and reduced amount of subordinate debt reducing interest expense by \$1.8 million
- Changed rent levels to appropriate comparison to current on-campus apartment rents
- Changed issuer and eliminated approximately \$100,000 a year of ongoing fees, or \$2.3 million over the life of the financing
- Reduced the Asset Management Fee by \$26,000 a year, or \$832,000 over the life of the financing
- Reduced the construction contract profit margin from 6% to 4.5% for a \$600,000 savings
- Changed final maturity from 2057 to 2056
- As a result of a successful order period, Raymond James was able to reduce borrowing costs by 25 basis points
- Increased projected ground lease payments from **\$4.5 million to \$41.5 million**

In addition to the savings, the following remained intact

- IT services retained by UM for continuity across all housing
- Full residence life programming
- Full residence life staffing
- Retained all parking revenues
- Extension of campus standard electronic access system
- Full integration of marketing, applications, leasing and rent collection into existing campus systems
- Utilization of facility for summer conferences
- Full insurance coverage by developer
- Full security for facility by developer and UM
- Utilities metering and billing compatible with campus systems
- Campus involvement in annual budgeting development and approval for facility
- Facility design conforms to campus standards and all applicable building, fire and ADA codes
- All demolition costs for 5 buildings are included in the project.
- Utility extensions for water and sewer are sized to accommodate the future athletic success center

Pricing Progression

- Raymond James had a successful order period on the day of pricing receiving over \$1.9 billion in orders from 41 different accounts
- The investor interest allowed Raymond James to reduce yields by 25 basis points for the tax-exempt Senior bonds and eliminate the tax-exempt Subordinate bonds resulting in an all-in rate of 5.45% for the 40-year financing

Tax-Exempt Scale		Pre-Marketing			Final Pricing			Subscription Levels	Spread Adjustments
Maturity (June 1)	MMD 7/30/2024	Coupon	Spread	Yield	Coupon	Spread	Yield		
2044	3.40	5.000	1.75	5.15	5.000	1.50	4.90	25.5x	-0.25
2056	3.68	5.250	1.75	5.43	5.000	1.50	5.18	28.1x	-0.25
2056*	3.68	6.500	3.00	6.68	Subordinate Bond Eliminated			3.0x	Eliminated
*Subordinate Bond									
Taxable Scale								Subscription Levels	Spread Adjustments
Maturity (June 1)	UST 7/30/2024	Coupon	Spread	Yield	Coupon	Spread	Yield		
2036	4.25	8.000	3.75	8.00	8.000	3.75	8.00	2.0x	0.00

Final Pricing Scale

University of Memphis Project Final, Series 2024 Pricing									
Maturity	Type	Par	Amount	Spread	Coupon	Yield	Price	YTM	Call Date
6/1/2036	Term	\$	2,150,000.00	3.75	8.00	8.00	100.000	8.000	6/1/2034
6/1/2044	Term		21,765,000.00	1.50	5.00	4.90	100.763	4.939	6/1/2034
6/1/2056	Term		49,105,000.00	1.50	5.25	5.18	100.524	5.216	6/1/2034
Total			\$ 73,020,000.00						

12. Finalization of President's Review - Compensation

For Approval

Presented by Rene Bustamante

The University of Memphis Board of Trustees

Recommendation

For Approval

Date: September 4, 2024

Committee: Finance & Audit Committee

Presentation: Finalization of President's Review - Compensation

Presented by: David McKinney

Background: The Board of Trustees is responsible for the supervision of the President and pursuant to the Presidential Review and Evaluation (PRE) policy, the President is to be evaluated on an annual basis for an evaluative period of June through July. As part of the evaluative process, the "Finance and Audit Committee shall . . . take appropriate action on any recommendations regarding compensation or other terms of employment. The Committee's action will then be submitted to the full Board of Trustees for approval or modification."

The Finance and Audit Committee requests a motion to provide President Hardgrave with the amount of \$100,000 in the form of deferred compensation, based on the successful review and evaluation of his job performance.

13. Additional Business

For Discussion

Presented by David McKinney

14. Adjournment

For Approval

Presented by David McKinney